

SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("**Agreement**") is made and entered into this 8 day of Aug., 2014, by and between Johnson Taylor Family Properties LLLP ("**Owner**"), and Extraction Oil & Gas, 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 Larimer County, Colorado as more specifically described as follows ("**Lands**"):

Township 5 North, Range 68 West, 6th P.M.
Section 35: SWSWNE (more specifically depicted on Exhibit "A")

Operator, and/or its affiliates, owns a working interest in valid leases covering all or portions of the Lands or lands pooled or included in a spacing unit therewith or lands adjacent thereto (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 desires to drill or cause to be drilled oil and/or gas wells on its Leases (the "**Wells**") within the area located on the Lands depicted on Exhibit "A" and the subsurface locations of which may be under other lands than Owner's Lands. 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 Lands.

Owner hereby grants to Operator, its successors and assigns, and each of their agents, employees, contractors and subcontractors, the exclusive 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.

Owner grants Operator the right to drill oil and gas wells on the Lands that may be horizontal, vertical, or directional that produce and drain oil, gas and associated hydrocarbons from lands other than the Lands and to locate, construct, use, and maintain surface equipment, including but not limited to flowlines, compressors, wellheads, and all associated production equipment and Facilities, related to transportation of oil, natural gas or associate hydrocarbons from lands other than lands covered by leases pooled with 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 Wells, the Access Roads to the Well sites and Facilities to be constructed on the Lands shall be confined to the designated areas approximately depicted on Exhibit "A". Material changes to the designated operating areas may be made by Operator with the consent of Owner, which shall not be unreasonably withheld. It is also understood and agreed that additional access road and flow lines located outside of the designated operating areas may be necessary for operator's activities and in these circumstances Owner and Operator agree to designate a mutually agreeable location for said access road and flow lines. 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 shall pay Owner [REDACTED] within 14 days from the effective date of this agreement and an additional [REDACTED] prior to December 31, 2014 (collectively the "**Downpayment**"). Additionally, Operator shall pay Owner the sum of [REDACTED] (the "**Well Payment**") for each Well drilled prior to July 1, 2016 and associated Facilities & Access Roads shown on Exhibit "A" prior to the drilling of each such Well. For any Wells drilled subsequent to July 1, 2016 the Well Payment shall be increased to [REDACTED]. The Downpayment and Well Payments 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 pay Owner all actual damages caused by said subsequent operations.

Notwithstanding anything in paragraph 5 to the contrary, should Operator fail to tender any portion of the Downpayment as provided herein than this agreement shall terminate and neither party hereto shall have any further obligations hereunder.

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) Operator will maintain the Access Road 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 and suitable for farming as is reasonably practicable. Additionally, Operator shall undertake what is reasonably necessary to ensure that the areas on the Lands occupied by Operator are in compliance with local, state and federal regulations, specifically including environmental regulations. If such compliance requires environmental testing and / or remediation then Operator agrees to bear the entirety of any such costs providing that any necessary remediation work was the result of Operators operations on the Lands.

C. Other:

- (i) Operator will install culverts, drainage structures, ditches and other devices 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 or stored 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) Operator agrees to fence off the perimeter of the well sites with temporary fencing if reasonably requested by Owner and/or the Town of Johnstown. Operator will also install cattle guards and/or gates where reasonably necessary, at Owners request.

- (vi) In addition to the other provisions of article 6.b, Operator agrees to consult with Owner and the town of Johnstown to ensure that the Lands occupied by Operator are reasonably bermed and landscaped to the satisfaction of the parties and in compliance with the requirements set forth by the town of Johnstown

- (vii) To the extent that existing irrigation ponds on the Lands will be negatively affected, as determined by Owner, Operator shall bear the cost to reasonably modify or move said irrigation ponds to the satisfaction of the parties.

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 60 days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default. If Operator remedies the alleged default within 60 days of Owner's notice, or if the alleged default is of a nature that cannot be remedied within 60 days, then if Operator commences the remedy of the alleged default within that 60 day period and diligently pursues such remedy, then no default shall be deemed to have occurred.

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. With regard to payment obligations, the Operator will not be liable for consequential damages.

8. **INDEMNITY/RELEASE.** With regard to any payment fully made, Owner hereby releases from claims for such payment. As to all payments made by Operator to Owner, Owner agrees to hold harmless Operator from any liability for claims that such payment was to be made to a person or persons other than Owner or is inadequate for the rights granted under this Agreement for such payment.

