

SURFACE USE AND COMPATIBLE DEVELOPMENT AGREEMENT

THIS SURFACE USE AND COMPATIBLE DEVELOPMENT AGREEMENT (“*Agreement*”) is made and entered into as of the 26 day of June, 2017 (“*Effective Date*”), by and among VIMA PARTNERS, LLC (“*Surface Owner*”) with an address of 1625 Pelican Lakes Point, Suite 201, Windsor, CO 80550 and EXTRACTION OIL & GAS, INC. (“*Operating Company*”), with an address of 370 17th Street, Suite 5300, Denver, Colorado 80202. Surface Owner and Operating Company are each individually referred to herein as a “*Party*” and collectively as the “*Parties.*”

RECITALS

The Parties enter into this Agreement with respect to the following facts:

A. Surface Owner is the owner and the developer of certain property (the “*Labue Farm Property*” as defined below) to be developed into a planned development known as Labue Farm (“*Labue Farm*”).

B. Surface Owner expects to develop Labue Farm according to a conceptual site plan, which remains subject to change by Surface Owner.

C. Operating Company holds certain oil and gas leases for, among other purposes, the purposes of exploring, developing, producing, marketing and transport of oil and gas interests in Section 31, Township 6 North, Range 67 West, 6th P.M., Weld County, and Section 36, Township 6 North, Range 68 West, 6th P.M., Larimer County, Colorado (“*Oil and Gas Leases*”) and certain other mineral interests and has determined that directional or horizontal drilling from certain locations on the Labue Farm Property is the most desirable method of exploring, developing, producing, marketing and transporting of any such oil and gas interests.

D. By this Agreement, the Parties agree to the terms and conditions under which Operating Company, and its successors and assigns, shall have the right of surface access and right to utilize the Oil and Gas Operations Areas, as defined below, on the Labue Farm Property and under which Operating Company is authorized to conduct Oil and Gas Operations, as defined below, on the Labue Farm Property.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereby agree as follows:

1. **THE LABUE FARM PROPERTY.** The Labue Farm Property is legally described and depicted on *Exhibit A* attached hereto and incorporated by this reference herein.

2. **GRANT AND CONVEYANCE TO OPERATING COMPANY.**

(a) **Current Grant.** Surface Owner and Operating Company

acknowledge the following rights and allowances on, in, under, and through the Labue Farm Property granted from Surface Owner to Operating Company as of the Effective Date by separate license and easement documents described below

(i) An easement to construct, develop, utilize and maintain the Milkshake Pad, as defined below, on the Labue Farm Property attached as *Exhibit B* (“*Milkshake Pad Easement*”);

(ii) A temporary easement for the placement and temporary use of a surface water line to transport water purchased from Surface Owner for drilling and completion activities on wells drilled on the Oil and Gas Operations Areas as contemplated by this Agreement, attached as *Exhibit C* (“*Temporary Water Line Easement*”).

(b) **Grant.** Surface Owner shall grant an easement for road access, use and maintenance in the form attached hereto as *Exhibit D* (“*Easement and Road Maintenance Agreement*”).

(c) **Contingent Grant.** If Operating Company is required to construct, operate and maintain transmission Pipeline(s) for purposes of transporting oil, gas, and associated hydrocarbons and water from the OGOA, as defined below and as referenced in Section 9, Surface Owner shall cause any easements necessary for Operating Company to construct, operate and maintain such Pipeline(s) either to be assigned to Operating Company or shall originally grant such easement to Operating Company all as provided in Section 9.

(d) **Recording.** The foregoing easements shall be incorporated into the final plats for the Labue Farm Property and shall be recorded in the real property records in the office of the Clerk and Recorder of Weld County, Colorado (“*County Records*”).

3. OIL AND GAS OPERATIONS.

(a) “*Oil and Gas Operations*” shall mean exploration, development, production, marketing and transportation of oil, gas and associated hydrocarbons, including but not limited to seismic operations and drilling test bores; the siting, development, drilling, construction deepening, completion, recompletion, reworking, operating, producing, maintaining, equipping, deepening, stimulating, re-stimulating, assessing, evaluating, inspecting, testing, updating, upgrading, operation, securing, transporting production, and plugging or abandonment of any well; production operations and facilities related to any such well including but not limited to, the installation of flowlines, gathering systems, and pipelines, infrastructure equipment, surface appurtenances and production facilities including but not limited to emission control devices, vapor recovery towers, vapor recovery units, transmission lines, temporary above ground water lines, temporary above ground completion fluid pipelines, gas lift lines, meters and housing, separators, tank batteries, MLVTs, LACT units, electrical lines, utility lines and any other facilities or property necessary for Operating Company to conduct operations on the Wells; the generation, transportation, storage, treatment, or disposal of exploration and production wastes; and construction, site preparation, or reclamation activities associated with such operations.

(b) Nothing in this Agreement shall be construed to allow the siting, drilling, deepening, recompletion, or reworking of any underground injection well or gas storage well on the Labue Farm Property, unless agreed upon by the Parties, or any activity or means and methods of conducting Oil and Gas Operations that cause subsidence of soils on or under the Labue Farm Property or any adjoining property. Operating Company acknowledges that Oil and Gas Operations that are not conducted in accordance with this Agreement may materially interfere with the development of the Labue Farm Property and has the potential to affect the value of the Labue Farm Property.

4. ACKNOWLEDGMENTS AND COVENANTS OF OPERATING COMPANY.

(a) The Parties acknowledge that the surface use of the Labue Farm Property for Oil and Gas Operations authorized hereunder reflects: (i) the Parties' agreement regarding all of the surface uses of the Labue Farm Property that are reasonably necessary to explore, develop, produce, market and transport any severed subsurface mineral interests that Operating Company may own, lease or otherwise have the right to develop from the Labue Farm Property, and (ii) a grant of rights to use the surface of the Labue Farm Property as set forth herein to develop, produce, market and transport minerals that Operating Company may own or lease but does not otherwise have the right to develop from the Labue Farm Property, each as applicable to subsurface oil and gas interests in Section 31, Township 6 North, Range 67 West, 6th P.M., Weld County, and Section 36, Township 6 North, Range 68 West, 6th P.M., Larimer County, Colorado and certain other mineral interests Operating Company may have the right to develop. Operating Company shall have no right to conduct Oil and Gas Operations within the boundaries of the Labue Farm Property except as set forth in this Agreement or any amendment hereto.

