



## SURFACE DAMAGE AGREEMENT

THIS SURFACE DAMAGE AGREEMENT is made by and between Roy & Beverly Carlson & Co., a partnership, whose address is 11176 Pearl Street, Northglenn, CO 80233, herein called the "Surface Owner", and CFG Energy, Inc., a Colorado corporation, whose address is 3932 West 18<sup>th</sup> Street Lane, Greeley, Colorado 80634, herein called "CFG".

CFG currently proposes to conduct drilling operations to drill oil and gas wells (the "Wells") in the NE1/4 of Section 17, Township 5 North, Range 61 West, 6th P.M., Weld County, Colorado, herein called the "Lands", and, thereafter, CFG proposes to conduct production operations on the Lands. Surface Owner represents that it owns and is in possession of the entire surface estate in the Lands upon which the Wells and associated equipment will be located and upon which production operations will be conducted. By this instrument, CFG and Surface Owner set forth their agreement concerning the surface damages resulting from the drilling of the Wells and subsequent production operations.

NOW, THEREFORE, in consideration of the sum of  
for each Well, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Normal Damages. Prior to commencement of drilling operations, CFG shall pay Surface Owner the above stated sum as full settlement and satisfaction of all damages growing out of, incident to, or in connection with the usual and customary exploration, drilling, completion, reworking, equipping and maintenance of each Well and all subsequent production operations of each Well. Activities shall include, but shall not be limited to:

A. construction of access roads, preparation and use of each drill site area (not to exceed three acres in size for each well, exclusive of access road), preparation and use of reserve and water pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, treators, tank batteries, and any other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas from each Well; and,

B. all damages caused to Surface Owner's Land resulting from the installation and connection of buried gas pipelines from each Well's equipment and/or facilities to the gas purchaser's pipeline.

2. Abnormal Damages. If, by reasons directly resulting from the activities and/or operations of CFG, there is damage to real or personal property upon the Lands which is not associated with usual, convenient and customary operations, such as, but not limited to, damage to livestock, structures, fences, culverts, cement ditches, and irrigation systems, CFG shall promptly repair such damage or pay reasonable compensation to Surface Owner.

3. Notice of Heavy Equipment Operations. If requested by Surface Owner, prior to heavy equipment operations on the Land, CFG's representative will meet and consult with Surface Owner, or Surface Owner's representative, as to the location of each wellsite, its access roads, flowlines, tank batteries, gas sales lines and other associated production facilities.

4. Waiver of Thirty Day Notices. Surface Owner hereby waives the thirty (30) day advance notices required by Colorado Oil and Gas Conservation Commission ("COGCC") Rule 305., as amended, and agrees to execute a separate waiver for filing with the COGCC if requested by CFG.

5. Notice to Tenant(s). With respect to notices required to be given under COGCC's Rule 305., it shall be the responsibility of the notified Surface Owner to give notice of the proposed operation to the tenant farmer, lessee or other party that may own or have an interest in any crops or surface improvements that could be affected by such proposed operations. As a courtesy to Surface Owner and Tenant(s), CFG will attempt to notify said third party prior to commencement of any operation, but, shall be under no obligation to do so.

6. Topsoil Reclamation. All topsoil removed during drill site preparation and reserve and water pits construction (but not including buried flowlines and gas pipeline installations, which will be accomplished by trenching) shall be segregated and kept separate from subsoil. Prior to replacing topsoil, Bentonite drilling mud and

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fluids remaining in pits as a result of the drilling operations may be mixed in with subsoils when pits are restored and/or may be spread on the surface of the Lands. After subsoils have been replaced, topsoil shall be restored to its original location and condition as near as possible in the course of restoration activities.

7. Site Restoration. Upon completion of any activity by CFG, the premises shall be restored to its original condition as near as reasonably practical. All materials and equipment associated with the activity, such as concrete, plastic, pipe, cable and similar waste materials and refuse, shall be removed. Weather permitting, reclamation and restoration operations shall be completed as soon as is feasible following drilling and subsequent related operations, unless CFG and Surface Owner mutually agree to postponement because of crop or other considerations.

8. Successors, Assigns and Agents. This Surface Damage Agreement shall be binding upon and inure to the benefit of the parties hereto, their agents, successors and assigns, and may be executed in counter parts and/or on different dates.

IN WITNESS WHEREOF, this instrument is executed as of the dates written below.

CFG Energy, Inc.

By: Thomas B. Croke, III  
Thomas B. Croke, III, President

By: Roy Carlson  
Roy Carlson

By: Beverly Carlson  
Beverly Carlson

Date: February 4, 2005

Date: Feb 4, 2005

Date: Feb. 4, 2005

STATE OF COLORADO )  
COUNTY OF Adams ) ss.

The foregoing instrument was acknowledged before me this 4<sup>th</sup> day of February, 2005, by Roy Carlson and Beverly Carlson, on behalf of Roy & Beverly Carlson & Co., a partnership.

Witness my hand and official seal.

My commission expires:

12/26/2006

f. Michael McShee Notary Public

The foregoing instrument was acknowledged before this 7th day of February, 2005 by Thomas B. Croke, III, President.

Witness my hand and official seal.

D. D. S. S. S.  
Notary

My commission expires 9/23/2007