

## SURFACE USE AND DAMAGE AGREEMENT

This Agreement is made and entered into between Gale R. Kennedy and each of his successors, herein referred to as "Owner", whose address is 21949 WCR 3, Berthoud, CO 80513 and Extraction Oil & Gas, LLC, a Delaware limited liability corporation, whose address is 1888 Sherman Street, Suite 200, Denver, CO 80203 and its successors, herein referred to as "Operator", hereby agree to this Surface Use and Damage Agreement ("SUA") as follows:

### WITNESSETH:

WHEREAS, Owner has ownership of the surface of certain land(s) located in Weld County, Colorado, identified as follows:

See Exhibit "A" Legal Description attached hereto and incorporated herein

and containing [32.21+-] net acres, more or less, hereafter the "Subject Lands";

WHEREAS, Owner utilizes the Subject Lands for residential, agricultural, ranching with future development potential; and

WHEREAS, Owner's overall objective is to preserve the Subject Lands, vistas and maintain the Subject Lands primarily for residential, agricultural, ranching with future development potential; and


WHEREAS, Owner wishes to insure, through testing and other measures, that water sources, water quality, and the Subject Lands are protected and not adversely impacted by Operator's exploration and production activities; and

WHEREAS, Owner owns undivided minerals underlying the Subject Lands and Owner and Operator have entered into an oil and gas lease covering the Subject Lands dated February 3, 2014 (the "Oil and Gas Lease"); and

WHEREAS, Operator has entered into other oil and gas leases on lands contiguous to or within a logical spacing or pooling area to the Subject Lands and Operator intends to utilize the Subject Lands to horizontally or directionally drill Wells to said lands; and

WHEREAS, Operator has entered into other oil and gas leases or legal arrangements on lands described in Exhibit "B" where said lands are nearby or adjacent to the Subject Lands such that Operator intends and agrees to exclusively utilize surface on the Subject Lands to horizontally or directionally drill Wells to said nearby or adjacent lands (hereafter the lands described in Exhibit B shall be referred to as the "Exhibit B Adjacent Lands"); and

WHEREAS, Owner and Operator desire to enter into an agreement to provide for the expeditious development of the oil and gas resources without delay and without the expense of bonding and litigation and agree that avoidance of such delay in development is a principal inducement for Operator to enter into this SUA; and

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WHEREAS, the parties intend by this SUA to define and assign responsibilities with regard to the activities discussed herein associated with the exploration, capture, production, storage, transportation or any other activities associated with lease activity of oil and/or gas on and across the Subject Lands as well as the Exhibit B Adjacent Lands; and

WHEREAS, Owner and Operator desire to enter into an agreement which will govern Operator's use of the Subject Lands for the purpose of Operator's exploration for, development and production of oil and/or gas that may be discovered from the Subject Lands, lands pooled or spaced therewith or the Exhibit B Adjacent Lands in a fashion which will preserve the residential use, agricultural use, ranching use and future development potential of the Subject Lands while allowing for the reasonable production of oil and/or gas therefrom.

NOW, THEREFORE, In consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

### SECTION 1- OPERATOR'S RIGHTS

1.1 **Grant of Easement.** Upon payment of the consideration required herein, Owner hereby grants Operator, its employees and designated agents, a non-exclusive easement ("Easement") of up to Two (2) Surface Use Areas wherein (except as described below as to the temporary surface area) all surface activity will take place. The two Surface Use Areas are limited up to 3 acres for the North site, as depicted "3 Acre Permanent Site" on Exhibit "C" attached hereto and incorporated herein by reference and 6 acres for the East site, as depicted "6 Acre Permanent Site" on Exhibit "C" attached hereto and incorporated herein by reference (collectively the 3 Acre Permanent Site and the 6 Acre Permanent Site shall herein be referred to as the "Surface Use Area" unless individually identified). For purposes of clarification, upon completion of drilling activities, only two (2) acres are permitted under the Surface Use Area if three (3) or less Wells exist on the Surface Use Area. The following demonstrates the maximum acreage permitted depending upon the number of Wells drilled:

- a) 2 acres— 1-3 Total Wells
- b) 4 acres— 4-8 Total Wells
- c) 6 acres— 9-12 Total Wells
- d) 9 acres— 13-24 Total Wells

The temporary surface use area identified on Exhibit "C" as "Additional 4 Acre Temporary Pad" is not part of the Surface Use Area as defined and is limited to the 4 acres identified. The easement provided shall include the rights to enter upon and use only the Surface Use Area for the purpose of drilling, staking, completing, equipping, producing and operating oil and gas wells on Operator's leasehold under the Subject Lands or lands pooled therewith as well as the Exhibit B Adjacent Lands. The "Additional 4 Acre Temporary Pad" depicted on Exhibit "C" may only be used for initial drilling and completion activities and shall be appropriately reclaimed and restored after said initial activities. Such Easement for the Surface Use Area includes the right to construct, install and maintain an access road, power lines, and flowlines to gather and transport oil or gas from the Wells to the tank battery in the Surface Use Area. Except as otherwise provided herein on a temporary basis, the Easement does not include or

confer a right to access or occupy any portion of the Subject Lands other than the Surface Use Area, and the Surface Use Area may be used only for the purposes specifically set forth in this SUA such as the displacement of soil at or near the surface, construction of pipelines for electricity and or gas delivery and or collection thereof.

1.2 Wells. "Well" or "Wells" is defined as a separate wellbore. The rights granted to Operator hereunder shall cover operations related to the drilling and producing of oil and gas Wells pursuant to the Oil and Gas Lease as well as other lands contiguous to or within a logical spacing or pooling area to the Subject Lands as well as the Exhibit B Adjacent Lands. For the Exhibit B Adjacent Lands, Operator agrees to exclusively use the Surface Use Area for oil and gas production from said properties.

1.3 Termination of Rights. This SUA and Operator's obligations hereunder will terminate upon the last to occur of: (a) termination of the Oil and Gas Lease; (b) Operator's loss of rights to produce oil or gas from the Exhibit B Adjacent Lands or; (c) upon complete reclamation and restoration of the surface of the Subject Lands according to the standards prescribed herein and by the state or federal rules, regulations and statutes as well as approval of such reclamation by state and/or federal authorities which have jurisdiction over such reclamation.

1.4 Non-Exclusive Rights. The rights granted by Owner to Operator are nonexclusive, and Owner reserves the right to use all access roads and reserves all surface and subsurface (excluding oil and gas as provided for in the Oil and Gas Lease) uses of the Subject Lands and the right to grant successive easements on or across the Subject Lands on such terms and conditions as Owner deems necessary or advisable. Any access or use rights granted to any third parties before or after the Effective Date of this SUA shall not unreasonably interfere with Operator's exercise of its rights and responsibilities as provided herein. Owner agrees to advise Operator in writing of any written approval granted by Owner for the use of roads on the Subject Lands by others that are also used by Operator so that Operator may assess the other users for maintenance though Operator shall not assess Owner any maintenance for such use of roads for any reason. Operator shall not assume any liability associated with actions or inactions of any third parties granted access.

## SECTION 2 - OPERATIONS ON THE SUBJECT LANDS

2.1 Notification, Consultation and Approval. Operator shall notify and consult with Owner at least thirty (30) days in advance before construction or installation of any facilities contemplated under this SUA with the goal that Operator's use of the Surface Use Area and Subject Lands will be as conservative as possible to as to protect the lands and Owner's interest therein.

### 2.2 Construction of Flow Lines.

a. The flow lines referred to in this paragraph are not to exceed 3 inches in diameter and shall be located within the Surface Use Area. Except as otherwise agreed to by

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Owner, in writing, all such flow lines shall be used only for oil or gas produced from Wells located within the Surface Use Area. Locations must be approved by Owner.

