

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

This Easement, Right-of-Way and Surface Damage Agreement ("**Agreement**") is made and entered into this 30 day of March, 2014, by and between **MLD Equities LLC** ("**Owner**"), whose address is **1416 Harris Drive, Fort Collins, CO 80524** 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 ("**Lands**"):

**Township 4 North, Range 68 West of the 6<sup>th</sup> P.M.**  
**Section 22: NW<sup>1</sup>/<sub>4</sub>, N<sup>1</sup>/<sub>2</sub>S<sup>1</sup>/<sub>2</sub>**

EXCEPTING THEREFROM that portion in deed to the Department of Highways, State of Colorado, recorded April 9, 1962 in Book 1611 at Page 268, said tract or parcel being more particularly described as follows:

Beginning at a point on the W Line of Sec. 23, T. 4 N., R. 68 W., from which NW corner of Sec. 22 bears N. 0° 23' W., a distance of 94.9 feet:

1. Thence along the W. Line of Sec. 22, N. 0° 23' W., a distance of 94.9 feet to the NW corner of Sec. 22;
2. Thence along the N. Line of Sec. 22, N. 89° 08' E., a distance of 2,663.0 feet to the NE corner of the NW <sup>1</sup>/<sub>4</sub> of Sec. 22;
3. Thence along the E. Line of NW <sup>1</sup>/<sub>4</sub> of Sec. 22, S. 0° 24' E., a distance of 92.9 feet;
4. Thence S. 88° 21' W., a distance of 293.5 feet;
5. Thence S. 89° 08' 30" W., a distance of 1,960.7 feet
6. Thence S. 89° 22' W., a distance of 408.9 feet, more or less, to the point of beginning.

Also excepting that portion in Deed to Weld County recorded November 22, 1989 in Book: 1249 at Reception no. 2198103, said tract or parcel being more particularly described as follows:

Beginning at a point on the East right-of-way line of the county road (1989) from which the NW corner of Section 22, Township 4 n North, Range 68 West, 6<sup>th</sup> P.M. bears N. 00° 25' 09" W. a distance of 2,250.20 feet;

1. Thence N. 89° 39' 19" W. a distance of 30.00 feet to the center of the county road (1998);
2. Thence S. 00° 20' 41" W. a distance of 800.00 feet along the center of the county road (1989);
3. Thence S. 89° 39' 19" E. a distance of 30.00 feet to the east right-of-way line of the county road (1998);
4. Thence N. 30° 20' 41" E. a distance of 30.00 feet;
5. Thence N. 00° 20' 41" E. a distance of 499.02 feet;
6. Thence N. 10° 75' 55" W. a distance of 50.99 feet;
7. Thence N. 00° 20' 41" E. a distance of 216.34 feet;
8. Thence N. 29° 39' 19" W. a distance of 10.00 feet, more or less, to the point of beginning,

County Weld,  
State of Colorado.

(For informational purposes only) 20550 Weld County Road 7

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, or other contractual relationship to operate and/or drill on the Lands.

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator desires to drill or cause to be drilled and completed oil and/or gas wells (the "Wells") on the Leases within the Lands and the subsurface locations of which may be under lands other than Owner's Lands. In order for Operator to explore, develop, 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, production facilities, 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 Lands.

3. **SURFACE EASEMENT AND RIGHT-OF-WAY; SUBSURFACE EASEMENT.**

A. Owner acknowledges and understands that Operator, as owner or lessee of the oil and gas estate for the Lands, owns an easement and right-of-way that burdens the Lands. Operator, its successors and assigns, and each of their agents, employees, contractors and subcontractors, may exercise the 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 all necessary appurtenant facilities, for the purposes specified in this Agreement, and including the rights of ingress to and egress from the Facilities across the Lands.

B. 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.

C. Owner further grants Operator a subsurface easement through the Lands for the purpose of drilling oil and gas wells that may be horizontal, vertical, or directional that produce and drain oil, gas, and associated hydrocarbons from lands other than the Lands 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 and operations on the Lands.