(b) As consideration for the rights granted hereunder and those grants and conveyances set forth in Section 2 hereof, Operating Company agrees as follows:

(i) During the term of this Agreement, Operating Company shall make payments to Surface Owner in accordance with the terms and conditions of a separate Payment Agreement between Operating Company and Surface Owner of even date herewith ("**Payment Agreement**").

5. **APPLICABLE LAW.** All Oil and Gas Operations on the Labue Farm Property shall be conducted in compliance with Applicable Law. "**Applicable Law**" for purposes of this Agreement means any federal or state statute, code, regulation, permit condition, guidance, policy, or order applicable to the Oil and Gas Operations by its terms, including, without limitation, the Colorado Oil and Gas Conservation Act, C.R.S. §§ 34-60-101 to -129; the Rules and Regulations of the Colorado Oil and Gas Conservation Commission and associated permit conditions or orders ("**COGCC Regulations**"); and the Town of Windsor Municipal Code, regulations, and associated permit conditions or orders as they specifically apply to the Oil and Gas Operations Areas, as such statutes, codes, and regulations, and associated permit conditions, guidance, policies, or orders may be amended or replaced from time to time. In the event of any direct conflict between the requirements of this Agreement and Applicable Law, or silence under this Agreement with respect to any activity or circumstance regulated under Applicable Law, the requirements of Applicable Law shall govern. Otherwise, the requirements of this Agreement shall govern and shall be

interpreted to supplement and/or determine the manner in which the requirements of Applicable Law shall be satisfied.

6. PLANNING AND CONSTRUCTION COORDINATION.

(a) **General Coordination and Communication.** At all times, Surface Owner and Operating Company shall work cooperatively, diligently, and in good faith with each other and meet periodically, as necessary, to discuss current and future operations that each has planned on the Labue Farm Property, and to resolve any existing or future surface use conflicts that may arise despite this Agreement. Prior to commencement of Oil and Gas Operations, each of Surface Owner and Operating Company shall appoint a representative to be a liaison for notice and consultation under this Agreement and shall provide notice of such appointment to the other Parties.

(b) **Prohibited Obstructions.** Neither Party shall erect or construct any unreasonable obstruction to the other Party's activities authorized under this Agreement. Each Party shall take reasonable measures to avoid damage to equipment, facilities or other improvements that the other Party constructs or installs on the Labue Farm Property and shall repair such damage within fourteen (14) days of receipt of notice of such damage, or reimburse the other Party for the mutually-agreed upon costs of repair within sixty (60) days following an invoice that documents such costs.

7. OGOA. With the exception of the installation of oil, gas, water or other necessary transmission pipelines ("**Pipelines**"), the construction, site preparation, or reclamation activities associated with the Pipelines under the Pipeline Easement, and the use and maintenance of the Access Road under the Easement and Road Maintenance Agreement, all Oil and Gas Operations on the Labue Farm Property shall be conducted within the oil and gas operations area ("**OGOA**"), as illustrated on **Exhibit B** attached hereto and incorporated by reference herein, and in no other locations on the Labue Farm Property unless agreed to in writing between the Parties. The Parties agree that the OGOA located on the Labue Farm Property is described as follows:

(a) The OGOA is located in the Milkshake Pad Easement in the SW/4 of Section 32, Township 6 North, Range 67 West, 6th P.M., Weld County, Colorado (hereinafter referred to as "**OGOA**" or the "**Milkshake Pad**") and is legally described and illustrated on **Exhibit B** attached hereto and incorporated by reference herein.

(b) The OGOA is made available to Operating Company "as is" in its present condition for any Oil and Gas Operations conducted by Operating Company in connection to any well located on the Milkshake Pad.

(c) Operating Company, or its affiliates and subcontractors, shall be responsible for obtaining all regulatory approvals necessary to conduct Oil and Gas Operations within the OGOA.

8. ROADS AND ACCESS ROUTES. All vehicular access to the OGOA shall be via the existing road identified in the Road Easement and Maintenance Agreement ("**Access Road**") illustrated on **Exhibit D** attached hereto and incorporated by this reference herein ("**Access Road**").

Operating Company shall require all vehicles to access the Access Road via Crossroads Blvd also known as Weld County Rd 62. The Access Road shall be maintained by Operating Company and any other oil and gas operators conducting surface operations on the Labue Farm Property. The maintenance requirements and other terms and conditions regarding the use and maintenance of such access roads shall be set forth in a Road Easement and Maintenance Agreement to be granted in the form attached hereto as *Exhibit D*. Surface Owner shall include language requiring a Road Easement and Maintenance Agreement, in a form similar to that attached as *Exhibit D*, in any surface use agreement with any other oil and gas operator that may utilize the proposed access roads and the maintenance costs shall be proportionately shared between the operators.

9. PIPELINES.

(a) With respect to the Milkshake Pad, and except for produced water, Operating Company shall transport all oil, natural gas, and water to and from the OGOA by Pipelines, as defined in Section 7 above, to minimize vehicular traffic on the Labue Farm Property and adjoining properties. Any new Pipelines not already installed as of the date of this SUA shall be located in the corridors to which an easement has been granted in the Pipeline Easement. With respect to other wells located adjacent to the Milkshake Pad on the PAVISTMA South facility, fluids, such as water (fresh and produced), natural gas liquids, and other produced fluids (but not oil or gas) may be trucked by Operating Company to and from the PAVISTMA South Facility.