b. Operator shall be responsible for segregating the topsoil, backfilling, repacking, reseeding and recontouring the surface of any disturbed area so as not to interfere with Owner's operations and shall reclaim such area to be returned to pre-existing conditions as best as possible with control of all noxious weeds. Operator shall provide Owner with a map or as-built drawing showing the surface location of all flow lines, transmission lines, and power lines after their installation. All flow lines located by Operator within the Surface Use Area shall be buried to a depth of at least four (4) feet below the surface. Operator shall install metal locator strips above all lines installed. All easements for flow lines and power lines shall be limited to twenty (20) feet in width, being ten (10) feet on each side of the centerline of the flow line, except during construction when the easements shall not exceed 50 feet in width.

c. Subject to certain conditions as described herein, if Operator fails to use any flowline for a period in excess of two (2) consecutive years, the flowline shall be deemed abandoned and Operator shall take the actions necessary to clean up, mitigate the effects of use, including purging any remaining oil or gas from the flow line and render the flow line environmentally safe and fit for abandonment in place. The pipeline easement granted herein which has been deemed so abandoned shall thereon terminate and revert to Owner, and Operator shall execute and file the necessary releases to terminate said easement in the county land records.

d. Owner hereby gives notice to Operator that there may be stock and domestic waterlines on the Subject Lands, some of which are buried. The Operator agrees that any area disturbed to depths deeper than the stock water lines will be covered with a minimum of four (4) feet of dirt in order to prevent freezing or damage.

### **2.3 Power Lines.**

a. Except as otherwise provided, or as otherwise agreed to by Owner, in writing, all power transmission lines built by Operator will be buried below plow depth and or constructed so as to cause the least possible interference with Owner's existing or future residential, agricultural, ranching or development use or operations. Existing power lines need not be relocated.

b. To the maximum extent possible, Operator shall use power from any existing power lines that currently cross the Subject Lands or run alongside of Owner's land.

c. At such time as Operator desires to abandon any buried power line located on the Subject Lands, it shall notify Owner of such desire, and Owner shall have sixty (60) days within which to make a written election to take over such power line for Owner's own use. If Owner elects to take over a power line, Owner shall assume all liability, costs and reclamation obligations associated therewith, and Operator shall have no further liability, nor responsibility for costs or reclamation for the power line, or that portion thereof, which Owner elects to take over. Owner shall promptly file all necessary notices or applications. If Owner does not elect to take over a power line, Operator shall continue to assume all liability, costs and reclamation

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obligations associated therewith, and Owner shall have no liability, nor responsibility for costs or reclamation for the power line. In the event Owner does not elect to take over a power line, Operator shall de-energize said power lines as soon as reasonably practicable.

#### **2.4 Wells and Tank Batteries.**

a. Generally. Except as otherwise agreed, as located on the attached Exhibit "C", Operator shall be entitled to up to Two (2) Surface Use Areas with Wells located on North Surface Use Area, as depicted "3 Acre Permanent Site" on Exhibit "C", and Wells located on East Surface Use Area, as depicted "6 Acre Permanent Site" on Exhibit "C". Operator shall be entitled to one tank battery site with a maximum of 3 oil tanks and 1 water tanks per wellhead location. To the extent technologically and economically feasible, Operator shall use telemetry to monitor its operations so as to reduce the frequency of travel by Operator's employees, agents, or contractors on the Subject Lands.

b. Well Site. The Well site locations shall be situated in the Surface Use Area. After the Wells are drilled the smaller of the two sites will not exceed three (3) acres in size and the larger of the two sites will not exceed six (6) acres as is illustrated in Exhibit "C". Any cessation of drilling and completion activities on Wells exceeding 180 days shall require Operator to reclaim to its previous condition and within 90 days the "4 Ac Temp SUA Pad" as identified in Exhibit "C".

c. Tank Battery Site. The tank batteries along with separators and other necessary equipment and will be located within the Surface Use Area.

2.5 Maintenance. Operator shall keep the Surface Use Area and the "4 Ac Temp SUA Pad" as well as any roads or other area used by Operator safe and in good order, including without limitation control of noxious weeds, litter and debris. Operator shall conduct periodic trash pickup as deemed necessary or when notified by Owner. Operator shall comply with state and federal laws, rules and regulations governing the presence of any petroleum products, toxic or hazardous chemicals or wastes on the Subject Lands. All buildings, equipment and facilities placed on the property by Operator shall be painted in tones consistent with the surrounding area.

