

SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("Agreement") is made and entered into this 23rd day of September, 2013, by and between **Staley Farm Investments, LLC** ("Owner"), and **Bayswater Exploration & Production, LLC**, ("Operator"); 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 67 West, 6th P.M.

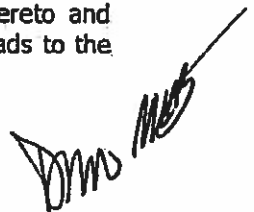
Section 7: NW and all that part of the NESW lying North and East of the Southerly right of way line of the Colorado and Southern Railway Company.

Operator, and/or its affiliates, owns a working interest in valid leases covering all or portions of the Lands, adjacent lands, or lands pooled or included in a spacing unit therewith (each a "Lease," collectively, the "Leases"). Additionally, Operator may have responsibilities under a Joint Operating Agreement ("JOA") with respect to the Lands.

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS**. Operator intends to drill or cause to be drilled oil and/or gas wells ("Wells") on a portion of the Lands depicted on Exhibit "A," which is attached hereto and incorporated herein by this reference. The portion of the Lands depicted on Exhibit "A" shall hereafter be referred to as the "Impacted Lands." In order for Operator to drill, construct, complete, produce, maintain, rework, and operate the Wells and all reasonable and customary facilities associated therewith, including, access roads ("Access Roads"), pipelines, flow lines, separators, tank batteries, electric lines and any other facilities necessary for Operator to conduct operations on the Wells (each a "Facility," collectively, the "Facilities"), it is necessary that Operator enter and utilize the Impacted Lands. Subject to the provisions herein, 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 and Facilities, and for constructing, entrenching, drilling, operating, maintaining, repairing, altering, replacing and removing the Wells and Facilities and appurtenant facilities, for the purposes specified herein, and including the rights of ingress to and egress across and on the Impacted Lands for access to and from the Wells and Facilities located on the Impacted Lands. Operator can drill as many wells as it determines from the lands herein described, so long as one of the following entities has a share in the production: Staley Farms Investments, LLC, Windsor Farms Investments, LLC or Windshire Park Metro District No 1.

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 Impacted Lands. Any additional use of or operations on the Lands outside of the Impacted Lands shall take place by separate agreement.

3. **LOCATION**. Operator has agreed to maintain a 50 foot buffer between the Impacted Lands and the southerly and easterly property line which is depicted on Exhibit "B" attached hereto and incorporated herein by this reference. The approximate location of the Wells, the Access Roads to the



Well sites and certain other Facilities to be constructed on the Impacted Lands are depicted on Exhibit "A". Any material changes to the Wells, Access Roads, and Facilities locations may be made by Operator with the written consent of Owner, which will not be unreasonably withheld, but will not unduly interfere with Owner's existing or intended use of the surface estate. Operator agrees not to use any more of the surface of the Impacted Lands than is reasonably necessary to conduct its operations.

4. **CONDUCT OF OPERATIONS.** Operator's operations on the Impacted 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 will pay Owner the sum of [REDACTED] ("**Amount**") for each Well prior to the commencement of drilling operations for each such Well. 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 wellsite 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 make reasonable efforts to coordinate with Owner prior to undertaking any such subsequent major operations to ensure that said operations do not unreasonably interfere with Owner's operations and Operator shall pay Owner all actual damages caused by said subsequent operations.

This Agreement shall terminate and be of no further force and effect and all rights, including rights of ingress and egress shall cease, upon cessation of production from the Wells.

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

A. Access Roads:

- (i) Operator will maintain all Access Roads in good repair and condition.

B. Surface Restoration:

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

C. Other:

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

(ii) 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.

(iii) 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.

(iv) During drilling operations the well sites shall be fenced. If requested by Owner. After completion of the Wells and in the event of production, all production tanks shall be bermed. 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.

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

(vi) Operator agrees to fence off the perimeter of the well sites with temporary fencing if reasonably requested by Owner. Operator will also install cattle guards and/or gates where reasonably necessary.

