

## SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("**Agreement**") is made and entered into this 24 day of June, 2016, by and between **Reeman Farms, LLC, a Colorado limited liability company**, ("**Owner**") with an address of 35710 County Road 39, Eaton, CO 80615, and **Bayswater Exploration & Production, LLC**, ("**Operator**") with an address of 730 17<sup>th</sup> Street, Suite 610, Denver, CO 80202; sometimes referred to each as a "**Party**," or collectively as the "**Parties**."

WITNESSETH:

For and in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **OWNERSHIP.** Owner is the surface owner of certain lands located in Weld County, Colorado as more specifically described as follows ("**Lands**"):

**TOWNSHIP 6 NORTH, RANGE 65 WEST, 6TH P.M.  
SECTION 5: PT NW/4, MORE PARTICULARLY DESCRIBED AS LOT "B" IN RECORDED  
EXEMPTION NO. 0803-5-2-RE 157, RECORDED FEBRUARY 14, 1975 IN BOOK 732  
UNDER RECEPTION NO. 1654173 OF THE RECORDS OF THE CLERK AND RECORDER  
OF WELD COUNTY, COLORADO, LYING NORTH AND EAST OF THE DRAINAGE DITCH  
BI-SECTING LOT B.**

Operator, and/or its affiliates, owns a working interest in valid leases covering all or portions of the Lands or lands pooled or included in a spacing unit therewith or lands adjacent thereto (each a "**Lease**," collectively, the "**Leases**"). Additionally, Operator may have responsibilities under a Joint Operating Agreement ("JOA") with respect to the Lands. Operator represents to Owner that Operator is authorized under existing laws and the Rules and Regulations of the COGCC to execute and fulfill all of its obligations and duties hereunder. Operator will indemnify and hold Owner harmless from any damages, loss or costs resulting from any violation or failure of Operator to perform the provisions of the immediately preceding sentence, or if Operator otherwise lacks authority to execute and fulfill the obligations of Operator hereunder.

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator intends to drill or cause to be drilled one or more oil and/or gas well or wells on its Leases (the "**Wells**"), the surface locations of which shall be on the Lands, as depicted approximately on Exhibit "A" attached hereto, and the subsurface locations of which may be under other lands than Owner's Lands. The parties agree that notwithstanding anything herein to the contrary, "lands" shall only include that portion of property owned by Owner lying North and East of the Drainage Ditch bi-secting Lot B. In order for Operator to drill, construct, complete, produce, maintain, rework, and operate the well or wells and all facilities associated therewith, including, but not limited to, access roads ("**Access Roads**"), pipelines, flow lines, separators, tank batteries, electric lines and any other facilities or property necessary for Operator to conduct operations on the Wells (each a "**Facility**," collectively, the "**Facilities**"), it is necessary that Operator enter and utilize a portion of the surface of the Lands, to the extent depicted on Exhibit "A".

Owner hereby grants to Operator, its successors and assigns, and each of their agents, employees, contractors and subcontractors, the right, privilege and easement for the purpose of locating and surveying the Wells & Facilities, and for constructing, entrenching, operating, maintaining, repairing, altering, replacing and removing the Facilities and appurtenant facilities on the Lands, for the purposes specified herein, and including the rights of ingress to and egress from the Wells and Facilities across the

Lands. There shall be no surface use of any kind except on the Lands, and then only to the extent described on Exhibit "A".

The Parties enter into this Agreement to evidence their entire agreement regarding the payment of surface damages, entry, surface use, and any other matters relating to Operator's use of the Lands.

3. **LOCATION.** Material changes to the designated operating areas may be made by Operator with the consent of Owner, which shall not be unreasonably withheld, but will not unduly interfere with Owner's existing use of the surface estate. It is also understood and agreed that additional access road and flow lines located outside of the designated operating areas may be necessary for operator's activities and in these circumstances Owner and Operator agree to designate a mutually agreeable location for said access road and flow lines. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations.

4. **CONDUCT OF OPERATIONS.** Operator's operations on the Lands will be conducted pursuant to the terms of the Leases, this Agreement, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("**COGCC**"), and applicable Colorado statutes and case law.

5. **COMPENSATION AMOUNT.** Operator shall pay Owner the sum of [REDACTED] for each well bore ("**Amount**"), which includes all associated Facilities & Access Roads shown approximately on Exhibit "A". There shall be a minimum payment of [REDACTED] due to Owner on or before fourteen (14) business days from the date of execution of this Agreement, which shall cover part of the payment for the first well-bore. Except for damages directly caused by a) violations of the COGCC Rules and Regulations, b) violations of this Agreement, c) any all injuries or death to persons or to livestock and d) damages and destruction of personal or real property owned by Owner other than the Lands, the Amount shall be deemed full and agreed consideration for all damages caused or created by reason of the reasonable and customary ingress, egress, rights-of-way, drilling, completion, production and maintenance operations associated with the Wells and Facilities. Subject to the prior sentence, such damages will include, without limitation, damage to growing crops and crop land; the removal, transportation and care of any livestock; the re-seeding, construction and use of access roads; and the preparation and use of the well site areas. Any subsequent major operations for said Wells (refrac, recompletion, deepening, redrilling, etc.), except in case of emergency, shall require 10 days prior notice to Owner. Operator shall pay Owner all actual damages caused by all subsequent operations. Operator shall maintain all areas of disturbed soil in a cleanly manner and with reasonable and adequate weed control and protection against wind or water caused erosion.

