



## GROUND LEASE AND OPTION TO PURCHASE

THIS GROUND LEASE AND OPTION TO PURCHASE ("Agreement") is made this 29 day of January, 2016, by and between 7N, LLC, a Delaware limited liability company with an address of 370 17<sup>th</sup> Street, Suite 5300, Denver, Colorado 80202 ("7N"), and Richmark Real Estate Partners, LLC, a Colorado limited liability company with an address of P.O. Box 328, Greeley, Colorado 80632 ("Richmark").

### RECITALS

WHEREAS, 7N owns the lands described on Exhibit "A" attached hereto and made a part hereof (as such description may be amended from time to time under Section 3 below, the "Lands");

WHEREAS, Richmark wishes to lease the surface of the Lands for oil and gas exploration, production and marketing activities;

WHEREAS, Richmark also wishes to have the option to purchase the subject Lands.

### AGREEMENT

NOW, THEREFORE, in consideration of the premises, the payments made and to be made hereunder, the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Richmark and 7N agree as follows:

receipt and sufficiency of which are acknowledged, 7N leases the surface of the Lands to Richmark for all operations necessary or convenient in the exploration, production and marketing of oil and gas, including, without limitation, drilling, completing, simulating (including hydraulic fracturing), operating, maintaining, repairing and producing oil and gas wells; handling produced and flowback water; and constructing and maintaining facilities to gather, process, treat, store and transport oil and gas.

2. *Entry into Surface Use Agreement.* Richmark will enter into a Surface Use Agreement with Extraction Oil & Gas, LLC ("Extraction"), authorizing use of the surface of the Lands for oil and gas exploration, production and marketing, initially in the form attached as Exhibit "B" and as amended from time to time thereafter by agreement of Richmark and Extraction.

3. *Amendment of Lands Subject to this Agreement.* In the event 7N wishes to sell, use, lease, , or allow another party to use any portion of the Lands, Exhibit "A" shall be amended from time to time upon 7N's request to add or subtract lands from the definition of the Land, so long as such request (a) does not violate Section 7 below and (b) has the approval of Richmark, which approval may be withheld only if Richmark reasonably believes that the amendment will materially restrict the ability to develop oil and gas in the Acquisition Area, as that term is defined in the Purchase and Sale Agreement dated June 16, 2015 between Richmark and other parties.

the consideration to be paid to 7N for the rights granted under this Agreement. All consideration paid to Richmark by Extraction or any successor Operator under the Surface Use Agreement, including surface damage payments for each well drilled, will be the sole property of Richmark, and will not be shared with 7N.

5. *Property Tax Reimbursement (Surface Only)*. Richmark will reimburse 7N for real property taxes attributable to and only as to the surface of the Lands, as such Lands are amended from time to time, and only after a well is drilled on the surface of the Lands. To the extent that the Lands subject to this Ground Lease are less than the entire parcel assessed for tax purposes at any time, Richmark's reimbursement of real property taxes shall be prorated on an acreage basis.

6. *Compliance with Law*. Richmark shall not use the Surface of the Lands or permit anything to be done on the surface that conflicts with any applicable law or other governmental requirement.

7. *Quiet Enjoyment*. So long as Richmark performs its obligations under this Agreement, 7N will not interfere with the oil and gas operations and the peaceable and quiet enjoyment and occupation of the surface of the Lands by Richmark or any oil and gas Operator under a Surface Use Agreement from Richmark.

8. *Term*. This Ground Lease Agreement shall be effective as of the date of execution of this Agreement and shall remain in effect for a term of ninety nine (99) years, unless the parties mutually agree to an earlier termination date.

