



STATE OF COLORADO
STATE BOARD OF LAND COMMISSIONERS

SURFACE USE AGREEMENT
OT 111498
Non-State and Pooled or Communitized Minerals

THIS SURFACE USE AGREEMENT ("Agreement"), dated this 28th day of November, 2017, ("Effective Date") is made by and between the State of Colorado, acting by and through the Colorado State Board of Land Commissioners, whose address is 1127 Sherman Street, Suite 300, Denver, CO 80203, herein called the "State Land Board", and, BONANZA CREEK ENERGY OPERATING COMPANY, LLC, whose address is 410 17TH STREET, SUITE 1400, DENVER, CO 80202, herein called the "Operator".

WHEREAS, the State Land Board represents that it is the surface owner and in possession of the surface estate in all or part of the following lands located in Weld County, Colorado (the "Property"):

Subdivision SWSE, Section 26, Township 5N, Range 63W

WHEREAS, the State Land Board acknowledges that the Operator has certain rights to conduct oil and gas operations under the terms of oil and gas lease(s) underlying or adjacent to the Property;

WHEREAS, the State Land Board and the Operator, together also herein be called the "Parties", desire to facilitate development of the oil and gas resources based on reasonable access and use of the Property, and to reach an understanding and agreement regarding the Operator's surface access and use and to minimize disturbance associated with oil and gas operations.

NOW, THEREFORE, in consideration of the terms and conditions cited below, the State Land Board and the Operator agree as follows:

1. Surface Rights

The State Land Board agrees to allow the Operator reasonable use of a portion of the Property to build well pad(s), tank batteries, access road(s); construct pipelines, flowlines, gathering lines and powerlines; and to drill, complete, produce and operate vertical, directional or horizontal wells (the "Operations"). Operations on the Property shall be confined to a limited portion of the surface of the Property exclusively reserved for Operations (the "Operations Area"), together with an "Access Corridor," as necessary, for access roads and associated lines, containing 8.451 acres which is further identified on Exhibit A. The Operator shall have the exclusive right to utilize the Operations Area provided the State Land Board may use the balance of the Property and the Access Corridor for State Land Board purposes that do not materially interfere with Operations. Furthermore, the Operator shall have the right to access and use the Property in "Emergency Situations". Emergency Situations is defined as situations that require immediate attention in order to protect human life or prevent further degradation of the land.

2. Subsurface Easement

To the extent the State Land Board owns the sub-surface rights underlying the Property, the State Land Board hereby grants the Operator a sub-surface easement for passage of any portion of the directional or horizontal wellbore for a well located on the Operations Area through the State Land Board owned sub-surface. If a wellbore from a well located on the Operations Area leaves the sub-surface boundaries of one State Land Board oil and gas lease and enters lands covered under a separate oil and gas lease or leases, the State Land Board grants an easement to allow the wellbore

to travel and produce from all applicable leases, provided such easement does not conflict with the terms of any State Land Board lease now in effect.

3. Term

This Agreement shall have a primary term of three (3) years (the "Primary Term") and shall continue for so long thereafter as any well utilizing the Operations Area continues to produce oil or gas. If, after the expiration of the Primary Term of this Agreement, production from all wells utilizing the Operations Area should cease for any cause for a period of more than two (2) years, the State may terminate this Agreement, provided that the Operator may request annual one-year extensions to this Agreement by (i) providing evidence of compliance with COGCC Rule 326.B - Mechanical Integrity Testing for Shut-in Wells, which may be in the form of COGCC Form 21 - Mechanical Integrity Test and, (ii) paying the State Land Board, in addition to the Annual Payment, [REDACTED] of the Operations Area.

If the Operator fails to commence Operations on the Operations Area during the Primary Term by established production from wells located on the Operations Area or from off-site Wells utilizing facilities located on the Operations Area, this Agreement will terminate at the end of the Primary Term.

Upon termination of Operations, this Agreement shall remain in effect as to other terms and conditions until all wells are plugged and abandoned and the reclamation and clean-up requirements set out in the "Reclamation" section below have occurred consistent with the Colorado Oil and Gas Conservation Commission (the "COGCC") regulations then in effect, and to the reasonable satisfaction of the State Land Board.

