

## AGREEMENT FOR SETTLEMENT OF SURFACE DAMAGES AND GRANT OF RIGHTS AND WAIVERS

This Agreement for Settlement of Surface Damages and Grant of Rights and Waivers ("SDA") is entered into on January 13, 2016, by and between Babcock Land Corp., a Colorado Corporation ("Surface Owner"), whose address is 212 N. Wahsatch Ave., Suite 301, Colorado Springs, CO 80903, and Kerr-McGee Oil and Gas Onshore LP, ("KMG"), with offices at 1099 18<sup>th</sup> Street, Suite 1800, Denver, Colorado 80202, covering certain lands (the "Lands") situated in Weld County, Colorado, described as follows:

Township 2 North, Range 67 West of the 6<sup>th</sup> P.M.

Section 4: Most of the NW1/4 and more accurately described at Reception #3920703 in the Records of Weld County, Colorado. Also identified as parcel number 131104201002

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

1. Compensation; Release of All Claims

KMG shall pay to Surface Owner the sum set forth in that certain Agreement Regarding Compensation between Surface Owner and KMG entered into contemporaneously with this SDA, as full consideration and final settlement and satisfaction for any and all detriment, depreciation, injury or damage of any nature to the Lands or growing crops thereon that may occur as a result of KMG's operations on the Lands, including, but not limited to, KMG's drilling and completion operations, its continuing activities for the production and transportation of oil, gas, other hydrocarbons, water or products associated with such operations and activities, use of the surface of the Lands, ingress, egress, access roads, mud and reserve pits, wellhead equipment, separators, tank batteries, pipelines, gathering lines, flowlines, pipeline interconnections, electrical lines and equipment, and any and all other reasonable and customary uses of the Land related to all such operations or activities.

As additional consideration for this SDA, Surface Owner and KMG hereby terminate the Easement, Right-of-Way and Surface Use Agreement, by and between Babcock Land Corp., and Kerr-McGee Oil & Gas Onshore LP, dated July 23, 2013 and recorded October 6, 2014 at reception number 4051367 in the Records of Weld County, Colorado, that covers the "Lands."

2. Acknowledgement of Rights and Easements of KMG

Surface Owner acknowledges and understands that KMG, as owner or lessee of the oil and gas estate in the Lands, owns an easement and right-of-way that burdens the Lands, and that KMG has a continuing right and entitlement to use the surface of the Lands for its operations, including, but not limited to, access, construction, operation, maintenance, repair and replacement of temporary above-ground water lines and completion fluid lines, subsurface flowlines, gathering lines and other pipelines, data transmission lines, electrical lines and related equipment (both subsurface and above-ground) that may be necessary or convenient to its operations on the Lands.

3. Grant of Additional Rights and Easements

Surface Owner grants to KMG the following:

(i) the right to drill on the Lands oil and gas wells that produce and drain oil, gas and hydrocarbons from lands other than the Lands and to locate, construct, use, and maintain surface equipment related to such wells on the Lands, including, but not limited to, wellheads, associated production equipment, flowlines, compressors and facilities related to transportation of oil and natural gas from such wells; and

(ii) the right to locate on the Lands at a location to be determined by KMG a temporary Completions Operations Area to be used to complete oil and gas wells on other lands; and

(iii) the right to locate on the Lands at locations to be determined by KMG temporary above-ground water lines, temporary above-ground completion fluid lines, completions equipment, and any additional equipment related to the completion of wells on other lands; and

(iv) the right to locate on the Lands at locations to be determined by KMG an easement and right of way for above-ground and subsurface utilities for use related to operations on the Lands and other lands. Surface Owner agrees that the easement and right-of-way will be on the form attached to this SDA and labeled Attachment 1.

In addition, Surface Owner hereby grants and conveys to KMG and its successors and assigns, non-exclusive, perpetual subsurface easements through the Lands for the placement of wellbores for the purpose of drilling, operating and producing oil and gas wells that produce and drain hydrocarbons from other lands. Upon request of KMG or its successor and assigns, Surface Owner agrees to execute, acknowledge and deliver to KMG and its successor and assigns separate subsurface easements reflecting the foregoing grant on the form attached to this SDA and labeled Attachment 2.



4. Pipeline Easement and Right-of-Way

Surface Owner agrees to negotiate in good faith with Kerr-McGee Gathering LLC, an affiliate of KMG, or another third party gatherer designated by KMG the location of an easement and right-of-way on the Lands for the construction, use, maintenance, and replacement of pipelines for the transportation of hydrocarbons and water from the Lands and other lands, and associated electric power lines, data transmission lines and equipment. Surface Owner agrees that the pipeline easement and right-of-way will be on the form attached to this SDA and labeled Attachment 3.

