

SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("**Agreement**") is made and entered into this 31st day of July 2019, by and between **Vic Leffler & Sons, Inc.** ("**Owner**") with an address of **35945 CR 35, Eaton, Colorado 80615** and **Bayswater Exploration & Production, LLC**, ("**Operator**") with an address of 730 17th Street, Suite 500, Denver, CO 80202; sometimes referred to each as a "**Party**," or collectively as the "**Parties**."

WITNESSETH:

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

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

TOWNSHIP 6 NORTH, RANGE 66 WEST, 6TH P.M.
PART OF NW/4 OF SECTION 2 BEG NW CORNER OF SECTION SOD33'E 2517.37'
N89D02'E 2672.30' N47D52'W 759.02' N44D01'W 1296' N06D14'W 1060' S88D32'W
1337.95' EXC SE-990 (8.42RES 2.30R)

ALSO KNOW AS WELD COUNTY PARCEL NO. 080502200029

ALSO KNOWN BY STREET AND NUMBER AS 16120 CR 74, EATON, COLORADO 80615

Operator, and/or its affiliates, owns a working interest in valid leases covering all or portions of lands adjacent to the Lands and included in a yet to be proposed spacing unit that encompasses the S/2 of Section 35 and SW/4 and W/2SE/4 of Section 36, Township 7 North, Range 66 West, 6th P.M. (each a "**Lease**," collectively, the "**Leases**"). Additionally, Operator may have responsibilities under a Joint Operating Agreement ("**JOA**") with respect to the Leases.

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

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

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

3. **LOCATION.** Material changes to the designated operating areas may be made by Operator with the consent of Owner, which shall not be unreasonably withheld, but will not unduly interfere with Owner's existing use of the surface estate. It is also understood and agreed that additional access road and flow lines located outside of the designated operating areas may be necessary for operator's activities and in these circumstances Owner and Operator agree to designate a mutually agreeable location for said access road and flow lines. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations. Operator also agrees to leave clear of any surface equipment or wells the westerly most thirty feet (30') of the Operations Area as depicted on Exhibit "A" so that Owner retains the ability to grant up to a thirty foot (30') utility or irrigation easement to a third party if the opportunity presents itself to Owner.

Operator agrees to remove a minimum of twelve inches of topsoil from the Operations Area and to relocate six to eight inches of said topsoil to the general location as noted on Exhibit "B". The remaining topsoil will be stockpiled on the Operations Area to be used for interim and final reclamation of the site at a future date.

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

5. **COMPENSATION AMOUNT.** Operator shall pay Owner the sum of [REDACTED] for each well bore ("**Amount**"), which includes all associated Facilities & Access Roads shown approximately on Exhibit "A". The Amount shall be deemed full and agreed consideration for all damages caused or created by reason of the reasonable and customary ingress, egress, rights-of-way, drilling, completion, production and maintenance operations associated with the Wells and Facilities. Such damages will include, without limitation, damage to growing crops and crop land; the removal, transportation and care of any livestock; the re-seeding, construction and use of access roads; and the preparation and use of the well site areas. Any subsequent major operations for said Wells (refrac, recompletion, deepening, redrilling, etc.), except in case of emergency, shall require 10 days prior notice to Owner. Operator shall pay Owner all actual damages caused by said subsequent operations.

Upon execution of this Surface Use Agreement, Operator shall pay to Owner the sum of [REDACTED] as a credit towards the initial well's Amount as outlined above. Operator also agrees to pay the Owner an additional [REDACTED] as a credit towards the second, third & fourth wells drilled on the Operations Area at least five (5) days prior to the start of any dirt moving operations associated with the construction of the drilling pad. The balance per well Amounts for any wells to be drilled beyond the first four, shall be paid to Owner prior to the spud of the first well on the pad.