Agreement extensions in the absence of oil or gas production or in the event that the Operator fails to comply with 3.i and 3.ii above may be granted at the sole discretion of the State Land Board.

4. Indemnification

The Operator shall indemnify and hold the State Land Board, including without limitation all State Land Board officers, agents, employees and Board members (collectively "Board Indemnitees") harmless from any and all liability, liens, demands, judgments, suits, and claims of any kind or character arising out of, in connection with, or relating to the Operator's Operations on the Operations Area and the Property including, but not limited to, environmental issues, erosion, sedimentation, surface and sub-surface damage, claims for injury to or death of any persons, or damage, loss or destruction of any property, real or personal, under any theory of tort, contract, strict liability, or statutory liability ("Claims"), except to the extent such Claims arise from the Board Indemnitees' gross negligence or willful misconduct. The Operator further covenants and agrees to defend any suits brought against the State Land Board on any Claims, and to pay any judgment against the State Land Board resulting from any suit or suits, together with all costs and expenses relating to any claims, including reasonable attorney's and expert fees, arising from the Operator's Operations on the Property, or other land owned by the State Land Board, except to the extent such Claims arise from the State Land Board's gross negligence or willful misconduct. The State Land Board, if it so elects, shall have the right to participate in its defense in any suit or suits in which it may be a party, inclusive of using separate counsel without relieving the Operator of the obligation to defend the State Land Board. The State Land Board shall have the right to employ separate counsel in any action, suit or proceeding if, in accord with applicable codes or rules of attorney conduct, there would be an unwaivable or unwaived conflict of interest between the Operator and the State Land Board so that they cannot be represented by the same counsel and, under such circumstances, the fees and expenses of such separate counsel shall be paid solely by the Operator.

5. Payments to the State Land Board

- A. Initial Damage Payment - On the Effective Date of the Agreement the Operator shall pay the State Land Board [REDACTED] based on the surface use rates set forth on Exhibit B for surface damage, impact and use of the Operations Area.
- B. Well Payments - In addition to the Initial Damage Payment, the Operator shall pay the State Land Board a one-time payment for any and all wells located on the Operations Area based on the rates set forth on Exhibit B. Well Payments are due on the next annual anniversary date of the Effective Date following the well spud date, defined as when the drill bit contacts the ground to start the process to drill for and install surface casing.
- C. Annual Payment - The Operator shall pay the State Land Board annually, on or before each anniversary of the Effective Date for so long as this Agreement remains in effect, an Annual Payment of [REDACTED] calculated based on the rates set forth on Exhibit B. The State Land Board may accept, in lieu of Annual Payments, a lump-sum one-time payment on the Effective Date of this Agreement, at the sole and absolute discretion of the State Land Board.
- D. Access Corridor Payment: The operator shall pay a one-time Access Corridor Payment to the State Land Board of [REDACTED] based on the rates set forth on Exhibit B, for access roads, pipeline and powerline easements, and all other disturbances outside the Operations Area. Payment shall be made on the Effective Date of the Agreement and the Operator may be subject to either the SUA or a separate Right-of-Way ("ROW") agreement. Operator shall consult with and obtain approval from the State Land Board for Access Corridors and shall cooperate with the State Land Board regarding the location and construction timing for any pipeline burial in order to minimize surface disturbance, and shall pay the State Land Board based on the compensation schedule set forth on Exhibit B. For accuracy of measurement, Operator shall provide an As-Built Survey and the Access Corridor Payment may be adjusted accordingly.
- E. Production Facilities Payment - Upon written approval by the State Land Board, the Operator shall pay the State Land Board a one-time payment for each well located off the Operations Area ("Off-Site Wells") that uses facilities located on the Operations Area, including without limitation, tanks and compressors, and all associated oil and gas production and operational facilities (the "Production Facilities"), calculated based on Exhibit B ("**Production Facilities Payment**"). The State Land Board's written approval and the Production Facilities Payment are due prior to constructing pipelines or producing hydrocarbons from Off-Site Wells to the facilities located on the Operations Area and such use will be granted at the State Land Board's sole and absolute discretion.
- F. Rental Adjustment - On the tenth anniversary of this Agreement and every fifth anniversary date thereafter the Annual Payment shall be increased based on the change in Consumer Price Index - All Urban Consumers, "CPI-U" (CUUR0000SA4) (Base Period 1982-84=100) (the "Index"), as first published by the U. S. Department of Labor, Bureau of Labor Statistics, for the five year period preceding such anniversary date.

