

Waiver for Exception to Rule 318A.a & 318A.c

DOUTHIT 39N-27HZ

TOWNSHIP 3 NORTH, RANGE 68 WEST

DOUTHIT STATE 38N-27HZ

SECTION 26: NE/4SE/4

DOUTHIT 16C-27HZ

WELD COUNTY, COLORADO

DOUTHIT 9C-27HZ

DOUTHIT 40N-27HZ

damages that may occur. Upon the completion of wells, access roads, pipelines, and facilities, KMG shall provide Surface Owner with as-built surveys of all wells, access roads, pipelines and facilities.

a. *Temporary Operations Areas.*

The temporary operations areas may be used by KMG only for drilling, completing and fracking operations as well as for subsequent re-drilling, recompletion, re-fracking and reworking operations or for exploratory operations, including seismic. Surface Owner will not build structures, water containment facilities or place utilities in the temporary operations areas. When not in use by KMG, Surface Owner may use the temporary operations areas for uses not inconsistent with the provisions of this paragraph 1a. KMG shall provide Surface Owner thirty (30) days' written notice prior to use of the temporary operations areas. KMG shall not be liable for damage to or loss of crops or other disturbance of the temporary operations areas except when KMG completes its use of the temporary operations areas. KMG shall re-grade the disturbed areas to their condition prior to use and shall restore any disturbed top soil. Except as otherwise provided in this Agreement, each Temporary Operations Area shall terminate after each five (5) well horizontal pad is drilled and completed.

b. *Permanent Operations Area.*

The permanent operations area shall be for the exclusive use of KMG except that Surface Owner shall be permitted to conduct farming operations in the portions of the permanent operations area shown on Exhibit B. KMG shall not be liable for damage to or loss of crops growing in said portions of the permanent operations area.

Prior to commencing the activities contemplated by this Agreement, KMG shall lower the existing Douthit #32-26HZ well pad to the existing grade of the surrounding irrigated land to allow for proper irrigation and farming.

KMG shall level and restore any of the Property affected by KMG's operations that may have excessive settling and sufficiently compact the soil within a reasonable period of time after completion of construction to the condition that existed at the time immediately prior to KMG's operations to the extent reasonably practicable.

c. *Well Locations.*

KMG shall have the right to drill Future Wells within the Permanent Operations Area, including horizontal and directional wells that produce and drain the Property and lands that are pooled with the Property, so long as such locations are permitted locations under the then applicable well spacing regulations of the Colorado Oil and Gas Conservation Commission ("COGCC") or exceptions granted thereto by the Director of the COGCC and so long as the wellheads and surface equipment are located in the Permanent Operations Area shown on Exhibit B. The wells shall be located as close to each other as feasible in KMG's opinion but in no event shall the separation between wells be greater than 50 feet. As part of the consideration for this Agreement, Surface Owner hereby waives its right to, and covenants that it shall not protest or object to any such exception location or application for same by KMG. KMG shall not otherwise have the right to drill new wells on the Property.