(b) Pipelines shall be located such that they are at least ten (10) feet from any parallel existing or planned utilities and such that there is at least two (2) feet of vertical clearance between such facilities and any existing or planned public utilities and constructed in a manner to allow roadways to cross and be constructed over such Pipelines. In addition, pipelines shall be located at a depth of not less than sixty inches (60") below final grade.

(c) Surface Owner will not permit, nor shall it place any other utility or structure within ten (10) feet horizontally or two (2) feet vertically of any pipelines. Surface Owner agrees any road shall only cross a pipeline, and shall not run directly over a pipeline in a longitudinal orientation. Surface Owner agrees to pay for the entire cost to have Operating Company sleeve, or provide other pipeline protections, for any pipeline that is crossed by a road (but not a golf cart path), and such payment shall be made in advance of the work done by Operating Company. Surface Owner shall not permit any road crossing of any Pipeline until the sleeving of the affected line has been completed.

(d) Surface Owner and Operating Company acknowledge that the Surface Owner's development of the Labue Farm Property may require the relocation of Pipelines. Upon receipt of written notice and agreement on the relocation timing and location, and so long as such relocation is reasonable and feasible from a technical and engineering standpoint and complies with Applicable Law, Operating Company, at Surface Owner's expense, shall relocate the Pipelines. Prior to any relocation activities, Surface Owner shall provide Operating Company a new pipeline easement for the new location of the Pipeline.

(e) With the exception of Gathering Lines utilized by Operating Company, if Operating Company constructs transmission Pipelines on the Labue Farm Property, then Operating

Company shall pay Surface Owner for the right to install and maintain any crude oil pipelines in accordance with the rates and other terms and conditions set forth in the Payment Agreement.

(f) Nothing herein shall be construed as a limitation on Operating Company's right to maintain production and sales prior to construction of any pipelines and any interruption of pipeline service; and Operating Company shall have the right to utilize trucking to the OGOA prior to the construction of the Pipelines, or during any interruption of pipeline service as a result of Force Majeure.

10. SURFACE ACTIVITIES WITHIN OGOA. All Oil and Gas Operations conducted within OGOA shall be conducted according to the requirements of this Section 10.

(a) **Construction and Operations.** On or before sixty (60) days prior to initiating construction on the OGOA, Operating Company shall submit to Surface Owner a plan for development ("**OGOA Plan**") utilizing completion standards for all drilling and completion operations on the Property that (1) meet or exceed then current regulatory requirements and (2) are consistent with the requirements of this Section 10. Surface Owner shall provide the current infrastructure plan and other relevant development plans to Operating Company for purposes of preparing the OGOA Plan. Operating Company and Surface Owner shall meet and discuss the OGOA Plan within fifteen (15) days of the date of submission of the OGOA Plan to Surface Owner. Without limitation, Surface Owner shall not be responsible for any costs of preparing or compliance with such plans required of Operating Company. The OGOA Plan shall include the following elements:

(i) **Site Layout Plan.** The site layout plan shall specify the type and location of all temporary and permanent drilling and production facilities, access to the Access Road, parking lots, and the location of Pipelines. The site layout plan also shall specify the portions of the OGOA that may be used for future reworking and recompleting activities. The plan shall accommodate existing and planned easements and rights-of-way, including utilities, trails, and landscaping easements and rights-of-way, located or to be located within or near the OGOA. Operating Company shall consult with the Surface Owner on the configuration and location of facilities within the OGOA to take into account setbacks and other land development plans as provided in Section 6. Operating Company agrees to incorporate the mitigation measures set forth in Colorado Oil and Gas Conservation Commission Rule 604.c.(2) and (3) and also the surface water protection requirements set forth in Colorado Oil and Gas Conservation Commission Rule 317.B. into its OGOA Plan.

(ii) **Noise Mitigation Plan.** The noise mitigation plan shall include noise mitigation measures necessary to meet or exceed limits established by Applicable Law for residential use (notwithstanding the designated zoning of the area). Without limiting the foregoing, such plan shall include a sound wall no less than thirty feet in height during all drilling, completion, fracturing, or recompleting operations on the OGOA and specify that Vapor Recovery Units and Lease Automated Custody Transfer Units utilize electric motors. Surface Owner shall grant and/or obtain any and all necessary easements to a third-party electric company for the electrical easements on the Labue Farm Property contemplated by this Agreement.

(iii) **Lighting Plan.** The lighting plan shall limit lighting within the OGOA to lighting reasonably necessary to illuminate areas for ongoing night-time operations, safety, and security and shall include light pollution mitigation, which may include the use of berms, light-direction, and shads. The use of “full cut off” lighting fixtures is required and such fixtures may not be installed higher than fifteen (15) feet above ground. During drilling operations, only those lights reasonably necessary for operations and safety shall be utilized. No illumination for purpose of advertising or identification of the drill rig owner, operator, or service provider shall be allowed.

(iv) **Stormwater Management Plan.** The stormwater management plan shall specify the final site grade to assure that drainage within the OGOA is consistent with the drainage plan and final grades of current and planned surrounding development. If there is a material difference between existing and final grades and drainage planned for surrounding development, such plan for the OGOA shall include an interim and final plan to be implemented in coordination with the plans for surrounding development.

(v) **Production and Produced Water Plan.** The production and produced water plan shall specify the plan for disposition of any produced water and the source and method of delivery of any water required for drilling, completion, recompletion, and production operations. All water utilized in Oil and Gas Operations shall be piped onsite for use. Without limiting the foregoing, produced water may not be disposed of by evaporation, roadspreading, or discharge to surface water on Labue Farm property. Operating Company shall purchase all water needed for drilling and completion operations on the Labue Farm Property from Surface Owner for a price as specified in the Payment Agreement. Surface Owner shall make such water available from the Raindance Reservoir or some other mutually agreeable location. Operating Company shall have the right, at no cost, as set forth in Section 2 of this Agreement, to transport water across the surface of the Labue Farm Property in accordance with the Temporary Water Line Easement.

