MEMORANDUM OF UNDERSTANDING

THIS AGREEMENT is made and entered into this 19 day of March, 2013, by and between the BOARD OF COUNTY COMMISSIONERS OF LA PLATA COUNTY, COLORADO, 1060 E. 2nd Avenue, Durango, Colorado 81301 and SWIFT ENERGY OPERATING, LLC, a Texas limited liability company, 16825 Northchase Drive, Suite 400, Houston, Texas 77060.

DEFINITIONS

Abandonment or abandoned means the permanent abandonment of a well based on the operator's filing with the COGCC.

Best Management Practices means schedules of activities, prohibitions of practices, maintenance procedures, and other management practices intended to prevent or reduce the pollution to air, water, soil, or biological resources, and to minimize adverse impacts to public health, safety and welfare, including the environment and wildlife resources.

BLM means the Bureau of Land Management.

Swift means Swift Energy Operating, LLC.

COGCC means the Colorado Oil and Gas Conservation Commission of the State of Colorado.

Conventional gas well means a well commonly drilled with a vertical wellbore into a conventional formation, such as sandstone or siltstone. Such formations include Mesaverde and Dakota.

County means the Board of County Commissioners of La Plata County.

County approved subdivision means any subdivision created pursuant to state law, which has received subdivision approval by the Board of County Commissioners since September 1, 1972.

Easement means express or implied authorization by a property owner for the use of a designated portion of his property by another, for a specified purpose.

The *Environmental Response Fund* or ERF is "an emergency reserve" of unobligated funds to be maintained by the COGCC in the amount of $1,000,000 and used in accordance with Colorado's Oil and Gas Act and Rule 701 of the COGCC's Rules. As described in Rule 701, the ERF fund is a mechanism to plug and abandon orphan wells, perform orphaned site reclamation and remediation and to conduct other authorized environmental activities.

Exploratory Application means the two applications filed by Swift with the COGCC on or about December 13, 2012 requesting the establishment of two exploratory drilling and spacing units (one unit of approximately 643.40 acres in size and the other 587.80 acres in size) in western La Plata County, Colorado and the approval of one horizontal well within each unit for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

Exploratory Application Area means the area within La Plata County described in the Exploratory Application.

Exploratory County Permit means any permit the County issues pursuant to LPLUC for minor oil and gas facilities and major oil and gas facilities related to the Exploratory Application.

Exploratory Wells means those wells contemplated to be drilled by virtue of the Exploratory Application.

Mancos Shale Well means a well drilled and completed for the purpose of producing oil, gas and/or associated hydrocarbons from the Mancos Shale Formations (including the Niobrara Formation).

Green completion means a technique whereby gas is recovered for sale or use instead of being vented or flared during initial completion flow back operations as set forth in COGCC Rule 805 and, as of the effective date, Rule 604.c.(2)C.

Heavy equipment means individual truck/trailer combination vehicles with a gross vehicle weight exceeding 5 tons.

LPLUC means the La Plata County Land Use Code as amended from time to time.

Low bleed means pneumatic controllers (operated using natural gas) installed on field equipment to replace high bleed devices that vent small amounts of methane continuously.

Major oil and gas facilities shall have the meaning set forth in Section 90-19 of LPLUC.

Minor oil and gas facilities shall have the meaning set forth in Section 90-19 of LPLUC.

Permanent operations mean operations for an Exploratory Well after initial drilling, completion and interim reclamation and before abandonment.

Reasonable efforts mean diligent and good faith efforts to accomplish a given objective.

Right-of-way means a tract or strip of land, separate and distinct from the underlying property, owned, occupied or intended to be occupied by an oil, gas and/or water pipeline.

Road Maintenance and Improvement Fees means the County road maintenance and improvement fees described in Article 3 below.

Water quality testing wells means domestic water wells within the vicinity of oil and/or gas wells tested for water quality pursuant to COGCC Rule 609.

Well Pad means the flat graveled portion of the pad area in which permanent operations for a well take place.

RECITALS

A. La Plata County is a political subdivision of the State of Colorado authorized to act through its Board of Commissioners.