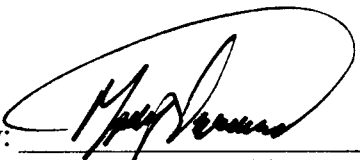
9. *Option*. For the consideration provided herein, 7N grants to Richmark the option to purchase 7N's interest in the surface of the Lands that are sufficient in Richmark's judgment to access and develop the oil and gas in the Acquisition Area at any time during the term of this Agreement. If Richmark wishes to purchase such surface, Richmark will provide 7N written notice of its exercise of this option, and then obtain all necessary governmental and other approvals for its proposed purchase at Richmark's sole expense. After Richmark has obtained all necessary approvals, it will again notify 7N, and 7N shall, within 14 days after receipt of such notice and without any additional payments being made by Richmark, convey its interest in the surface of the specified Lands to Richmark by Special Warranty Deed and this Ground Lease Agreement shall terminate.

10. *Counterparts; Electronic Signature*. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature by facsimile, email or other electronic method shall have the same force and effect as an original signature hereto.

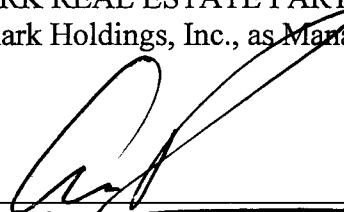
11. *Successors and Assigns*. This Agreement shall inure to the benefit and be binding upon each party's successors and assigns.

In witness whereof, this instrument is executed this 29 day of January, 2016.

7N, LLC

By:   
Matt Owens, President

RICHMARK REAL ESTATE PARTNERS, LLC  
By Richmark Holdings, Inc., as Manager


By:   
Arlo Richardson as President of Richmark Holdings, Inc.

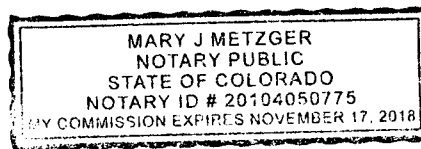
STATE OF COLORADO )  
 ) ss.  
COUNTY OF WELD )

The foregoing was acknowledged before me this 29 day of January, 2016, by Arlo Richardson, President of Richmark Holdings, Inc., Manager of Richmark Real Estate Partners, LLC.

Witness my hand and seal.

My Commission Expires: 11/17/18

  
Notary Public



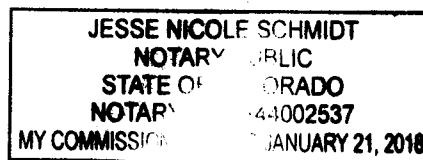
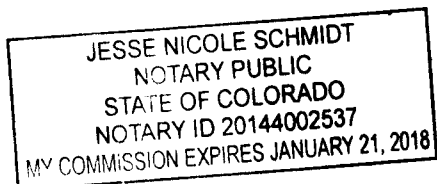
STATE OF COLORADO )  
CITY AND ) ss.  
COUNTY OF DENVER )

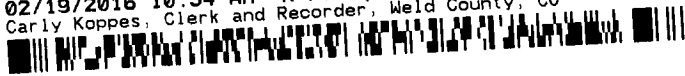
The foregoing was acknowledged before me this 29 day of January, 2016, by Matt Owens, President of 7N, LLC.

Witness my hand and seal.

My Commission Expires: 1/21/18

  
Notary Public





**EXHIBIT "A"**  
**DESCRIPTION OF LANDS**

Township 5 North, Range 65 West, 6th P.M.. Weld County. Colorado

Section 21: N/2 SW/4

**EXHIBIT "B"**  
**SURFACE USE AGREEMENT**

THIS SURFACE USE AGREEMENT ("Agreement") is made and entered into on the date of execution of this Agreement and is made by and between Richmark Real Estate Partners, LLC, a Colorado limited liability company with an address of 5200 W 20<sup>th</sup> Street, Greeley, Colorado 80634 (referred to as "Richmark"), on the one hand, and Extraction Oil & Gas, LLC, a Delaware limited liability company with an address of 370 17th Street, Suite 5300, Denver, CO 80202 (referred to as "Extraction").