4. **LOCATION.** The locations of the Wells, the Access Roads to the Well sites and Facilities to be constructed on the Lands shall be discussed by and agreed to between Owner and Operator prior to commencement of operations. The locations of the Wells, the Access Roads to the Well sites and Facilities to be constructed on the Lands are depicted on Exhibit "A" attached hereto and by this reference made a part of this Agreement. Material changes to the designated operating areas may be made by Operator, after good faith negotiations and with the consent of Owner, which shall not be unreasonably withheld, but will not unduly interfere with Owner's existing use or future development use of the surface estate. It is also understood and agreed that additional access roads and flowlines 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 roads and flowlines. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations. This Agreement does not in any way limit the rights of Operator to drill future additional wells with associated Facilities, Access Roads, and pipeline easements on the Lands or to exercise all rights consistent with its mineral ownership or lessee rights, provided, however, any such future additional uses shall be subject to a prior written agreement, including additional consideration, between the Parties.

5. **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**"), applicable Colorado statutes and case law, and any applicable federal statutes and case law. In the event that any condition set forth in any such law, rule or regulation, and any condition contained in this Agreement are in conflict, the more restrictive shall apply. Each Party shall conduct its operations in compliance with the standards and codes by the State of Colorado, Weld County or any local jurisdiction having authority or as agreed to by either Party in connection with any use permit obtained from any governmental authority with respect to such Party's operations. Without limiting any other provision of this Agreement, each Party shall conduct its respective operations in compliance with any and all governmental regulations and industrial standards with respect to health and safety considerations, environmental regulations and protection, including, without limitation, mitigation of noise, drainage and erosion control, dust control, air, soil and water quality protection and visual impacts. Each Party shall indemnify and hold harmless the other Party from any loss or damages incurred as a result of breach of any such standards. Operator shall also promptly remediate any contamination to soil or water resulting from its operations on the Lands.

6. **COMPENSATION AMOUNT.** As consideration, Operator shall pay Owner the sum of [REDACTED] ("**Amount**") based on Operator's plans to drill fourteen (14) wells on the Lands at [REDACTED] per well, payable at the commencement of drilling the first well, which shall be a one-time non-refundable payment as full and final settlement and satisfaction for any and all detriment, depreciation, injury, or

damage of any nature to the Lands. The Amount shall be deemed full and agreed consideration for all damages caused or created by reason of the reasonable and customary ingress, egress, surface easement, subsurface easement, rights-of-way, exploring, developing, drilling, completion, production and maintenance operations associated with the Wells and Facilities. If Operator drills more than 14 wells on the Lands, Operator shall pay Owner [REDACTED] for each such additional well. Such damages will include, without limitation, damage to all growing crops (both current and future) 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 actual damages caused by said subsequent operations, if any.

In addition, at the commencement of drilling the first well, Operator shall pay Owner the sum of [REDACTED], which amount shall be a one-time payment as compensation for damages and Operator's use of the area shown on Exhibit A for the Operator's facilities.

**7. 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.

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 as nearly as is reasonably practicable.

C. Other:

- (i) 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.

- (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, crops or irrigation systems, and for which Owner has not been previously compensated pursuant to Paragraph 6, 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, unless otherwise agreed to by the Owner and Operator.

- (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 on the Lands.

- (iv) During drilling operations the well sites 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 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) All guy line anchors for drilling and completion rigs shall be immediately removed after such work is completed.

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

(vii) When the Sundance facilities are removed, Operator agrees to restore the Sundance facilities area. This restoration will include improving the drainage to the south of the existing irrigation pond so as to prevent runoff damage to Operator's facilities as shown on Exhibit A. The restoration work will include the installation of a drainage line from the pond down to the river. In the event there is an embankment failure or overtopping event associated with the pond located on the Lands (as depicted on Exhibit A), the Parties hereby mutually agree that Owner is not liable for any damage to Operator's facilities located on the Lands including any resulting delays in or reduction of production.

(viii) Operator's facilities shall be located on the Lands as shown on Exhibit A.