Operator agrees to defend, indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of or caused by Operator's operations on the Lands that may or are asserted by any person other than Owner, including but not limited to the Operator's agents, employees, subcontractor, contractors, employees of such agents, subcontractors or contractors or any persons entering upon the premises at the request of Operator. In furtherance of such undertaking, Operator agrees to have Owner added as an additional insured on Operator's liability insurance policy with limits of no less than (i) the greater of \$1 million per occurrence and \$2 million aggregate or (ii) the limits required to operate on governmental leases in the State of Colorado.

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. Subject to this agreement, Owner agrees to allow Operator to locate the Wells anywhere on the surface of the property within the boundaries of the site depicted on Exhibit A. By signing this agreement Owner specifically agrees to the location of the Wells identified on Exhibit A and waives any objections to such location.

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
Johnson Taylor Family Properties LLLP
C/O Chauncey Taylor
PO Box 359
Loveland, CO 80539
970-667-2069

Operator
Extraction Oil & Gas, LLC
1800 Sherman Street, Suite 500
Denver, CO 80203
Phone: 720-382-2693
Attn: Matt Owens

Consultant
Tom Peterson
Stanford Real Estate, LLC
3555 Stanford Road, Suite 204
Fort Collins, CO 80525
970-226-1414

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 Larimer 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 upon either of the following events:

- a) Termination of 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.
- b) One hundred eighty (180) days written notice from Operator declaring its intent to terminate this agreement and vacate the lands pursuant to Item 6.b of this agreement.

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

17. **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 Larimer County, Colorado.

18. **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.

19. **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.

20. **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.

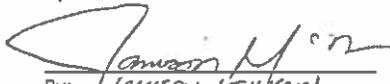
21. **OTHER.**

GRANTOR ACKNOWLEDGES AND AGREES THAT GRANTEE HAS CONSULTED IN GOOD FAITH WITH GRANTOR AS TO ITS PROPOSED OPERATIONS IN ACCORDANCE WITH COGCC REQUIREMENTS, OR HEREBY WAIVES SUCH REQUIREMENTS. GRANTOR EXPRESSLY WAIVES THE APPLICATION OF ANY COGCC SETBACKS INCONSISTENT WITH THIS AGREEMENT.

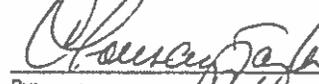
- A. Grantee will provide Grantor with the COGCC Form 2A ("Oil and Gas Location Assessment") for OGOA when submitted to the COGCC, and Grantee will undertake to ensure that said Form 2A accurately reflects the provisions of this Agreement.
- B. Grantor agrees not to object to the Form 2A, so long as it is consistent with this Agreement, and if consistent with this Agreement, Grantee hereby waives any right granted by COGCC rule to comment on the Form 2A, to request an extension of the comment period, to request an onsite inspection pursuant to COGCC policy, or to appeal the approval and issuance of the Form 2A, and any related Form 2 ("Application for Permit to Drill").
- C. Grantor shall not oppose Grantee in any COGCC or other governmental proceeding related to Grantee's Operations, including, but not limited to, permitting, formation of drilling units, well spacing, well density, pooling, drilling, completion, stimulation, re-stimulation, workovers, deepening and recompleting, provided that Grantee's position and contemplated undertakings in such proceedings are consistent with this Agreement.

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

Extraction Oil & Gas, LLC
Operator:


By: JAMISON MCILVAIN
Title: LANDMAN

Johnson Taylor Family Properties LLLP
Owner:


By: Marge Pritchard
Title:

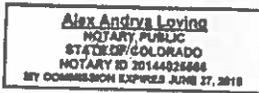
By:
Title:

ACKNOWLEDGEMENT

STATE OF Colorado)
) ss.
COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 8th day of August, 2014, by Jamison Melhija Landman of Extraction Oil & Gas, LLC.

WITNESS my hand and official seal.



Alexandra Lovina
Notary Public for the State of Colorado
residing at 9814 E 5th Denver CO 80249
My commission expires: June 27 2018

ACKNOWLEDGEMENT

STATE OF Colorado)
) ss.
COUNTY OF Larimer)

The foregoing instrument was acknowledged before me this 8th day of aug, 2014, by Chauncey Taylor as managing Partner of Johnson Taylor Family Properties LLLP.

WITNESS my hand and official seal.



Stephanie Payton
Notary Public for the State of Colorado
residing at 3836 S T&A Hill Rd, Ft. Collins 80526
My commission expires: 10-29-14

ACKNOWLEDGEMENT

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2014, by _____ as _____ of Johnson Taylor Family Properties LLLP.

WITNESS my hand and official seal.

(Seal)

Notary Public for the State of _____
residing at _____
My commission expires: _____

EXHIBIT A