(b) **Well Abandonment and Reclamation Plan.** Operating Company shall submit a well abandonment and reclamation plan to Surface Owner not less than thirty (30) days prior to the date Operating Company intends to plug and abandon any well on the OGOA. As required by COGCC regulations, Operating Company shall use its best efforts to consult with Surface Owner regarding the well abandonment and reclamation plan so that Surface Owner may provide comments concerning preference for timing of such operations and other aspects of final reclamation. The well abandonment and reclamation plan shall contemplate restoration of the prior land configuration and contouring and landscaping to the extent consistent with final design grades of the surrounding development. Following completion of drilling operations and associated interim reclamation, Operating Company shall be responsible for maintaining OGOA until all oil and gas facilities have been removed, wells have been abandoned, final reclamation is completed, and vegetation has been stabilized.

(c) **Tanks.** Operating Company shall use all reasonable commercial efforts to minimize the quantity of oil and gas and other produced materials stored on the OGOA and to utilize tanks with a low vertical profile. Notwithstanding the foregoing, in no event shall storage tanks exceed twelve feet five inches (12.5’) in height. Operating Company shall be allowed to install certain equipment taller than twelve feet five inches, if necessary, for the benefit of oil

production, pipeline use or reduction in air emissions including but not limited to vapor recovery towers, vertical treaters, Lease Automated Custody Transfer Units (LACTs) and associated equipment, and crude oil stabilization towers. Operating Company shall notify Surface Owner before any equipment above twelve feet five inches tall is installed and use best efforts to locate the equipment in an area suitable to both Operating Company and Surface Owner. Operating Company shall use an Approved Instrument Monitoring Method (AIMM) for monitoring all storage tanks and applicable components to detect certain emissions as required by Colorado Department of Public Health and Environment ("**CDPHE**") regulations. Any such required monitoring methods must be approved by the CDPHE. Any of the monitoring equipment mention herein shall not be in conflict with COGCC rules and regulations. Operating Company shall install closed systems with vapor recovery units or available best practice technology.

(d) **Flaring.** Operating Company shall use all reasonable commercial efforts to avoid flaring on the Labue Farm Property, except for the use of enclosed, smokeless flares for the reduction of emissions of volatile organic compounds as may be required by Applicable Law. If open flaring during drilling and completion operations cannot be avoided, Operating Company shall provide advance notice to Surface Owner of the time, duration, and location of any anticipated flaring activities, or, if advance notice is not possible due to the circumstances of the flaring activities, Operating Company shall provide notice as soon as practicable, but not later than twelve (12) hours after flaring. If enclosed flares are used during this process, no notice is required.

(e) **Exploration and Production Waste Management.** No land application of drilling fluids or cuttings, pits or land treatment of oily wastes or disposal of waste from Oil and Gas Operations of any type shall be allowed on the Labue Farm Property either within or outside an OGOA.

(f) **Fire Avoidance.** Operating Company shall (1) take all reasonable and practical steps to avoid causing any fires on the OGOA, (2) comply with all applicable regulations and requirements of local fire authorities, and (3) shall require the OGOA to be a NO SMOKING AREA.

(g) **No Hunting Fishing or Recreational Use.** This agreement does not include any right or privilege of hunting with firearms or with dogs or otherwise on the OGOA, nor of fishing on the OGOA, nor of any recreational use of the OGOA, all such hunting and fishing and recreational rights being expressly reserved unto Surface Owner. Operating Company shall use reasonable efforts to prevent Operating Company's contractors, subcontractors, or other authorized representatives or agents ("**Operating Company Representatives**") from bringing any dog, firearm, alcoholic beverages or illegal drugs or other illegal substances upon the OGOA, firing any weapon or firearm, or consuming alcoholic beverages, illegal drugs or other illegal substances thereon. Operating Company shall use reasonable efforts to ensure that only vehicles used solely for Operating Company's Oil and Gas Operations shall be allowed on the OGOA and that no unlicensed motorcycles, dune buggies, or similar vehicles shall be allowed on the OGOA.

(h) **Employees and Contractors.** In the case of a multi-well program, any trailers used by the drilling crew shall be located within the sound walls located on the OGOA. Use of such trailers shall only take place during drilling and completion operations and shall be

limited to those personnel working to drill and complete the wells contemplated under this Agreement. Except as set for herein, Operating Company shall apprise all Operating Company Representatives who enter upon the OGOA, at a minimum, of the provisions of this Agreement pertaining to prohibitions against fishing and hunting, vehicle access, and surface use and protection, prior to such party's entry upon the OGOA.

11. EMERGENCY RESPONSE COORDINATION. Operating Company shall establish an emergency response plan with the Windsor-Severance Fire Protection District and Town of Windsor Police Department to provide for emergency assistance to Operating Company's facilities.

12. SITE MAINTENANCE. Operating Company shall remove the minimum amount of vegetation necessary for the construction of roads and facilities and shall at all times keep the OGOA well-maintained and free of noxious weeds, litter and debris. Operating Company shall not remove or cut any mature trees, or remove any antlers, arrowheads, artifacts, rocks, firewood, cacti, animals, birds, minerals or other similar features from the OGOA without Surface Owner's prior written consent. Operating Company shall not permit the discharge of any Hazardous Materials (defined below) on the Labue Farm Property except in compliance with Applicable Law. No improvements on the Labue Farm Property shall be damaged or removed by Operating Company without the prior written consent of the Surface Owner on whose property the improvements are located. All visible portions of the OGOA shall be maintained in compliance with Colorado Oil and Gas Conservation Commission Rule 603.f., and shall meet the following requirements: graffiti shall be removed within forty-eight (48) hours; trash dumpsters shall have covers and be screened from view; and landscaping shall be maintained in good condition and dead plants replaced. Gates into the OGOA shall be closed and locked except when Operating Company's employees or representatives are onsite or when necessary for vehicles to enter or exit. Surface Owner shall provide notice to Operating Company of any site maintenance concerns and Operating Company shall cure such concerns within fourteen (14) days. If Operating Company has not cured such site maintenance concerns on the exterior of the OGOA within fourteen (14) days, then Surface Owner shall cure such site maintenance concerns and shall invoice Operating Company for the reasonable costs associated with curing such site maintenance concerns which shall be paid by Operating within sixty (60) days following receipt of such invoice.