On the tenth anniversary of this agreement and annually thereafter the Annual Payment may be reduced based on a reduction in size of the Operations Area due to interim reclamation subject to written approval by the State Land Board's District Manager or their appointee.

6. Excess Damage

If the Operations cause damage to (i) the Property located outside of the Operations Area or (ii) any other State Land Board-owned surface, or (iii) personal property located on Property outside of the Operations Area and Access Corridor, or if Operator's surface use exceeds the use contemplated herein, causing damage, including without limitation damage or destruction of land, crops, livestock, structures, buildings, fences, culverts, concrete ditches, irrigation systems, and natural water ways, Operator shall repair or replace the damaged property, or shall pay reasonable compensation to the State Land Board or the owner of such personal property for the replacement or repair of the damaged property. Failure to timely repair, replace or pay for additional damages may result in termination of this Agreement subject to notice and cure rights contained in paragraph 20.

7. Consultation

- A. Surface Owner - Prior to execution of this Agreement, Operator shall meet with a State Land Board representative to define the Operations Area and Access Corridor as set forth on Exhibit A. Except for Emergency Situations, Operators shall be confined to the Operations Area and Access Corridor, and any change to Exhibit A requires prior consultation and written approval of the State Land Board. Except as indicated in paragraph 28, the State Land Board does not waive any COGCC surface owner consultation requirements, and the Operator shall not seek a variance to any required consultation without the advance written approval of the State Land Board.
- B. Colorado Parks and Wildlife - Prior to executing this Agreement, Operator shall consult with Colorado Parks and Wildlife (CPW) representatives as required by COGCC Rules, and as required by the State Land Board, to determine if the Property contains CPW mapped High Priority Habitat (HPH) and/or occurrences of Federally-listed Endangered, Threatened, or Candidate Wildlife. The Operator shall review the Colorado Natural Heritage Program (CNHP) data to identify animal and plant species of concern. Evidence of such consultation and review and the Operator's design measures and best management practices (BMPs) to be employed to avoid and minimize adverse impacts to biological resources, species, and habitats must be attached to this Agreement as Exhibit C. The Parties mutually agree that any violation or non-compliance with the Exhibit C design measures and BMPs, in whole or in part, arising directly or indirectly from the use, occupation or control of the Property and the Operations Area, by the Operator or the Operator's Contactors is a default of this Agreement and the State Land Board may terminate this Agreement, subject to notice and cure rights contained in paragraph 20. In addition, the Parties mutually agree that Operator will pay liquidated damages of [REDACTED] per day for any such violation of or non-compliance with the Exhibit C design measures and BMPs.

8. As-Built Information

No later than 90 days after completion of construction of the well site, Production Facilities, access roads and pipelines, individually or together, or concurrently upon an Operator's submission of an As-Built Survey to the COGCC, whichever is earlier, the Operator shall provide the State Land Board with a certified plat showing the actual dimensions of the Operations Area and the Access Corridor and the total number of acres disturbed ("**As-Built Survey**"). Should the operator need to use lands to conduct additional operations outside of the area defined in the As-Built Survey, the

Operator must obtain written approval from the State Land Board and the State Land Board can require a new As-Built Survey to include the additional acreage being used.

9. Operational Standards

At all times the Operator and its Contractors shall enter and use the Property, including the Operations Area, and shall conduct all Operations thereon, in a good, careful, safe, and workmanlike manner, in compliance with applicable state rules and regulations including those of the COGCC, the Colorado Air Quality Control Commission and any other State or Federal agency with jurisdiction over Operations, the applicable oil and gas lease(s), and this Agreement. Operator shall strive to identify and use the best management practices then available for surface management of oil and gas operations. The term "Contractors" shall include any third party and its employees, agents and affiliates that are retained, engaged or employed by the Operator to conduct Operations on the Property.

