

## **SURFACE DAMAGE AND RELEASE AGREEMENT**

This Surface Damage and Release Agreement ("**Agreement**") is made and entered into this 27<sup>th</sup> day of January 2014, by and between **Justin L. Ratliff, Julie B. Ratliff, Mark E. Richers, Kelli Lea Richers** (collectively referred to as "**Owner**"), and **Ward Petroleum Corporation**, ("**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 Adams County, Colorado as more specifically described as follows ("**Lands**"): :

**Township 1 South, Range 67 West, 6<sup>th</sup> P.M.**  
**Section 14: See Exhibit "A" attached hereto**

Operator, and/or its affiliates, owns a working interest in valid leases covering all or portions of the Lands or lands adjacent to the Lands or lands pooled or included in a spacing unit therewith the Lands or lands adjacent to the Lands (each a "**Lease**," collectively, the "**Leases**"). Additionally, Operator may have responsibilities under various agreements 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 on the Lands, as depicted approximately on Exhibit "B" attached hereto ("**Wells**"). In order for Operator to drill, construct, complete, produce, maintain, rework, and operate the 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 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 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.** The approximate location of the Wells, the Access Roads to the Well sites and certain other Facilities to be constructed on the Lands are depicted on Exhibit "B". Any material changes to the Wells, Access Roads, and Facilities locations may be made by Operator with the consent of Owner, which will not be unreasonably withheld, but will not unduly interfere with Owner's existing use of the surface estate. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations.

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 will pay Owner the total sum of [REDACTED] ("Amount") for all wells and associated Facilities & Access Roads prior to the commencement of drilling operations for the initial Well. The Amount shall be distributed as follows: Justin L. Ratliff and Julie B. Ratliff to collectively receive [REDACTED] and Mark E. Richers and Kellie Lea Richers to collectively receive [REDACTED]. Additionally Owner shall be entitled to a [REDACTED] **OVERRIDING ROYALTY INTEREST** in each well drilled from the lands subsequent to the effective date of this agreement and shall be divided as follows: Justin L. Ratliff and Julie B. Ratliff to collectively receive [REDACTED] and Mark E. Richers and Kellie Lea Richers to collectively receive [REDACTED]. (the "Surface Royalty") The Amount and Surface Royalty 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.

**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:**

- (i) Access Roads will not exceed 20 feet in width.
- (ii) Operator will maintain all Access Roads in good repair and condition.

**B. Surface Restoration:**

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.

**C. Other:**

(i) 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.

(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 and any pits shall be fenced if requested by Owner. After completion of the Wells and in the event of production, all production tanks shall be bermed **and fenced. Permanent fencing, the type of which shall be mutually agreed upon by the parties hereto, shall be placed around well heads.** 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) 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.** 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, excepting from this indemnity provision such liability and damages which are a direct result of gross negligence on behalf of the Operator.

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, excepting from this indemnity provision such liability and damages which are a direct result of gross negligence on behalf of the Owner.

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 of not less than 10 calendar days 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 (with the exception of the default notice described in Paragraph 7), with subsequent written confirmation (optional) 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

Justin and Julie Ratliff  
14995 Riverdale Rd  
Brighton, CO 80602

Mark and Kelli Richer  
14975 Riverdale Rd  
Brighton, CO 80602

Operator

Ward Petroleum Corporation  
Box 1187, 502 S. Fillmore  
Enid, OK 73702

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 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 **Adams** 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.

