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Archuleta County

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Surface Use Agreement and Easement with Subsurface Easement

STATE OF COLORADO)
) KNOW ALL MEN BY THESE PRESENTS
COUNTY OF ARCHULETA)

This Surface Use Agreement with Subsurface Easement (“Agreement”) is made effective as of July 26, 2017 (“Effective Date”), by and between The Santistevan Family Trust dated March 31, 1998, (“Landowner”), with a mailing address of 27802 Camino Santo Domingo, San Juan Capistrano, CA, 92675, and **BP America Production Company**, (“BP”), with a mailing address of 380 Airport Road, Durango, CO. 81303, collectively or individually referred to as “Parties” or “Party”.

WITNESSETH:

WHEREAS, Landowner is the owner of all surface rights in Lot 2, Section 7, Township 32 North, Range 5 West, N.M.P.M., Archuleta County, Colorado (the Property”); and

Whereas, BP is the owner of certain leasehold rights and certain rights to drill and produce oil, gas and other minerals in and under the N/2 of Section 7, Township 32 North Range 5 West (“the Marquez A Unit”) and the S/2 of Section 12, Township 32 North Range 6 West (“the Luchini 32-6-12 Unit”); and

WHEREAS, BP, as Operator, desires to drill a directional well, the Luchini 32-6-12 2 well (“the Well”), in search of oil and/or gas from a surface location on the Property within the Marquez A Unit (the “Drillsite”) to a bottom hole location within the Luchini 32-6-12 Unit, as more fully shown on the plat attached hereto as Exhibit “A”; and

WHEREAS, BP has requested that Landowner grant to BP a surface lease of the Property to drill, complete, operate and produce the Well and to use, construct, change, operate and maintain roads, pipelines and production facilities associated with the Well. BP has additionally requested that Landowner grant to BP a subsurface easement to allow the wellbore of the Well to originate at the Drillsite and to traverse the Property to reach the bottom-hole location described above; and

WHEREAS, Landowner and BP desire to enter into this Agreement in accordance with the terms and conditions hereinafter set forth.

NOW THEREFORE, in consideration of ten dollars (\$10.00) or more, paid or to be paid and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

A. Grant by Landowner to BP:

1. Surface Easement. Landowner does hereby grant BP the right to use the area shown on Exhibit “A” in order to construct, maintain and operate any facility necessary for the drilling and completion of and for the production resulting from the drilling of the Well in accordance with this Agreement; provided, however, that in the case of emergency or to carry out any activity required by any governmental agency, BP may use portions of the Property as may be reasonably necessary to conduct such other operations as may be necessary or incidental to the drilling, completion, and production activities contemplated herein. The rights herein granted include the right to install necessary surface facilities, pipe, casing or other equipment necessary to produce oil, gas or other minerals from any zone, horizon or interval in which the Well may be completed. BP shall have the further right to redrill, rework, plug back, side track or alter the Well; to reenter the Well, or re-penetrate any stratum found in the Well, or penetrate some other stratum, and to conduct such other operations as may be necessary or incidental to the directional drilling contemplated herein.



2. Road and Pipeline Easement. Landowner does hereby grant unto BP a right-of-way and easement in, under and across the Property to use, construct, change, operate and maintain roads, pipelines and production facilities associated with said Well as shown on the attached Exhibit "A".
3. Subsurface Easement. Landowner does hereby grant unto BP a continuing right-of-way and easement under, upon and across a tract of land sufficient for BP to directionally drill, complete, operate and produce the Well from the surface location to the boundary of Landowner's Property including the right to penetrate the subsurface underlying the Property.