- A. Limitation - The Operator shall use the Operations Area only for Operations as depicted and detailed on Exhibit A. No Operations, compressors, pipelines, powerlines, access roads, facilities, and equipment beyond those provided for on Exhibit A are allowed without the prior written consent of the State Land Board, except for Emergency Situations.
- B. Compliance - Operator shall inform all Contractors of the standards contained herein. Should any Contractor fail to comply with Operator's obligations set forth herein, Operator shall be responsible and liable to the State Land Board for resulting damages.
- C. Road standards - To the extent technically feasible, as agreed to by the Parties, Operator shall use existing roads to access the Operations Area and Access Corridor, except for Emergency Situations.
 - I. Access roads shall be limited to approximately thirty-feet, being fifteen feet on each side of the centerline, and shall be constructed along the boundary lines of the Property, or along the section lines of the Property, to the extent technically feasible, as agreed by the Parties.
 - II. Culverts shall be installed at ditch and drainage crossings, and shall be sized to prevent obstruction to the free flow of the volumes of water being carried, inclusive of flood stages. If existing culverts are damaged or destroyed Operator agrees to promptly repair or replace such culverts.
 - III. Upon the State Land Board's written request, the Operator shall construct cattle guards at all places where Operator requires access through the State Land Board's fences. Permanent gates shall be installed at each point where an access road intersects perimeter or cross fences. If the State Land Board or Operator elects to lock any gate on the access road, keys shall be provided to the other party.
 - IV. All access roads shall be kept and maintained free from ruts. Access roads shall be compacted and an adequate amount of crushed aggregate and lighter gravel shall be added on top of the surface of the access road to minimize rutting and damage to the surface.

- V. During dry months, Operator shall apply fresh water (or water to a standard suitable for irrigation purposes) to the surface of the access roads to reasonably limit dissemination of dust.
 - VI. The use and construction of any access roads shall not include a right of use by the general public. Operator shall be responsible for maintaining all access roads and any existing roads utilized by Operator, at Operator's sole cost and expense.
 - VII. Operator shall impose a reasonable speed limit, not to exceed twenty miles per hour on the access road, and Operator shall be responsible for all traffic on the access road occurring in connection with Operations, including without limitation any damage to livestock or growing crops.
- D. Water Protection - Operator shall protect all water sources and conveyance structures, and test water quality in accordance with COGCC rules and regulations. All water sampling and testing shall be completed at Operator's expense by a reputable testing consultant selected by the Operator.
- E. Fencing - To exclude livestock, upon the State Land Board's request, Operator shall fence any drill site, or if production is established, any well site, with a wildlife friendly four strand wire fence secured by posts at appropriate intervals. Pits must be separately fenced and netted according to the State Land Board's specifications to protect birds and wildlife. Final fencing materials shall be determined based on best management practices for the protection of wildlife agreed to by the Parties.
- F. Production Containment - Operator will install and maintain steel containment rings around production tanks and associated facilities, and install steel berms and an impervious synthetic liner within bermed areas and use best management practices to prevent any hydrocarbon substances from infiltrating soil or ground water.
- G. Buried Pipelines - Operator shall bury all pipelines to a minimum depth of 36 inches.
- H. Additional Surface Installations - At the State Land Board's request, Operator shall install additional screening, fencing, and landscaping around a wellsite to minimize noise and aesthetic impacts.
- I. Prohibited Activities - The Operator and its Contractors may not hunt, fish, or possess firearms, alcoholic beverages, or illegal drugs on the Property.
- J. Weed Control - The Operator shall keep the Operations Area and Access Corridor free of weeds as required by COGCC Rule 1003(f). Noxious weeds shall be sprayed within two (2) weeks of any request by the State Land Board for such spraying.
- K. Trash and Debris - Operator shall keep the Operations Area free from trash and debris and shall provide for periodic removal of all trash and debris from the Operations Area.

- L. Erosion Control - If the State Land Board identifies portions of the Property where Operations have caused erosion Operator agrees to take reasonable measures to control erosion, including without limitation installation of soil berms or diversions, mulching, seeding or soil binders.
- M. Storage Prohibited - The Operator shall not store any oil and gas equipment, machinery, vehicles, pipe or other item on the Operations Area that is not required in connection with Operations, without the prior written consent of the State Land Board.