**RECITALS**

WHEREAS, under a Ground Lease and Option to Purchase (the "Ground Lease") executed concurrently with this Agreement, Richmark is the sole lessee for oil and gas exploration, production and marketing activities conducted on the surface of a certain parcel of land located in Weld County, Colorado, as described in the Exhibit "A" attached hereto and made a part hereof (as such description may be amended from time to time under Section 6, the "Property");

WHEREAS, Extraction represents that it is a registered oil and gas operator in Colorado and owns certain leasehold interest in minerals that can be accessed and developed by the drilling of a well or wells from the Property; and

WHEREAS, Extraction and Richmark wish to set forth the terms pursuant to which Extraction may drill oil and gas wells on the surface of the Property;

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises, the payments made and to be made hereunder, the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which is herein acknowledged, Richmark and Extraction agree as follows:

1. *Recitals.* The Recitals set forth above are incorporated in this Agreement as though fully restated in this Paragraph 1.
2. *Grant of Easement.* Extraction is hereby granted an irrevocable exclusive easement to use the surface of the Property to conduct oil and gas operations, including, without limitation, to drill, complete, operate, frack and refrac, rework, redrill, recomplete, deepen, and maintain oil and gas wells and install and maintain flow lines, pipelines, production facilities, vapor recovery and flare units, tanks, separators and other equipment. The parties specifically agree that the wells drilled on the Property pursuant to this Agreement may have bottom hole locations on lands other than the Property.
3. *Equipment Location.* The number of oil and gas wells, and the location of the wellheads, production facilities, vapor recovery and flare units, tanks, separators and other equipment to be utilized by Extraction in connection with the oil and gas wells that it may drill on the Property pursuant to this Agreement ("Equipment") will be determined by Extraction in its sole discretion. Extraction will comply with the rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC") existing as of the date of mutual execution of this agreement.

4. *All Operations.* Richmark and Extraction agree that the Property may be used by Extraction to conduct any oil and gas operations on the surface of the Property that may be reasonably necessary, useful or convenient for the production of oil and gas.
5. *Consideration.* In consideration of this Agreement, Extraction has agreed to pay Richmark the following payments in connection with and only with any wellbore that is drilled into any portion of the Acquisition Area, as that term is defined in that certain Purchase and Sale Agreement executed on June 16, 2014 by the parties, or into any unit which includes or pools any portion of the Acquisition Area:
  - a. drilled on the Property. The payment will be made by Extraction to Richmark, which represents that there are no other persons or entities entitled to any portion of the payments to be made on a well by well basis, prior to the commencement of the wells on a well-by-well basis.
  - b. production payment as to each such well shall be from the date of first production for a period of thirty (30) years. Such payments shall terminate on a well by well basis upon the thirty (30) year anniversary of the date of first production from each well.
  - c. If Extraction or any successor recompletes a well in additional formations or to additional depths other than originally completed and produced or if Extraction or any successor drills and produces a new lateral from an existing wellbore, the well shall be considered a new well. As to any such new well there shall be a thirty (30) year payment term beginning from the date of first production from such new well.
6. *Automatic Amendment of Property Definition.* The definition of the "Property", the surface of the lands subject to this Agreement, shall conclusively be deemed amended from time to time as the definition of the "Lands" in the Ground Lease is amended. Each such amendment shall occur automatically, so that the description of the Property subject to this Agreement will always be identical to the description of the Lands subject to the Ground Lease.
7. *Term.* This Agreement shall remain in full force and effect for a term of twenty five (25) years from the date of execution hereof or so long as any of the wells drilled on the Property is producing oil and /or gas and associated hydrocarbons in "paying quantities", whichever is greater. For the purposes of this Agreement, "paying quantities" means on a well-by-well basis, proceeds from production exceed the lease operating expenses on a month to month basis and that no well shall be considered not to be producing in paying quantities unless and until lease operating expenses exceed revenues for a period of six consecutive months of actual production. Upon termination and upon either party's request, the parties shall execute and record a document terminating and releasing this Agreement. Notwithstanding termination of the Agreement, Extraction shall have a temporary easement to perform necessary plugging and abandonment work on the Property.