B. Landowner Matters:

1. Monetary Payment. Landowner agrees that the recited payment constitutes (i) full payment for all current and future surface damages that may occur to the Property as a result of BP's operations and (ii) consideration for any rights granted herein by Landowner.
2. Landowner Use of Drillsite. BP will have exclusive use of the Drillsite, as defined below, at all times. Landowner shall not use the Drillsite for storage, access or any other purpose.
3. Permission to Raise, Move and Install Utility Lines. Landowner hereby grants permission for La Plata Electric Association ("LPEA") or another utility provider to raise, move and install utility lines on the Property if and when requested by BP in connection with the Well. Landowner agrees to execute utility easements provided by LPEA or another utility provider as may be requested in order to comply with this provision.
4. Setback of Buildings from BP Well Facilities. Landowner agrees to comply with all applicable local, state and federal laws, rules and regulations pertaining to distance setbacks between the Well and Well facilities, any future homes, buildings (including portable buildings) and other habitable structures located on the Property. Regardless of such setback distance requirements, Landowner agrees that all such future structures will be located a minimum distance of at least 200 feet away from the Well and any of the associated wellhead equipment, pipelines and facilities. Landowner waives any and all setback standards or similar requirements under any applicable state regulation or County or other local code, with respect to residential structures currently existing on the Property
5. Waiver of Notice and Consultation. Landowner waives the right to receive any notices set forth in COGCC Rule 305, and Landowner further waives the right to the Drilling Consultation set forth in COGCC Rule 306.a. Landowner acknowledges the receipt from BP of the information brochure for surface owners described in the COGCC Rules. Landowner acknowledges and agrees that BP has complied with all notice and consultation requirements of COGCC Rules 305 and 306. Landowner also waives the right to receive notices under any applicable County or other local code, in connection with the matters addressed in this Agreement.
6. Landowner Use of Property. Landowner acknowledges that this Agreement is deemed to fully satisfy any obligation of BP to accommodate, whether under statute or common law, Landowner's use or legally potential use of the surface of the Property.

C. BP Matters:

1. Drillsite. BP estimates that the surface area that will actually be disturbed for the drill site of the Well ("Drillsite") will be approximately 2.8 acres, which will also include the Marquez A2 well. The Drillsite will be located approximately as shown on attached Exhibit "A".
2. Excess Material. BP may store material (e.g., soil and gravel) excavated from the Property on the Drillsite to be used for construction and reclamation of the



Drillsite. BP also may import material from off of the Property for construction and reclamation of the Drillsite. After constructing the Drillsite, should BP determine that there is material in excess of what is required for reclamation and which can reasonably be stored on the Drillsite, then BP may deliver said excess material to a location on the Property that is mutually acceptable to BP and Landowner. Any such excess material so delivered shall become the sole responsibility of Landowner, and BP shall have no further responsibility for said excess material. Should a mutually acceptable location on the Property not be found, then BP may remove such excess material from the Property.

3. Firewood. Should BP cut down or trim any trees on the Property during its operations and should Landowner so desire, BP will cut wood greater than 4 inches in diameter into firewood ranging from 12 to 18 inches in length and place such firewood in a pile (not stacked) just off of the Drillsite, road or pipeline route, as BP deems appropriate for Landowner's use. In BP's sole discretion, it may purchase firewood to satisfy the foregoing firewood obligation. All wood less than 4 inches in diameter will be chipped and spread on the Drillsite, access road, reclamation areas or pipeline route, as BP deems appropriate. Firewood will not in any case be split for the Landowner. Any such wood not requested to be cut into firewood by Landowner will be buried or chipped and spread on the Drillsite, access road, reclamation areas or pipeline route, as BP deems appropriate.
4. Survey Plats. Upon Landowner's request in writing, BP will provide to Landowner a copy of any survey plat obtained by BP depicting the Drillsite or any access roads, pipelines or facilities on the Property.
5. Recording of Agreement. BP may record this Agreement in the records of Archuleta County, Colorado. BP may also, in its sole discretion and without the joinder of Landowner, execute and record from time to time written declarations with accompanying survey plats, and any amendments to same, for the purpose of locating and describing the Drillsite, access roads, pipelines and other Well facilities.
6. Maintenance and Repair of Access Roads. BP will reasonably maintain any existing roads that are used by BP on the Property in their pre-existing condition or better, in BP's sole discretion. BP will maintain any new roads that may be constructed by BP on the Property to BP's standards. BP will make all necessary repairs to the roads caused by BP's use. However, BP will not be required to snow plow or otherwise clear any road of snow.
7. Burial of Pipelines. BP will, to the extent reasonably practicable, bury all water and gas pipelines to a minimum depth of 36 inches below the surface at the time of installation, unless subsurface conditions such as rock prohibit the installation of the line to that depth at a reasonable cost.
8. Reclamation.
 - a. Initial Construction. After the drilling and completion of the Well, and the construction of any associated facilities such as the well pad, access roads and pipelines, those areas of land that BP will not use for continuing production operations will be reclaimed as required in applicable rules and regulations. Reclamation will be performed within a reasonable amount of time after completion and first delivery of the Well and construction of any associated facilities, recognizing practical limitations of weather and season. BP does not guaranty seed germination.
 - b. Subsequent Surface Disturbance. All subsequent disturbances by BP to areas reclaimed under the preceding paragraph will be similarly reclaimed by BP within a reasonable amount of time, recognizing practical limitations of weather and season.
 - c. Final Abandonment. Any areas disturbed by BP, and which are required to be reclaimed, will be reclaimed by BP in accordance with applicable rules and