**Ward Petroleum Corporation**

**Operator:**

**Owner:**

\_\_\_\_\_  
Larry Jenkins, Landman

\_\_\_\_\_  
Justin L. Ratliff

\_\_\_\_\_  
Julie B. Ratliff

\_\_\_\_\_  
Mark E. Richers

\_\_\_\_\_  
Kelli Lea Richers

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

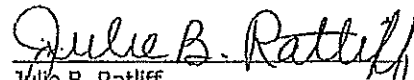
**Ward Petroleum Corporation**

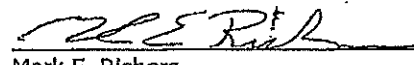
**Operator:**

  
Larry Jenkins Landman

**Owner:**

  
Justin L. Ratliff

  
Julie B. Ratliff

  
Mark E. Richers


  
Kelli Lea Richers

EXHIBIT A

PARCEL B:

THAT PART OF THE NORTHWEST ONE-QUARTER OF SECTION 14,  
TOWNSHIP 1 SOUTH, RANGE 67 WEST OF THE 6TH PRINCIPAL  
MERIDIAN, COUNTY OF ADAMS, STATE OF COLORADO, DESCRIBED AS  
FOLLOWS:

COMMENCING AT THE SOUTHWEST CORNER OF SAID NORTHWEST ONE-  
QUARTER; THENCE NORTH 00 DEGREES 26 MINUTES 10 SECONDS WEST  
ALONG THE WEST LINE OF SAID NORTHWEST ONE-QUARTER A DISTANCE  
OF 440.65 FEET TO THE POINT OF BEGINNING; THENCE CONTINUING  
NORTH 00 DEGREES 26 MINUTES 10 SECONDS WEST ALONG SAID WEST  
LINE OF 1051.25 FEET TO A POINT 1141.83 FEET, AS MEASURED  
ALONG SAID WEST LINE, FROM THE NORTHWEST CORNER OF SAID  
SECTION 14; THENCE NORTH 88 DEGREES 47 MINUTES 20 SECONDS  
EAST A DISTANCE OF 454.16 FEET; THENCE SOUTH 66 DEGREES 43  
MINUTES 26 SECONDS EAST A DISTANCE OF 850.63 FEET; THENCE  
NORTH 88 DEGREES 47 MINUTES 20 SECONDS EAST A DISTANCE OF  
760.00 FEET; THENCE NORTH 01 DEGREES 12 MINUTES 40 SECONDS  
WEST A DISTANCE OF 330.00 FEET; THENCE NORTH 88 DEGREES 47  
MINUTES 20 SECONDS EAST A DISTANCE OF 310.00 FEET TO THE  
BEGINNING OF A TANGENT CURVE TO THE RIGHT, THE RADIUS OF SAID  
CURVE IS 248.21 FEET, THE DELTA OF SAID CURVE IS 48 DEGREES  
08 MINUTES 28 SECONDS, THE CHORD OF SAID CURVE BEARS SOUTH 67  
DEGREES 08 MINUTES 26 SECONDS EAST, 202.47 FEET; THENCE ALONG  
THE ARC OF SAID CURVE A DISTANCE OF 208.55 FEET; THENCE SOUTH  
50 DEGREES 23 MINUTES 35 SECONDS WEST A DISTANCE OF 165.00  
FEET; THENCE SOUTH 83 DEGREES 20 MINUTES 31 SECONDS WEST A  
DISTANCE OF 124.34 FEET TO THE BEGINNING OF A TANGENT CURVE  
TO THE LEFT, THE RADIUS OF SAID CURVE IS 68.12 FEET, THE  
DELTA OF SAID CURVE IS 95 DEGREES 30 MINUTES 10 SECONDS, THE  
CHORD OF SAID CURVE BEARS SOUTH 35 DEGREES 35 MINUTES 26  
SECONDS WEST, 100.85 FEET; THENCE ALONG THE ARC OF SAID  
CURVE A DISTANCE OF 113.55 FEET TO THE END OF SAID  
CURVE; THENCE SOUTH 12 DEGREES 09 MINUTES 39 SECONDS EAST  
TANGENT WITH THE LAST DESCRIBED COURSE A DISTANCE OF 214.17  
FEET TO A POINT 70.00 FEET WEST OF, AS MEASURED AT RIGHT  
ANGLE FROM THE WESTERLY LINE OF A PARCEL DESCRIBED IN BOOK  
1318 AT PAGE 474, ADAMS COUNTY RECORDS; THENCE SOUTH 05  
DEGREES 26 MINUTES 13 SECONDS EAST PARALLEL WITH SAID  
WESTERLY LINE A DISTANCE OF 396.47 FEET; THENCE SOUTH 21  
DEGREES 19 MINUTES 56 SECONDS WEST PARALLEL WITH SAID  
WESTERLY LINE A DISTANCE OF 240.09 FEET; THENCE NORTH 74  
DEGREES 56 MINUTES 59 SECONDS WEST A DISTANCE OF 574.37  
FEET; THENCE NORTH 00 DEGREES 26 MINUTES 10 SECONDS WEST  
PARALLEL WITH THE WEST LINE OF SAID NORTHWEST ONE-QUARTER A  
DISTANCE OF 355.00 FEET; THENCE SOUTH 88 DEGREES 47 MINUTES  
20 SECONDS WEST A DISTANCE OF 643.61 FEET; THENCE SOUTH 65  
DEGREES 58 MINUTES 31 SECONDS WEST A DISTANCE OF 480.00  
FEET; THENCE SOUTH 00 DEGREES 26 MINUTES 10 SECONDS EAST  
PARALLEL WITH THE WEST LINE OF SAID NORTHWEST ONE-QUARTER A  
DISTANCE OF 254.23 FEET; THENCE SOUTH 88 DEGREES 53 MINUTES  
37 SECONDS WEST PARALLEL WITH THE SOUTH LINE OF SAID  
NORTHWEST ONE-QUARTER A DISTANCE OF 525.62 FEET TO THE POINT  
OF BEGINNING.