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. Operator agrees to indemnify, release and hold Owner harmless from any and all claims, damages, liability, loss, expenses or causes of action of any kind, including court costs and attorneys fees, arising out of and caused by Operator's operations on the Lands that may be asserted by any person or party, resulting or arising as a result of Operator or Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator, actions or presence upon the Lands. In the same way, Owner agrees to indemnify, release and hold Operator harmless from any and all claims, damages, liability, loss, expenses or causes of action of any kind, including court costs and attorneys fees, arising out of and caused by Owner's operations on the Lands that may be asserted by any person or party, resulting or arising as a result of Owner's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Owner, actions or presence upon the Lands.

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

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

11. **NOTICES.** Notice by either Party will be promptly given, orally if possible and with subsequent written confirmation (where written notice is required) sent by email or 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

*Starky Farm
Investments,
LLC*
River Bluffs Ventures, LLC
1927 Wilmington Drive, Suite 101
Fort Collins, CO 80528
Attn: Dino DiTullio

Operator

Bayswater Exploration & Production, LLC
730 17th St, Ste 610
Denver, CO 80202
Phone: (303) 893-2503
Attn: Mark E. 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. The rights of the Operator to the Impacted Lands is non-exclusive and Owners shall be entitled to continue to use the Impacted Land provided such use does not interfere with Operator's uses as set forth herein.

Operator agrees to comply with all applicable laws, rules and regulations of any governmental entity, including without limitation Larimer County, the Colorado Oil and Gas Commission, the Colorado Department of Public Health and the Colorado State Engineer's Office. Operator further agrees that it shall be responsible for complying with any and all environmental regulations and requirements concerning Operator's use of the Lands, including without limitation any monitoring, remediation and reporting that is required in connection with Operator's operations, drilling or existence on the Lands. Operator shall hold Owner harmless and reimburse Owner for any expenses or losses incurred by Owner as a result of Operator's failure to comply with the provisions of this paragraph or this Agreement. Operator shall have no right to use any of the sources of water on the Lands, either surface or ground water, without Owner's written consent and agreement.

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 or lands pooled therewith.

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

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

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

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

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

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

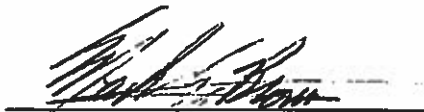
IN WITNESS WHEREOF, the Parties have set their hands, the day and year first written above.

Bayswater Exploration & Production, LLC

River Bluffs Ventures, LLC

Operator:

Owners:


Mark E. Brown, Operations Manager


Dino DiTullio, Managing Member

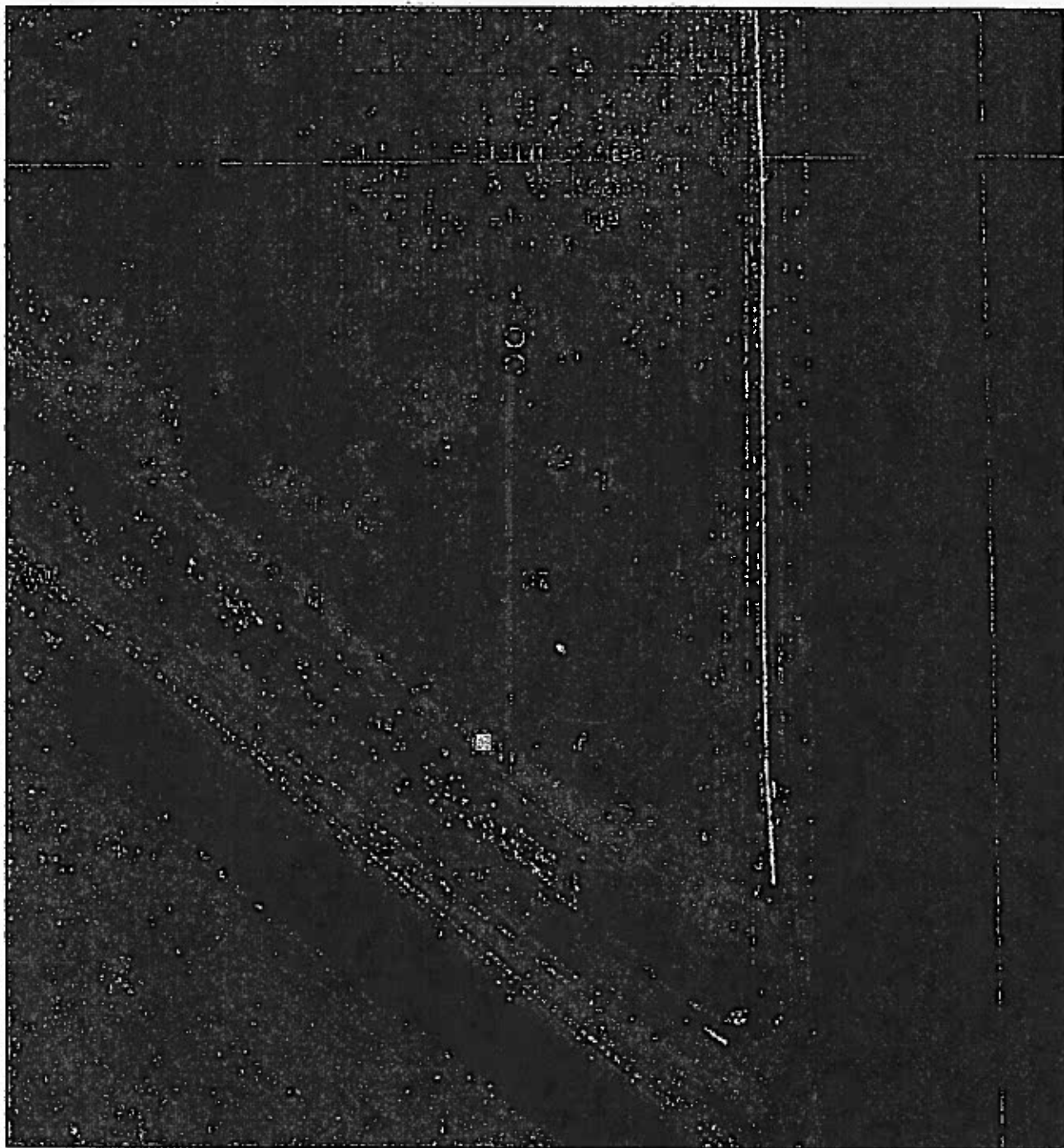


EXHIBIT "A"

Staley Farm Investments

Petroleum Field Services, LLC makes no representations and assumes no responsibility for the information contained herein.