B. Swift is an oil and gas producing operator which has filed the Exploratory Application with the COGCC requesting the establishment of two exploratory drilling and spacing units (one unit of approximately 643.40 acres in size and the other 587.80 acres in size) in western La Plata County, Colorado and the approval of one horizontal well within each unit for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

C. The parties to this Agreement have differing legal positions regarding the degree and extent of the County's authority to regulate certain aspects of oil and gas operations. The parties prefer, if possible, to avoid expending their resources in advancing their legal positions. Notwithstanding these differences and in their desire to avoid protracted formal hearings, the County and Swift are willing to agree to the terms contained herein.

D. The provisions of Chapter 90 of LPLUC require Swift to obtain a county permit for the construction, installation and operation of oil and gas facilities within the unincorporated areas of the county except with respect to those lands where the County's jurisdiction is preempted by federal or state law, or by Southern Ute Indian Tribal jurisdiction.

E. The County seeks to facilitate the development of oil and gas resources within the above-described areas of the county while mitigating potential impacts from such development.

F. The County has determined that potential impacts attendant to future oil and gas development would be best mitigated for the County as a whole if future Mancos Shale Wells are drilled on existing well pads where practical and as prescribed in LPLUC despite the fact that, in some instances, the use of existing well pads may further affect certain property owners and neighboring properties.

G. C.R.S. § 43-2-147 provides authority to the County to regulate vehicular access to and from any public highway under its jurisdiction and from or to property adjoining a public highway in order to protect the public health, safety and welfare; maintain smooth traffic flow; maintain highway right-of-way drainage; and protect the functional level of public highways.

H. The County, as a matter of right, may intervene in the adjudicatory proceedings before the COGCC related to the Exploratory Application to raise environmental or public health, safety and welfare concerns. In exchange for the agreements contained herein, the County will not protest Swift's Exploratory Application, nor, if it intervenes in the adjudicatory proceedings related to the Exploratory Application, will it advocate any position inconsistent with any term contained in this Agreement.

I. Swift and the County wish to have certain issues amicably resolved prior to the COGCC's adjudicatory proceedings on the Exploratory Application and they agree that certain provisions of this Agreement should be included (subject to COGCC approval) in the requested Exploratory order.

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AGREEMENT

In consideration of the mutual obligations and benefits set forth in this Agreement and for other good and valuable consideration, the receipt of which is acknowledged, Swift and the County agree as follows:

ARTICLE I
APPLICATION

This Agreement shall apply to lands presently within the unincorporated portions of the Exploratory Application Area within the County with the exception of those lands where the County's jurisdiction is preempted by federal or state law, or by Southern Ute Indian tribal jurisdiction.

ARTICLE II
DENSITY AND USE OF EXISTING WELL PADS AND FACILITIES

2.1 *Density.* Swift agrees that, except as provided in Article 2.2 herein or as may be otherwise permitted in the COGCC order approving Swift's Exploratory Application, the density of new Mancos Shale Well Pads within the Exploratory Application Area shall not exceed one (1) within any single Exploratory Drilling and Spacing unit as approved by the COGCC. Notwithstanding the foregoing, nothing contained in this Article II shall be construed so as to require the closure or abandonment of any existing oil and/or gas well within the Exploratory Application Area.

2.2 *Well Location; Exceptions.* The County believes that the potential impacts attendant to future oil, gas, and associated hydrocarbon development would be best mitigated for the County as a whole if future Mancos Shale Wells are drilled on existing well pads ("Pad Drilling"). In support of this policy, in situations where reasonable efforts fail to produce a Surface Use Agreement concerning Pad Drilling between Swift and the Surface Owner, the County, in its discretion, may approve the Exploratory County Permit for Pad Drilling. Special exceptions to Article 2.1 may be requested by Swift in its applications for Exploratory County Permits. The County will grant special exceptions when the County finds that one or more of the following factors apply in a manner such that use of an existing Well Pad is rendered impractical:

a. Topographic characteristics of the site;
b. Natural resource constraints (*e.g.,* wetlands);
c. Location of utilities or similar services;
d. Other site conditions beyond the control of Swift; or
f. Demonstrated insurmountable technical issues related to the development or management of the mineral resource;
g. Safety concerns.