NOTE: THE ABOVE LEGAL DESCRIPTION WAS PREPARED BY:

R.W. BAYER & ASSOCIATES  
ENGINEERS/SURVEYORS/PLANNERS  
2090 E. 104th AVE., SUITE 200  
DENVER, CO 80233

EXHIBIT A

PARCEL C:

THAT PART OF THE NORTHWEST ONE-QUARTER OF SECTION 14,  
TOWNSHIP 1 SOUTH, RANGE 67 WEST OF THE 6TH PRINCIPAL  
MERIDIAN, COUNTY OF ADAMS, STATE OF COLORADO, DESCRIBED AS  
FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID NORTHWEST ONE-  
QUARTER; THENCE NORTH 00 DEGREES 26 MINUTES 10 SECONDS WEST  
ALONG THE WEST LINE OF SAID NORTHWEST ONE-QUARTER A DISTANCE  
OF 440.65; THENCE NORTH 88 DEGREES 53 MINUTES 37 SECONDS EAST  
PARALLEL WITH THE SOUTH LINE OF SAID NORTHWEST ONE-QUARTER A  
DISTANCE OF 525.62 FEET; THENCE NORTH 00 DEGREES 26 MINUTES  
10 SECONDS WEST PARALLEL WITH THE WEST LINE OF SAID NORTHWEST  
ONE-QUARTER A DISTANCE OF 254.23 FEET; THENCE NORTH 65  
DEGREES 58 MINUTES 31 SECONDS EAST A DISTANCE OF 480.00  
FEET; THENCE NORTH 88 DEGREES 47 MINUTES 20 SECONDS EAST A  
DISTANCE OF 643.61 FEET; THENCE SOUTH 00 DEGREES 26 MINUTES  
10 SECONDS EAST A DISTANCE OF 355.00 FEET; THENCE SOUTH 74  
DEGREES 56 MINUTES 59 SECONDS EAST A DISTANCE OF 574.37 FEET  
TO A POINT 70.00 FEET WESTERLY OF, AS MEASURED AT RIGHT  
ANGLES FROM THE WESTERLY LINE OF A PARCEL DESCRIBED IN BOOK  
1318 AT PAGE 474, ADAMS COUNTY RECORDS; THENCE NORTH 21  
DEGREES 19 MINUTES 56 SECONDS EAST PARALLEL WITH SAID  
WESTERLY LINE A DISTANCE OF 240.09 FEET; THENCE NORTH 05  
DEGREES 26 MINUTES 13 SECONDS WEST PARALLEL WITH SAID  
WESTERLY LINE A DISTANCE OF 396.47 FEET; THENCE NORTH 12  
DEGREES 09 MINUTES 39 SECONDS WEST A DISTANCE OF 214.17 FEET  
TO THE BEGINNING OF A TANGENT CURVE TO THE RIGHT, THE RADIUS  
OF SAID CURVE IS 68.12 FEET, THE DELTA OF SAID CURVE IS 95  
DEGREES 30 MINUTES 10 SECONDS, THE CHORD OF SAID CURVE BEARS  
NORTH 35 DEGREES 35 MINUTES 26 SECONDS EAST, 100.85  