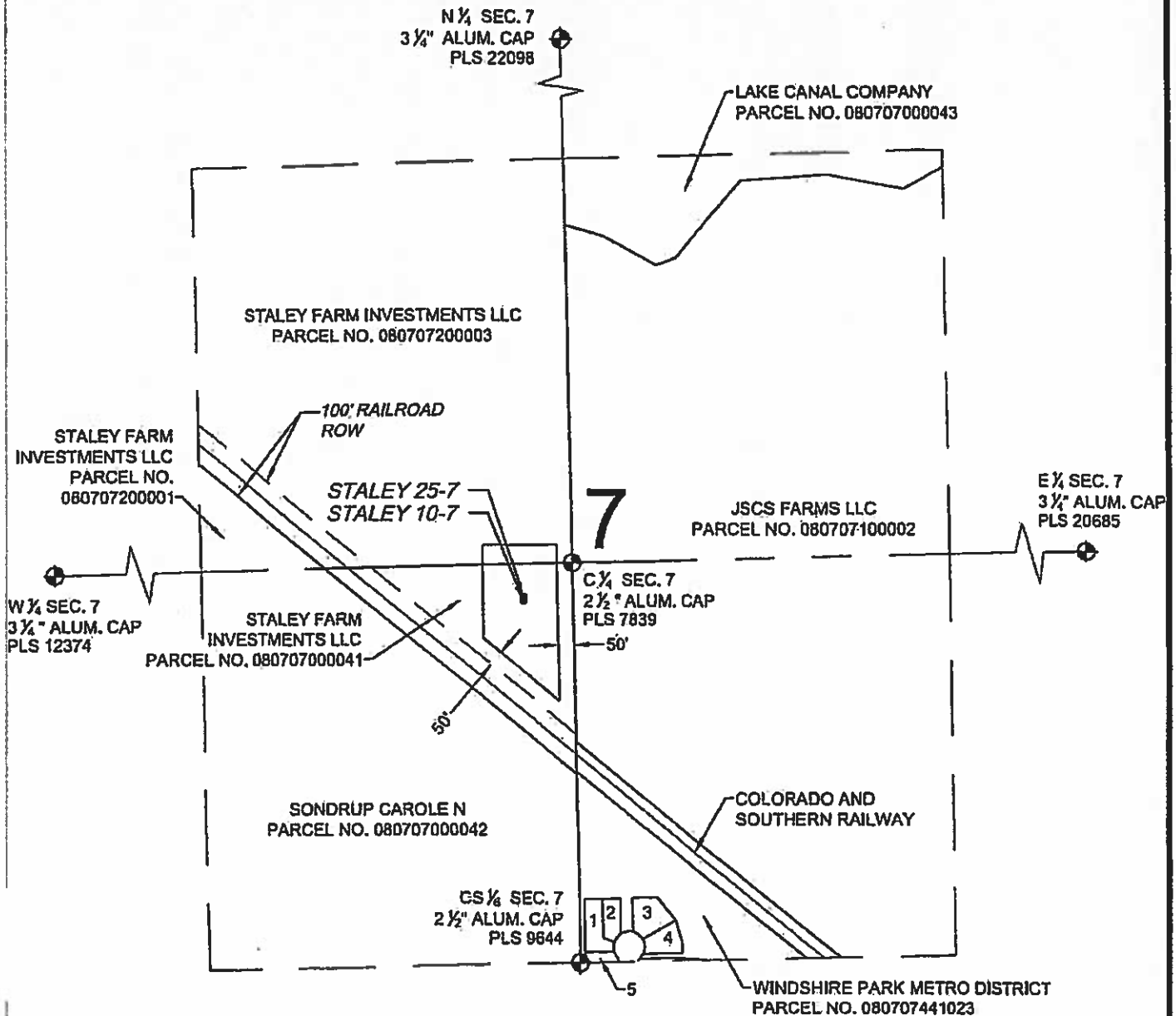


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EXHIBIT "B"

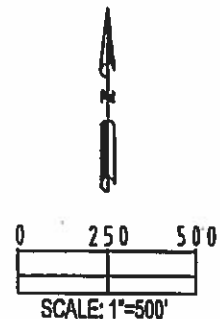
Staley Farm Investments



	OWNER	PARCEL NO.
1	WINDSOR FARM INVESTMENTS LLC	080707441002
2	WINDSOR FARM INVESTMENTS LLC	080707441001
3	WINDSOR FARM INVESTMENTS LLC	080707442001
4	WINDSOR FARM INVESTMENTS LLC	080707442002
5	WINDSOR FARM INVESTMENTS LLC	080707441003

LEGEND

- ⊕ = EXISTING MONUMENT
- = PROPOSED WELL



PFS PROFESSIONAL FARM SURVEYING, LLC 700 Highway 100 Denver, CO 80221	FIELD DATE: 04-24-13	SURFACE LOCATION: STALEY 7-J PAD NE 1/4 SW 1/4, SEC. 7, T6N, R87W, 6TH P.M. WELD COUNTY, COLORADO
	DRAWING DATE: 08-23-13	
BY: KAD	CHECKED: MLP	

NOTICE: ACCORDING TO COLORADO LAW YOU MUST COMMENCE ANY LEGAL ACTION BASED UPON ANY DEFECT IN THIS SURVEY WITHIN THREE YEARS AFTER YOU FIRST DISCOVER SUCH DEFECT. IN NO EVENT MAY ANY ACTION BASED UPON ANY DEFECT IN THIS SURVEY BE COMMENCED MORE THAN TEN YEARS FROM THIS SAID DATE OF THIS CERTIFICATION SHOWN HEREON.

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