

## SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("Agreement") is made and entered into this 5<sup>th</sup> day of April, 2012, by and between W. Lee Detterer, whose address is 11731 County Road 66, Greeley, Colorado 80631, hereinafter called Owner (whether one or more) and Great Western Oil and Gas Company, LLC, a Colorado Limited Liability Company, whose address is 1700 Broadway, Suite 650, Denver, Colorado 80290, hereinafter called 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 6 NORTH, RANGE 67 WEST, 6<sup>th</sup> P.M.

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Operator, 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 (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 intends to drill or cause to be drilled oil and/or gas wells ("Wells") on the Lands as approximately depicted on Exhibit "A" attached hereto. In order for Operator to drill, construct, complete, produce, maintain, and operate the Wells and all facilities associated therewith, including, but not limited to, permanent access roads ("Access Roads"), temporary access roads ("Temporary 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.

Operator may assign or delegate to a third party the right to install and operate pipelines in order to connect the Wells to a gas gathering system. Such pipelines shall only serve Wells located upon the lands. Temporary access roads and access roads shall be non-exclusive and capable of use by Owners and its successors, lessees and assigns.

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 approximate location of the Wells, the Access Roads to the well sites and certain other Facilities to be constructed on the Lands are depicted on Exhibit "A" attached and incorporated into this instrument by this reference. Any material changes to the locations of the well sites, 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 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.** Operator will pay Owner the sum of [REDACTED] for the Detterer FD #25-6D, Detterer #24-21D, Detterer #24-37D, Detterer #35-7D and Detterer #25-2D well sites and tank battery location prior to the commencement of drilling operations for each such Well. Said sum 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 and Facilities. Such damages will include, without limitation, damage to growing crops and crop land; the re-seeding, construction and use of access roads; and the preparation and use of the wellsite areas. Any subsequent major operations for said Wells (refrac, deepening, redrilling, etc.), except in case of emergency, shall require 10 days prior notice to Owner. Operator shall pay Owner all actual damages caused by subsequent operations including but not limited to (a) violations of this Agreement, (b) violations of regulations of the COGCC, (c) negligence, and (d) violations of 6C(ii) 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) Access Roads will not exceed twenty feet (20') feet in width absent written consent from the Owner.
- (ii) During Drilling operations, Operator will insure that all vehicles accessing the Lands on its behalf remain on the Access Roads. Operator shall have the right to place a single strand fence on both sides of Access Roads during drilling operations.
- (iii) Operator will stockpile and save any topsoil removed while constructing Access Roads for rehabilitation or re-seeding as reasonably directed by Owner.
- (iv) Operator will maintain all Access Roads in good repair and condition.

**B. Surface Restoration:**

- (i) 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 condition and contour as nearly as is reasonably practicable, and re-seeded, provided however, that Operator's intent to abandon any Access Roads will be subject to the provisions of Paragraph 6(A)(iv) herein.
- (ii) Reclamation of all areas disturbed by drilling operations shall be commenced and completed as soon as possible after cessation of drilling operations. Operator agrees to take all steps necessary for reclamation to return the disturbed property as close to its original condition as possible.

**C. Other:**

- (i) Operator will install culverts on the Lands that may be necessary to maintain present drainage 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, livestock, water wells, fences, gates, culverts, bridges, pipelines, ditches, or irrigation systems, and for which Owner has not been previously compensated pursuant to Paragraph 5, Operator will pay full market value, repair, or replace such personal property after consultation with and to the reasonable satisfaction of the Owner within thirty (30) days. Owner will promptly notify Operator of any items damaged after the Wells construction, and Operator will repair or replace such items after consultation with the Owner within thirty (30) days of the notification.
- (iii) Operator agrees that all trash, refuse pipes, 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 thirty (30) days after the completion of the Wells. No such items will be burned or buried on the Lands.
- (iv) Operator is required to remove casing to a depth of six (6) feet below surface within ninety (90) days following cessation of operations.
- (v) The wellsites and production/tank sites shall be kept free and clear of all noxious weeds, unsightly growth and trash either during drilling operations or after completion and production. Additionally, all

production/tank sites shall be fenced pursuant to the reasonable requirements of Owner such that livestock will not have access to said sites.

