

## **EASEMENT, RIGHT-OF-WAY, AND SURFACE DAMAGE AGREEMENT**

This Easement, Right-of-Way and Surface Damage Agreement ("**Agreement**") is made and entered into this 5<sup>th</sup> day of January, 2015, by and between **John R. Launer and Margaret W. Launer**, ("**Owner**"), whose address is **10998 County Road 76½, Windsor, CO 80550**, and **Extraction Oil & Gas, LLC** ("**Operator**"), with offices at **1888 Sherman Street, Suite 200, Denver, CO 80203** 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 Weld County, Colorado as more specifically described as follows (Owner's Land"):

### **Township 7 North, Range 67 West of the 6<sup>th</sup> P.M.**

#### **Section 26:**

That part of Lot B of Recorded Exemption No. 0705-26-3-RE 961, recorded January 26, 1987 in Book 1143, at Reception No. 2086016, being more particularly described as follows:

Beginning at the Southeast corner of said Section 26 and considering the East line of the S½ of Section 26 as bearing North 00°08'20" West, and with all other bearings contained herein relative thereto; Thence North 00°08'20" West along the East line of the S½, 2644.31 feet to the East ¼ corner of Section 26; Thence South 89°55'03" West along the East-West line of Section 26, 1818.27 feet; Thence South 09°37'21" West, 228.4 feet; Thence South 42°03'10" East, 930.77 feet to a point on the centerline of a concrete irrigation ditch; Thence South 18°16'57" West, 240.22 feet; Thence South 11°34'49" West, 27.79 feet; Thence South 03°53'47" West 523.17 feet; Thence South 45°00'04" East, 576.96 feet to the termination of a concrete irrigation ditch; Thence South 18°55'33" East 14.13 feet; Thence South 00°20'14" East, 527.27 feet to a point on the South line of the S½ of Section 26; Thence North 89°58'17" East, along the South line of the S½ of Section 26, 940.23 feet to the Point of Beginning

EXCEPTING THEREFROM the Ireland Ditch and Reservoir as conveyed by deed recorded February 27, 1895 in Book 121 at Page 103

ALSO EXCEPTING THEREFROM a parcel of land conveyed to Weld County by deed recorded August 3, 1994 in Book 1453 at Reception No. 2400744  
County of Weld, State of Colorado

**Containing 79.846 Acres, More or Less and subject to all existing easements and rights of way of record.**

Operator, and/or its affiliates, owns a working interest in valid leases covering all or portions of Owner's Land 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 OWNER'S LAND.**

Operator desires to drill or cause to be drilled oil and/or gas wells on its Leases (the "**Wells**") within Owner's Land and the subsurface locations of which may be under lands other than Owner's Land. 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, flowlines, temporary above ground water lines, temporary above ground completion fluid pipelines, separators, tank batteries, electrical lines and any other facilities or property necessary for Operator to conduct operations on the Wells (each a "**Facility**," collectively, the "**Facilities**"), it is necessary that Operator enter and utilize a portion of the surface of the Owner's Land. Said Facilities are depicted on Exhibit A, the Plat, attached to and made a part hereof.

Operator acknowledges and agrees that Operator has no right to occupy or use Owner's Land for any purpose under the terms of the Oil and Gas Lease between Owner and Operator. Operator understands and agrees that Operator's right to go upon, occupy or use the surface of Owner's Land is limited to only that use provided by this Agreement.

Owner grants Operator the right to drill oil and gas wells on Owner's Land that may be horizontal, vertical, or directional that produce and drain oil and gas from lands other than Owner's Land 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 and natural gas from lands other than Owner's Land covered by leases pooled with Owner's Land, subject to the limitations provided by this Agreement.

Owner further grants Operator a subsurface easement through Owner's Land for the purpose of drilling oil and gas wells that may be horizontal, vertical, or directional that produce and drain oil and gas from lands other than Owner's land covered by the oil and gas lease.

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 locations of the Wells, the Access Roads to the Well Site, flowlines and Facilities to be constructed on the Owner's Land shall be as depicted on Exhibit "A" attached to and made a part hereof.