13. CHEMICAL INVENTORIES. Applicable chemical information and safety data sheets shall be maintained or submitted by the Operating Company as required by law; including but not limited to the COGCC. Operating Company shall provide Surface Owner with a copy of any chemical disclosures filed with the COGCC that are applicable to the OGOA. All applicable chemical information is considered public by the applicable agencies and is available to Surface Owner, excluding certain proprietary or trade secret information as designated by those agencies.

14. ENVIRONMENTAL REMEDIATION. In the case of the release, spill, discharge, leak, disturbance or disposal of Hazardous Materials (defined below) as a result of Operating Company's operations on the Labue Farm Property, Operating Company shall immediately control and diligently remediate all contaminated media as required by Applicable Law and shall restore the affected portion of the Labue Farm Property to its condition prior to such release, spill, discharge, or disturbance, including, without limitation turf and other landscaping elements. Operating Company also shall immediately notify Surface Owner in writing of the release, spill,

leak, discharge or disturbance of Hazardous Materials, the control and remediation response actions taken by Operating Company, and any responses, notifications, or actions taken by any federal, state, or local agency with regard to such release, spill, or leak. Operating Company shall make available to Surface Owner for inspection and copying, upon reasonable notice and at reasonable times, any or all of the documents and materials that Operating Company has prepared pursuant to any requirement under this Section 14. For purposes of this Agreement, the term “**Hazardous Materials**” shall mean any exploration or production wastes, chemical products (as defined under COGCC Regulations), asbestos and asbestos-containing materials, special wastes, polychlorinated biphenyls (PCBs), used oil, or any petroleum products, natural gas, radioactive source material, pesticides, and any hazardous waste as defined at 42 U.S.C. § 6903(5) of the Solid Waste Disposal Act, any hazardous substance as defined at 42 U.S.C. § 9601(14) of the Comprehensive Environmental Response, Compensation and Liability Act, and any chemical substance as defined at 15 U.S.C. § 2602(2) of the Toxic Substances Control Act, and any rules or regulations promulgated pursuant to such statutes or any other Applicable Law.

15. GOVERNMENTAL PROCEEDINGS.

(a) **Surface Owner Will Not Object.** So long as Operating Company is not in Default (as defined below) under the terms of this Agreement, Surface Owner agrees that: (i) it will not object in any forum to the use by Operating Company of the surface of the Labue Farm Property consistent with this Agreement and Surface Owner hereby waives any such right to object; (ii) it will provide such other written approvals and waivers that are requested by Operating Company and consistent with this Agreement, including, for example, waivers to state and local setback requirements, and to any setback requirements from a surface property line or for an exception location that is consistent with this Agreement; (iii) it will not promote or support a claim by, or the application of, any third party that would in any way interfere with or diminish Operating Company’s ability to conduct Oil and Gas Operations in accordance with this Agreement.

(b) **Operating Company Will Not Object.** So long as Surface Owner is not in Default under the terms of this Agreement, Operating Company will not object in any forum to a request by Surface Owner to annex, zone, rezone, plat, or replat all or any portion of the Labue Farm Property, or to any other request for approval of an application for development from a governmental authority to the extent such application is consistent with this Agreement and any plans approved hereunder, and Operating Company hereby waives any such right to object. Operating Company further agrees to provide such reasonable consent or waivers related to such land use applications that are requested by Surface Owner and consistent with this Agreement. Operating Company hereby waives any rights to notification under the Surface Development Notification Act, C.R.S. § 24-65.5-101, *et seq.*

(c) **Acknowledgement of Reasonable Accommodation.** Surface Owner and Operating Company expressly acknowledge that compliance with this Agreement shall be deemed specifically applicable to, and to fully satisfy, any obligations of Surface Owner and Operating Company to reasonably accommodate the existing and future use of the surface of any portion of the Labue Farm Property. Operating Company and Surface Owner waive any statutory and common law claims to the contrary, including, but not limited to, any claims pursuant to C.R.S. § 34-60-127.

16. NOTIFICATIONS, REPORTS, AND CORRESPONDENCE.

(a) **Notice of Operations.** Operating Company shall provide at least thirty (30) days' prior written notice of the commencement of Oil and Gas Operations on the OGOA, the Pipeline Easements, or the Access Road, and seven (7) days prior written notice to Surface Owner of any operations in connection with reworking, fracturing, deepening, or recompletion of any well on the OGOA so that the Parties may meet to discuss any site access, hazardous, barricades or other issues that affect the Labue Farm development.

(b) **Governmental Notices and Submittals.** Operating Company shall provide to Surface Owner a copy of all notifications and other submittals to, or correspondence to or from, or orders from, the COGCC or Town of Windsor related to the Oil and Gas Operations on the Labue Farm Property. Operating Company shall provide any pre-application notice required by Rule 305.a. to Surface Owner thirty (30) days prior to submitting any Oil and Gas Location Form 2A to the COGCC.

