

## **SURFACE USE AGREEMENT AND GRANT OF EASEMENT**

THIS SURFACE USE AGREEMENT AND GRANT OF EASEMENT ("Agreement") is entered into this 11th day of November 2015 (the "Effective Date") by and between Lynn E. Smith ("Owner") whose address is P.O. Box 122, Grover, CO 80729, and Synergy Resources Corporation ("Company"), whose address is 1625 Broadway, Suite 300, Denver, Colorado 80202 (Each of Owner and Company individually referred to herein as a "Party," and collectively, the "Parties").

WHEREAS, Owner owns an interest in part or all of the surface estate of the following described lands located in Weld County, Colorado (the "Property"):

Township 10 North, Range 61 West, 6<sup>th</sup> P.M.  
Section 23 SE/4  
Weld County, Colorado

WHEREAS, Company owns certain leasehold rights to access the Property and to use so much of the surface as is reasonably necessary to explore for and produce oil and gas from the Property; and,

WHEREAS, notwithstanding Company's rights to access and use the surface of the Property, in the spirit of joint cooperation Company and Owner desire to enter into this Agreement to reach an understanding and agreement regarding Company's surface access, use of, and disturbance to the Property.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the compensation to be paid to Owner, as described herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Owner and Company agree as follows:

1. Grant of Access. Company is hereby granted a permanent easement, during the term of this Agreement, to operate any existing wells and/or drill any future wells on the Property, including vertical, lateral, horizontal and directional wells that produce from and drain all or portions of the Property or any adjacent properties, provided that such locations must be 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 or to the extent Owner waives such requirements pursuant to this Agreement. Owner further hereby grants and conveys to Company the right of ingress and egress on, across, and along the Property, including such additional rights of way, easements, and access necessary and advisable for Company's Operations (as defined below). Company's proposed plan of operations includes the designated access roads and right-of-way corridor (the "Access Corridor(s)"), tank battery site, production facility site, and other facility sites (collectively, the "Operations Area(s)") as depicted on Exhibit A. If at any time Company requires additional Access Corridor(s) or Operations Area(s), Company shall provide Owner with advance written notice in the form of a supplemental Exhibit A as well as providing "as-built" surveys pursuant to Section 18(f) below, after which point the use of Access Corridor(s) and Operations Area(s) in this Agreement shall be deemed to include such additional Access Corridor(s) and Operations



Area(s). Owner hereby grants to Company the right to exclusive use of the Operations Area(s) located on the surface of the Property and depicted in Exhibit A, or any supplement thereto, and to use the subsurface of the Property, all in the conduct of Company's Operations. As used in this Agreement, "Operations" shall mean any oil and gas operations, including, but not limited to, permitting, obtaining consents and waivers, environmental impact assessments and evaluations, surveying, seismic activity, water recycling, water storage (including but not limited to, the use of modular large volume water tanks), exploration, drilling, stimulation, completion, re-stimulation, re-completion, deepening, reworking, equipping, production, maintenance, plugging and abandoning of wells, together with accessing, inspection, construction, erection, installation, operation, maintenance, repair, removal, replacement, expansion, testing, updating, upgrade, ownership, and use of related facilities including gathering, storage, transportation and processing facilities, as well as associated flowlines, access roads, and related buildings, fencing, and equipment, as all of the foregoing may be related to vertical, directional, horizontal or lateral wellbores. Except as provided for in Section 3 below, all oil, gas, disposal or injection wells, well operations area, tank batteries, water tanks, other facilities or production facilities shall be located on the Operations Area(s), all Access Roads and Lines (as defined below) shall be located in the Access Corridor(s), and all of Company's Operations on the Property shall be confined to the Access Corridor(s) and the Operations Area(s).

2. Compensation. Company shall provide compensation as described in that certain letter agreement between Company and Owner dated as of the Effective Date herein (the "Letter Agreement"), entered into between Owner and Company, as full consideration for the rights of access and use of the Property as described herein and as full settlement and satisfaction of all damages growing out of, incident to, or in connection with usual and customary Operations located on the Property.

