



BAYSWATER
EXPLORATION & PRODUCTION, LLC

May 20, 2014

Vincent Holton
C/O: Thomas and Alice Holton
12032 State Hwy. 52,
Fort Lupton, CO 80621

Re: 3rd Offer Payment Holton Horizontal Surface Damage and Release Agreement
Township 6N, Range 65W, 6th P.M.
Section 12: N1/2 NE1/4 and N1/2 SE1/4 NE1/4
Weld County, Colorado

Mr. Vincent Holton,

Bayswater is interested in entering into a Surface Damage and Release Agreement ("SDRA") with you covering the above captioned lands more specifically located on the Holton 31-12 well location already constructed and in place. Bayswater would like to offer you the following final payment structure option as compensation for agreement and execution to entering into a mutually acceptable Surface Damage and Release Agreement Offer.

Final Payment Structure Offer

Bayswater will make payment of \$[REDACTED] for the initial well bore and \$[REDACTED] for each subsequent well bore drilled in addition to a \$[REDACTED] structured payment for electric in lieu of request for gas tap service.

- A structured payment of \$[REDACTED] per year for the next ten (10) years (totaling \$[REDACTED]) will be paid starting the effective date of the SDRA and paid reoccurring by the anniversary date each year.
- Initial Payment upon execution of SDRA will equal \$[REDACTED] for the 1" well bore + \$[REDACTED] x 3 additional well bores + \$[REDACTED] electric compensation = \$[REDACTED].
- Upon commencement of drilling the addition 3 permitted wells or any further subsequent wells a payment will be made of \$[REDACTED] x 3 = \$[REDACTED].

7 well bores permitted; \$[REDACTED] (initial well bore) + \$[REDACTED] (subsequent well bores) + \$[REDACTED] "Electric Compensation".

Total final compensation = (\$[REDACTED] + \$[REDACTED] + \$[REDACTED] x 6 = \$[REDACTED])

Holton SDRA Offer
5/20/2014

Please indicate your approval of the Surface Damage Release Agreement compensation option by initialing by the proposed payment structure above and signing your acceptance below. Payment will be made upon the agreement of a mutually acceptable and executed Surface Damage and Release Agreement. By signing this offer you agree to allow Bayswater to commence construction upon the proposed location while your property title is being transferred into your name and such mutually acceptable SDRA is being agreed upon and executed.

Bayswater greatly appreciates your cooperation in these matters.

Sincerely,



Michael T. Kuledge
Operations Landman
Bayswater Exploration and Production, LLC.
MKuledge@bayswater.us
(720) 881-4487

Signed and accepted this 23 day of May, 2014.



Vincent Holton