5. Waivers

Surface Owner, for itself and its successors and assigns, hereby waives the right to, and covenants not to, protest or object to the use of the surface of the Lands as provided in this SDA. Furthermore, Surface Owner and its successors and assigns will provide KMG and its successors and assigns with all written waivers and other evidence of support they may reasonably require to obtain permits from the Colorado Oil and Gas Conservation Commission ("COGCC") or any local jurisdiction.

As provided in COGCC Rule 318A or any successor rule or amendment adopted by the COGCC, or in any rule or ordinance of a local jurisdiction, relating to the location of wells within the Greater Wattenberg Area (GWA), Surface Owner hereby consents to, and waives its right to protest or object to surface well locations that are outside of designated GWA windows and surface well locations that are more than 50 feet from an existing well.

Surface Owner further understands and acknowledges that COGCC rules and regulations govern the distance between a wellhead and public roads, production facilities, buildings, building units and surface property lines, among other things. To the fullest extent possible, Surface Owner hereby waives all setback requirements in COGCC Rules 603 and 604 and any successor rules or amendments, including Exception Zone setbacks and any other state or local setback requirements or other laws, requirements or regulations that would prohibit or interfere with the rights of KMG and its successors and assigns to explore for and produce oil and gas from the Lands or other lands.

Surface Owner acknowledges that KMG and its successors and assigns may cite the waivers in this SDA in order to obtain exceptions and variances from the COGCC or from any other state or local body having jurisdiction over oil and gas operations. Surface Owner agrees that this SDA satisfies any requirement for a consent to an exception or variance signed by the surface owner, Building Unit Owner (as that term is defined in the COGCC Rules and any successor rules or amendments), homeowner or the like and agrees that KMG and its successors and assigns may provide a copy of this SDA to the COGCC or to any other state or local body in satisfaction of such requirement. In addition, Surface Owner agrees to execute and deliver to KMG and its successor and assigns all consents and waivers requested, including waivers required from Building Unit Owners, homeowners and the like.

6. Notice to Future Owners

Surface Owner shall provide notice to all buyers and assignees of an interest in the Lands (or any portion thereof), including all builders, property owners, property owners' associations, and special districts, (each, a "*Future Owner*") of the existence of this SDA, the grants and waivers contained herein and the fact that Surface Owner has agreed to the amount of compensation for surface damages, for the grant of additional rights and easements and for the agreements and waivers in this SDA. In addition, Surface Owner will notify Future Owners that, as successors in interest to Surface Owner, Future Owners will assume the obligations undertaken by Surface Owner pursuant to this SDA, including the obligation to execute and deliver waivers to KMG and its successors and assigns and to provide notice to subsequent Future Owners. It is expressly understood and agreed by Surface Owner and KMG that the waivers, notice requirements and the obligations assumed by Future Owners as set forth in this SDA are, and shall be construed to be, covenants that run with the Land. As a condition to any sale or assignment of the Lands (or any portion thereof) by Surface Owner and its successors and assigns, Surface Owner and its successors and assigns will require that the buyer or assignee agree to provide to KMG and its successors and assigns all waivers required in the preceding section of this SDA.

7. Assignment

KMG may assign this SDA in whole or in part.

8. Binding Agreement

The terms of this SDA shall constitute covenants running with the land and shall be binding upon the heirs, executors, administrators, successors, and assigns of the parties hereto.

9. Counterpart Signatures

This SDA may be executed in any number of counterparts, each of which shall be deemed an original instrument but all of which together shall constitute one and the same instrument.

The undersigned have executed this SDA on the date first above written.

**Surface Owner**

By: [Signature]  
Name: Jeff Mark  
Title: Vice President

**Kerr-McGee Oil and Gas Onshore LP:**

By: [Signature] MTK  
Ronald H. Olsen  
Agent & Attorney-in-Fact

**ACKNOWLEDGEMENTS**

STATE OF Colorado )  
COUNTY OF El Paso )ss )

The foregoing instrument was acknowledged before me this 13 day of January 2016 by Jeff Mark.

Witness my hand and official seal.



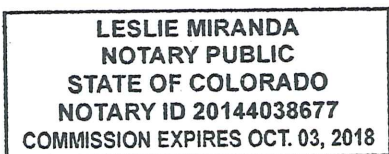
[Signature]  
Notary Public  
My commission expires 4/30/19

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STATE OF COLORADO )  
CITY AND COUNTY OF DENVER )ss )

This instrument was acknowledged before me this 14<sup>th</sup> day of Jan 2016, by Ronald H. Olsen, Agent & Attorney-in-Fact of Kerr-McGee Oil and Gas Onshore LP., on behalf of said limited partnership.

Witness my hand and official seal.



[Signature]  
Notary Public  
My commission expires 10/3/2018