regulations, unless Landowner desires that the roads and Drillsite remain in their then present condition and regulatory approval for same is obtained.

9. Indemnification. BP agrees to indemnify, defend and hold Landowner harmless from and against any and all expenses, losses or damages resulting from or relating to BP's operation and maintenance of the Well, facilities, access roads and pipelines; provided, however, BP will not indemnify, defend and hold Landowner harmless from such expenses, losses or damages to the extent resulting from or relating to, in whole or in part, the negligence or willful misconduct of Landowner or Landowner's employees, contractors, guests or invitees.
11. Compliance with the Law. BP will comply with all applicable laws, rules and regulations.
12. Temporary Parking. Landowner agrees that during times of construction or other significant work, BP may park vehicles in areas near the work site or along roads.

D. General Provisions:

1. Term. This Agreement is effective as of the Effective Date and will continue until (i) all oil and gas leases underlying the Unit expire, (ii) production from the Well and any additional wells producing from the Unit have permanently ceased and are permanently plugged and abandoned, (iii) any compressor on the Property is no longer being used and (iv) any Salt Water Disposal well in the Unit has ceased being used and is plugged and abandoned. After expiration, BP will have a reasonable period of time within which to remove such Well equipment and facilities from the Property as it deems appropriate or as required by applicable rules and regulations.
2. No Waiver of Other Rights. With the exception of those duties and obligations that each Party has specifically agreed to assume and perform in this Agreement, those duties and obligations which have been confirmed or clarified in this Agreement and the rights specifically granted to, waived or relinquished by a Party in this Agreement, this Agreement will not be construed to waive or relinquish any Party's legal rights in, to or under the Property, including but not limited to rights of access or other reasonable surface use, now owned or hereafter acquired by a Party under any oil and gas lease or other agreement or instrument pertaining to the Property. Nor does this Agreement, subject to the foregoing exceptions, waive the rights of either Party under any applicable laws, rules or regulations pertaining to the Property.
3. No Application to Other Wells. The rights, duties and obligations of the Parties and other confirmatory or clarifying matters regarding the Well and its related facilities in this Agreement pertain only to the Well, except that roads, pipelines and facilities may be utilized for other wells. This Agreement is not intended to, and will not be interpreted to, apply to any other well that may now be located or hereafter be drilled within the Unit, whether or not located on the Property. Each Party retains all of his/her/its legal rights with respect to such other well or wells, including, but not limited to, those legal rights referenced in the preceding paragraph.
4. Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Parties and their respective heirs, successors and assigns. In addition, BP and any successor Well Operator may assign this Agreement to successive Operators of the Well. Assignment of this Agreement by either Party will act to terminate the assigning Party's duties, obligations and liabilities under this Agreement from and after the date that the non-assigning Party receives a true copy of the assignment, with the exception of any indemnity or monetary obligations accruing prior to such date.
5. Applicable Law. This Agreement will be interpreted under the laws of the state of Colorado.