3. Grant of Subsurface Easement. Company is hereby granted a subsurface easement, anywhere on the Property, during the term of this Agreement, for passage of any portion of any wellbore for any of Company's oil or gas wells, whether producing or nonproducing, including the right to occupy and use the subsurface pore space displaced by the well bore and all structures appurtenant thereto.

4. Term of Agreement. Each Party covenants and agrees that it shall strictly observe the terms and conditions regarding surface occupancy set forth in this Agreement. This Agreement, and the rights and benefits granted and created herein shall be effective as of the Effective Date and shall continue in full force and effect until both (i) Company has permanently ceased Operations on the Property, and (ii) has plugged and abandoned all well(s) on the Property and conducted reclamation in accordance with applicable COGCC rules and regulations, except that any release, discharge or indemnity from and against liability contained herein shall survive the expiration of this Agreement. Notwithstanding anything contained herein to the contrary, in the event this Agreement allows Company to process or store production on the Property from wells located outside the Property, this Agreement will not terminate until use of the Property for such processing or storage is no longer needed by the Company.

5. Access Roads.



(a) Grant. To the extent reasonably practical, Company shall use existing roads to access the Operations Area(s) and Access Corridor(s) and to conduct Operations on the Property. Notwithstanding the foregoing, Owner grants to Company a non-exclusive easement on and across the Property, including other lands owned, leased or claimed by Owner which are adjacent to or contiguous with the Property, to construct one or more roads (an "Access Road") for ingress and egress by Company, in the event reasonably necessary for Company to access the Operations Area(s) and Access Corridor(s) and to conduct its Operations.

(b) Construction. Access Roads shall be limited to approximately 60 feet, being 30 feet on each side of the centerline, and shall be constructed along the boundary lines of the Property, or along the section lines of the Property, to the extent reasonably practical. Culverts shall be installed at ditch and drainage crossings when requested in writing by Owner, and shall be sized to prevent obstruction to the free flow of the volumes of water being carried, inclusive of flood stages. Company shall protect all water sources and conveyance structures, including but not limited to the natural flow of creeks, wells, and ditches, from all Operations and shall immediately remedy any diversion, curtailment, or blockage of water flows or contamination of water sources. Upon Owner's written request, Company shall construct cattle guards at all places where Company requires access through Owner's fences. Permanent gates shall be installed at each point where an Access Road intersects perimeter or cross fences. If Owner or Company elects to lock any gate on the Access Road, keys shall be provided to the other Party.

(c) Maintenance. The use and construction of any Access Roads shall not include a right of use by the general public. Company shall be responsible for maintaining all Access Roads and any existing roads utilized by Company, at Company's sole cost and expense, provided however, that Company may seek contribution for construction and maintenance costs from any third party, in the event Owner grants such third party an easement or right of way, or otherwise authorizes such third party to use any Access Road or existing road.

## 6. Lines.

(a) Grant. Owner grants to Company access on, over, across and through the Property, including other lands owned, leased or claimed now or in the future by Owner which are adjacent to or contiguous with the Property, to construct, maintain, inspect, and operate lines, including but not limited to oil and gas flow lines, pipelines, gathering lines, telecommunication lines, electric lines, and water lines (together, the "Lines"). Any additional Lines shall be updated on a supplemental Exhibit A, per Section 1 of this Agreement and be placed into record pursuant to Section 18(f) below.

(b) Construction. All underground Lines shall be buried a minimum of forty-eight inches below the surface and Company shall, when reasonably practical, place all Lines in the same trench and along and adjacent to existing roads or Access Roads. Company may install as many Lines in a single trench as it desires. The Property disturbed during installation or maintenance of underground Lines will be limited to approximately 75 feet in width, during such temporary period of installation or maintenance, and otherwise shall be limited to 50 feet in width. Company may also install temporary Lines above ground, provided such temporary Lines are removed within 180 days from the date of installation.