In rare circumstances, the County may also, in its discretion, grant a special exception to Article 2.1 at the request of the Surface Owner and Swift based upon other impacts that may arise from Pad Drilling. Nothing herein shall be construed or applied so as to result in the complete preclusion of an Exploratory Well authorized by the COGCC. The limitation contained in Section 2.1 shall not apply in any instance in which the County denies a permit application to drill a well from an existing Well Pad or to expand an existing Well Pad.

2.3 *Use of Existing Infrastructure.* Swift agrees, except as provided in Article 2.2, to use its best efforts to utilize existing infrastructure, including but not limited to the use of existing roads, pipeline routes and Well Pads within the Exploratory Application Area to the extent it is technologically feasible. Nothing contained in this Article 2.3 shall preclude Swift from installing additional or substitute facilities within the existing roads, pipeline routes and Well Pads if reasonably required to produce and operate the Exploratory Wells. The County recognizes that some minor reconfiguration of the existing infrastructure or additional easements may be necessary due to the placement of multiple wells on existing Well Pads. At the request of the County, Swift shall furnish information supporting Swift's requested need for new facilities (roads, pipeline easements, well pads, *etc.*) and new facilities may be required due to:

1. The lack of existing infrastructure in a COGCC permitted Mancos Shale drilling unit.

2. Engineering, geologic, safety, surface feature, economic, and/or without limitation any other constraints that make use of existing infrastructure reasonably impractical.

3. Facility ownership constraints that make the sharing or use of existing facilities technologically infeasible or reasonably impractical, which includes economic considerations.

2.4 *Legal Non-Conforming Uses and Setbacks.* Section 90-122(b) of LPLUC establishes certain setback requirements. In some instances, existing minor oil and gas facilities which initially met such requirements would not meet the requirements if a current application were filed due to (i) the encroachment of other development into the setback area, (ii) because the regulation was not in effect when the original installation occurred or (iii) because a waiver previously was obtained. Because the County believes that the policy of utilizing existing well pads is critical to the mitigation of the overall impact of the Mancos Shale Wells on the county as a whole, the County agrees that in those instances where the setback requirements of Sections 90-122 (b)(1) and (2) cannot be met currently, the County will consider the use of the existing Well Pad site a legal nonconforming use not subject to the requirements of Sections 90-122 (b)(1) and (2), provided that the degree of the nonconformity is not in any way increased by the placement of the Exploratory Well on the existing Well Pad site. The degree of existing nonconformity shall be measured from the existing wellhead to the nearest corner of the residential structure and/or county approved subdivision as applicable. The degree of

nonconformity for the new proposed Exploratory Well shall be measured from the proposed well head to the nearest corner of the residential structure and/or county approved subdivision as applicable. The increase, if any, in degree of nonconformity shall be the net difference between the two above measured values.

2.5 *Expansion of Existing Well Pads.* In those instances where an existing Well Pad is used for an Exploratory Well, Swift agrees to use reasonable efforts to minimize the expansion of the area of the existing Well Pad. The reasonableness of the expansion under the circumstances shall be demonstrated by Swift to the County with its Exploratory County Permit application. Swift agrees to exercise reasonable efforts to expand existing well pads away from nearby existing impacted residential structures.

ARTICLE III
PRIVATE ROADS AND ROAD MAINTENANCE AND IMPROVEMENT FEES

3.1 *Road Maintenance and Improvement Fees.* County and Swift have determined that specific land use activities by Swift within the Exploratory Application Area may create impacts on County roads and, therefore, mitigation in the form of negotiated road maintenance and improvement fees is proper and necessary. The parties recognize that these fees are not always a reliable or sufficient source of funds and that the County's ability to actually perform such work may be limited or hampered by reasons beyond its control. However, the County agrees to exercise good faith in its efforts to carry out the intent of this Agreement and to perform such work to the extent that monies are available and appropriated. The County shall control the sequencing and timing of its work and Swift hereby waives its rights, if any, to insist upon completion of the County's work or to dictate the manner, sequencing and timing of the same. The County recognizes and acknowledges that the monies collected hereunder must be collected and spent in a manner consistent with the accounting practices set forth in C.R.S. § 29-1-801 *et seq.* and that such monies may only be spent on facilities or maintenance that directly and reasonably related to the mitigation of impacts related to the activities described in the Exploratory Application.