6. Entire Agreement. This Agreement contains the final agreement, clarifications and confirmations of the Parties as to the matters addressed, and supersedes any and all prior oral or written negotiations, understandings and agreements regarding the Well and its related facilities, roads and pipelines. Except with respect to matters described below, this Agreement may not be modified unless the modification is in writing and is signed by Landowner and an authorized representative of BP.
7. Further Assurance. The Parties agree, at any time and from time to time, upon the reasonable request of either Party and without additional payment, to take or do all such further acts and things, and furnish and deliver all such further documentation and material (including any document or instrument requested by local, state or federal authorities) which, in the opinion of the requesting Party, may be necessary or useful in carrying out the purposes of this Agreement.
8. Regulatory Conditions. If BP is required by any regulatory agency as a condition of approval to either change the location of the Well to be drilled or the configuration of the Drillsite, Landowner agrees that BP may unilaterally amend this agreement to conform to the new location(s) and/or configuration(s) as approved by the regulatory agency.
9. Counterparts. This Agreement may be executed in two or more original counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. Electronically scanned or facsimile copies are acceptable.
10. Side Letter Agreement. This Agreement is subject to the terms of a Side Letter Agreement ("SLA") dated July 26th 2017, by and between Landowner and BP the terms of which are fully incorporated herewith.
11. Benefit to Other Parties. This Agreement is and shall also be for the benefit of all other parties owning the right to drill and produce under any drilling and spacing order, pooling order, oil and gas lease, operating agreement, or unleased mineral interest in the Marquez A Unit to the extent same pertains to the Well or any replacement or substitute well therefore.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed on the dates indicated below, but effective as of the Effective Date.

BP America Production Company


David G. Santistevan, Trustee


By: Debra Bacon *km*
Attorney-in-Fact


Maima M. Santistevan, Trustee

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

SUBSCRIBED AND SWORN TO before me this 27th day of July, 2017, by Debra Bacon, Attorney-in-Fact for BP America Production Company, a Delaware Corporation.

My commission expires:

December 05, 2020

NAOMI AZULAI
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20124079124
MY COMMISSION EXPIRES DEC 5, 2020



Notary Public

STATE OF Colorado)
) ss.
COUNTY OF ARCHULETA)

SUBSCRIBED AND SWORN TO before me this 26th day of July, 2017, by David G. Santistevan as Trustee of The Santistevan Family Trust dated March 31, 1998

My commission expires:

MAY 12th 2017



Notary Public

STATE OF Colorado)
) ss.
COUNTY OF ARCHULETA)

CHARLES RENE' SULLIVAN
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20054010620
MY COMMISSION EXPIRES MAY 14, 2021

SUBSCRIBED AND SWORN TO before me this 26th day of July, 2017, by Maima M. Santistevan as Trustee of The Santistevan Family Trust dated March 31, 1998

My commission expires:

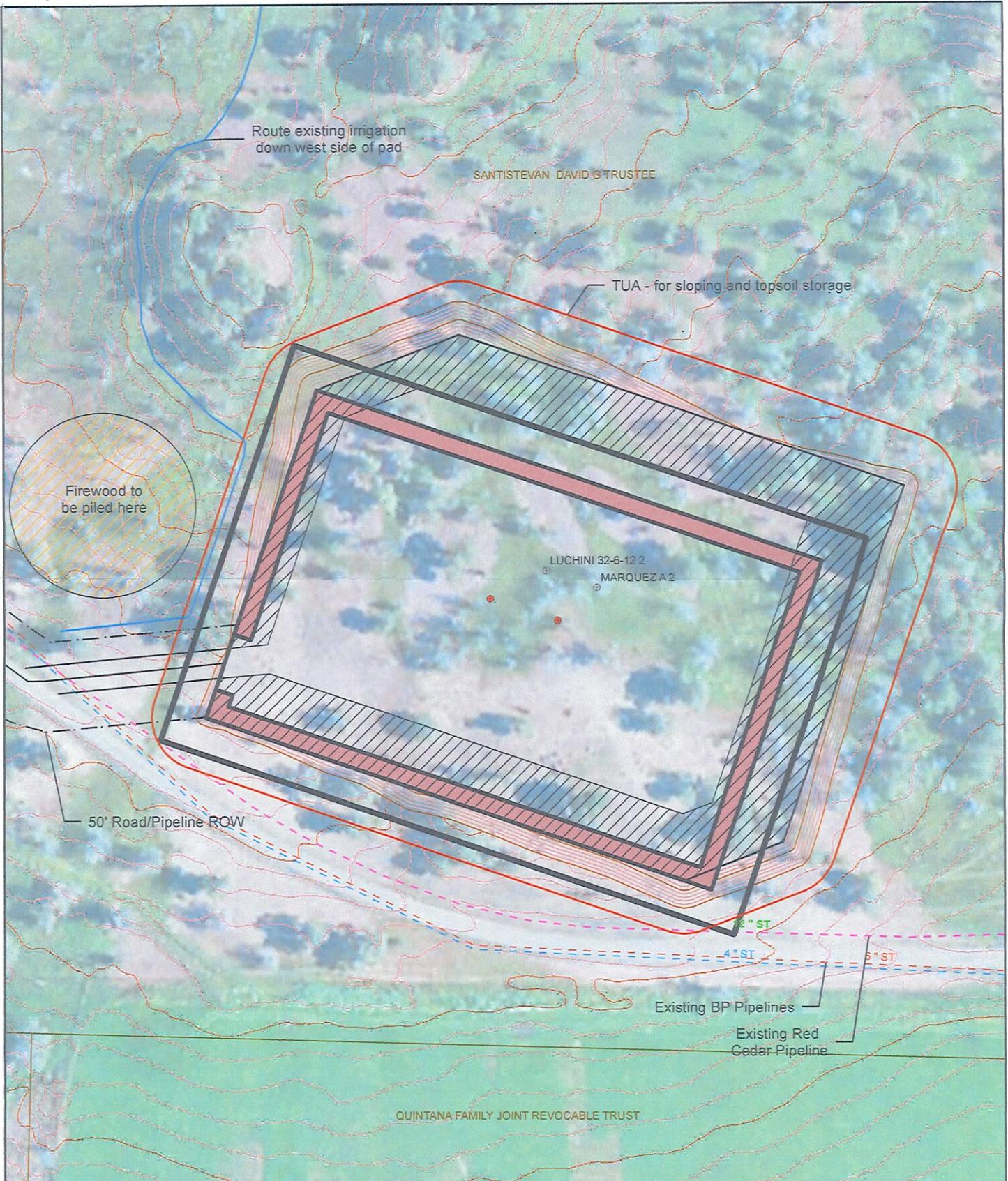
May 14th 2017



Notary Public

CHARLES RENE' SULLIVAN
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20054010620
MY COMMISSION EXPIRES MAY 14, 2021

EXHIBIT "A"



- ⊙ Proposed Well
- ▭ Pad
- ▨ Reclaim
- ▭ TUA
- ▭ ROW

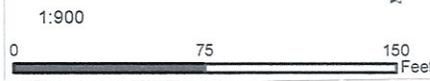
LAND TYPE: FEE
 LAT: 37.033075 N
 LONG: 107.439794 W
 NW¼ SEC 07, T32N R 05W



DISCLAIMER: This general arrangement drawing (GAD) has been prepared for a preliminary discussion of a proposed access road, pipeline, ditch or other type of facility. The location and arrangement thereof are approximate and subject to change at any time, whether due to on-the-ground surveys, regulatory requirements or without limitation, other factors. Reclamation plans do not reflect cut and fill areas and are subject to change as data is acquired. This GAD is confidential and its duplication or distribution requires written permission from BP America Production Company.

BP America
 San Juan North
 Durango, CO

LUCHINI 32-6-12 2 & MARQUEZ A 2
 General Arrangement Design



6/2/2017	SCALE AS NOTED	PROJ #	La Plata County, Colorado	REV 0
DB	ENGINEER	FILE		

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7 of 7

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