

## Surface Use Agreement

This Surface Use Agreement ("Agreement") is made effective this 24<sup>th</sup> day of April 2019, by and between Kauffman Brothers Limited Partnership, a Colorado limited partnership, whose address is 8616 County Road 63, Keenesburg, CO 80643, hereinafter referred to as "Owners"; and Verdad Resources, LLC, with offices at 5950 Cedar Springs Road, Suite 200, Dallas, Texas 75235, hereinafter sometimes referred to as "Operator"; each of the foregoing sometimes referred to individually as a "Party," or collectively as the "Parties."

For and in consideration of the covenants and agreements contained herein, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged by the Owner, the Parties agree as follows:

1. **OWNERSHIP.** Owner is the surface owner of certain lands, such lands and improvements thereon hereinafter sometimes referred to as the "Lands", located in Weld County, Colorado more specifically described as follows:

**TOWNSHIP 2 NORTH, RANGE 63 WEST, 6TH P.M.**  
**Section 19: Part of the E/2**

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator intends to drill or cause to be drilled an oil and/or gas well on the Lands. In order for Operator to drill, construct, complete, produce, maintain, and operate the well and all facilities associated therewith, including, but not limited to, access roads, pipelines, gathering lines, flow lines, separators, tank batteries, electric lines and any other facilities, or property necessary for Operator to conduct operations on the well(s) (each a "Facility," collectively, the "Facilities"), it is necessary that Operator enter and utilize a portion of the surface of the Lands.

The Parties enter into this Agreement to evidence their agreement regarding the payment of surface damages, entry, surface use, and any other matters relating to Operator's use of the Lands.

3. **Wellsite Locations.** The approximate location of the operations area is identified on Exhibit A attached and incorporated into this instrument by this reference ("Operations Area"). Operator's wells are to be drilled on the Operation Area depicted. Any material changes to the locations of the Operation Area, access roads, and facilities may be made by Operator with the consent of Owner, which shall not be unreasonably withheld.
4. **Conduct of Operations.** Operator's operations on the Lands shall be conducted pursuant to the terms this Agreement and the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and applicable Colorado statutes.

5. **Additional Surface Use Provisions.** With respect to its operations on the Lands, Operator shall comply with the following provisions:
- a. **Surface Reclamation.** The Operations Area shall be reclaimed upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator shall be restored by Operator to their original contour as nearly as is reasonably practicable.
  - b. **Access Roads.** Owner hereby grants, bargains, assigns and conveys to Operator and its successors and assigns an easement and right-of-way for the purpose of constructing, using and maintaining access roads (not to exceed 20 feet in width) to the Operations Area.
  - c. **Pipelines.** Should operator drill and complete one or more wells capable of producing oil and/or gas it may be necessary to construct gathering pipelines to transport the products to market, and Operator or third-party gatherer shall consult Owner on the location of the pipeline route. The location shall not be unreasonably withheld by Owner and Owner shall execute a right of way agreement in substantially same form as attached hereto as Exhibit B. Should the pipeline route disturb more than 100 linear feet of Owner's Lands then Operator shall pay Owner \$5.00 per linear foot of right of way.
  - d. **Other:**
    - i. If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the well(s), there is damage to personal property of the Owner, including, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, for which Owner has not been previously compensated pursuant to Paragraph 5, and upon Owner's notification to Operator, Operator shall repair or replace such items after consultation with and to the reasonable satisfaction of the Owner, which repair or replacement shall be accomplished by Operator within thirty (30) days after final consultation with Owner.
    - ii. 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 shall be removed and disposed away from the Lands by Operator no later than 30 days after the plugging of the wells. No such items shall be burned or buried on the Lands by Operator.
    - iii. Operator shall keep the well pad free and clear of noxious weeds and trash.
    - iv. Operator agrees to fence off the perimeter of the well sites with temporary fencing if reasonably requested by Owner. Operator will install cattle guards where necessary and shall be responsible for restoring Owner's existing fence to its original condition at any point of access.