17. RIGHT TO INSPECT AND REQUEST FOR TESTING. Without limiting any rights of use and occupancy of Surface Owner retained pursuant to the Easements, at its own risk and expense, upon twenty-four hours' advance notice to Operating Company, Surface Owner shall be permitted to access the OGOA or any other site where Oil and Gas Operations are being conducted under this Agreement during normal business hours, provided Surface Owner complies with visitor safety equipment requirements of the Operating Company and completes the safety training provided by Safe Land USA Training. Such access shall be for purposes of monitoring compliance by Operating Company with the requirements of this Agreement, including, without limitation, the collection of samples of environmental media by a mutually agreed upon, third-party independent environmental consultant retained by Surface Owner. If, as a result of Surface Owner's inspection of the OGOA pursuant to this Section 17, Surface Owner may reasonably request that the Operating Company conduct testing as may be necessary to determine whether any Hazardous Materials have entered the soil, groundwater, or surface water on or under the OGOA. If Operating Company determines Surface Owner's request is reasonable and conducts the requested testing, then Operating Company shall provide copies of all results of testing requested by the Surface Owner. If Operating Company determines Surface Owner's request is not reasonable and does not conduct the requested testing, then Surface Owner may retain a mutually agreed upon, third-party independent environmental consultant conduct the testing and shall provide copies of all results of testing requested by the Surface Owner to the Operating Company. If the testing results show remediation is required under Applicable Law, Operating Company shall pay for such testing; if the testing results do not show that remediation is required under Applicable Law, Surface Owner shall pay for such testing.

18. EFFECTIVE DATE, TERM AND TERMINATION. This Agreement shall become effective on the Effective Date and shall terminate when the OGOA is reclaimed pursuant to all applicable Colorado state rules and regulations, as evidenced by a COGCC-approved Form 4 or other instrument acknowledging Operating Company's compliance with all COGCC reclamation requirements. Operating Company agrees it will seek no more than one (1) annual extension from the COGCC for purposes of extending the period for plugging and abandoning any well on the OGOA.

19. INDEMNIFICATION. To the maximum extent allowed by law:

(a) Operating Company shall fully indemnify, hold harmless and defend Surface Owner and its directors, officers, employees, agents, stockholders and affiliates (collectively, "Surface Owner Indemnified Parties") from and against all claims, demands, actions, suits, damages, liabilities, losses, settlements, judgments, costs and expenses (including but not limited to reasonable attorney's fees and costs) arising out of or relating to (1) any breach or violation of any covenant or other obligation or duty by Operating Company under this Agreement, (2) any damage to personal property or injury to persons occurring on the Labue Farm Property caused by Operating Company's Oil and Gas Operations, or (3) any release, spill, leak, discharge or disturbance of Hazardous Materials as a result of Operating Company's Oil and Gas Operations; except to the extent any gross negligence or willful misconduct by Surface Owner or any other Surface Owner Indemnified Party causes or contributes to each of the foregoing items.

(b) Surface Owner shall fully indemnify, hold harmless and defend Operating Company and its directors, officers, employees, agents, and affiliates (collectively, "Operating Company Indemnified Parties") from and against all claims, demands, actions, suits, damages, liabilities, losses, settlements, judgments, costs and expenses (including but not limited to reasonable attorney's fees and costs) arising out of or relating to (1) any breach or violation of any covenant or other obligation or duty by Surface Owner under this Agreement, (2) any injury to personal property or injury to persons occurring on the Labue Farm Property caused by Surface Owner's activities on the Labue Farm Property, or (3) any release, spill, leak, discharge or disturbance of Hazardous Materials as a result of Surface Owner's activities on the Labue Farm Property; except to the extent of any gross negligence or willful misconduct by Operating Company or any other Operating Company Indemnified Party causes or contributes to each of the foregoing items.

20. INSURANCE AND CONSTRUCTION DEPOSIT.

(a) **Insurance.** Not later than ten (10) days prior to commencing Oil and Gas Operations on the Labue Farm Property, Operating Company shall provide evidence of insurance of types and in amounts set forth on *Exhibit E* attached hereto and incorporated by this reference herein. Operating Company shall maintain such insurance coverage during the term of this Agreement. Such evidence shall consist of a certificate of insurance, executed by a duly authorized representative of each insurer, indicating compliance with the insurance requirements set forth in *Exhibit E*. All certificates shall provide for thirty (30) days advance written notice to Surface Owner prior to the cancellation or material change of any insurance referred to herein. Upon written request, Operating Company shall provide Surface Owner with a copy of all insurance policies within thirty (30) days of receipt of such request. By requiring insurance herein, Surface Owner does not represent that coverage and limits will necessarily be adequate to protect Operating Company, and such coverage and limits shall not be deemed as a limitation on Operating Company's liability under the indemnities granted to Surface Owner in this Agreement. Failure of Surface Owner to demand such certificate or other evidence of compliance with these insurance requirements, or failure of Surface Owner to identify a deficiency from evidence that is provided, shall not be construed as a waiver of Operating Company's obligation to maintain such insurance.

(b) **Stop Work.** If Surface Owner discovers that Operating Company has failed to maintain insurance required hereunder, Surface Owner shall provide written notice to Operating Company and may require Operating Company to cease all Oil and Gas Operations on the OGOA on the date of receipt of such notice until evidence of all required coverages has been provided to Surface Owner, unless ceasing Oil and Gas Operations will present safety hazards, damage to the well or damage to Operating Company or Surface Owner's property, in which case Oil and Gas Operations shall cease no later than fifteen (15) days following receipt of such notice.

21. PUBLIC RELATIONS. Operating Company shall notify Surface Owner of the name and contact information for a company representative responsible for Operating Company's public relations no later than ten (10) business days following the Effective Date ("**PR Representative**"). The PR Representative's contact information may be posted on the Surface Owner's website or advertised in any publication relating to Labue Farm and the PR Representative, or any designated PR Representative proxy, shall respond to any inquiries or complaints received within forty-eight (48) hours.

22. DISPUTE RESOLUTION. All disputes between the Parties arising out of or related to this Agreement or any Default hereunder shall be resolved by arbitration conducted by Judicial Arbiter Group, Inc. ("JAG") located in Denver, Colorado and according to the Colorado Rules of Civil Procedure and Rules of Evidence then in effect and subject to the following conditions:

(i) There will be a single arbitrator appointed by the JAG in accordance with its normal procedures for selection of arbitrators.