7. Operations on Other Lands. Owner acknowledges that Company now owns, or may in the future acquire, leasehold rights covering lands adjacent to or in the vicinity of the Property (the "Other Lands"). Owner hereby grants Company the right to use the Operations Area(s), Access Corridor(s) any facilities, Access Roads and Lines in connection with Company's Operations on Other Lands, and to access, or transport oil, gas, water or other substances to or from, Other Lands.

8. General Operational Requirements.

(a) Weed/Dust/Erosion Control. Company shall keep the Operations Area(s) and Access Corridor(s) free of weeds and debris and shall take reasonable measures to control erosion.

(b) Topsoil. In all Operations conducted by Company on the Property requiring the removal of soil, the topsoil will be separated from the subsurface soil and following the completion of Operations, Company will place the topsoil and subsurface soil back in proper order and restore the surface of the Property disturbed by such Operations to its original condition and contour as nearly as practicable.

(c) Water Testing. Company shall have the right, but not the obligation, to test Owner's well water or other surface water located on the Property prior to commencement of Operations on the Property.

(d) Damage to Property. If, by reasons directly resulting from the Operations of Company, there is damage to the Property, or real or personal property located on the Property, including, but not limited to, damage to livestock, structures, buildings, fences, culverts, cement ditches, irrigation systems, and natural water ways, in Company's sole discretion, (i) the damage will be promptly repaired, (ii) the damaged property will be promptly replaced by Company, or (iii) Company shall pay reasonable compensation to Owner for the damage or an amount equal to the reasonable costs to repair the damage. Any failure to reach mutual agreement with respect to such repair, replacement or compensation shall not, however, be deemed to constitute a breach or abrogation of this Agreement, nor to terminate or diminish the grants, conveyances, rights and obligations contained herein.

(e) Reclamation. Company agrees to perform all reclamation in accordance with the rules and regulations of the COGCC, unless a variance is granted by the COGCC upon the request of Owner.

9. Notice/Consultation.

(a) Owner Consultation. Company will consult in good faith with Owner prior to commencing Operations on the Property with heavy equipment. Company will provide Owner with a copy of the COGCC Form 2A ("Oil and Gas Location Assessment") pertaining to the Property upon submission by the Company to the COGCC. Owner agrees not to object to the Company's proposed Operations, so long as it is consistent with this Agreement, and 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") for the well(s). Owner shall not oppose Company in any COGCC or other governmental proceedings related to Company's Operations, including but not limited to permitting, formation of drilling units, well spacing or pooling, provided that Company's position in such proceedings is consistent with this Agreement. Owner expressly acknowledges and agrees that this Agreement shall be deemed to be specifically applicable to, and to fully satisfy, the obligation of Company to reasonably accommodate Owner's use of the surface of the Property, existing or future, and waives any statutory or common law claim to the contrary. Owner acknowledges receiving from Company a brochure prepared by the COGCC which describes the rights and responsibilities of Owner as a surface owner.

(b) Surface Tenant Notice. All consultations will be conducted directly with Owner unless otherwise designated by written request of Owner. Accordingly, Owner, or Owner's designee, shall have the responsibility of notifying any affected surface tenant, surface lessee or other third party who may own or have an interest in any crops or surface improvements which could be affected by the Operations, and to allocate the payments made under this Agreement, together with the Letter Agreement, to the surface tenant, surface lessee or other third party in an amount as such parties shall mutually determine between themselves. Owner agrees that all damages claimed by a surface tenant, surface lessee or other such party resulting from the Operations shall be settled by Owner, and Owner hereby agrees to release, discharge, indemnify and hold Company harmless from and against any such claims together with any claims related to allocation of payments made under this Section 9(b).