A. Well Site. The site on which the Wells are to be located (the "Well Site") shall not exceed 5.75 acres in size. The location of the Well Site is described as follows: *See "Exhibit A" Attached.*

The dimensions of the Well Site are 686 feet by 380 feet. Upon completion of the well drilling and well completion operations or cessation of drilling for a period of 12 months, Operator shall reduce the size of the Well Site to 1.1 acres as depicted on Exhibit A, and reclaim and restore that part of the Well Site not necessary for production operations for farming purposes and Owner's use.

The location and size of the Access Roads, pipeline and flowline easements and the Tank Battery Site are as set forth below.

Changes to the designated operating areas may be made by Operator only with the consent of Owner in Owner's sole judgment and discretion. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations.

Operator's operations on the Owner's Land will be conducted pursuant to the terms of the Lease, this Agreement, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("**COGCC**"), and applicable Colorado statutes and case law.

4. **COMPENSATION AMOUNT.** Prior to the commencement of drilling operations for each such Well, Operator shall pay Owner the sum of [REDACTED] ("**Amount**") for each Well, which shall be a one-time payment per well as full and final settlement and satisfaction for any and all detriment, depreciation, injury, or damage of any nature to the Well Site, Tank Battery Site, access road and pipeline and flowline easements. Operator shall remit such payment to Owner on or before Operator commences surface disturbing operations on the Owners Land. Operator hereby agrees to pay for six (6) wells upon moving on location, with the right to drill up to thirteen (13) wells. The Amount 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 well site 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.

5. **TANK BATTERY.** The tank battery shall be located as close as possible to the South property line of Owner's Land, as depicted on Exhibit "A", attached to and made a part hereof (the "Tank Battery Site"). The size of the Tank Battery Site shall not exceed 5 acres. The dimensions of the Tank Battery Site is to be 726 feet by 300 feet. After completion of the construction of the facilities on the Tank Battery Site, Operator shall reduce the size of such site and reclaim and restore that part of such site not necessary for continuing production operations for farming purposes and Owner's use. Prior to commencement of preparation of the Tank Battery Site, Operator will pay Owner a sum of [REDACTED] for use of five (5) acres for the tank battery location, which will be paid prior to beginning construction for the tank battery.

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 all Access Roads in good repair and condition and the width of the permanent access road shall not exceed 30 feet.

(ii) Owner currently has access to the Lands via an unpaved access road that has been in use for many years and is located off of County Road 23 on the South side of Owner's property. Should any issues regarding access arise, Owner agrees to cooperate with Operator to establish proper access.

(iii) The use and construction of roads by Operator or its Successors across the lands of Owner shall be a non-exclusive use and the Owner shall have the continuing right to allow other parties to utilize said roads, such as for the current farming activities occurring on the lands. The Operator shall have no authority or right of power to grant any rights of conveyance, use and rights-of-ways to any party other than employees, agents and contractors of the Operator, and then only for the drilling, operation, maintenance, repair, use and abandonment of the Operator's oil and gas wells, tanks, collection pipelines, meters and loading facilities on the subject property.

(iv) Those who will be farming the land adjacent to the oil and gas equipment and drill sites will have rights to use the roads to continue farm operations.

B. Flowlines and Pipelines:

(i) The flowlines shall be located as depicted on Exhibit A, attached hereto. The width of the easement for the flowlines shall not exceed 30 feet. The gathering pipeline from the Tank Battery Site shall be located directly south of the Tank Battery Site. During the ditching for such pipelines, the topsoil shall be segregated and replaced. The pipeline ditches shall be restored to the condition as existed prior to the ditching operations and the land restored for farming purposes and Owner's use.

C. Surface Reclamation and Restoration:

(i) As provided in sections 3 and 5 of this Agreement, upon completion of drilling and completion of the Wells or on cessation of drilling for the specified time on the Well Site and upon completion of construction of the facilities on the Tank Battery site, Operator shall reduce the size of such sites to that size as is necessary for continuing production operations. Upon such completion of drilling and construction operations and upon permanent cessation of Operator's operations on Owner's Land, all areas thereof occupied or utilized by Operator will be restored by Operator to their original contour as nearly as is reasonably practicable. Top soil will be restored to the lands and the land will be restored for farming purposes and the land will be reseeded with seed mixtures acceptable to the Owner.