(ii) The arbitrator will issue a detailed written decision setting forth the legal and factual basis of the decision. If there is more than one issue upon which a party's claim is based, the decision will separately address each issue.

(iii) Any question of arbitrability shall be decided by the appropriate court of competent jurisdiction and not by arbitration.

(iv) The agreement to arbitrate does not apply to any claim of contribution or indemnity based upon a claim or action by a third-party who does not consent to become a party to arbitration with the parties.

(v) The award rendered by the arbitrator(s) shall be final and judgment may be entered upon it in accordance with applicable law in any court of competent jurisdiction. Awards may include orders for specific performance of the Agreement or to enjoin its threatened or attempted violation, damages for such breach, or any other remedy available in law or equity.

(vi) The parties agree to consolidate any arbitration under this Agreement with any other arbitration involving either party and arising out of a common question of fact or law about this Agreement

(vii) Prior to the institution of either arbitration or litigation, the Chief Executive Officer of the parties, or their designated representatives, shall meet personally in a good

faith effort to resolve the issues to be litigated or arbitrated. This requirement is a condition precedent to the commencement of litigation or arbitration.

(viii) This Agreement shall be construed in accordance with the laws of the State of Colorado, except that the Federal Arbitration Act shall govern any arbitration agreement.

23. SUCCESSORS AND ASSIGNS.

(a) **Generally.** Except as otherwise specifically provided herein, this Agreement shall inure to the benefit of, and be binding upon, the heirs, successors and assigns of the Parties. The Agreement and its covenants shall run with the land and shall bind the Parties, and their respective heirs, successors, personal representatives and assigns forever. Neither Party shall assign any interest in this Agreement without the consent of the other party; provided however that such consent shall not be unreasonably withheld.

(b) **Subcontractors.** Operating Company and Surface Owner shall inform their respective subcontractors of the applicable terms and obligations under this Agreement, without breaching the confidentiality provisions of Section 35.

24. RECORDING AND NOTICE TO THIRD PARTIES. Upon execution of this Agreement, a Memorandum of Surface Use Agreement, in the form attached as *Exhibit F* and incorporated by this reference herein, shall be recorded in the County Records. In addition, memoranda of any future material amendments to this Agreement and notifications of any termination pursuant to Section 18 hereto also shall be recorded in the County Records as applicable.

25. DEFAULT. In the event either Party has breached the terms of this Agreement, the other Party shall provide written notice to such defaulting Party setting forth in reasonable detail the nature of the breach ("*Notice of Breach*"). Unless otherwise provided herein, the defaulting Party shall have thirty (30) days following receipt of the Notice of Breach to cure such breach or if such breach cannot be reasonable cured within said thirty (30) day period, the defaulting Party shall commence to cure such breach within said thirty (30) day period and diligently pursue the same until the breach is cured. In the event the breaching Party fails or refuses to cure such breach within the thirty (30) day period, or extended period described above, such breach shall be considered to be in default hereunder ("*Default*") and the Parties may initiate the dispute resolution proceedings pursuant to Section 22 to seek remedies for such Default.

26. REMEDIES. The Parties' rights and remedies are cumulative. The exercise by either Party of one or more such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other defaults.

27. APPLICABLE LAW AND VENUE. This Agreement shall be construed under the laws of the State of Colorado without regard to its conflict of laws provisions. Venue for any action in law or equity under this Agreement shall be in the Colorado District Court for Weld County, or Federal District Court of the State of Colorado, to the extent it may have jurisdiction over the action.

28. SEVERABILITY. A determination that any provision of this Agreement is unenforceable or invalid by an arbitrator or court shall not affect the enforceability or validity of any other provision, and any determination that the application of any provision of this Agreement to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to any other persons or circumstances.

29. ENTIRETY OF AGREEMENT AND AMENDMENT. This document, and the Payment Agreement executed of even date herewith, supersede all prior oral or written agreements between the Parties and embodies the complete agreement and understanding among the Parties that may have related to the subject matter hereof in any way, including that certain Binding Letter Agreement by and between the Parties, dated April 26, 2016. This Agreement shall not be amended orally, but only by the mutual written agreement of the Parties hereto, or their successors and assigns.

30. NOTICES. All notices or other communications required under this Agreement shall be effected, either by personal delivery in writing, by certified mail with return receipt requested, by electronic mail transmission with evidence of confirmation, or by reputable overnight delivery. Notice shall be deemed to have been given when delivered, or when transmittal is confirmed to the Parties at the address set forth below or such other address as either Party may specify to the other Party in writing.

EXTRACTION OIL & GAS, INC.

370 17th Street, Suite 5300
Denver, CO 80202
Attention: Surface Land Department
E-mail: scasper@extractionog.com
Telephone: 720-974-7741

VIMA PARTNERS, LLC

1625 Pelican Lakes Point, Suite 201
Windsor, Colorado 80550
Attention: Martin Lind
E-mail: mlind@watervalley.com
Telephone: 970-686-5828

31. AUTHORITY. Each Party represents and warrants that it has the full right and authority to enter into this Agreement and each signatory to this Agreement represents and warrants that he or she has full authority to sign on behalf of the Party for which he or she signs.

32. COUNTERPARTS. This Agreement may be executed in facsimile counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document.

33. FORCE MAJEURE. For purposes of this Agreement, "Events of Force Majeure" shall mean any contingency or cause beyond the reasonable control of the Parties including,

without limitation, acts of God or the public enemy, war, riot, civil commotion, insurrection, government or de facto government action (unless caused by acts or omissions of the Parties), fires, explosions, rain or other weather delays, floods, strikes, slowdowns or work stoppages. If a Party is unable to perform an obligation under this Agreement as a result of an Event of Force Majeure, such Party shall not be in Default, but instead such Party's time for performance shall be extended by a period of time equal to the duration of the Event of Force Majeure. As soon as reasonably practicable following the date of commencement of an Event of Force Majeure, and within a reasonable time following the date of termination of an Event of Force Majeure, any Party invoking it shall submit to the other Party reasonable proof of the nature of the Event of Force Majeure and of its effect upon the performance of the Party's obligations under this Agreement. In no instance shall an extension of time for performance as a result of an Event of Force Majeure exceed one-hundred and eighty (180) days in duration.