3.2. *Road Maintenance and Improvement Fees Calculation and Payment.* Based upon certain agreed upon assumptions, Swift and the County have agreed to estimate Road Maintenance and Improvement Fees for minor oil and gas facilities with respect to the Exploratory Application. Swift and County shall use reasonable efforts to negotiate a fair and reasonable road maintenance agreement. Any such agreement and any traffic study must be approved by the La Plata County Public Works Director. All fees shall be based upon a traffic study associated with any county permit for Swift's development of the Exploratory Application Area and such fee shall be based upon the methodologies used by the parties as set forth herein:

1. Estimate average daily trips (ADT) and vehicle types associated with construction, drilling, completion, and post-completion activities.

2. Equivalent single axle loading (ESAL) analysis to estimate impacts to associated roads based on ADT's.
3. Estimate mitigation fees to offset increased road maintenance costs associated with project activities.
4. Evaluate road capacity to insure that traffic movements are safe, and if necessary traffic control or offsite improvements may be required to insure safe travel from state highway to project site.
5. La Plata County will provide Swift with the most recent ADT's and average road maintenance costs for the impacted roads.

Swift shall complete and submit the traffic study that includes a calculated Road Maintenance and Improvement Fee to the County Public Works Director for review and approval prior to applying for an Exploratory County Permit. Swift shall pay the County the Road Maintenance and Improvement Fee due and owing for the prescribed activity prior to the County's final approval of the Exploratory County Permit. If a permit is not issued for the proposed Exploratory Well(s) or if Swift decides not to construct both of the Exploratory Wells, then the fee will be returned to Swift. If Swift decides not to construct one of the two Exploratory wells subsequent to the payment of the fee, the County will return that portion of the fee directly related to the impacts associated to the well that Swift decides not to construct. In addition, for any oversized and/or overweight vehicles, Swift will need to acquire appropriate permits from the County Public Works Department.

3.3 *Submission of Information.* The County seeks to efficiently and effectively schedule maintenance and improvement projects on its county roads. The use of such roads by heavy equipment related to construction or production activities in the Exploratory Application Area could have an effect on such projects. The County seeks and Swift agrees to provide the County, on an annual basis, a forecasted activity plan setting forth the expected location and duration of major and minor oil and gas facilities operations within the county for the upcoming year as well as the county roads to be accessed and general proposed travel or haul routes. The disclosure of such plans and routes is for informational purposes only and shall not be construed as creating any obligation on the part of Swift, including, without limitation, to conduct such operations, to limit the location and duration of such operations or to follow such routes. The first submission of such information shall occur within thirty (30) days after the COGCC order approving the Exploratory Application. The County agrees to reciprocate and provide notice to Swift of its intended projects and its expected schedule for same.

3.4 *Use of Subdivision Roads.* Swift agrees that in those instances where it accesses Exploratory Wells in the Exploratory Application Area through a road or roads within a county-approved subdivision and a governing entity exists (*e.g.,* homeowners' association) with legal authority to bind the entity and its members, and with the authority to grant access rights over such roads and/or negotiate agreements with respect to their use, Swift will use reasonable efforts to negotiate a fair and reasonable road maintenance or road improvement agreement with such entity for the purpose of paying or making in-kind contributions for its pro rata share of the cost of maintaining or

improving the affected road(s). Such agreements or a memorandum thereof shall be recorded with the Clerk and Recorder of La Plata County. The existence, or lack thereof, of such executed and recorded agreements shall be noted in the Exploratory County Permit application for informational purposes only.

3.5 *Use of Equipment.* Swift agrees that:

a. it will remove or require the removal of tire chains from its heavy equipment before entering a county road unless safety conditions (i.e. icy and/or snow packed roads) prevent such removal and the use of tire chains does not cause damage to county roads;

b. all new roads associated with the Exploratory Wells within the Exploratory Application Area, unless waived by the County, shall have gravel access and Well Pads with a minimum of four inches (4") of either Class 6 or Class 2 Aggregate Base Course over a stabilized base as defined by the Colorado Department of Transportation Standard Specifications for Road and Bridge Construction over a stabilized base, both of which shall be maintained throughout permanent operations of the Well Pad; and

c. If mud and/or debris is tracked onto the county road by Swift's equipment, Swift shall remove same and restore the condition of the road as promptly as is reasonable under the circumstances.

d. Road maintenance and improvement fees outlined in Section 3.2 are designed to recoup the incremental county cost associated with road deterioration and safety related to Swift's use of the county roads as part of the development of the Exploratory Application Area. Pursuant to CRS §42-4-512, Swift shall be liable for any damage to a county road(s) caused by Swift that is in excess of the incremental costs estimated by the traffic study set forth in Section 3.2.