D. Weed and Trash Control and Reclamation

Operator shall consult with Owner as to implementing noise reduction measures and comply with any reasonable requests of the Owner. The request may be for temporary measures during the initial drilling phase or redrilling phases or permanent measures should any pumps be added at a later time.

E. Other:

(i) No loose dogs, firearms, alcohol, drugs, hunting, fishing or use of recreational vehicles of any type shall be allowed on the subject lands without the express written consent of the Owner, and Operator will notify all its contractors, agents, employees, and representatives of this restriction. The Operator further agrees to comply with reasonable rules

and requests of the Owner regarding activities to be conducted on Owner's lands.

(ii) Operator will install culverts on the Lands that may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the Lands.

(iii) 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 real or 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.

(iv) Operator agrees that all trash, refuse pipe, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells will be removed and disposed away from the Lands no later than 30 days after the completion of the Wells. No such items will be burned or buried on the Lands.

(v) During drilling operations the Well Site and any pits shall be fenced if requested by Owner. After completion of the Wells and in the event of production, all production tanks shall be bermed. Additionally, the Well Site shall be kept free and clear of all noxious weeds, unsightly growth and trash either during drilling operations or after completion and production.

(vi) All guy line anchors for drilling and completion rigs shall be immediately removed after such work is completed.

(vii) Operator agrees to fence off the perimeter of the Well Site with temporary fencing if reasonably requested by Owner. Operator will also install cattle guards and/or gates where reasonably necessary.

7. **DEFAULT AND RIGHT TO CURE.** In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner will notify Operator, by certified mail, return receipt requested, of the alleged default. Operator will have 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; however in no event will Operator be liable for consequential damages.

8. **INDEMNITY/RELEASE.** Owner hereby releases and agrees to hold harmless Operator from any and all liability and further payment, other than what has been provided herein, for damages on the Well Site, Tank Battery Site, Access Roads and pipeline easements which arise from, out of or in connection with the Operator's operations on the Land, but only as to those operations which are described in and permitted by this Agreement, and for those operations which the Amount has been paid and received by Owner pursuant to this Agreement.

Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Land that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator.

The Operator, prior to the commencement of any activities upon the Owner's lands, shall provide the Owner the evidence, acceptable to the Owner, that the Operator has sufficient liability insurance to fulfill its obligations under the foregoing indemnity provision.

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 as specified in the plat attached to this agreement.

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

John R. Launer & Margaret W. Launer  
10998 County Road 76½  
Windsor, CO 80550  
Phone:

Operator

Extraction Oil & Gas, LLC  
1800 Sherman Street, Suite 500  
Denver, CO 80203  
Phone: (720) 974-2021  
Attn: Jamison McIlvain

13. **6-MONTH MINIMUM NOTICE.** Operator hereby agrees to give Owner a six-month minimum notice prior to beginning operations. It is the intent of this Notice Period to work with the Surface Owner to utilize the surface of the land for the growing of crops, but not to impact the operators ability to enter upon the lands for operations.

14. **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.

15. **CONFIDENTIALITY.** The Parties agree to keep the terms and conditions of this Agreement confidential and will not disclose such matters to any third party without the advance written consent of the other, or if ordered to do so in a legal proceeding. While the specific terms hereof are to remain confidential between the Parties, Operator or Owner may record a memorandum of this Agreement in Weld County, Colorado.

16. **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.

17. **TERMINATION.** This Agreement will terminate concurrently with the applicable oil and gas lease(s) as they relate to Operator(s) and/or its affiliates rights to explore, drill, and produce hydrocarbon from the Lands or lands pooled therewith.

16. **REASONABLE ACCOMMODATION.** Owner acknowledges the right to use of the surface estate of the Lands by Operator as herein described are expressly granted to Operator, its successor, and assigns; therefore Owner further acknowledges Operator's use of the surface estate of the Lands as granted herein to Operator shall constitute "reasonable accommodation" by Operator, its successor, and assigns with respect to Colorado revised statute 34-60-127.

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

18. **GOVERNING LAW AND VENUE.** This Agreement will be governed by, construed and enforced in accordance with the laws of Colorado. Venue shall be deemed to be in Weld County, Colorado.