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

A. Access Roads/traffic:

- (i) Access roads will not exceed 20 feet in width and Operator agrees not to apply any aggregate on access roads that is greater than one inch in size.
- (ii) Operator will maintain all access roads in good repair and condition.
- (iii) Operator will make communication efforts with all vendors and services companies to obey speed restrictions. Operator cannot guarantee all construction, drilling, completion and associated traffic will be channeled in a certain direction. Operator will

advise and remind all vendors and service companies of the proximity to houses, lands and the neighborhood as a whole.

(iv) Upon completion of the wells on the property and the installation of any compression units to be used for production operations, Operator will design and install engineered sound mitigating walls around such compression units to reduce the noise levels to the surrounding residences. Operator agrees to consult with the Owner as to any future lighting or visual appearances of the Operations Area and associated equipment.

B. Surface Restoration:

(i) Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator will be restored by Operator to their original contour as nearly as is reasonably practicable.

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

C. Drainage & Irrigation:

Operator will install culverts on the Lands that may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the Lands. Additionally Operator will install a twelve inch (12") drain line across the feed lot to help accommodate the additional drainage to that area of the Lands due to the construction of the Operations Area. Operator will also pay the additional cost associated with upsizing the new irrigation line to be installed by SRC Energy, Inc. from its flow capacity of 6 csf up to a flow capacity of 12 csf to accommodate the additional volumes flowing that direction upon disruption of the fifteen inch (15") irrigation line currently crossing west to east under the Operations Area. Operator will consult with Owner as to their preferred vendor for design and install of such modifications.

Operator is responsible for all alterations to the existing Valley Irrigation pivot irrigation system in the NW/4 of Section 2 that are necessary for the system to clear the Operations Area and operate in a full circle during pad construction, drilling, completion and after reclamation. Owner agrees to obtain a firm quotation/bid from Valley Irrigation outlining the cost of such modifications and presenting that bid to Operator for approval prior to any work being performed.

Operator will use reasonable best efforts to locate and mark the position of the old drain tile to the East of the Operations Area prior to construction of the drilling pad site.

D. Surface / Property damage:

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

E. Operations/cleanliness:

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

F. Fencing:

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

G. Sound Walls/ Visual screen:

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

7. **DEFAULT AND RIGHT TO CURE.** In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner will notify Operator, by certified mail, return receipt requested, of the alleged default. Operator will have 30 days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default.

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

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

Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Lands that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator.

9. **WAIVER OF COGCC NOTICES AND OTHER REGULATORY MATTERS.** Operator will consult in good faith with Owner prior to commencing operations on the Lands with heavy equipment. Operator will provide Owner with a copy of the COGCC Form 2A ("Oil and Gas Location Assessment") pertaining to the Lands upon submission by the Operator to the COGCC. Owner agrees not to object to the Operator's proposed operations, so long as it is consistent with this Agreement, and hereby waives the following notices and consultations:

- (i) Rule 305.a.: Notice of Intent to Conduct Oil and Gas Operations;
- (ii) Rule 305.c.(1): Oil and Gas Location Assessment Notice;
- (iii) Rule 305.c.(2): Buffer Zone Notice;
- (iv) Rule 305.f.: Statutory Notice to Surface Owners;
- (v) Rule 305.h.: Move-In, Rig-Up Notice;
- (vi) Rule 306.a.: Surface Owner Consultation and Meeting Procedures;
- (vii) Rule 305.f(4): Notice of Subsequent Operations; and
- (viii) Any other notice or consultation requirements of the COGCC.
- (ix) Without waiving the foregoing, Operator agrees it will provide an initial notice to Owner after it has submitted a request for permit to drill from the COGCC.

A. Owner shall not object or protest any Application for Permit to Drill (Form 2) or Oil and Gas Location Assessment (Form 2A) filed by Operator with the COGCC. Subject to this agreement, Operator may locate Wells and Facilities anywhere within the area designated on Exhibit "A".