- v. Operator shall restore the surface of the land Owner to the condition existing prior to operations in so far as is reasonably possible and as a minimum shall comply with Rules 1004 and 1004 of the COGCC.
6. **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 shall notify Operator of such alleged default in full and complete detail, in a writing delivered to Operator by certified mail, return receipt requested. Operator shall have sixty (60) days from its actual receipt of the written notification in which to pay, in the event of alleged non-payment, or to commence and diligently pursue a cure of any other alleged default, and upon such lapse of time, should such alleged default still remain in effect, then and only then shall Owner have the right and option to declare a default under this Agreement.
7. **Waivers.** Except as otherwise agreed in a subsequent writing subscribed to by both parties, no waiver by Owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder shall be deemed to be a waiver of any subsequent or continuing breach of the same, nor shall any forbearance by Owner to seek a remedy for any particular alleged or actionable breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to any other alleged or actionable breach; however in no event shall Operator be liable for consequential damages.
8. **COGCC/Weld County Waivers.** Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other and/or future notice or consultation requirements of the COGCC, including for the purpose of the one well described herein, the provisions and allowed waivers under COGCC Rules 305 and 306. Owner hereby waives the Greater Wattenberg Area ("GWA") special well location, spacing and unit designation requirements of the COGCC, including without limitation the provisions and allowed waivers under COGCC rules 318A.a, 318A.c and 603.a.(2). Additionally, Owner waives all notice requirements under the Weld Oil & Gas Location Assessment ("WOGLA") policy. Owner is aware and gives approval to Operator to apply for all necessary WOGLA permits on behalf of the property, such permits may include Access Permits, Building Permits, Environmental Health Permits and Planning Permits.
9. **Indemnity/Release.** 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. 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.
10. **Notices.** Notice by either Party shall be timely given in writing, and orally if possible (with the exception of notices described in this Agreement requiring written notice), with additional and immediate 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 written notice delivered in the way described in this paragraph to the other:
11. **Recording.** Operator may request that Owner execute a memorandum of this agreement and record it in the records of Weld County, Colorado and with any other appropriate agency of government.

12. **Entire Agreement.** This instrument contains the entire agreement between the Parties and all prior negotiations and representations are merged within this instrument, and the terms of such may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective heirs, representatives, successors or assigns.
13. **Termination.** This Agreement shall remain in effect for 5 years if no wells are drilled prior to then or until all wells are plugged and abandoned by Operator, which ever happens last unless and until specifically abandoned by Operator in a writing delivered to Owner, or filed by Operator in the records of Adams County, Colorado. All rights to indemnification and requirements for reclamation and provisions relating thereto shall survive termination of this Agreement.
14. **Counterparts.** This Agreement shall be binding if properly signed and fully executed and sent by facsimile transmitted to the other Parties. Without affecting the validity of the foregoing manner of execution, the Parties agree to follow-up such facsimile executions with standard paper originals signed by the parties as soon as may be practical.
15. **Force Majeure.** The passage of any deadline or time relevant under this instrument shall be deemed tolled, and nonperformance of any required obligation that Operator may have under this instrument shall be excused without penalty to Operator as to any time period, in which Operator is prevented or hindered from performing due to any governmental action or inaction, and any force majeure which shall include without limitation any act, circumstance, event or condition beyond the control of Operator which shall include without limitation any act, warning or threat of terrorism, war, revolution, rebellion, insurrection, riot, civil commotion, blockade, embargo, shortage of necessary expertise, and shortage or lack of transportation and delivery of necessary tools, equipment, material and supplies due to market conditions, act or restraint of government, strike, lockout, picketing, boycott, or damage by earthquake, fire, hurricane, tornado, flood, wind, storm, temperature extreme or other weather instability, disaster or condition, or by reason of any other circumstance or combination of same beyond Operator's control.
16. **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.
17. **Binding Effect.** This Agreement constitutes a covenant running with the Lands and shall be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, affiliates, administrators, trustees, authorized representatives, executors and assigns.
18. **Subsurface Easement.** Owner hereby grants and conveys to Operator, its successors and assigns, a perpetual subsurface easement under and through the Property for the placement of wellbores through the Property.