2.6 Roads. Operator may construct and maintain one new all-weather road as located on the Exhibit "C" map. The road constructed upon the Subject Lands shall be constructed and used to the following specifications:

a. Except in case of emergencies, NO operations shall be conducted in the mud when activity leaves an impression of two inches in depth unless Operator requires immediate access in its reasonable opinion. Operator agrees, if such immediate access is required during muddy conditions, to notify Owner accordingly and to repair affected roads as soon as reasonably practicable. If Operator fails to repair affected roads as soon as reasonably practicable or travels off any road, Operator shall pay a [REDACTED] fine, provided, however, that Operator shall not be subject to a fine for traveling off the road if it is de minimus. In lieu of said fine, Owner may proceed to have the roads fixed and Operator will pay any invoices provided.

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b. The surface of all roadways shall not exceed sixteen feet (16') in width for traveled surface. Improved roads shall be constructed with a two percent (2%) crown from the center of the road to the shoulder to promote positive drainage. Constructed roadway shall be limited to twenty feet (20') from the centerline of each road easement area for fills, shoulders and crossings whenever practicable or unless otherwise dictated by local, state or federal laws or regulations governing such roads. Where requested by Owner, Operator shall install side ditches along roads to transport runoff to appropriate drainage structures.

c. If requested by Owner, access to the Subject Lands from any County road shall be controlled by a metal, hinged gate in addition to a cattle guard or culverts if applicable or needed, which gate Operator shall construct and install in accordance with the reasonable specifications of Owner. Operator shall not access the Subject Lands from any adjoining landowner's property without prior written approval from Owner, which approval shall not be unreasonably withheld.

d. Operator agrees, if requested by Owner, to place (within reason) an appropriate sign or signs on Owner's roads designating them as "Private Roads, No Trespassing or Hunting" and to assist Owner in the control of the use of such roads by unauthorized users. The size and color of such signs shall be subject to Owner's approval. Owner may lock gates across its private roads provided that Operator shall have the right to place its own locks on such gates. Owner shall give Operator fifteen (15) days advance notice of Owner's election to lock gates in order that Owner and Operator can consult with each other regarding the type of locks to be used and arrangements for Operator's access

e. Operator shall employ best management practices to suppress dust from Owner's roads.

**2.7 Operator's Use of Owner's Improved Roads.** In the interests of safety and dust control, Operator and its contractors, agents, and employees shall not exceed 20 miles per hour on improved roads located on the Surface Use Area. If livestock is present, the speed limit shall be 10 miles per hour. Livestock and wildlife species, including, but not limited to, deer, antelope, game birds, and songbirds, shall have the right-of-way on improved roads located on the Subject Lands, and Operator and its contractors, agents, and employees shall come to a stop and give ample time for wildlife and livestock to move from the roadway.

**2.8 Fences.** Operator shall construct stock-tight fences around any dangerous area, including any pits where Operator drills wells. Operator shall, at its expense, construct permanent fencing around all Wells, tanks and other surface facilities. All fencing to be constructed shall be aesthetically pleasing and as approved by Owner which may include either a wood privacy fence or other acceptable material. Maintenance around Operator's surface facilities shall be the responsibility of Operator, and Owner shall not be responsible for damage to such fences or Operator's surface facilities in the event livestock gain access to these areas. Operator shall reasonably repair and/or replace any and all damage done to any fences or gates, or any other improvements of Owner, which result from Operator's operations of the Subject Lands. All fences shall be repaired, locked and closed in a manner consistent with surrounding fences and reasonable and customary residential, farming and ranching practices.

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**2.9 Improvements, Cultivated Land, Stock Water Pipelines.** No existing fences, cattle guards, or other improvements shall be cut or damaged by Operator without the consent of Owner, which consent shall not be unreasonably withheld.

**2.10 Non-Disturbance.** Operator and its employees and authorized agents shall not disturb, use or travel on any of the land of Owner not subject to this SUA without Owner's consent.

