

SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("**Agreement**") is made and entered into effective this 7th day of March, 2016, by and between **George A. Sack and Marie K. Sack ("Owner")**, and **Ward Petroleum Corporation, ("Operator")**; 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 1 North, Range 66 West, 6° P.M.

Section 21: SW/4SW/4

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.

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS**. Operator desires to drill or cause to be drilled oil and/or gas wells on its Leases (the "**Wells**") within the area located on the Lands depicted on Exhibit "A" (the "**Facilities area**") and the subsurface locations of which may be under other lands than Owner's Lands. 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, flow lines, separators, tank batteries, electric 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.

Owner hereby grants to Operator, its successors and assigns, and each of their agents, employees, contractors and subcontractors, 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 appurtenant facilities, for the purposes specified herein, and including the rights of ingress to and egress from the Facilities across the Lands.

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 Wells, Access Road, flowlines, and Facilities to be constructed on the Lands shall be confined to the designated operating area approximately depicted on Exhibit "A". Material changes to the designated operating area may be made by Operator only with the consent of Owner and will not unduly interfere with Owner's existing use of the surface estate. It is also understood and agreed that a pipeline outside of the designated operating area will be necessary and that access roads and flow lines located outside of the designated operating area may be necessary for operator's activities and in these circumstances Owner and Operator agree to designate a mutually agreeable location for said pipeline, access road and/or flow lines and Owner shall not unreasonably withhold consent to reasonable locations proposed by Operator. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations.

4. **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**"), and applicable Colorado statutes and case law.

5. COMPENSATION AMOUNT. Prior to commencement of drilling on a well by well basis, Operator shall pay Owner the Sum of for the first Well and for each additional Well drilled on the designated operating area shown on Exhibit "A". Additionally, prior to commencement of the first well, Operator shall pay the Owner the Sum of for modifications required to the Owner's irrigation and pivot system. The above Sums 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, Facilities, and Operator's oil and gas operations, including without limitation, damage to growing Crops and crop land; necessary modifications to the irrigation pivot system, the removal, transportation and care of any livestock; the re-seeding, construction and use of access roads; and the preparation and use of the wellsite areas. excluding, however, pipeline rights-of-way outside of the Facilities area. 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 for all actual and additional damages caused by said subsequent major operations.

Operator shall remain liable for damages caused by its negligence or willful misconduct in drilling, completing and producing from the wells that are the subject of this Agreement and for damages to real property, personal property and crops caused by operations not contemplated by this Agreement. Notwithstanding any other provision herein to the contrary, Operator shall be liable for any and all damages, caused by (1) violation(s) of this Agreement; or (2) violation(s) of any Rule and/or Regulation of the COGCC, provided Owner shall not have a private right of action to enforce any such Rule and/or Regulation. Compensation for additional surface damages occasioned by negligence on the part of Operator or for use of the Lands for operations not contemplated by this Agreement shall be negotiated between Owner and Operator. If the parties cannot agree on such damages, the question of such damages and the amount of compensation due shall be determined by arbitration as provided in Section 19, below.

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.

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, 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.

(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 permanently fence off the perimeter of the well sites and access ways to the well sites with fencing comparable to Owner's existing fencing on the Lands. Operator will also install cattle guards and/or gates where reasonably necessary.

(vii). Operator agrees to erect noise barriers on the east, south and west sides of the Facilities area whenever drilling and completion operations are underway on the Lands.

(viii). Operator agrees not to drill any injection wells of any kind on the Lands without first obtaining Owner's written consent.

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 or punitive/exemplary 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 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, including environmental damages and liabilities, and causes of action arising out of and caused by Operator's operations on the Lands that may be asserted against Owner or the Lands by any of Operator, Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the

request of Operator. This indemnity provision shall survive the termination of this Agreement.

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, By signing this agreement Owner specifically agrees to the location of the Wells identified on Exhibit A and waives any objections to such location.

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

George A. & Marie K. Sack
14323 County Road 6
Ft. Lupton, CO 80621
Phone: 303-659-1300

Operator

Ward Petroleum Corporation
215 West Oak Street
Suite 1000
Fort Collins, CO 80521
Phone: 970-449-4632

12. **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.

13. **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 shall execute and either party may record a memorandum of this Agreement in Weld County, Colorado.

14. **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.