19. **FORCE MAJEURE.** Should Operator be prevented from complying with any expressed or implied covenants of this Agreement, conducting normal operations, or from transporting natural gas or other hydrocarbons therefrom 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, or any ban on hydraulic fracturing by any city, county, state, or governmental authority then while so prevented, 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 the Agreement 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, notwithstanding anything in this Agreement to the contrary.

20. **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.

21. **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.

22. **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.

23. **OTHER.**

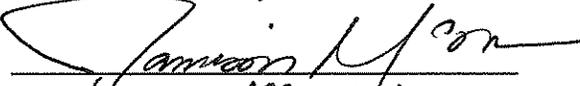
OWNER ACKNOWLEDGES AND AGREES THAT OPERATOR HAS CONSULTED IN GOOD FAITH WITH OWNER AS TO ITS PROPOSED OPERATIONS IN ACCORDANCE WITH COGCC REQUIREMENTS, OR HEREBY WAIVES SUCH REQUIREMENTS. OWNER EXPRESSLY WAIVES THE APPLICATION OF ANY COGCC SETBACKS INCONSISTENT WITH THIS AGREEMENT.

- A. Operator will provide Owner with the COGCC Form 2A ("Oil and Gas Location Assessment") when submitted to the COGCC, and Operator will undertake to ensure that said Form 2A accurately reflects the provisions of this Agreement.
- B. Owner agrees not to object to the Form 2A, so long as it is consistent with this Agreement, and if consistent with this Agreement, Owner 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. Owner shall not oppose Operator in any COGCC or other governmental proceedings related to Operator'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 Operator's position and contemplated undertakings in such proceedings are consistent with this Agreement. Owner will provide Operator or its successors and assigns with any and all written support they may reasonably require to obtain permits from the Colorado Oil and Gas Conservation Commission or any local jurisdiction.
- D. Owner grants consent to locate the Wells greater than 50 feet from an existing well pursuant to COGCC Rule 318A(c). Owner grants consent to locate the proposed Wells outside of the GWA windows as defined in COGCC Rule 318A(a).
- E. Owner understands and acknowledges that the COGCC has rules and regulations that apply to the distance between a wellhead and public roads, production facilities, building units, buildings, and surface property lines, among other things. 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 Operator's Facilities on the basis of setback requirements in the rules and regulations of the COGCC, including, but not limited to, the 150 foot setback from surface property lines and other requirements of rules 603.a.(2), and 604.a, except that the Parties intend to rely upon one or more exceptions of rule 604.b of the rules and regulations of the COGCC relating to property lines and urban mitigation areas and/or designated outside activity areas, as those terms may change or be defined and amended from time to time. For the operations contemplated by this Agreement, Owner hereby waives the high density setback distances, as required by COGCC rules and regulations.
- F. Owner understands that Operator may provide a copy of this Agreement in order to obtain a waiver, exception location, or variance from under the COGCC rules or from a local jurisdiction.