3.6 *Produced Water Hauling.* Except in emergency situations of which the County shall be provided notice, and except during drilling, completion and well servicing operations, Swift shall use reasonable efforts to transport by pipe produced water. In those instances where the utilization of a water hauling truck is required, Swift agrees to strictly comply with the weight restrictions set forth in Chapter 42, Article V of the LPLUC.

ARTICLE IV
AIR QUALITY

4.1 *Electrification.* Pursuant to LPCLUC § 90-122(d)(2), Swift agrees that Exploratory well(s) with engines or motors (excepting wellhead compressor engines) shall be electrified if located within 1,320 feet of distribution voltage. The electrification requirements contained herein refer to the use of 3 phase power and "distribution

voltage" means 12.47 kV 3 phase power. Swift may provide information demonstrating that such electrification is infeasible. The County shall review this information and may provide a waiver of this requirement if distribution voltage is not currently within 1,320 feet of the proposed Exploratory well(s). The applicant will contact and provide the surface owner an opportunity, at the surface owner's cost, to extend distribution voltage to within 1,320 feet of the proposed Exploratory Well(s). Internal combustion engine powered artificial lift equipment may be used prior to the time that a site facility is electrified. Exploratory Well(s) which are not electrically operated shall be equipped with quiet design mufflers (also referred to as hospital grade or dual dissipative) or equivalent. Such equipment mufflers shall be properly installed and maintained in proper working order.

4.2 *Greenhouse Gas Reduction.* Swift agrees to utilize reasonable efforts to minimize methane emissions by using "green completion" techniques in accordance with COGCC Rule 805 b.(3).

4.3 *Compliance with Air Quality Laws and Regulations.* Swift will comply with existing federal and state laws and regulations applicable to its operations as well as any future laws and regulations validly adopted by an authority with appropriate jurisdiction, including regulations that have been and may be adopted by the Southern Ute Indian Tribe if such jurisdiction exists over the Exploratory Application Area.

4.4 *Emission Control Equipment.* In accordance with applicable Air Quality laws and regulations set forth in Section 4.3, Swift agrees to utilize control devices capable of achieving 95% control efficiency of volatile organic compounds (VOC) on all condensate, crude oil, and or produced water tanks, and 95% control efficiency of volatile organic compounds (VOC) on all glycol dehydrators with a potential to emit of five (5) tons per year or greater. Swift further agrees to use no bleed or low bleed pneumatic devices in accordance with COGCC Rule 805.b(2).d. Such control devices may include, but not be limited to flares or other combustion devices, vapor recovery units, no bleed or low bleed pneumatic devices, and other similar emission control equipment that are standard practice to install in the industry

4.5 *Flaring and Venting.* Swift agrees to conduct flaring and venting practices in accordance with COGCC Rules 317 l., 805b.(3)v., 805b.(3)D., and 912. In addition, Swift agrees to abide by any requirements or restrictions implemented by the County when issuing Stage I or Stage II fire restrictions and that are applicable to Swift's operations.

4.6 *Dust Control.* Swift agrees to suppress dust throughout construction, drilling, completion, and operational activities through best management practices such as, but not limited to, speed restrictions, regular road maintenance, use of water or magnesium chloride for road spreading, and well equipment automation to reduce truck traffic. These practices shall be applied to well access roads and well locations.

4.7 *Odor Control.* Swift agrees to operate facilities and equipment in such a manner to reduce odors to the maximum extent that is reasonably and technologically feasible through the use of best management practices.

ARTICLE V
WATER

5.1 *Storm Water Management and Spill Prevention Containment and Control.* Even if not required to do so by any applicable regulation or law, Swift agrees to utilize Best Management Practices for all pad expansions and new pads and for road and pipeline development or improvements.