(ix) Within sixty (60) days of the execution of this Agreement, Operator will remove and replace the existing drainage line on the Lands from south of the pond to the river at its expense. After completion, the Owner shall be responsible for the new line and the Operator shall have no further responsibility for the line.

8. **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.

9. **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 in this Agreement, for damages on the Lands which arise from, out of or in connection with the Operator's operations on the Lands, 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 Lands that may be asserted by

any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator; with the exception of any claims, damages, and causes of action that arise from Owners gross negligence or willful and wonton misconduct.

10. **WAIVER OF COGCC NOTICES.** Owner hereby waives the following notices and consultations and shall not object or protest any Application for Permit to Drill (Form 2) or Oil and Gas Location Assessment (Form 2A) filed by Operator with the COGCC:

- A. Rule 305.a.: Notice of Intent to Conduct Oil and Gas Operations;
- B. Rule 305.c.(1): Oil and Gas Location Assessment Notice;
- C. Rule 305.c.(2): Buffer Zone Notice;
- D. Rule 305.f.: Statutory Notice to Surface Owners;
- E. Rule 305.h.: Move-In, Rig-Up Notice;
- F. Rule 306.a.: Surface Owner Consultation and Meeting Procedures; and
- G. 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 an Application for Permit to Drill (Form 2) to the COGCC.

11. **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.

12. **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 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 agrees to notify any surface tenant that may be affected by Operator's operations on the Lands and Owner may allocate the payments made hereunder with such surface tenant as they shall mutually determine between themselves and Operator shall have no liability therefore):

Owner  
MLD Equities LLC  
1416 Harris Drive  
Fort Collins, CO 80524  
Phone: (970) 222-3777

Operator  
Extraction Oil & Gas, LLC  
Attn: Jamison McIlvain  
1800 Sherman Street, Suite 200  
Denver, CO 80203  
Phone: (720) 974-202

13. **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.

14. **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.

15. **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. Within 15 days of execution of this Agreement, the parties shall execute a Notice and Memorandum of Agreement for recording in Weld County.

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. **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 oil, gas, and associated hydrocarbons from the Lands or lands pooled or unitized therewith.

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

19. **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.

20. **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.

21. **SUCCESSORS.** This Agreement constitutes an easement, right-of-way, and 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.

22. **DURATION.** This Agreement shall be in full force and effect for a period of seven (7) years from the date first written above; provided, however, that the drill Operator must begin drilling the first well no later than three (3) years from the date of this Agreement. If the Operator fails to commence drilling within said three (3) year period, this Agreement shall automatically terminate and drill Owner shall be entitled to retain all payments made to it by Operator.

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 take reasonable measures to ensure that the applicable 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, other state agency, 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 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. Owner also agrees that it will not object in any forum to the use by Operator of the surface of the Lands consistent with this Agreement and that it will also provide Operator with whatever written support they may reasonably require to obtain permits from the COGCC or any local jurisdiction.
- F. The Parties agree that the current Town of Johnstown standards for all screening, fencing, berms and landscaping around Operator's facilities, including all drill pads, shall be followed.
- G. Operator is the current Owner of the existing Sundance Surface Use Agreement on the Lands. When the currently existing wells under that SUA are removed and the well sites are reclaimed pursuant to COGCC Regulations, that SUA will be formally terminated by the Parties.

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

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

By:   
Name: Jamison McIlvain  
Title: Agent

Owner:  
**MLD Equities LLC**

By:   
Name: David P. Lamb, Manager

**EXHIBIT "A"**

NW/4 Section 22 Township 4 North, Range 66 West of the 6<sup>th</sup> P.M.

EXISTING IRRIGATION POND

APPROXIMATE LOCATION OF EXISTING SUNDANCE FACILITY –  
THIS FACILITY WILL BE REMOVED AND RECLAIMED

4N 68W

22

APPROXIMATE LOCATION OF  
NEW EXTRACTION FACILITY

HUFFMAN 21-22

MLD 11-22

MLD 12-22 MLD 22W

MLD 22-22

MLD 21-22