**2.11 Fire.** Operator shall take reasonable steps to prevent fire and to promptly extinguish fire. No trash or timber slash will be burned by Operator on the Subject Lands. Any fires caused by Operator's personnel, agents, or assigns arising from the use of the Subject Lands, shall be paid for at the USDA market rate for Six Hundred Pounds of cattle weight gain per acre (600 multiplied times USDA market rate (\$) at time of fire) for rangeland burned, including any portion of an acre and at the prevailing rate for crop bearing land burned, including any portion of an acre as well as the replacement cost of any buildings or structures damaged or lost due to fire. In addition, Operator shall reimburse Owner for the reasonable expense of fire suppression incurred by Owner and shall immediately reimburse Owner for any charges assessed to Owner by a local, county, state or federal fire control agency.

**2.12 Behavior of Operator's Employees, Agents and Contractors.**

a. Operator is authorized to use the easement area solely for purposes of oil and gas exploration, production and development; accordingly Operator has no authority to and Operator shall not permit any of its employees or contractors operating hereunder to, among other things: bring any dog, firearm, explosive device, weapon, alcoholic beverage, or illegal drugs on Owner's property; hunt, fish, prospect for antlers, fossils or antiquities, recreate, consume alcoholic beverages, or carry on any illegal activities on the Subject Lands. In the event Operator discovers any employee, contractor or representative of Operator failing to abide by the terms of this paragraph, Owner shall provide Operator with as much information as possible regarding any individual violating this provision and Operator agrees to take appropriate action regarding such violation.

b. Use of 4-wheelers on the easement area will be restricted to occasions when surface conditions require their use OR with Owners prior approval. Recreational activities of a 4 - wheeler are forbidden. Operator will notify all its contractors, agents, employees and representatives of this restriction.

**2.13 Communication and Contacts Between Owner and Operator.**

Notices as provided for herein shall be made in the manner provided for to:

OWNER:

Gale R. Kennedy  
21949 WCR 5  
Berthoud, CO 80513

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**OPERATOR:**

**Extraction Oil & Gas, LLC  
1888 Sherman Street, Suite 500  
Denver, CO 80206**

**2.14 Insurance.** All vehicles traveling upon the Subject Lands and owned or operated by Operator, its contractors, agents, or employees shall be covered by automobile liability insurance covering owned, non-owned, and hired automobiles with limits of at least One Million Dollars (\$1,000,000) for injury to or death of any one person for any one occurrence, and Five Hundred Thousand Dollars (\$500,000) property damage per occurrence. In addition, Operator shall carry comprehensive general liability insurance with minimum coverage limits of One Million Dollars (\$1,000,000) for injury or death for any one occurrence, and One Million Dollars (\$1,000,000) for property damage per occurrence. Operator and its contractors, agents, and employees using the Subject Lands shall provide Owner with certificates evidencing such insurance at the time of initial construction and any time afterward at Owner's request.

**2.15 Equipment Storage and Maintenance; Employee Housing.** Operator's equipment shall not be stacked or stored or maintained on the Subject Lands nor shall employees be housed on any of the Subject Lands without the express written consent of Owner and additional compensation paid for such storage. However, rigs may be stacked on the drill site for not more than fourteen (14) days unless weather or mechanical reasons reasonably prevent such removal.

**2.16 Operator Representation and Warranty as to Third Party Lands.** Operator represents and warrants to Owner that, for any oil and gas produced pursuant to this SUA from lands other than the Subject Lands, the Operator has, or will timely have, all necessary rights to explore, develop and produce oil and gas from such other lands.

**2.17 Owner's Right to Use or Relocate Easement Area and Facilities.** Owner retains the right to relocate portions of the Surface Use Area and/or Operator's facilities at its expense. Owner may use the Subject Lands and Surface Use Area as desired; provided, however, that any uses or improvements within the Surface Use Area shall not impair Operator's use and Owner shall bear the expense of mitigating any new overlapping use.

**SECTION 3 - PAYMENTS TO OWNER**

As consideration for the rights granted herein by Owner to Operator, Operator shall pay to Owner the amounts set out below.