6. **ADDITIONAL SURFACE USE PROVISIONS, ACCESS ROADS, FENCES AND FACILITIES.** With respect to its operations on the Lands, Operator will comply with the following provisions:

A. Access Roads/traffic:

- (i) Access roads will not exceed 15 feet in width.
- (ii) Operator will maintain the access road in good repair and condition.
- (iii) Operator will make communication efforts with all vendors and services companies to obey speed restrictions. All construction, drilling, completion and associated traffic will be channeled in along the access road shown on Exhibit A from Road 39 easterly to the Lands and then to the Wellsites and to the Surface Facilities shown thereon. Operator will advise and remind all vendors and service companies of the proximity to houses, lands and the neighborhood as a whole.

B. Surface Restoration:

(i) Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator will be restored by Operator to their original contour as nearly as is reasonably practicable. During operations, reasonable efforts will be undertaken to assure that wind and water erosion will be kept at a minimum and all locations will be maintained in a tidy manner, without refuse or trash left beyond a reasonable time for their removal.

(ii) All guy line anchors for drilling and completion rigs shall be immediately removed after such work is completed.

C. Drainage:

Operator will install culverts on the Lands that may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the Lands.

D. Surface / Property damage:

(i) If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the Wells, there is damage to personal property of the Owner, including, but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, and for which Owner has not been previously compensated pursuant to Paragraph 5, or outside the described operations area, Operator will repair or replace such items after consultation with and to the reasonable satisfaction of the Owner. Owner will notify Operator of any items damaged after the Wells construction and Operator will repair or replace such items after consultation with the Owner within 15 days of occurrence.

E. Operations/cleanliness:

(i) Operator agrees that all trash, refuse pipe, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells will be removed and disposed away from the Lands no later than 30 days after the completion of the Wells. No such items will be burned or buried on the Lands. Additionally, the well sites shall be kept free and clear of all noxious weeds, unsightly growth and trash either during drilling operations or after completion and production.

F. Fencing:

(i) During drilling operations, the well sites and any pits shall be fenced if requested by Owner. Operator will also install cattle guards and/or gates where reasonably necessary. The costs of which shall be paid by the Operator.

G. Sound Walls/ Visual screen:

(i) Operator will provide engineered noise abatement sound walls to comply with COGCC requirements when appropriate or as needed.

7. **DEFAULT AND RIGHT TO CURE.** In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner will notify Operator, by certified mail,

return receipt requested, of the alleged default. Operator will have 30 days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default.

Except as otherwise agreed in writing, no waiver by Owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder will be deemed to be a waiver of any subsequent or continuing breach of the same, nor will any forbearance by Owner to seek a remedy for any breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to such breach; however in no event will Operator be liable for consequential damages.

8. **INDEMNITY/RELEASE.** Subject to Paragraph 5., Owner hereby releases Operator from any and all liability and further payment, other than what has been provided herein, for damages on the Lands which arise from, out of or in connection with the Operator's operations on the Lands, but only as to those operations which are described in and permitted by this Agreement, and for those operations which the Amount has been paid and received by Owner pursuant to this Agreement.

Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Lands that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator. Operator will also indemnify and hold Owner harmless from any claim that Operator is not entitled to conduct the operations described herein, including any objection or claim by current holder of the oil and gas lease covering the Lands.

9. **WAIVER OF 30-DAY NOTICE.** Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other notice or consultation requirements of the COGCC. Without waiving the foregoing, Operator agrees it will provide an initial notice to Owner after it has submitted a request for permit to drill from the COGCC.

10. **NOTICE FOR ADDITIONAL OPERATIONS.** Operator will comply with COGCC rules and regulations requiring that advance notice be provided to Owner for subsequent operations on the Wells, including, but not limited to, reworking operations thereto.