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

Operator:  
**Extraction Oil & Gas, LLC**

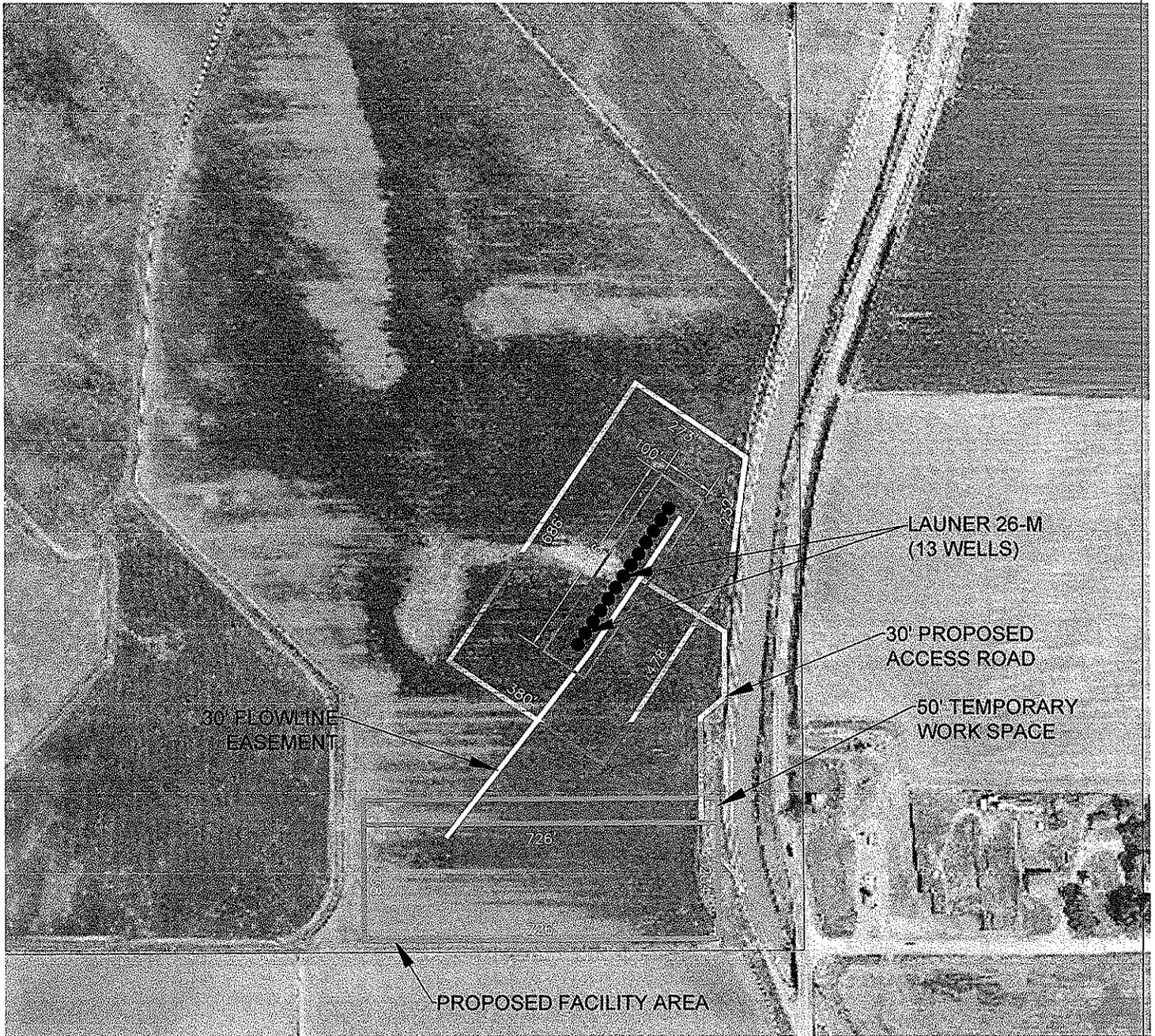
Owner:

By:   
Name: JAMISON MCILVAIN  
Title: AGENT

By:   
Name: John R. Launer

By:   
Name: Margaret W. Launer

LAUNER 26-M PAD  
EXHIBIT A



30' FLOWLINE  
EASEMENT

LAUNER 26-M  
(13 WELLS)

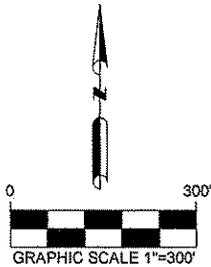
30' PROPOSED  
ACCESS ROAD

50' TEMPORARY  
WORK SPACE

PROPOSED FACILITY AREA

LEGEND

- = PROPOSED WELL
- ▭ = PROPOSED WELL PAD
- ▭ = PROPOSED FACILITY AREA
- ▭ = 50' TEMPORARY WORK SPACE
- ▭ = PROPOSED RECLAIMED AREA
- ▭ = PROPOSED ACCESS ROAD
- ▭ = PROPOSED FLOWLINE



PREPARED BY:  Petroleum Field Services, LLC 7535 Hilltop Circle Denver, CO 80221	FIELD DATE: <b>08-29-14</b>	SITE NAME: <b>LAUNER 26-M PAD</b>	PREPARED FOR:  <b>EXTRACTION OIL &amp; GAS</b>
	DRAWING DATE: <b>12-16-14</b>	SURFACE LOCATION: <b>SE 1/4, SE 1/4, SEC. 26, T7N, R67W, 6TH P.M. WELD COUNTY, COLORADO</b>	
	BY: <b>MDCA</b>	CHECKED BY: <b>MLP</b>	