**3.1 Surface Use Payments.** Prior to operations beginning on the Subject Lands, Operator shall pay Owner the sum of [REDACTED] for the right to the Two (2) Surface Use Areas.

**3.2 Well Payments.** Prior to the commencement of drilling, Operator shall pay Owner [REDACTED] Dollars for each Well drilled.

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3.3 Annual Well Payments. No annual Well Payments are owed by Operator to Owner except in the circumstance whereby a Well is shut-in or fails to produce oil or gas for one year. Upon the one-year anniversary of said Well being shut-in or failing to produce oil or gas for one year, Operator shall pay Owner upon said anniversary date [REDACTED] for each Well governed by this section.

3.4 Overriding Royalty Payment. For all production from Wells located on the Surface Use Area, Operator shall pay Owner a [REDACTED] overriding royalty. Said overriding royalty shall not be proportionately reduced such that Owner will be paid by Operator this overriding royalty interest on all production from Wells located on the Surface Use Area regardless of Operator's percentages in said Wells. Should Operator own less than 100% of the working interest in said Wells, Operator shall be responsible for paying Owner the full amount of the overriding royalty including any amounts owed from working interest not owned by Operator. Said overriding royalty shall be paid upon the same terms and conditions as set forth in the Oil and Gas Lease. Should Operator seek to drill Wells that govern lands not included in the Exhibit B Adjacent Lands, said activities are prohibited until and unless a written agreement is executed under the terms in this SUA. In the event Operator fails to obtain an executed written agreement for lands not included in the Subject Lands, lands pooled therewith or Exhibit B Adjacent Lands, Owner shall then be entitled to an overriding royalty of [REDACTED]

3.5 Method of Payment. Operator shall pay Owner either by check or by bank wire transfer to Owner's designated account.

3.6 Livestock Loss, Horse Boarding and Property Taxes. Operator shall pay Owner the fair market value of any livestock killed or injured as a direct result of its operations. Operator shall pay Owner the actual costs and expenses to board any horses during drilling, completion, reworking, plugging or abandoning operations wherein said boarding is deemed necessary by Owner. Should there be any increase in property or other taxes assessed to the Subject Lands due to Operators equipment or facilities, Operator shall pay said increase.

3.7 Damages for Breach. Any breach of this SUA not corrected within sixty (60) days after Operator is aware of said issue shall render Operator liable for damages to Owner in an amount of [REDACTED] per day until resolved. Said amounts only apply if Operator is determined to have breached this SUA and said amounts is in addition to any other damages that may be owed as a result of a breach of the SUA.

3.8 Payment Limitation. The payments herein provided are acknowledged as sufficient and in full satisfaction for damages caused or created by the reasonable and customary entry, rights of way, operation and use of the roads and well sites, but do not include damage to livestock, buildings or improvements or injuries to persons or to damage or destruction to Owner's water wells or water supply or other amounts that may be due hereunder.

#### SECTION 4 - RECLAMATION

4.1 Reclamation and Restoration. Unless Owner otherwise agrees in writing, upon termination of any of Operator's operations on the Subject Lands or upon drilling or completion

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of any wells, Operator shall restore and level the surface of the Land affected by such terminated operations as near as possible to the contours which existed prior to such operations. Operator shall use water bars and such other measures as appropriate to prevent erosion and non-source pollution. Where requested, Operator shall restore all private roads, drainage and irrigation ditches disturbed by Operator's operations as near as possible to the condition that existed prior to such operations. Any surface disturbed by Operator's activities shall be reseeded with native grasses and all noxious weeds eliminated. Except as otherwise provided in this SUA, any surface facilities no longer in use shall be removed and the surface restored, within one year after the date upon which Operator ceases to use such surface facility. Reclamation upon drilling or completion of any wells shall happen as soon as reasonably practicable but not later than six months after said drilling or completion activities. In addition, Operator shall comply with all requirements in accordance with the prescribed rules and regulations of the Colorado Oil and Gas Conservation Commission.