10. Consents and Waivers.

(a) Throughout the term of this Agreement and for the consideration described herein and pursuant to the Letter Agreement, Company is hereby expressly granted consent to locate any number of wells within the Operations Area(s), and for each well Company proposes within the Operations Area(s), Owner shall fully support Company's efforts to permit such wells including granting consent to locate any well greater than 50 feet from an existing well pursuant to COGCC Rule 318A.(c) and granting consent to locate any well outside of the GWA windows as defined in COGCC Rule 318A.(a).

(b) Owner will not locate any lot line, building, or structure within the Operations Area(s), or within any setback area required under the COGCC rules and regulations that apply to the distance between a wellhead and public roads, production facilities, building units and surface property lines and once wells are drilled, the setbacks therefrom shall be according to local regulations that establish setbacks of buildings from existing oil and gas facilities. In order to give full effect to the purposes of this Agreement, Owner hereby waives its right to object to the location of any of Company's facilities on the basis of setback requirements in the laws, rules and regulations of the COGCC, as they may be amended from time to time, the state of Colorado, or any city, county or other municipality or local government. Company or its successors and assigns may cite the waiver in this paragraph in order to obtain a location exception or variance under COGCC rules or from any other state or local governmental body. Owner agrees not to object to Company's use of the surface so long as such use is consistent with this Agreement. Owner will provide Company or its successors and assigns with whatever written support they may reasonably require to obtain permits from the COGCC or any state or local jurisdiction.



11. Nonexclusive Use. The rights of Company to use the Property are nonexclusive, and Owner reserves the right to use all Access Roads and all surface uses of the Property, and upon consent of the Company, which shall not be unreasonably withheld, to grant successive easements on or across the Property on such terms and conditions as Owner deems necessary or advisable, in each case, provided they do not unreasonably interfere with the Operations of Company. Notwithstanding the foregoing, neither Owner nor any third party shall have the right to access the Operations Area(s) being used by Company for its Operations without the consent of Company, which in the case of any third party, may be withheld by Company in its sole discretion. In the event Company consents, access to the Operations Area(s) shall be at the sole risk of Owner or such third party and Owner shall indemnify and hold harmless the Company and any of its employees, officers, directors, agents or affiliates against any losses or damages incurred as a result of such access.

12. Default and Termination. In the event of the failure by Company to timely make any payment required under this Agreement or the Letter Agreement or to otherwise comply with all terms of this Agreement, Owner shall notify Company in writing of the failure. Company shall then have 30 days after receipt of the notice to cure the default.

13. Authority. Owner represents and warrants that Owner has the right, power, and authority to enter into this Agreement. Owner further represents that Owner is lawfully entitled to receive payments due under this Agreement and that there exist no liens, judgments or other encumbrances pursuant to which third parties claim, may claim, or are entitled to such payments.

14. Liability/Indemnification.

(a) Company hereby agrees to release, discharge, indemnify and hold Owner harmless from and against any and all third party claims, losses, liability, damages, and causes of action for personal injury or property damage directly arising out of Company's Operations, unless, and to the extent that, the negligence or willful misconduct of Owner, or invitee or guest of Owner, causes or contributes to such third party claims. This indemnification extends to any action by a government agency with jurisdiction over the Operations under an environmental law or regulation.

(b) Owner hereby agrees to release, discharge, indemnify and hold Company and its employees, officers, directors and affiliates harmless from and against any and all third party claims, losses, liability, damages, and causes of action arising out of any breach of representation, warranty or covenant of Owner as set forth herein.

15. Environmental Indemnity.

(a) Company shall protect, indemnify, and hold harmless Owner, and any subsequent owner of the Property from any Environmental Claims relating to the Property or oil and gas leasehold thereunder that arise solely out of the Company's Operations located on the Property during the term of this Agreement. Company will not protect, indemnify, and hold harmless Owner or any subsequent owner of the Property from any Environmental Claim arising prior to the Effective Date or otherwise unrelated to the Company's Operations during the term of the Agreement. Owner shall fully protect, defend, indemnify and hold harmless Company, along



with any of Company's successors or assigns, from any and all Environmental Claims relating to the Property that arise out of Owner's use of the Property.

