

## WATER DISPOSAL WELL AGREEMENT

THIS WATER DISPOSAL WELL AGREEMENT (this "Agreement") is made and entered into effective as of the 6th day of July, 2015, between PUCKETT LAND COMPANY, a Colorado corporation ("Puckett"), with a mailing address of 5460 South Quebec Street, Suite 250, Greenwood Village, CO 80111, and CAERUS PICEANCE LLC, a Colorado limited liability company ("Caerus"), with a mailing address of 600 17<sup>th</sup> Street, Suite 1600N, Denver, CO 80202. Puckett and Caerus are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

### RECITALS:

A. Puckett is the owner of the mineral estate underlying lands described in that certain Oil and Gas Lease dated November 15, 1999 recorded in Garfield County, Colorado at reception number 556562, (the "Subject Lands").

B. 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 in the vicinity of 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, Puckett and CAERUS agree as follows:

1. Granting Clause. Puckett does hereby grant, lease and let unto CAERUS the portion of the Subject Lands required to support the drilling of the Subject Well and of disposing in the Subject Well water produced from wells producing oil and/or gas located on the Subject Lands.

2. Term. The term of this Agreement shall be for a period of twenty-five(25) years, commencing on July 6, 2015 and terminating on July 6, 2040, unless sooner terminated by mutual agreement or as herein provided.

3. Disposal Fee.

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.

5. Reports. Caerus shall furnish Puckett with each of the monthly Disposal Fee payments a report or reports showing the number of barrels injected into the Subject Well for the prior month.

6. Right to Audit. Upon reasonable notice from Puckett, Caerus shall permit Puckett or its authorized agent to inspect, audit and examine during normal business hours Caerus' books and accounting records relating to the Subject Well to determine the accuracy of the reports required to be provided hereunder.

7. Drilling Pad. The Subject Well will be located in the SW/4NW/4 of Section 1, Township 7 South, Range 97 West, on the E1 797 drilling pad, on which other wells to be drilled by Caerus are also located. Puckett agrees that Caerus will continue to have access to and from this drilling pad to service and operate the Subject Well during the term hereof and that none of the payments provided herein shall apply to the use of Puckett's surface by Caerus to conduct its oil and gas operations and activities on such drilling pad or on the Subject Lands.

8. Produced Water from Off Lease Caerus Wells. Caerus shall have the right to dispose of water produced from Caerus wells located on the Subject Lands as well as additional acreage as identified on the attached Exhibit A from that certain Agreement dated May 1, 2012 between Puckett Land Company and Petroleum Development Corporation, predecessor in interest to Caerus. This right to dispose of water produced from lands as described on the attached Exhibit A includes both existing wells and future drilled and producing wells. However, water produced by Caerus wells on the Subject Lands will have priority over Caerus wells not on the Subject Lands.

9. 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.

10. 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.

11. Indemnification. Caerus agrees to investigate, defend, indemnify and hold Puckett harmless from and against any and all losses, damages, liability, claims, demands, obligations, costs, charges and expenses (including reasonable attorney's fees incurred by Puckett) and causes of action of whatsoever character which Puckett 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, including, but not limited to, those 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.

12. Insurance. At all times during the term of this Agreement, Caerus shall maintain comprehensive general liability insurance, with contractual liability endorsement insuring the indemnity hereinafter set forth, for the benefit of Puckett against claims for personal injury or death or property damage in or about the Subject Lands with combined single limits of \_\_\_\_\_ in the event of bodily injury or death of any number of persons in any one accident, and including broad form property damage coverage.

13. Termination of Agreement.

a. By Caerus. Caerus may, at Caerus' option, at any time surrender and terminate Caerus' rights under this Agreement and shall be released thereupon from all obligations thereafter accruing with respect to this Agreement, except for the indemnification provisions of Section 11 hereof. Termination under this Agreement shall not relieve Caerus from the payment of any sums then due to Puckett for the Disposal Fee or from any claim or damages previously accrued or then accruing against Caerus.

b. By Puckett. Puckett may terminate this Agreement for Caerus' default described below upon written notice to Caerus specifying, in reasonable detail, the nature of such default, and Caerus' failure to cure such default within thirty (30) days of receipt thereof, or in the event that the nature of the default is such that the same cannot reasonably be cured within said thirty (30) day period and Caerus shall not have commenced such cure and thereafter is not diligently prosecuting the same to completion, in the event that Caerus:

- i. Fails or refuses to pay, when due, the Disposal Fee.
- ii. Fails to submit when due the periodic reports concerning the Disposal Fee.
- iii. Fails to timely comply with any other provision of this Agreement.
- iv. Fails to inject water into the Subject Well after it is drilled and completed for a period  
unless such injection is not allowed by  
regulatory agency.

Upon termination by either party, Caerus will remove all structures, equipment, appliance and appurtenances placed on the Subject Lands by Caerus, unless requested otherwise by Puckett. If Puckett requests that any equipment not be removed by Caerus, such equipment shall thereupon become the property and responsibility of Puckett. The location surrounding the Subject Well shall be reclaimed by Caerus at such time as all operations by Caerus on the Subject Lands have ceased.

14. Notices. Notices under this Agreement shall be made in writing and shall be deemed effective upon receipt by the Party to whom the notice is directed as follows:

Each Party may change its address for notice purposes by so advising the other Party of such fact in writing.

15. 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.

16. 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. This Agreement shall be binding on the Parties and, subject to the foregoing, on their respective successors and assigns.

17. 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.

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

19. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado.

20. 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.

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

22. 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.

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

PUCKETT LAND COMPANY

BY: 

Eric R. Stearns  
President

CAERUS PICEANCE LLC

By:  

Matthew A. Wurtzbacher  
President

**EXHIBIT A**

Attached to and made part of that certain Agreement dated July 6, 2015 by and between Puckett Land Company and Caerus Piceance LLC.

**EXHIBIT "A"**

Attached to and made a part of that certain Agreement dated May 1, 2012, by and between Puckett Land Company and Petroleum Development Corporation.

31	32	T5S R96W				35	36	31	T5S R95W			34
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15	T6S R97W		18	17	16	15	14	13	18			
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