{Signatures and Acknowledgement(s) on Following Pages}



Agreed to and made effective the date first written above, by the parties:

**OWNER:**  
**KAUFFMAN BROTHERS LIMITED PARTNERSHIP**

Mark A. Kauffman  
By: Mark A. Kauffman  
Title: Managing Partner

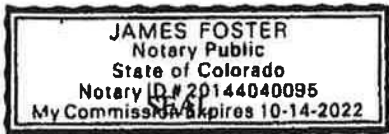
**OPERATOR:**  
**VERDAD RESOURCES LLC**

By: [Signature]  
Name: Philip W Davis  
Title: President

STATE OF COLORADO                    )  
  ) ss.  
COUNTY OF                                    )

On this 24<sup>th</sup> day of April, 2019, before me, the undersigned notary public, personally appeared Mark A. Kauffman, known to me to be the person whose name is subscribed to the within instrument, and acknowledged that she executed the same for the purposes therein contained.

In Witness Whereof, I hereunto set my hand and official seal. The foregoing instrument was acknowledged before me this 24<sup>th</sup> day of April, 2019.



[Signature]  
Notary Public

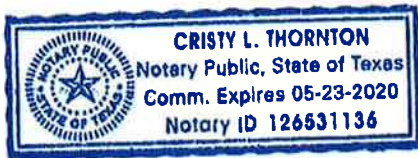
STATE OF Texas )  
 ) ss.  
COUNTY OF Dallas )

On this 24<sup>th</sup> day of April, 2019, before me, the undersigned notary public, personally appeared **Philip W. Davis**, known to me to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained.

In Witness Whereof, I hereunto set my hand and official seal. The foregoing instrument was acknowledged before me this 24<sup>th</sup> day of April, 2019.

Cristy L. Thornton  
Notary Public

SEAL



**Exhibit A**

**To be submitted with final edition of this Agreement**

## Exhibit B

### RIGHT OF WAY AGREEMENT

THIS RIGHT OF WAY AGREEMENT (this "Agreement") is made this \_\_\_\_ day of \_\_\_\_\_, 2019, between Kauffman Brothers Limited Partnership, a Colorado limited partnership, whose address is 8616 County Road 63, Keenesburg, CO 80643, ("Grantor," whether one or more), to Verdad Resources LLC, whose address is 5950 Cedar Springs Road, Suite 200, Dallas, TX 75235 ("Grantee"). The parties agree as follows:

For and in consideration good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor hereby grants and conveys unto Grantee, its successors and assigns, an easement to survey, construct, operate, maintain, inspect, test, repair, replace, modify, reconstruct, mark, monitor, abandon or remove, at Grantee's election and at any time or times, a pipeline and all related appurtenances convenient for the gathering or transportation of oil, gas, petroleum products, water, hydrocarbons and any other substances, whether fluid, solid or gaseous, and any products, derivatives, combinations or mixtures of any of the foregoing, in, on, over, under, or through a portion of the E/2, Section 19, Township 2 North, Range 63 West, 6<sup>th</sup> P.M., situated in the County of WELD, State of Colorado, (the "Property"), being more particularly described on the Exhibit "A" attached hereto and made a part hereof which describes the location of the easement in more detail.

The easement hereby granted shall be a continuous strip of land fifty feet (50') in width during construction, and subsequent to construction, shall be twenty feet (20') in width. Grantor also hereby grants to Grantee a right of ingress and egress at all times over the Property to and from said easement and along and upon the same for any and all purposes hereof and for access to the adjoining properties through which any of Grantees pipelines also cross.

Grantee shall lay all pipe at a sufficient depth (not less than 48") to avoid interfering with cultivation of the soil. Grantee shall repair and/or restore any fence on the Property removed or severed by Grantee in the course of the operations provided for in this Agreement. Grantee agrees to level and restore any lands that may have excessive settling and sufficiently compact the soil within a reasonable period of time after completion of construction. Restoration shall include reseedling of the pasture, as required, to restore the surface of the land to a condition the same as or materially similar to its original condition.

Grantor shall have the right to use, enjoy, cultivate, and occupy the Property for any purpose consistent with this Agreement and other rights herein granted and which will not interfere with or endanger any pipeline or related fixtures or the use thereof. Grantor expressly reserves the right to maintain driveways, roadways, seasonal landscaping (excluding trees), and other surface uses within the easement that do not interfere with the normal operation and maintenance of said lines.