(b) "Environmental Claims" shall mean all Claims asserted by governmental bodies or other third parties for pollution or environmental damage of any kind, arising from Operations on or ownership of the Property or ownership of the oil and gas leasehold interest, whichever is applicable, and all cleanup and remediation costs, fines and penalties associated therewith, including, but not limited to, any Claims arising from Environmental Laws. Environmental Claims shall not include the costs of any remediation undertaken voluntarily by any Party, unless such remediation is performed under the imminent threat of a Claim by a governmental body or other third party.

(c) "Claim" shall mean any and all losses, claims, damages, judgments, fines or liabilities, including reasonable legal fees or other expenses incurred in investigating or defending against such losses, claims, damages, judgments, fines or liabilities, and any amounts expended in settlement of any claims.

(d) "Environmental Laws" shall mean any laws, regulations, rules, ordinances, or order (whether currently existing or hereafter adopted) of any federal, state or local governmental authority(ies), which relate to or otherwise impose liability, obligation, or standards with respect to pollution or the protection of the environment, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601, et seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §§ 6901, et seq.), the Clean Water Act (33 U.S.C. §§ 466, et seq.), the Safe Drinking Water Act (14 U.S.C. § 1401, et seq.), the Hazardous Material Transportation Act (49 U.S.C. §§ 1801, et seq.), the Clean Air Act (42 U.S.C. § 7401, et seq.), and the Toxic Substances Control Act (15 U.S.C. § 2601, et seq.).

(e) Owner represents that Owner has no actual or constructive knowledge of any material latent condition or defect on the Property that would subject Company to an Environmental Claim.

16. Lien waiver. Owner waives any and all lien rights it may now or later have in equipment installed or located on the Property in connection with the Operations. Owner agrees to keep the Property free and clear of liens and shall immediately notify Company if it becomes aware of any liens filed against the Property.

17. Right to cure. As of the Effective Date, there are no defaults with respect to any assessment(s), deed(s) of trust, mortgage(s), services, taxes, utilities or other interests related to the Property. Owner shall pay as and when due all amounts Owner (or any person acting on behalf of, by, or through Owner) owes for or in connection with any: assessments, taxes or governmental charges of any kind that may at any time be lawfully assessed or levied against the Property; encumbrances; leases; mortgages; deeds of trust; other security interests; services; utilities; or other interests related to the Property and/or that may create an interest in the Property. Owner shall satisfy all non-monetary obligations of Owner associated with such matters, failing which Company may (but shall have no obligation to) pay such amounts and/or perform such obligations. In order to enable any such potential payment or performance by

Company, Owner agrees to give Company notice of any Owner default in connection with the payment or performance of Owner's obligations pursuant this Section 17. Company shall when possible give Owner notice before paying such amounts or performing such obligations. In the case of such payment or performance by Company, Owner shall, within 60 days after notice from Company, reimburse Company for the amount of such payment and/or the cost of such performance, or, at Company's option, Company may offset the amounts paid or costs incurred against sums to be paid Owner under this Agreement.

18. Miscellaneous.

(a) Interpretation. Each use of the terms "Owner" and "Company" in this Agreement shall be deemed to mean such Party and its agents, employees, assigns, directors, managers, or successors in interest. In construing this Agreement, no consideration shall be given to the fact or presumption that one Party has had a greater or lesser hand in drafting this Agreement than any other Party.

(b) Notice. All notices required by this Agreement shall be in writing and shall be served personally or by first-class mail, postage prepaid to the following:

If to Owner:

Lynn E. Smith  
P.O. Box 122  
Grover, CO 80729  
Home: (970) 895-2231  
Cell: (970) 373-7490

If to Company:

Operator:	Synergy Resources Corporation
Person to Contact:	Land Department
Address:	1625 Broadway, Suite 300 Denver, Colorado 80202
Phone Number:	720-616-4300
Fax:	720-616-4301

Toll Free 24-Hour Emergency Phone Number: (970) 737-1144

(c) Full Agreement. This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of Owner (including principals of Owner) and Company pertaining to the subject matters of this Agreement. No supplement, amendment, or alteration or modification of this Agreement shall be binding unless executed in writing by Owner and Company.