B. Owner hereby waives any right granted by COGCC rule to comment on the Form 2A, to request an extension of the comment period, to request an onsite inspection pursuant to COGCC policy, and to appeal the approval and issuance of the Form 2A, and any related Form 2.

C. Owner shall not oppose Operator, its agents, consultants, attorneys, successors and assigns in any COGCC or other administrative or governmental proceedings related to Operator's operations, including but not limited to permitting, formation of drilling units, well spacing, well density, pooling, drilling, completion, stimulation, re-stimulation, workovers, deepening and recompleting, provided that Operator's position and contemplated undertakings in such proceedings are consistent with this Agreement. Owner will provide Operator, its agents, consultants, attorneys, successors and assigns with any and all written support they may reasonably require to obtain permits from the COGCC or other applicable governmental body.

D. Owner understands and acknowledges that the COGCC has rules and regulations that apply to the distance between a wellhead and public roads, production facilities, building units, occupied buildings, and surface property lines, among other things. Owner hereby waives its right to object to the location of an Well, Access Road or Facility on the basis of setback requirements in the rules and regulations of the COGCC, including, but not limited to, the 150 foot setback from surface property lines and other requirements of rules 603.a(2), and 604.a, except that the Parties intend to rely upon one or more exceptions of rule 604.b of the rules and regulations of the COGCC relating to property lines and urban mitigation areas or designated outside activity areas, as those terms may change or be defined and amended from time to time. For the operations contemplated by this Agreement, Owner hereby waives the Exception Zone, Buffer Zone, Urban Mitigation Area, and High Occupancy Building setback distances, as required by COGCC rules and regulations.

E. Owner grants consent to locate the Wells greater than 50 feet from an existing well pursuant to COGCC Rule 318A.c and grants consent to locate Wells outside of the GWA windows as defined in COGCC Rule 318.A.a.

F. Owner understands that Operator may provide a copy of this Agreement to the COGCC in order to obtain a waiver, exception location, or variance from the COGCC rules or from a local jurisdiction.

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

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

Owner: _____
Vic Leffler & Sons, Inc.
35945 CR 35
Eaton, CO 80615
Phone: 970-381-2455
Attn: Mr. Russell Leffler

Operator: _____
Bayswater Exploration & Production, LLC
730 17th St. Ste 500
Denver, CO 80202
Phone: (303) 893-2503
Attn: Mr. Mark Brown

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

13. **CONFIDENTIALITY.** The Parties agree to keep the terms and conditions of this Agreement confidential and will not disclose such matters to any third party without the advance written consent of the other, or if ordered to do so in a legal proceeding. While the specific terms hereof are to remain confidential between the Parties, Operator or Owner may record a memorandum of this Agreement in Weld County, Colorado.

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

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

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

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

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

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

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

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

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

OPERATOR:
Bayswater Exploration & Production, LLC

OWNER:
Vic Leffler & Sons, Inc.


By: Mark E. Brown
Title: Operations Manager


By: Russell Leffler
Title: President

EXHIBIT "A"

To Surface Damage and Release Agreement between Vic Leffler & Sons, Inc. ("Owner"), and Bayswater Exploration & Production, LLC ("Operator").

LEGAL DESCRIPTION:

TOWNSHIP 6 NORTH, RANGE 66 WEST, 6TH P.M.

PART OF NW/4 OF SECTION 2 BEG NW CORNER OF SECTION. S0D33'E 2517.37' N89D02'E 2672.30' N47D52'W 759.02' N44D01'W 1296' N06D14'W 1060' S88D32'W 1337.95' EXC SE-990 (8.42RES 2.30R)

ALSO KNOWN BY STREET AND NUMBER AS 16120 CR 74, EATON, COLORADO



EXHIBIT "B"

To Surface Damage and Release Agreement between Vic Leffler & Sons, Inc. ("Owner"), and Bayswater Exploration & Production, LLC ("Operator").

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TOWNSHIP 6 NORTH, RANGE 66 WEST, 6TH P.M.

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