34. CONFIDENTIALITY. Surface Owner and Operating Company shall keep the specific terms, conditions and covenants of this Agreement confidential except:

- (a) to provide a summary of the Agreement to the Town of Windsor and the COGCC, but not a full copy of such Agreement;
- (b) where mutually agreed to in writing by the parties;
- (c) where necessary to share such information with the parties' accountants or attorneys;
- (d) where disclosure to a governmental entity is required;
- (e) where disclosure is ordered by a court of competent jurisdiction;
- (f) to subcontractors, operators, farmees, lessees or similar contracting parties as provided in Section 23; or
- (g) to other parties who may request copies from the Parties in accordance with the recorded Memorandum of Surface Agreement.

The parties shall not communicate with anyone associated with any media or publication entities concerning the terms of this Agreement. This confidentiality provision is a material term of this Agreement, and its violation shall constitute a breach of this Agreement.

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

[SIGNATURE PAGES FOLLOW]

EXHIBIT A

**Attached to the Surface Use and Compatible Development Agreement, by and between
VIMA PARTNERS, LLC, and EXTRACTION OIL & GAS, INC, dated June 26, 2017**

LEGAL DESCRIPTION

PT SW4 32-6-67 EXC BEG SW COR N01D33'W 380' N89D03'E 1074.62' N88D09'E 309.76'
S05D14'W 371.75' S89D23'W 1420.80' TO POB ALSO EXC BEG S4 COR S89D23'W 114.49'
N0D22'W 1134.36' S06D08'E 1139.64' TO POB & PT SE4 BEG S4 COR N06D08'W 1139.64'
TO POB N06.08'W 1552.69' N89D37'E 155.98' S0D22'E 1544.84 TO POB & PT SE4 BEG S4
COR S89D23'W 114.49' N0D22'W 1134.36' S06D08'E 1139.64' TO POB ALSO EXC COMM
SW4 COR N04D36W 350.86 TO POB N04D36W 800 M/L N89D03E 501.02 S04D36E 800
S89D03W 510.84 M/L TO POB ALSO EXC COMM S4 COR S89D23W 114.49 TO POB
N00D22W 369.82 S89D23W 1168.75 S05D14W 371.75 N89D23E 1196 M/L TO POB ALSO
EXC COMM S4 COR S89D23W 114.49 N00D23W 369.82 TO POB S89D23W 1168.75
N88D10W 155 N00D22W 1639.40 N89D23E 1323.64 S00D22E 1646 TO POB

and

PT SW4 32 6 67 COMM SW4 COR N04D36W 350.86 TO POB N04D36W 800 M/L N89D03E
501.02 S04D36E 800 S89D03W 510.84 M/L TO POB

and

PT SW4 32 6 67 COMM S4 COR S89D23W 114.49 TO POB N00D22W 369.82 S89D23W
1168.75 S05D14W 371.75 N89D23E 1196 M/L TO POB

EXHIBIT B

**Attached to the Surface Use and Compatible Development Agreement, by and between
VIMA PARTNERS, LLC, and EXTRACTION OIL & GAS, INC, dated June 26, 2017**

MILKSHAKE PAD EASEMENT

EXHIBIT A

WEST QUARTER CORNER
SECTION 32
FOUND #6 REBAR WITH
2.5" ALUMINUM CAP
PLS 28285

CENTER QUARTER CORNER
SECTION 8
FOUND #6 REBAR WITH
3.25" ALUMINUM CAP
PLS 33642

S 85°22'56" W
142.14'

N 42°15'40" E
70.71'

N 89°37'54" E 2669.77'

330.74'

N 87°15'40" E

200.00'

S 02°44'20" E
325.94'

PAVSTA WELL PAD
1.84 ACRES

N 02°44'20" W
275.94'

249.52'

S 87°05'40" W

S 85°22'56" W
5.00'

N 85°01'33" E

520.01'

WEST LINE OF THE SOUTHWEST
QUARTER OF SECTION 32
BASIS OF BEARINGS

S 04°37'04" E 2867.55'

N 04°37'04" W

1040.21'

MILKSHAKE FACILITY PAD
12.48 ACRES

S 04°37'04" E
1050.83'

520.05'

S 86°10'26" W

776.84'

SOUTHWEST CORNER
SECTION 32
FOUND #6 REBAR WITH
3.25" ALUMINUM CAP
PLS 22096

SYMBOL LEGEND



ALIQUOT CORNER AS DESCRIBED

NOTE: THIS EXHIBIT DOES NOT REPRESENT A
MONUMENTED LAND SURVEY, IT IS INTENDED ONLY
TO DEPICT THE ATTACHED LEGAL DESCRIPTION.



0 300
Scale 1" = 300 ft

BASELINE
Engineering · Planning · Surveying

4007 S. LINCOLN AVENUE, SUITE 405 • LOVELAND, COLORADO 80537
P. 970.353.7600 • F. 866.679.8864 • www.baselinecorp.com

EXTRACTION OIL & GAS

TOWN OF WINDSOR

WELD COUNTY

MILKSHAKE PAD

TOWNSHIP 6 NORTH, RANGE 67 WEST, SECTION 32, 6TH P.M.

DESIGNED BY	BGR	INITIAL SUBMITTAL	4/27/2016
DRAWING SIZE	8.5" X 11"	SURVEY FIRM	BASELINE
DRAWN BY	BGR	SURVEY DATE	3/2/2017
CHECKED BY	AAD	JOB NO.	EXT06N67W32-01
		DRAWING NAME	EXT06N67W32-01 (MILKSHAKE).dwg
		SHEET	1 OF 1