(d) Governing Law. This Agreement shall be subject to, and construed under, the laws of the State of Colorado, without regard to its conflict of law provisions, and jurisdiction and venue shall be solely in the courts of the State of Colorado, subject to the right of either Party to remove a matter to federal court.



(e) Proportionate Reduction. Any compensation due to Owner under this Agreement shall be proportionately reduced by the percentage of Owner's fee ownership of the Property.

(f) As-Built Surveys; Recordable Instruments. Within 60 days of the completion of construction by Company of any Access Corridor(s) or Operations Area(s), Company shall place of record in Weld County, CO an "as-built" survey showing the location of such Access Corridor(s) or Operations Area(s), which shall be construed as part of this Agreement.

(g) Covenant Running with the Land. This Agreement is a covenant running with the land and the terms, conditions and provisions of this Agreement shall extend to and be binding upon the Parties to this Agreement, their heirs, executors, administrators, successors, and assigns. This Agreement may not be assigned by either Party without the prior written approval of the other Party, which consent shall not be unreasonably withheld. Owner will provide a copy of this Agreement to any potential successor or assign of Owner prior to the closing of any sale of all or any portion of the Property. In addition, Owner agrees to include a note on any annexation, subdivision plat, planned unit development or other land use designation for which Owner may apply to put successors or assigns on notice that the Property is subject to this Agreement. Notwithstanding the restrictions on assignment set forth above,

(1) either Party may assign this Agreement to any of its affiliates without the consent of the other Party;

(2) Company, without the consent of Owner, may assign this Agreement as security in connection with arranging financing for Company or any of its affiliates or upon enforcement of any such security; and

(3) either Party, without the consent of the other Party, may assign this Agreement to a successor entity (whether by merger, by consolidation, or by sale of substantially all the assets of such Party).

(h) Counterparts. This Agreement may be executed by any number of counterparts, each which shall be deemed an original instrument, but all of which together shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the Parties have executed this Agreement this 16<sup>th</sup> day of November, 2015.

OWNER:

**LYNNE E. SMITH**



By: \_\_\_\_\_

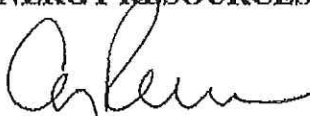
Title: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

COMPANY:

**SYNERGY RESOURCES CORPORATION**



By: **Craig Rasmuson**

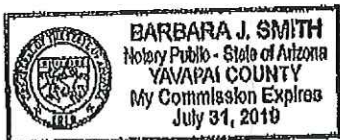
Title: **Chief Operations Officer**



ACKNOWLEDGMENTSTATE OF <sup>AZ</sup>COLORADO )COUNTY OF Maricopa )

This instrument was acknowledged before me this 16 day of Nov, 2015, by Lynne E. Smith, as \_\_\_\_\_.

WITNESS MY HAND AND OFFICIAL SEAL.



Barbara J. Smith  
Notary Public

My commission expires:

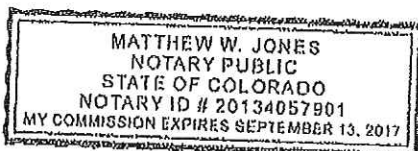
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STATE OF COLORADO )

COUNTY OF DENVER )

This instrument was acknowledged before me this 24<sup>th</sup> day of NOVEMBER, 2015, by **Craig Rasmuson** as **Chief Operations Officer**, of Synergy Resources Corporation.

WITNESS MY HAND AND OFFICIAL SEAL.



Matthew W. Jones  
Notary Public

My commission expires:

9/13/2017



**EXHIBIT "A"**

**OPERATIONS AREA(S) AND ACCESS CORRIDOR(S)**