Grantee shall pay Grantor for damages to land, growing crops, livestock, and other improvements on the Property occasioned by Grantee's installation and construction of the pipeline or related fixtures or by any other activities of Grantee in exercising its rights hereunder. Grantor acknowledges that the consideration recited in this Agreement constitutes full consideration for the easement and other rights herein granted, for the installation and construction of the pipeline and related fixtures, and for damages to both land and growing crops occasioned by said installation and construction.

Grantor expressly reserves all right in and to the mineral estate underlying the easement.

Grantee shall indemnify and hold Grantor harmless from any claims or damages resulting from Grantee's activities and operations within the easement; and, Grantor shall indemnify and hold Grantee harmless from any claims or damages resulting from Grantor's activities within the easement.

Grantee covenants and agrees that it will fully comply with all statutes and rules and regulations of all governmental agencies having jurisdictions over compliance with all environmental legislation. Grantee further agrees to indemnify, save, protect, and hold Grantor harmless from any damage or caused, contributed to, or permitted by Grantee, its successors, and assigns. Grantee, its successors and assigns, shall hold Grantor, its successors and assigns, harmless from damages or liability of any character, including, but not limited to, Environmental Claims, which may arise out of the exercise of the rights herein granted. For purposes of this paragraph, Environmental Claims means all claims asserted directly or indirectly by governmental bodies or other third parties for pollution or environmental damage of any kind and asserted under any laws, rules, regulations, ordinances, or order of any governmental body which relates to or otherwise imposes liability, obligations, or standards including remediation. Such laws, rules, regulations, ordinances, or orders shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, the Hazardous Material Transportation Act, the Clean Air Act, the Toxic Substances Control Act, and any State or local equivalent thereof or complement thereto.

The rights granted herein may be assigned in whole or in part. In the event of assignment, the terms, conditions, and provisions of this Agreement are a covenant running with the land and shall inure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, personal representatives, successors, and assigns. This Agreement cannot be modified, except in writing signed by all parties hereto. This Agreement may be executed in two or more counterparts all of which shall be considered one and the same agreement.

In the event of abandonment, Grantee shall be obligated, within 180 days, to either (1) remove the pipeline and restore the surface and the subsurface to its preconstruction condition, or (2) completely purge the pipeline of hydrocarbons and seal the pipeline at both ends so that no foreign matter may enter the pipeline and the easement shall terminate and shall be of no further force or effect. Upon abandonment, Grantee shall execute, at Grantor's request, a release of its interest in the easement. The release shall not affect the abandonment, and shall be for recording purposes only.

The terms, conditions, and provisions of the contract shall extend to and be binding upon the heirs, executors, administrators, personal representatives, successors, and assigns of the parties hereto.

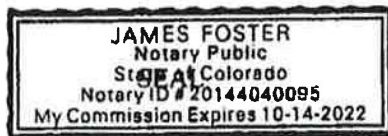
The Agreement shall be construed in accordance with the laws of the State of Colorado.

{ Acknowledgement(s) on Following Page }

STATE OF COLORADO )  
 ) ss.  
COUNTY OF )

On this 24<sup>th</sup> day of April, 2019, before me, the undersigned notary public, personally appeared Mark A. Kauffman, known to me to be the person whose name is subscribed to the within instrument, and acknowledged that she executed the same for the purposes therein contained.

In Witness Whereof, I hereunto set my hand and official seal. The foregoing instrument was acknowledged before me this 24<sup>th</sup> day of April, 2019.



James Foster  
Notary Public

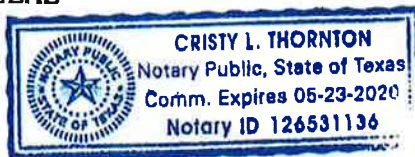
STATE OF Texas )  
 ) ss.  
COUNTY OF Dallas )

On this 24<sup>th</sup> day of April, 2019, before me, the undersigned notary public, personally appeared Philip W. Davis, known to me to be the person whose name is subscribed to the within instrument, and acknowledged that he executed the same for the purposes therein contained.

In Witness Whereof, I hereunto set my hand and official seal. The foregoing instrument was acknowledged before me this 24<sup>th</sup> day of April, 2019.

Cristy L. Thornton  
Notary Public

SEAL



## Exhibit A