11. **NOTICES.** Notice by either Party will be promptly given, orally if possible (with the exception of the default notice described in Paragraph 7), with subsequent mandatory written confirmation sent by United States mail, postage prepaid and addressed to either Party at the address as designated below; or to such other place as either Party may from time to time designate by notice to the other:

Owner(s):  
Reeman Farms, LLC  
James F. Reeman  
35710 County Rd. 39  
Eaton, CO 80615  
Phone: (970) 302-3806

Operator:  
Bayswater Exploration & Production, LLC  
730 17<sup>th</sup> St. Ste 610  
Denver, CO 80202  
Phone: (303) 893-2503  
Attn: Mr. John D. Brugeman

12. **BINDING EFFECT.** The covenants and conditions herein contained and all of the provisions of this Agreement will inure to the benefit of and will be binding upon the Parties hereto, their respective heirs, representatives, successors or assigns. Owner agrees to contact any and all tenants of Lands or any other third parties utilizing the surface of the Lands that may be affected by Operator's activities on the Lands. It will be Owner's sole responsibility to advise such third parties of the existence of this Agreement and Operator's right to utilize the surface of the Lands pursuant to this Agreement for the payment of any consideration, if any, due such third party from Owner.

13. **ENTIRE AGREEMENT.** This instrument contains the entire agreement between the Parties and may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective successors or assigns.

14. **TERMINATION.** This Agreement will terminate concurrently with the applicable oil and gas lease(s) as they relate to Operator(s) and/or its affiliates rights to explore, drill, and produce hydrocarbon from the Lands or lands pooled therewith.

16. **REASONABLE ACCOMMODATION.** Owner acknowledges the right to use of the surface estate of the Lands by Operator as herein described are expressly granted to Operator, its successor, and assigns; therefore Owner further acknowledges Operators use of the surface estate of the Lands as granted herein to Operator shall constitute "reasonable accommodation" by Operator, its successor, and assigns with respect to Colorado revised statute 34-60-127.

17. **COUNTERPARTS.** This Agreement may be executed by facsimile, in counterparts, each of which will be considered an original and enforceable against either Party.

18. **GOVERNING LAW AND VENUE.** This Agreement will be governed by, construed and enforced in accordance with the laws of Colorado. Venue shall be deemed to be in Weld County, Colorado.

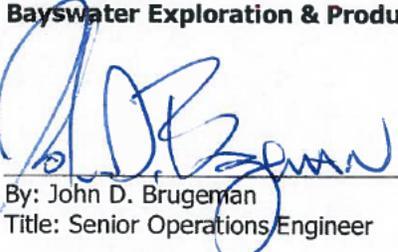
19. **ATTORNEY'S FEES AND COSTS.** The Parties agree that the prevailing Party in any action resulting from a breach of this Agreement will be entitled to its reasonable attorneys' fees and costs incurred therein.

20. **AUTHORITY OF SIGNATORIES.** The signatories below declare, warrant and represent that they have the authority to enter into this Agreement on behalf of their respective principals, if any.

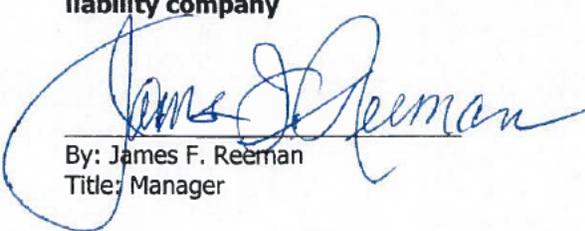
21. **SUCCESSORS.** This Agreement constitutes a covenant running with the Lands and will be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, affiliates, administrators, trustees, executors and assigns.

IN WITNESS WHEREOF, the Parties have set their hands, the day and year first written above.

**OPERATOR:**  
**Bayswater Exploration & Production, LLC**

  
By: John D. Brugeman  
Title: Senior Operations Engineer

**OWNER(S):**  
**Reeman Farms, LLC, a Colorado limited liability company**

  
By: James F. Reeman  
Title: Manager

**EXHIBIT "A"**

to

Surface Damage and Release Agreement between Reeman Farms, LLC, a Colorado limited liability company ("Owner"), and Bayswater Exploration & Production, LLC ("Operator").



**LEGAL DESCRIPTION:**

TOWNSHIP 6 NORTH, RANGE 65 WEST, 6TH P.M.

SECTION 5: SEE LEGAL DESCRIPTION AS OUTLINED PER THE AGREEMENT, DESCRIBED AS THE "LANDS", COUNTY OF WELD, STATE OF COLORADO.

**KEY:**

LARGE BLUE CIRCLES: 500 ft setbacks and 1,000 ft buffers

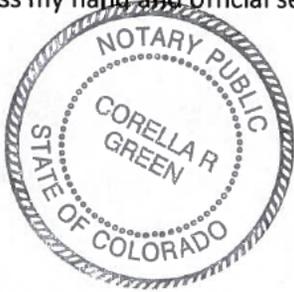
BLUE OUTLINE: Surface Damage Area/Oil and Gas Operations Area per Agreement

State of Colorado

County of Denver

The foregoing instrument was acknowledged before me this 20th day of November, 2013 by John D. Brugeman, Senior Operations Engineer, Bayswater Exploration & Production.

Witness my hand and official seal.



A handwritten signature in blue ink, reading "Corella R. Green", written over a horizontal line.

Notary Public

My commission expires Aug 20, 2017