FEET; THENCE ALONG THE ARC OF SAID CURVE A DISTANCE OF 113.55  
FEET TO THE END OF SAID CURVE; THENCE NORTH 83 DEGREES 20  
MINUTES 31 SECONDS EAST TANGENT WITH THE LAST DESCRIBED  
COURSE A DISTANCE OF 124.34 FEET; THENCE NORTH 50 DEGREES 23  
MINUTES 35 SECONDS EAST A DISTANCE OF 165.00 FEET TO A POINT  
ON A NON-TANGENT CURVE TO THE RIGHT; THE RADIUS OF SAID CURVE  
IS 248.21 FEET, THE DELTA OF SAID CURVE IS 03 DEGREES 27  
MINUTES 47 SECONDS, THE CHORD OF SAID CURVE BEARS SOUTH 41  
DEGREES 20 MINUTES 19 SECONDS EAST, 15.00 FEET; THENCE ALONG  
THE ARC OF SAID CURVE A DISTANCE OF 15.00 FEET TO THE END OF  
SAID CURVE; THENCE SOUTH 39 DEGREES 36 MINUTES 25 SECONDS  
EAST TANGENT WITH THE LAST DESCRIBED COURSE A DISTANCE OF  
65.00 FEET; THENCE SOUTH 50 DEGREES 23 MINUTES 35 SECONDS  
WEST A DISTANCE OF 162.80 FEET; THENCE SOUTH 00 DEGREES 16  
MINUTES 37 SECONDS EAST A DISTANCE OF 232.59 FEET TO A POINT  
ON THE NORTH LINE OF A PARCEL DESCRIBED IN BOOK 1318 AT PAGE  
474, ADAMS COUNTY RECORDS; THENCE SOUTH 86 DEGREES 01 MINUTES  
56 SECONDS WEST ALONG SAID NORTH LINE A DISTANCE OF 121.68  
FEET TO THE NORTHWEST CORNER OF SAID PARCEL; THENCE ALONG THE  
WESTERLY LINE OF SAID PARCEL THE FOLLOWING COURSES AND  
DISTANCES:

SOUTH 05 DEGREES 26 MINUTES 13 SECONDS EAST A DISTANCE OF  
411.33 FEET; THENCE SOUTH 21 DEGREES 19 MINUTES 56 SECONDS  
WEST A DISTANCE OF 327.84 FEET; THENCE SOUTH 00 DEGREES 07  
MINUTES 41 SECONDS EAST A DISTANCE OF 143.84 FEET; THENCE  
SOUTH 29 DEGREES 59 MINUTES 33 SECONDS WEST A DISTANCE OF  
154.02 FEET TO A POINT ON THE SOUTH LINE OF SAID NORTHWEST  
ONE-QUARTER; THENCE SOUTH 88 DEGREES 53 MINUTES 37 SECONDS  
WEST ALONG SAID SOUTH LINE A DISTANCE OF 2122.55 FEET TO THE  
POINT OF BEGINNING.

NOTE: THE ABOVE LEGAL DESCRIPTION WAS PREPARED BY:

R.W. BAYER & ASSOCIATES  
2090 E. 104TH AVE., SUITE 200  
DENVER, CO 80233