## SECTION 5 - ENFORCEMENT AND RESOLUTION OF DISPUTES

5.1 Default. In the event that the Owner or the Operator hereunder shall fail to comply with any of their duties or obligations hereunder, the other party shall so notify the defaulting party in writing by certified mail and if said default is not corrected within thirty (30) days after receipt of said notice or activity is not initiated to cure such default in those instances where said default could not be cured within said thirty (30) day period, the non-defaulting party shall have the right to terminate this SUA, to enforce the provisions of this SUA in law or in equity and/or have such other rights and remedies as may be provided to it under the laws of the State of Colorado. The defaulting party agrees that it shall be responsible for all costs and expenses, including reasonable attorney's fees, incurred by the non-defaulting party as a result of said default as may be determined by a court of law or equity.

## SECTION 6 - MISCELLANEOUS

6.1 No Warranty. Owner makes no representation or warranty in entering into this SUA as to any matter of title, condition, suitability for Operator's purposes, or regulatory status of the Subject Lands.

6.2 Indemnification. The Operator shall defend, indemnify and hold the Owner harmless from any damage, injury, claim, judgment or other liability arising, either directly or indirectly, on account of any damage or injury to any person or property resulting from the Operator's use of the subject Subject Lands, including use by Operator's employees, agents, representatives, contractors, contractor's assignees, or other working interest owners.

6.3 Liability for Damage Resulting from Produced Water. Operator shall be responsible for complying with the rules and regulations applicable to the removal and/or disposal of waters produced by its operations as established by the State of Colorado and other applicable authorities, and the Operator agrees to indemnify, defend and hold Owner harmless from any claims, demand, judgment or liability arising as a result of damages to persons or property caused by or in connection with the removal or utilization of said water. Nothing in this paragraph shall be interpreted to allow Operator to discharge produced water on Subject Lands, including any leased lands. Nothing herein permits Operator to use free of cost produced water

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or other water from Subject Lands. In the event that Operator seeks to use said water, Operator shall negotiate with Owner a fair and reasonable price and location.

6.4 Compliance with Law. Owner and Operator shall conduct all of its operations and activities in accordance with all applicable local, state and federal laws, rules and regulations. Owner and Operator agree to cooperate in good faith in the reasonable and expeditious development of Operator's leasehold under the Subject Lands.

6.5 Notice. Notice may be given to either party to this SUA by depositing the same via certified mail return receipt requested in the United States Mail postage prepaid, duly addressed to the other party at the address set out in section 2.13 of this SUA, or at such other address as each party may subsequently provide to the other. Such notice shall be deemed delivered when the party posting same in the United States Mail receives the returned mail receipt signed by the other party, or one of its authorized representatives.

6.6 Exhibits and Recitals. For all purposes, all exhibits attached hereto and recitals set forth above are incorporated herein by reference and contractual in nature.

6.7 Memorandum of Agreement. This SUA shall not be recorded, but either party may record with the County Clerk of Weld County, Colorado a memorandum reciting that the parties have entered into this SUA which affects the Subject Lands, as modified from time to time.

6.8 Taxes. Operator shall be responsible for and shall pay all additional taxes that may be assessed against the Subject Lands by reason of any improvements placed thereon by Operator.

6.9 Construction of Agreement. This SUA shall be construed under the laws of the State of Colorado.

6.10 Assignment; Binding Effect. Operator may not assign this SUA without the prior written consent of Owner, which consent shall not be unreasonably withheld. This SUA is binding upon the parties and their permitted successors and assigns.

6.11 Force Majeure. Should Operator be prevented from complying with any expressed or implied covenants of this SUA, conducting normal operations, or from transporting natural gas or other hydrocarbons there from by reason of scarcity of, or inability to obtain or use equipment or material, or by operation of force majeure, or because of any federal or state law or any order, rule or regulation of a governmental authority then while so prevented, provided Lessee has given written notice of said force majeure event within 90 days of commencement of said event, interruption or stoppage, Operator's obligations to comply with such covenant shall be suspended, and Operator shall not be liable in damages for failure to comply therewith; and the express or implied covenant or other provision of this SUA so affected shall be extended while and so long as Operator is prevented by any such cause from conducting normal operations or transportation of natural gas or other hydrocarbons from the leased premises; and the time while Operator is so prevented shall not be counted against the Operator, anything in this SUA to the contrary notwithstanding.