15. **TERMINATION.** This Agreement will remain in effect or 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. **DISPUTE RESOLUTION.** If any dispute arises between Owner and Operator with respect to this Agreement or from Operator's operations on the Lands or both, such dispute will be resolved through arbitration. Any such arbitration will be conducted by the Judicial Arbitrator Group ("JAG") in Denver, Colorado, by a single arbitrator employed by or associated with JAG. Such arbitrator will have knowledge of oil and gas law, either as a lawyer licensed to practice law in Colorado or a judge familiar with oil and gas issues. Either Party may serve upon the other a demand for such arbitration, which should be served by fax and mail, or by hand delivery. Owner and Operator agree that if either of them initiates a demand for such arbitration, Owner and Operator will thereafter attempt to mutually agree on the selection of one of the JAG arbitrators to be the arbitrator. Owner and Operator will confer on the selection of such arbitrator within 10 days after the demand for arbitration is served, and will agree upon the selection of a JAG arbitrator, if possible, within 20 days after the arbitration demand has been served. In the event that Owner and Operator are unable to agree on the selection of such arbitrator within this 20-day time period, then Owner and Operator will each submit to JAG, via fax, the names of three arbitrators (meeting the requisite experience specified above) who are employed by or associated with JAG, whom each would find acceptable to be the arbitrator. Such submission to JAG will be made on the fifth business day after the 20-day time period referenced above has expired. JAG will thereafter select from the names submitted by Owner and Operator a single arbitrator who will hear and decide the arbitration based upon applicable Colorado law. The arbitrator will issue an arbitration decision within 30 days after the arbitration hearing is concluded. In the event that JAG no longer exists, the arbitration will be conducted by another arbitration or mediation entity with expertise in oil and gas matters that is mutually acceptable to the parties. Any decision by the arbitrator relating to the dispute between Lessor and Lessee will be final and binding upon both Owner and Operator.

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 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.

22. **OTHER.**

OWNER ACKNOWLEDGES AND AGREES THAT OPERATOR HAS CONSULTED IN GOOD FAITH WITH OWNER AS TO ITS PROPOSED OPERATIONS IN ACCORDANCE WITH COGCC REQUIREMENTS, PROVIDING FOR, BUT NOT LIMITED TO;

A. COGCC RULE 318A

B. GREATER WATTENBERG DRILLING WINDOWS AND UNIT DESIGNATIONS

C. COGCC TWINNING RULE

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") for OGOA 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 proceeding 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.

23. **TERM.** The term of this Agreement shall commence on March 7, 2016, and continue for so long as the Oil and Gas Lease dated August 11, 2011, between George A. Sack and Marie K. Sack, as Lessor, and T. Verne Dwyer, as Lessee, and recorded at Document No. 3800799 in the Records of the Clerk and Recorder of Weld County Colorado, remains in force and effect.

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

Operator:
Ward Petroleum Corporation

Owner:
George A. Sack & Marie K. Sack

By:
Title:


Kent C. Craig
Landman

By: George A. Sack
Title: Self



By:
Title:

By: Marie K. Sack
Title: Self



Exhibit "A"

Attached to and made a part of that certain Surface Damage and Release Agreement dated March 7, 2016

DALEY LAND SURVEYING, INC. PARKER, CO. 80134 303 953 9841

PROPOSED WELL PAD AND FACILITY DRAWING SACK PRODUCTION FACILITY

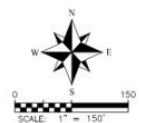
SECTION: 21
TOWNSHIP: 1N
RANGE: 66W



CULTURAL ITEMS:	
MEASURED FROM THE NEAREST EDGE OF PRODUCTION	
BUILDING:	646'± SW
BUILDING UNIT:	619'± SW
HIGH OCC. BLD. UNIT:	5280'±
DES. OUTSIDE ACTIVITY AREA:	5280'±
PUBLIC ROAD:	501'± W
ABOVE GROUND UTILITY:	489'± W
RAILROAD:	5280'±
PROPERTY LINE:	509'± W

LEGEND:

SEP	PROPOSED SEPARATOR
HT	PROPOSED HEATER-TREATER
VRU	PROPOSED VRU
M	PROPOSED METER
W	PROPOSED WATER TANK
O	PROPOSED OIL TANK



Drawing Date: 3/14/16