10. Reclamation

Prior to initiating reclamation activities, Operator agrees to consult with the State Land Board. The Operator shall reclaim the Operations Area and the Access Corridor(s) and other associated impacted State Land Board-owned land for damages resulting from the Operator's Operations, at its sole expense as nearly as practicable to its original condition. Interim and final reclamation shall be to the satisfaction of the State Land Board and shall, at a minimum, comply with all appropriate reclamation regulations, including COGCC Reclamation Regulation Series 1000 and Series 1100, and any more stringent reclamation regulations adopted by the COGCC while this Agreement is in effect. Additional interim and final reclamation requirements and standards, if any, are attached hereto as Exhibit D.

The existence of this Agreement shall not relieve the Operator of its obligation to fully comply with all of the COGCC Rules.

11. Other Lessees

Subject to Section 1 of this Agreement, Operator acknowledges that the State Land Board may have granted rights of surface use to additional third-parties. The State Land Board will provide Operator, upon request from the Operator, with the necessary information regarding any rights granted to additional third-parties. The Operator must use reasonable efforts to minimize the impact of its Operations on the other surface lessees and their surface use(s).

12. ASSIGNMENT

This Agreement is assignable, in whole or in part, by either party, subject to the following:

- A. The Operator may assign this Agreement in whole or in part with written consent of the State Land Board. Such consent will not be unreasonably withheld. The Operator may assign its rights in the Agreement only following written disclosure to the assignee of the existence of this Agreement, and such assignment must be expressly subject to the assignee's assumption of all terms, conditions and obligations of this Agreement.
- B. The State Land Board may assign or convey its interest in the Property or any portion thereof only following written disclosure to the assignee of the existence of this Agreement, and such assignment or conveyance must be expressly subject to all terms and conditions of this Agreement, and the assumption by such assignee or grantee of all obligations of the State Land Board under this Agreement.

13. Successors and Assigns

When the word Operator is used in this Agreement, it shall also mean the successors and assigns of the Operator, including but not limited to its employees and officers, agents, affiliates, Contractors, subcontractors and/or purchasers. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the Parties.

14. Confidentiality

The existence and terms of this Agreement may be a public record and subject to the Colorado Open Records Act ("CORA"), C.R.S. § 24-72-200.1, et. seq. Data, maps, surveys, and other information prepared by or furnished to the State Land Board pursuant to this Agreement are subject to the confidentiality provisions of C.R.S. § 36-1-138(2). The Operator may record a memorandum or redacted form evidencing the existence of this Agreement.

15. Governing Law/Venue

This Agreement shall be interpreted according to the laws of the State of Colorado. Venue for any dispute shall be the City and County of Denver.

16. Written Modifications

This Agreement, including its Exhibits, may only be amended in writing signed by both Parties. All notices to either party shall be in writing addressed to the Parties at the address first set forth below.

17. Notices

Any notice or other communication given by either party to the other relating to this Agreement shall be in writing, delivered by U.S. mail or sent by reputable overnight courier, to such other party at the respective addresses set forth in this Agreement (or at such other address as may be designated from time to time by written notice given in the manner provided in this Agreement). If sent by certified mail, return receipt requested, such notice shall be deemed effective on receipt.

If to the State Land Board:
Colorado State Board of Land Commissioners
Attention: Oil and Gas Leasing Manager
1127 Sherman St., #300
Denver, CO 80203

IF TO OPERATOR:
BONANZA CREEK ENERGY OPERATING COMPANY, LLC
410 17TH STREET, SUITE 1400
DENVER, CO 80202

18. Insurance

The Operator shall, at its sole cost and expense, prior to any surface disturbance and continuing during the entire term of the Agreement through final reclamation, procure, pay for and keep in full force and affect the following types of insurance:

A. Liability Insurance

- I. A comprehensive policy of liability insurance covering the Property insuring the Operator in the amount and types of insurance required by the COGCC, but not less than [REDACTED] per occurrence.

B. General Provisions of Insurance Policies

- I. All liability policies of insurance carried by the Operator shall name the Operator as insured and shall include the State Land Board as additional insured on the policy.
- II. The Operator shall not cancel the policy until thirty (30) days prior written notice is given to the State Land Board. If the policy is cancelled by the insurance company, the

Operator shall notify the State Land Board within ten (10) days of the Operator receiving notification of such cancellation.

