

WATER DISPOSAL WELL AGREEMENT

THIS WATER DISPOSAL WELL AGREEMENT (this "Agreement") is made and entered into effective as of the 1st day of February, 2016 (the "Effective Date"), between Joan L. Savage ("Savage"), as record title owner of the Subject Lands (as defined below) and as Nominee for Buffalo Basin Limited Partnership ("BBL") pursuant to that certain Nominee Agreement dated effective July 1st, 1972 and BBL in its own right (Savage and BBL are collectively referred to herein as "Owner"), with a mailing address of P.O. Box 1926, Rifle, Colorado 81650, and CAERUS PICEANCE LLC, a Colorado limited liability company ("Caerus"), with a mailing address of 600 17th Street, Suite 1600N, Denver, Colorado 80202. Savage, BBL and Caerus are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS:

A. WHEREAS, Savage is the record title owner and Lessor, as Nominee for the benefit of BBL, of an undivided interest in the mineral estate underlying lands described in that certain Memorandum of Oil and Gas Lease dated June 13, 2007, recorded in Garfield County, Colorado, at reception number 727449 (the "Subject Lands").

B. WHEREAS, Savage is also the record title owner of the surface estate of the Subject Lands and Nominee for the benefit of BBL; and

C. WHEREAS, Caerus desires to drill a salt water disposal well (the "Subject Well"), located on the Subject Lands, and to dispose of water produced from oil and gas wells on and off the Subject Lands.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the premises and other good and valuable consideration, the sufficiency of which is acknowledged, Owner and Caerus agree as follows:

1. Granting Clause. Without amending, modifying or limiting Caerus' rights as Lessee under the oil and gas lease referred to in Recital A above, Owner does hereby grant, lease and let unto Caerus the Subject Lands for the purpose of drilling, completing, equipping, maintaining, operating, repairing, redrilling, replacing and abandoning the Subject Well and using the Subject Well to dispose of water produced from oil and/or gas wells (a) located on the Subject Lands and (b) that are operated by Caerus but are not located on the Subject Lands. Further, Owner grants, leases and lets unto Caerus all rights of ingress and egress on or to the Subject Lands reasonably necessary for Caerus to drill, complete, equip, maintain, operate, repair, redrill, replace, abandon and use the Subject Well. In exercising such rights, Caerus shall give priority to water produced from oil and/or gas wells located on the Subject Lands.

2. Term. The term of this Agreement shall be for a period of twenty-five (25) years, commencing on February 1, and terminating on January 31, 2041, unless sooner terminated by mutual agreement or as herein provided.

4. Caerus' Option Not to Drill the Subject Well. Notwithstanding any other provisions of this Agreement to the contrary, if Caerus determines, in its sole judgment, that the Subject Well is not economic to drill and complete, it shall have no obligation to drill and complete the Subject Well.

7. Right to Audit. Upon reasonable notice from BBL, Caerus shall permit BBL or its authorized agent to inspect, audit and examine, at BBL's sole expense, during Caerus' normal business hours at Caerus' office in Denver, Colorado, Caerus' books and accounting records relating to the Subject Well to determine the accuracy of the payments of the Disposal Fee required to be made by Caerus hereunder.

8. Drilling Pad. The Subject Well and all pumps, meter equipment, electrical equipment, tanks and other equipment related thereto will be located in the NENE of Section 8, Township 7 South, Range 94 West, on the 8A 794 drilling pad. Owner agrees that Caerus will continue to have access to and egress from this drilling pad.

9. Produced Water from Off Lease Caerus Wells. Caerus shall have the right to dispose of water produced from Caerus operated wells not located on the Subject Lands. This right to dispose of water produced from all Caerus operated wells includes both existing wells and all wells drilled in the future.

10. Pipelines. Caerus shall have the right to construct and operate pipelines located on the Subject Lands from any Caerus operated well or well pad to the Subject Well in connection with Caerus' water disposal operations with no additional fees. Caerus agrees to consult with BBL prior to laying any pipelines directly associated with the Subject Well to determine the best and most feasible route after considering both Caerus' and BBL's respective needs and uses of the land.

11. Equipment. All equipment and other personal property of Caerus which are installed and maintained in the Subject Well by Caerus shall at all times remain the property and responsibility of Caerus, and Caerus may at all times and from time to time install or remove any such equipment or personal property.

12. Compliance with Laws. Caerus shall carry on Caerus' operations hereunder in a careful and workmanlike manner, and in accordance with all laws, statutes, ordinances, governmental orders and regulations and covenants, conditions and restrictions governing the same. All necessary licenses and permits required for Caerus' operations shall be obtained by Caerus at Caerus' sole expense.

13. Indemnification. Caerus agrees to defend, indemnify and hold Owner harmless from and against any and all losses, damages, liability, claims, demands, obligations, costs, charges and expenses (including reasonable attorney's fees incurred by Owner) and causes of action of whatsoever character which Owner may endure, sustain or be subjected to on account of, arising out of or in any way connected with Caerus' occupancy, operation, maintenance, enjoyment or use of the Subject Well and Subject Lands under this Agreement (collectively, "Claims"), including, but not limited to, those Claims arising from any contamination, pollution, environmental damage and cleanup, loss or damage to property and loss of use thereof, or for bodily injury to or death of any persons; provided, however, Caerus shall owe Owner no defense, indemnity and hold harmless obligations pursuant to this Section 12 with respect to Claims arising from the negligence or other fault of Owner or any of their respective officers, managers, representatives, consultants or invitees.