8. *Costs and Expenses.* Extraction covenants and agrees to pay all of the costs and expenses attributable to the oil and gas wells that are drilled on the Property pursuant to the terms of this Agreement to include and not being limited to the design, construction, surveying, leveling, demolition and construction, topsoil removal storage and restoration, road construction and maintenance, fencing, weed control and any other costs and expenses related or incurred in connection with the wells to be drilled pursuant to this Agreement.
  - a. With respect to fencing, Extraction will comply with the fencing requirements, if any, of the COGCC and the City of Greeley, Colorado or any other governmental agency with jurisdiction of the Extraction oil and gas operations on the Property and as reasonably requested by Grantor.
  - b. Extraction covenants and agrees to keep the Property free and clear of mechanics liens and other liens in the favor of vendors to Extraction except for statutory liens filed by Extraction against delinquent working interest owners that are customary in the oil and gas industry and that Extraction deems necessary or convenient for its oil and gas operations at the Property.
9. *Assignment.* Subject to providing notice of the Assignment to the other party, either party may assign all or any portion of this Agreement at any time and from time to time provided that no such assignments shall enlarge, amend or modify the obligations, duties, or benefits under this Agreement.
10. *Compliance with Law.* Extraction will conduct its operations on the Property, including the plugging and abandonment of the wells drilled on the Property pursuant to the this Agreement in compliance with the applicable rules and regulations of the COGCC and the City of Greeley, or any other governmental agency.
11. *Notices.* All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been fully given, made and received only when personally delivered, received via facsimile that has been confirmed electronically, delivered by Federal Express or other nationally recognized courier service, or three (3) days after having been deposited in the United States mail, postage prepaid, return receipt requested. All notices requests, demands and other communications required or permitted hereunder shall be addressed as set forth below:

If to Richmark:  
Richmark Real Estate Partners, LLC  
5200 W. 20<sup>th</sup> Street  
Greeley, CO 80634

If to Extraction:  
Extraction Oil & Gas, LLC  
370 17th Street, Suite 5300  
Denver, CO 80202



12. *Covenants Run With the Land.* This Agreement and all of the covenants herein shall be covenants running with the land.
13. *Recordation.* Extraction and Richmark agree that Richmark may record an original of this Agreement or a Memorandum thereof in the real property records of Weld County, Colorado.
14. *Entire Agreement.* This Agreement contains the entire understanding between the parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.
15. *Severability.* If any provision of this Agreement or the application hereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of the Agreement nor application of such provision to any other person or circumstances shall be affected thereby, but rather the same shall be enforced to the greatest extent permitted by applicable law.
16. *Governing Law.* This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of Colorado, excluding any conflict of laws, rule or principle that might refer the governance or the construction thereof to another jurisdiction.
17. *Successors and Assigns.* This Agreement shall inure to benefit of and be binding upon each party's successors and assigns.

SIGNED this \_\_\_\_ day of \_\_\_\_\_, 2016.

RICHMARK REAL ESTATE PARTNERS, LLC

EXTRACTION OIL & GAS, LLC

By: \_\_\_\_\_  
Arlo Richardson, President of Richmark  
Holdings, Inc., Manager of Richmark  
Real Estate Partners, LLC

By: \_\_\_\_\_  
Matt Owens, President

[ACKNOWLEDGEMENT TO FOLLOW]



[illegible]

The foregoing was acknowledged before me this \_\_ day of \_\_\_\_\_, 2015 by Arlo Richardson, President of Richmark Holdings, Inc., Manager of Richmark Real Estate Partners, LLC.

Witness my hand and seal.

My Commission Expires: \_\_\_\_\_

Notary Public

STATE OF COLORADO                    )  
CITY AND                                    ) ss.  
COUNTY OF DENVER                    )

The foregoing was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 2015 by Matt Owens, President of Extraction Oil & Gas, LLC.

Witness my hand and seal.

My Commission Expires: \_\_\_\_\_

Notary Public



**EXHIBIT "A"**  
**DESCRIPTION OF LANDS**

THE NORTH ½ OF THE SOUTHWEST ¼ OF SECTION 21, TOWNSHIP 5 NORTH, RANGE 65  
WEST OF THE 6<sup>TH</sup> PRINCIPAL MERIDIAN, COUNTY OF WELD, STATE OF COLORADO