5.2 *Water Well Monitoring.* At a minimum, Swift agrees to comply with and perform water well monitoring at the Exploratory Wells in conformance with COGCC Rule 609.

5.3 *Demonstration of Water Source.* Pursuant to 90-123(e) Swift agrees to provide documentation to the County demonstrating a legally obtained source of water to be used for the Exploratory Wells. This documentation shall describe the water source(s) used for construction, drilling, completion, and/or post completion activities of the Exploratory Wells. For example, if water is obtained from a source within the State of Colorado, a decree from the appropriate Colorado water court would satisfy this requirement.

5.4 *Use of Produced Water.* If Swift decides to use produced water for any construction, drilling, completion and/or post-completion activities at the Exploratory Wells, Swift agrees to submit documentation to the County demonstrating that such produced water has been treated per COGCC requirements under the Hydrogen Sulfide Reporting Policy dated April 13th, 2012, to inhibit the growth of sulfide reducing bacteria.

5.5 *Exploration and Production Waste.* Swift agrees to dispose of all E&P waste in compliance with all applicable COGCC rules.

ARTICLE VI
OFFSET WELL EVALUATION ASSESSMENT/SOIL GAS VAPOR SURVEY

An offset well evaluation assessment is designed to determine a possible lack of zonal isolation along wellbores of plugged and abandoned or conventional wells. Swift will attempt to identify any plugged and abandoned and conventional wells drilled into or through the Mancos Shale Formation located within 0.25 miles of the wellbore of any Exploratory Well. Swift shall comply with any COGCC policies, guidelines, conditions of approval, or rules regarding offset well evaluation assessment relating to new horizontal well development. Swift shall submit materials to the COGCC regarding all results of the offset well evaluation assessments in accordance with the COGCC horizontal offset policy.

If the monitoring reveals a possible lack of zonal isolation, the COGCC may then conduct or order any necessary remediation or other authorized activities.

ARTICLE VII
MITIGATION MEASURES

Swift agrees to utilize and comply with the mitigation measures set forth in LPLUC Sections 90-122, 123 and 124. Further, upon the effective date of COGCC Rule 604.c.(2), as adopted by the COGCC on February 11, 2013, Swift agrees to utilize the mitigation measures set forth in Rule 604.c.(2) in Designated Setback Locations in accordance with the terms of such rule.

ARTICLE VIII
INCLUSION INTO COGCC ORDER

Swift and the County agree to jointly request that certain conditions, as set forth in attached Exhibit A, be incorporated into the COGCC order approving the Exploratory Application.

ARTICLE IX
SITE SPECIFIC DEVELOPMENT PLAN AND FUTURE REGULATIONS

This Agreement shall not grant or create any common law or statutory vested development rights or exempt Swift from any applicable County development review regulations or processes. The County reserves the right in the future to enact and apply prospectively oil and gas regulations that are general in nature and are applicable to all similarly situated oil and gas activities subject to land use regulation by the County, even though such regulations may be more or less stringent than the standards applicable to the Exploratory Wells by virtue of this Agreement.

ARTICLE X
RESERVATION OF RIGHTS

The parties acknowledge, understand and agree that this Agreement shall not operate as a bar, constitute a waiver of any rights of the parties, or in any respect affect the ability of any party to this Agreement to assert its claims concerning the validity of the County's land use jurisdiction. Nothing in this Agreement shall be construed as an admission regarding the existence of proper jurisdictional authority or waiver by either party of any legal right or obligation, nor shall anything be construed as a bar to either party to seek any legal remedy available to it. The parties further acknowledge, understand and agree that this Agreement is specific and limited to the Exploratory Well Application and does not preclude or limit the County from seeking a different agreement with Swift or any other operator regarding Mancos Shale Wells with different terms and conditions.

ARTICLE XI
SUMMARY INFORMATION

Once each calendar year, Swift will provide summary information to the County regarding the status of Swift's activities within the Exploratory Application Area, with respect to:

Section 3.2 - road impact fees

Section 4.1 - electrification, and

Section 4.2 - green completion techniques.