III. The Operator shall furnish to the State Land Board a certificate of insurance or Letter of Self-insurance at the request of the State Land Board.

C. The State Land Board may, in its sole discretion, allow the Operator to self-insure for these insurance requirements.

19. Bond

Without impacting the requirements of the COGCC, prior to accessing the Property and commencing construction and Operations, the State Land Board will require Operator to file a good and sufficient bond in the initial minimum amount of [REDACTED] securing the state against loss of rents or other loss or waste, or occupation of the land for more than thirty days after the cancellation or expiration of the lease by Operator, on up to five acres of the Property. The Bond amount will increase at a rate of [REDACTED] per acre or fraction thereof for surface disturbance and damage in excess of five acres. The Lessee may satisfy this individual lease bond obligation by maintaining a blanket bond with Lessor in an amount determined by Lessor. The State Land Board may accept cash, a surety bond, or a bank irrevocable letter of credit and will require that such bond be held in full force and effect after the termination or expiration of this Agreement until such time that the State Land Board has approved final reclamation of the Operations Area. The State Land Board agrees to take into account any additional bonding requirements imposed for the protection of the surface estate, provided there is no obligation that the State Land Board will reduce the bond amount.

20. Default and Remedies

- A. In addition to any defaults specified in other sections of this Agreement, the failure of Operator to comply with or to perform any of its obligations under this Agreement in whole or in part or in a timely or satisfactory manner may constitute a default.
- B. The State Land Board may also determine the Operator is in default any time the COGCC issues to the Operator a Notice of Alleged Violation relating to the Operator's Operations on or connected to the Property.
- C. The State Land Board shall promptly notify the Operator in writing of any default under this Agreement. Operator shall immediately commence and diligently pursue action calculated to cure the claimed default and prosecute such action as necessary to fully remedy and cure such default to the reasonable satisfaction of the State Land Board within 60 days after service of written default notice. Operator will contact the State Land Board within 10 days after service of written notice to the Operator by the State Land Board if the cure will reasonably require more than 60 days to complete or if concurrent corrective actions required by the COGCC may require an extension to the 60 day cure period.
- D. If Operator fails to cure the default as provided in this Paragraph 20.C., the State Land Board may:
 - I. Declare this Agreement terminated and the Operator shall surrender and peaceably deliver to the State Land Board the Property and the Operations Area, in accordance with and subject to the terms of this Agreement, and such Property shall be in good condition.

- II. Require the Operator to pay [REDACTED] of the Default as Liquidated Damages commencing on the date that the Default occurs and ending on date that the Operator has fully remedied and cured the default to the reasonable satisfaction of the State Land Board or when the Parties have otherwise reached an agreement to settle the default. Whenever Liquidated Damages are available in this Agreement, the Parties have agreed that the State Land Board's actual damages, in the event of the Operator's Default, would be extremely difficult or impracticable to determine. After negotiation, the Parties have agreed that, considering all the circumstances existing on the date of this Agreement, this amount is a reasonable estimate of the damages that the State Land Board would incur in such event. Each party specifically confirms the accuracy of the statements made above and each party has had the opportunity to be represented by counsel to explain, at the time this Agreement was made, the consequences of this Liquidated Damages provision. The Parties represent that they have either retained legal counsel, or have declined to do so.
 - III. Enforce the terms of this Agreement through specific performance.
 - IV. Seek damages for the failure to comply with the terms of this Agreement.
 - V. Require payment from the bond required in Paragraph 19.
 - VI. Seek all other available remedies in law and equity.
- E. The State Land Board's rights and remedies, including those not specifically described, available in law or equity shall be cumulative, and the State Land Board may pursue any or all of such rights and remedies at the same time or separately. Nothing in this Paragraph 20 relieves the Operator of any responsibility for the final reclamation of the Property and the Operations Area and the Access Corridors, or the requirement to comply with all COGCC rules and regulations.

21. Title and Condition

The Operator enters into this Agreement with the Property in its "as is" condition with all faults, including the environmental condition of the Property. The State Land Board makes, and the Operator affirms that the State Land Board has made no representations or warranties, express or implied, of any kind whatsoever with regard to the title or condition of the Property or its fitness or suitability for any particular use. The Operator acknowledges that it is solely responsible for performing its own due diligence and for becoming fully familiar with the title, encumbrances and condition of the Property and any applicable restrictions, uses, or other conditions that might affect the Operator's development or use for a particular purpose.