15. Termination of Agreement.

(i) By Caerus. Caerus may, at Caerus' option at any time surrender and terminate Caerus' rights under this Agreement, subject to Section 22 below, and shall be released thereupon from all obligations thereafter accruing with respect to this Agreement. Termination under this Agreement shall not relieve Caerus from the payment of any sums then due to BBL for the Disposal Fee or from any Claim previously accrued or then accruing against Caerus on or before the effective date of such termination.

(ii) By Owner. Owner may terminate this Agreement for any material breach by Caerus described below after Owner gives written notice to Caerus specifying, in reasonable detail, the nature of such breach, and Caerus' failure to either (i) cure such breach within thirty (30) days of receipt of the notice, or (ii) in the event that the nature of the breach is such that the same cannot reasonably be cured within said thirty (30) day period, Caerus has not commenced such cure and thereafter does not diligently prosecute the cure to completion. The material breaches that would be subject to this Section 14(ii) are:

(A) Fails or refuses to pay, when due, the Disposal Fee.

- (B) Fails to submit when due the periodic reports concerning the Disposal Fee.
- (C) Fails to timely and properly comply with any other material provision of this Agreement.

Nothing in this Section 14 shall prejudice or limit Caerus' right to contest any such breach alleged by Owner, and Owner shall not have the right to terminate this Agreement if Caerus initiates litigation challenging such alleged breach and Caerus prevails in such litigation.

17. Entire Agreement. This Agreement sets forth the entire understanding and agreements of the Parties. This Agreement may only be amended by a written instrument executed by both Parties.

18. Assignment; Successors and Assigns. This Agreement may not be assigned, in whole or in part, by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned or delayed. This Agreement shall be binding on the Parties and, subject to the foregoing, on their respective successors and assigns.

19. Construction. The Parties agree that, in the event of any dispute concerning the interpretation or construction of this Agreement, no presumption shall exist with respect to the Party that initially drafted this Agreement. Unless otherwise expressly provided, the words "including" or "include" do not limit the preceding words or terms.

20. Enforcing According to Terms. The Parties intend this Agreement to be enforced according to its terms.

21. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado without regard to the principles of conflicts of law which would direct the application of the laws of another State.

23. Subrogation of Rights. Owner shall have the right to discharge or redeem for Caerus, in whole or in part, any mortgage, tax, or other lien on the Subject Lands which would jeopardize Caerus' rights under this Agreement, and thereupon be subrogated to such lien and rights materially incident thereto.

24. Survival of Obligations. All obligations, indemnifications, duties and liabilities undertaken by each Party hereunder shall survive for a period of two (2) years beyond the termination of this Agreement.

25. Liens. Caerus shall, at its sole expense, keep the Subject Lands free and clear of all mechanics', materialman's and tax liens resulting from Caerus' occupancy, operation, maintenance, enjoyment or use of the Subject Well and Subject Lands and shall indemnify and hold harmless Owner from and against any and all Claims including, without limitation, reasonable attorneys' fees and court costs, in connection with or arising out of any such liens.

26. Dispute Resolution. Any dispute arising under this Agreement may be resolved in any court of competent jurisdiction or by an alternative dispute resolution process mutually agreed upon by the Parties.

27. Attorneys' Fees. Each Party shall bear its own attorneys' fees and costs incurred in connection with this Agreement.

28. Counterparts. This Agreement may be executed in one or more counterparts. A facsimile or electronically scanned signature shall be deemed as valid as an original signature.

29. Recording Memorandum. Caerus, at its sole option, may draft a memorandum of this Agreement and may place the same of record in Garfield County, Colorado. At Caerus' request, Owner agrees to execute and deliver to Caerus all necessary copies of any such memorandum.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above set forth.

JOAN L. SAVAGE, an individual

By: Joan L. Savage
Name: Joan L. Savage

BUFFALO BASIN LIMITED PARTNERSHIP

By: Joan L. Savage
Name: Joan L. Savage, as Nominee

SAVAGE LIMITED PARTNERSHIP I,
GENERAL PARTNER OF BUFFALO BASIN
LIMITED PARTNERSHIP

By: Joan L. Savage
Name: Joan L. Savage, General Partner of
Savage Limited Partnership I

CAERUS PICEANCE LLC

By: _____
Name: Matthew A. Wurtzbacher
Title: President

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above set forth.

JOAN L. SAVAGE, an individual

By: _____
Name: Joan L. Savage

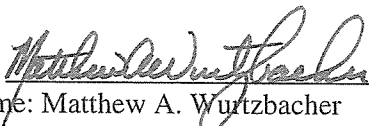
BUFFALO BASIN LIMITED PARTNERSHIP

By: _____
Name: Joan L. Savage, as Nominee

SAVAGE LIMITED PARTNERSHIP I,
GENERAL PARTNER OF BUFFALO BASIN
LIMITED PARTNERSHIP

By: _____
Name: Joan L. Savage, General Partner of
Savage Limited Partnership I

CAERUS PICEANCE LLC

By:  _____
Name: Matthew A. Wurtzbacher
Title: President