This information will be presented in table format with the following fields:

- County permit number
- Well name
- Date well completed
- Road impact fee tier and amount paid
- Date electrification implemented (if applicable)
- Green completion status (i.e. – were green completion practices used?)
- Air quality emission control devices installed onsite

ARTICLE XII
GENERAL PROVISIONS

The following general provisions shall govern the relationship between the parties with respect to Mancos Shale Wells within the Exploratory Well Application Area.

11.1 *Effective Date and Term.* This Agreement shall be effective upon entry of the COGCC's order approving the Exploratory Well Application.

11.2 *Entire Agreement.* Except as otherwise expressly set forth herein, this Agreement embodies the complete agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or between the parties, written or oral, which may have related to the subject matter hereof in any way.

11.3 *Successors and Assigns.* Except as otherwise provided herein, Swift shall have the absolute right to transfer or sell any or part of its interest in the Exploratory Wells; provided, however, that in the event of transfer, Swift's transferees, sublessees, successors and assigns shall be bound to comply with all terms hereof.

11.4 *Counterparts.* This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which when taken together shall constitute a single agreement.

11.5 *Amendment*. All covenants, representations and warranties herein and all other obligations, responsibilities and terms hereof shall continue to be fully binding and enforceable on the parties until expressly superseded by written agreement of the parties. No amendment to this Agreement shall be effective unless in writing, signed by all parties who are then subject to this Agreement.

11.6 *Waiver*. No failure on the part of any party hereto to exercise and no delay in exercising any right hereunder shall operate as a waiver of such right. The remedies provided herein are cumulative and not exclusive of any remedies provided by law. No waiver of, or failure to exercise any right hereunder shall operate to prevent future enforcement of such right.

11.7. *Notices*. Notices hereunder may be given by certified mail, return receipt requested, or by facsimile or electronic mail transmission. Notices shall be effective on receipt, provided, however, that confirmation of receipt shall be required in all instances. Notice to the respective parties shall be given to:

To the County at:
Courtney Roseberry
La Plata County Planning Department
1060 E. 2nd Avenue
Durango, CO 81301

With copies to:
Todd Weaver
La Plata County Attorney's Office
1099 Main Ave., Suite 311
Durango, CO 81301

To Swift at:
Swift Energy Operating, LLC
Attn: Justin R. Mathews, CPL
16825 Northchase Drive
Houston, TX 77060

With copies to:
Ms. Jamie L. Jost
Beatty & Wozniak, P.C.
216 16th Street, Suite 1100
Denver, CO 80202

or to any other addresses as any party hereto may, from time to time, designate in writing and deliver in a like manner.

11.8 *Headings*. The descriptive headings of the sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

11.9 *Further Acts*. Each of the parties shall promptly and expeditiously execute and deliver any and all documents and perform any and all acts as reasonably necessary, from time to time, to carry out the matters contemplated by this Agreement.

11.10 *No Partnership; Third Party Beneficiaries*. It is not intended by this Agreement to, and nothing contained in this agreement shall, create any partnership, joint venture or other arrangement between Swift and the County. No term or provision of this Agreement is intended to or shall be for the benefit of any person, firm, organization or

corporation not a party hereto and no other person, firm, organization or corporation shall have any right or cause of action hereunder.

11.11 *Severability.* The provisions of this Agreement are deemed material and nonseverable. If an action is brought that results in any provision of this Agreement being determined or declared by a Court to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, the parties shall negotiate in good faith for an equivalent or substitute provision or other appropriate adjustment to this Agreement. If the parties cannot reach agreement, or if so desired by the parties, then the issues in dispute shall be submitted to a mediator acceptable to both parties for nonbinding mediation. Unless otherwise agreed to by the parties, such mediation shall occur within sixty (60) days of a party's receipt of a notice to mediate from the other party.

11.12 *Governmental Immunity.* Any and all claims related in anyway to this Agreement shall be subject to the limitations of the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 *et seq.,* and the Federal Tort Claims Act, 28 U.S.C. § 1346(b), 2671 *et seq.*, and it is understood that by entering into this Agreement, the County in no way waives its protections, immunities or any other provision of the Colorado Governmental Immunity Act, C.R.S. § 24-10-101 et *seq.*

11.13 *Governing Law.* This Agreement is made and shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Colorado without regard to the conflict of laws principles. Venue for any action related to this Agreement shall be brought in La Plata County, CO.