22. Force Majeure

If performance of this Agreement or of any obligation hereunder is prevented or substantially restricted or interfered with by reason of an event of "Force Majeure" (defined below), the affected party, upon giving notice to and receiving approval from the other party, shall be excused from such performance to the extent of and for the duration of such prevention, restriction or interference for a period not to exceed ten (10) years, provided Force Majeure shall not excuse the obligation to timely pay the Annual Payment that shall continue to be due as set forth herein. The affected party shall use its reasonable efforts and due diligence to avoid or remove such causes of nonperformance, and shall continue performance hereunder whenever such causes are removed.

"Force Majeure" means flood, drought, earthquake, storm, fire, tornado, lightning, windstorm,

unusually inclement weather or other natural catastrophe; acts of God, casualty or accident; war, sabotage, vandalism, civil strife or other violence; strikes or labor disputes; or any law, order, proclamation, regulation, ordinance, action, demand or requirement of any government agency or utility. Such determination of Force Majeure shall be at the State Land Board's reasonable sole discretion.

23. No Partnership or Joint Venture

This Agreement does not create any agent-principal or principal-agent relationship, joint venture, partnership, or other similar relationship between the State Land Board and the Operator, and neither party shall have the power to bind the other except as expressly set forth in this Agreement.

24. Partial Invalidity

If any term, covenant, condition or provision of this Agreement or the application thereof to any person or circumstance shall at any time or to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable shall not be affected and each term, covenant, condition and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

25. Severability and Survival of Terms

No waiver of any right under this Agreement shall be effective for any purpose unless in writing signed by the party possessing the right, and no such waiver shall be construed to be a waiver of any subsequent provision, right, or term of this Agreement. Failure of the State Land Board or the Operator to complain of any act or omission on the part of the other party, no matter how long the same may continue, shall not be deemed to be a waiver of any of its rights under this Agreement. No waiver by the State Land Board or the Operator at any time, express or implied, of any breach of any provision of this Agreement shall be deemed a waiver of a breach of any other provisions of this Agreement or a consent to any subsequent breach of the same or any other provision.

26. Entire Agreement

This Agreement and all addenda, exhibits, and schedules attached hereto, contains the entire agreement with respect to the subject matter. No oral statement or prior written matter shall have any force or effect, with an exception being for a separate Right of Way ("ROW") agreement. The Operator agrees that it is not relying on any representations or agreements other than those contained in this Agreement.

27. Counterpart signatures.

This Agreement may be executed in duplicate counterparts, each of which shall be considered an original, but both of which shall constitute one and the same instrument. This agreement shall be binding on all signers whether or not signed by the other party.

28. Rules and Laws

The terms and conditions of this Agreement shall be performed and exercised subject to all applicable federal, state, and local laws, rules, regulations, orders, local ordinances or resolutions applicable to and binding upon the administration of lands owned by the State of Colorado, and to laws, rules and regulations governing oil and gas operations in Colorado, including, but not limited to, the rules and


regulations of the COGCC. The Operator must immediately forward any notice of noncompliance of violation related to Operations on the Property to the State Land Board. Should the Operator have a good faith dispute with any local government or authority, other than the State Land Board, regarding the application of a rule, regulation, ordinance, order or ruling, the State Land Board shall not consider the good faith contest or appeal of such rule, regulation, ordinance, order or ruling a violation of this Agreement while any appeal or other recognized legal or administrative process is pending to resolve the dispute.

The State Land Board shall approve all COGCC required waivers that are consistent with the terms of this Agreement and the Exhibit A Operations on the Operations Area. Waivers for operations outside of or in conflict with this Agreement may be approved at the State Land Board's absolute and sole discretion.

AGREED TO AND ACCEPTED AS OF THE DATE FIRST WRITTEN ABOVE.

The State Land Board: Colorado State Board of Land Commissioners

By: 
Printed Name: Christel Koranda
Title: Minerals Director

Operator: Bonanza Creek Energy Operating Company, LLC
By: 
Printed Name: Tyson Johnston
Title: Attorney-in-Fact MGF