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**6.12 Survival.** The Operator's obligations and responsibilities hereunder shall survive the term of this SUA on a Well-by-Well basis with regard to the subject Subject Lands, including, without limitation, all reclamation obligations and the proper disposal of any hazardous materials.

**6.13 Signatures.** By signing below, the parties signing acknowledge and represent that each of them has the authority to sign this SUA and the power to bind both Owner and Operator. The parties further agree that this SUA may be executed in counterparts.

**6.14 Right of First Refusal for On-Site Maintenance and Other Work.** During the term of this SUA and for any work done on the Surface Use Area or the Subject Property involving building roads, reseeding, landscape, fence building, weed control, snow removal or any other site maintenance, Operator shall give Owner or Owner's designee the right to perform said work for reasonable compensation. If Operator is unhappy with the bid received by Owner or Owner's designee and finds an alternative contractor that is willing to perform said work, Operator agrees to notify Owner, in writing, of the offer, including in the notice the name and address of the offeror, the price offered and all of the pertinent terms of the offer. Owner shall then have 10 days from the date of receipt of Owner's written notice within which to elect to perform the work under the terms set forth in the notice provided. Owner's failure to respond to Operator's written notice within the 10 day period shall be deemed an election by Owner not to do said work and at that time Operator shall be free to have the alternative contractor do said work.

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IN WITNESS WHEREOF, the parties hereto have executed this SUA effective as of the 3<sup>rd</sup> day of February, 2014, (the "Effective Date").

GALE R. KENNEDY

Gale R. Kennedy

EXTRACTION OIL & GAS, LLC

By: Matt Owens

Title: President

Print name: MATT OWENS

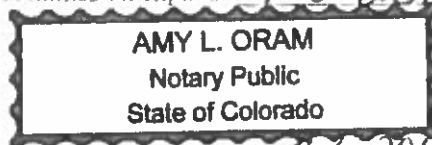
### ACKNOWLEDGEMENT

STATE OF COLORADO     )  
  )ss  
COUNTY OF LARIMER     )

The foregoing instrument was acknowledged before me this 4<sup>th</sup> day of February, 2014, by Gale R. Kennedy, to me known to be the identical person described herein, who executed the within and foregoing instrument of writing and acknowledgement to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal.

My commission expires: 4-6-2015



Amy L Oram  
Notary Public

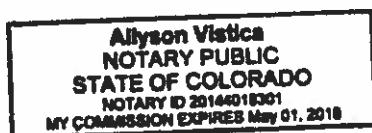
### ACKNOWLEDGEMENT

STATE OF COLORADO     )  
  )ss  
COUNTY OF Denver     )

The foregoing instrument was acknowledged before me this 4<sup>th</sup> day of February, 2014, by Matt Owens, to me known to be the identical person described herein, who executed the within and foregoing instrument of writing and acknowledgement to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal.

My commission expires: May 1, 2018



Alyson Vistica  
Notary Public

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**Exhibit "A"**  
**Legal Description**

**All of Grantor's interest in a part of the NE ¼ of Section 18, Township 4 North, Range 68 West of the 6<sup>th</sup> P.M., more particularly described as follows: Commencing at the NE corner of said Section 18, thence along the East side of said Section, South 0°10' East 1345 feet; thence South 88°58' West 1035 feet; thence North 1°0' West 1342 feet to Section line; thence North 88°45' East 1054 feet to the place of beginning, containing 32.21 acres, more or less, and together with all mineral, water, ditch, irrigation and other rights and privileges appurtenant or otherwise attached to the said property, if any.**

*L 2/4/14*

## Exhibit "B" ADJACENT LANDS

Township 4 North, Range 68 West of the 6<sup>th</sup> P.M.  
Section 6, 7, 8, 17, 19 & 30

Township 4 North, Range 69 West of the 6<sup>th</sup> P.M.  
Section 11, 12, 13 & 14

*R* 2/4/14



**EXHIBIT "C"**  
**SURFACE USE AREA**



*2/4/14*