11.14 *Dispute Resolution.* If any dispute arises between the parties regarding the terms and conditions of this Agreement, or if any complaint is received by the County regarding any noncompliance with the terms of this Agreement, the parties agree to attempt to resolve any such dispute or complaint pursuant to an informal dispute resolution process, following in general the process set forth in LPLUC Sec. 90-127, prior to taking any formal enforcement or legal action. This provision, however, does not act as a waiver of any parties' legal rights or their ability to initiate formal enforcement or legal action regarding the dispute or complaint.

SWIFT ENERGY OPERATING, LLC

By: J P. Mitchell

James P. Mitchell, Sr. Vice President Commercial Transactions & Land

Name (print): James P. Mitchell

Date: 3-13-13

Attorney-In-Fact

BOARD OF COUNTY COMMISSIONERS
LA PLATA COUNTY, COLORADO

Robert A. Lieb, Jr., Chair

Date: 03/19/2013

(SEAL)
ATTEST:

Clerk to the Board

EXHIBIT A

PROPOSED CONDITIONS OF APPROVAL

Applicant Swift Energy Operating, LLC ("Swift") and Intervenor La Plata County, Colorado ("La Plata County") respectfully request that an Order issued by the Commission in Docket Nos. 1302-SP-24 and 1302-SP-25 be made subject to and conditional upon the following:

1. Compliance with the terms and provisions of all of the Commission's health, safety, welfare and environmental rules and regulations now or hereafter in effect.

2. Compliance with all applicable regulations of the BLM, BIA and the Southern Ute Indian Tribe when conducting operations on lands subject to such agency's/government's jurisdiction.

3. Those certain provisions as set forth in Exhibit A of the Memorandum of Understanding between Swift and La Plata County as follows:

- ***Surface Density***

The density of Mancos Shale Well Pads within the Exploratory Application Area shall not exceed one (1) within any single Exploratory Drilling and Spacing unit. Notwithstanding the foregoing, nothing contained in this provision shall be construed so as to require the closure or abandonment of any existing gas well within the Exploratory Application Area.

- ***Water Well Monitoring.***

Compliance with COGCC Rule 609.

- ***Offset Well Evaluation Assessment/Soil Gas Vapor Survey***

An offset well evaluation assessment is designed to determine a possible lack of zonal isolation along wellbores of plugged and abandoned or conventional wells. Swift will attempt to identify any plugged and abandoned and conventional wells drilled into or through the Mancos Shale Formation located within 0.25 miles of the wellbore of any Exploratory Well. Swift shall comply with any COGCC policies, guidelines, conditions of approval, or rules regarding offset well evaluation assessment relating to new horizontal well development. Swift shall submit materials to the COGCC regarding all results of the offset well evaluation assessments in accordance with the COGCC horizontal offset policy. If the monitoring reveals a possible lack of zonal isolation, the COGCC may then conduct or order any necessary remediation or other authorized activities.

- ***Produced Water***

If Swift decides to use produced water for any construction, drilling, completion and/or post-completion activities at the Exploratory Wells, Swift agrees to submit documentation to the County demonstrating that such produced water has been treated per COGCC requirements under the Hydrogen Sulfide Reporting Policy dated April 13th, 2012, to inhibit the growth of sulfide reducing bacteria.

- ***Flaring and Venting.***

Swift agrees to conduct flaring and venting practices in accordance with COGCC Rules 317 l., 805b.(3)v., 805b.(3)D., and 912. In addition, Swift agrees to abide by any requirements or restrictions implemented by the County when issuing Stage I or Stage II fire restrictions and that are applicable to Swift's operations.

- ***Mitigation Measures***

Swift agrees to utilize and comply with the mitigation measures set forth in LPLUC Sections 90-122, 123 and 124. Further, Upon the effective date of COGCC Rule 604.c.(2), as adopted by the COGCC on February 11, 2013, Swift agrees to utilize the mitigation measures set forth in COGCC Rule 604.c.(2) in Designated Setback Locations in accordance with the terms of such rule.