- (vi) All guy lines for drilling and completion rigs shall be immediately removed after such work is completed.
- (vii) At the request of Lessor, Operator agrees to fence off the perimeter of the wellsites with temporary fencing during drilling operations. Operator will also install swinging gates with locks at all access points where necessary as determined by Owner and Operator shall be responsible for restoring Owner's existing fence to its original condition at any point of access.
- (viii) All pipelines of any type or purpose shall be buried not less than three and one-half feet (3½') beneath the surface and water packed or compacted upon installation. In excavating for pipelines or for drilling operations or for any other purpose, all soils will be separated so that topsoil and subsurface soils shall be placed back in the proper order and leveled, with top soil on top. No pipelines shall be permitted which do not serve a well or wells located upon Owner's property.
- (ix) No wells, roads, or facilities of any type will be permitted that interfere with or obstruct any existing or comparable replacement irrigation structures, including but not limited to water wells, ditches, water pipelines, or pivot sprinklers.
- (x) No well or any other operational equipment including but not limited to separators and tank batteries shall be located nearer than five hundred feet (500') to any house or structure now upon the property without the written consent of the Owner.
- (xi) Operator agrees to request and prepare all necessary instruments for the making of the spacing unit of forty (40) acres for the Detterer 25-31 containing the Northwest Quarter of the Northeast Quarter (NW¼NE¼) of Section Twenty Five (25), Township Six (6) North, Range Sixty-seven (67<sup>th</sup>) West of the 6<sup>th</sup> P.M.

**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 30 days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default. Receipt of the certified mail shall be deemed effective 3 days after the mailing unless sooner received by Operator.

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 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 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.

**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 COGCC.

**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 exception of the default notice described in Paragraph 7), with 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 notice to the other:

**Owner:**

W. Lee Detterer  
11731 County Road 66  
Greeley, CO 80631

**With a copy to:**

Lind & Ottenhoff, LLP  
Kenneth F. Lind, Esq.  
355 Eastman Park Drive, Suite 200  
Windsor, CO 80550  
Phone: (970) 674-9888 Fax: (970) 674-9535

**Operator:**

Great Western Oil and Gas Company, LLC  
a Colorado Limited Liability Company  
1700 Broadway, Suite 650  
Denver, Colorado 80290

**12. BINDING EFFECT.** The covenants and conditions herein contained are 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 for the payment of any consideration, if any, due such third party from Owner.

**13. 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.

**14. TERMINATION.** If Operator does not commence operations for the Wells within the primary term of the Lease, this Agreement will terminate in its entirety without penalty to either Party, or will otherwise be renegotiated.

**15. CONFLICT.** This Agreement sets forth additional terms and conditions of the Lease between the parties hereto. If there is a conflict between this Agreement and the Lease with regard to surface use issues, this Agreement shall control.

**16. COUNTERPARTS.** This Agreement may be executed by facsimile, in counterparts, each of which will be considered an original and enforceable against either party.

**17. 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.

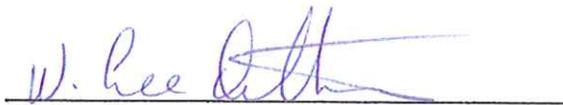
**18. ATTORNEY'S FEES AND COSTS.** The Parties agree that the prevailing Party in any action resulting from a breach of this Agreement will be entitled to its reasonable attorneys' fees and costs incurred therein.

**19. 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.

**20. 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, administrators, trustees, executors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**OWNER:**



W. Lee Detterer

**OPERATOR:**

Great Western Oil and Gas Company, LLC  
a Colorado Limited Liability Company



By: Tom W. Rand

Title: Vice-President of Operations

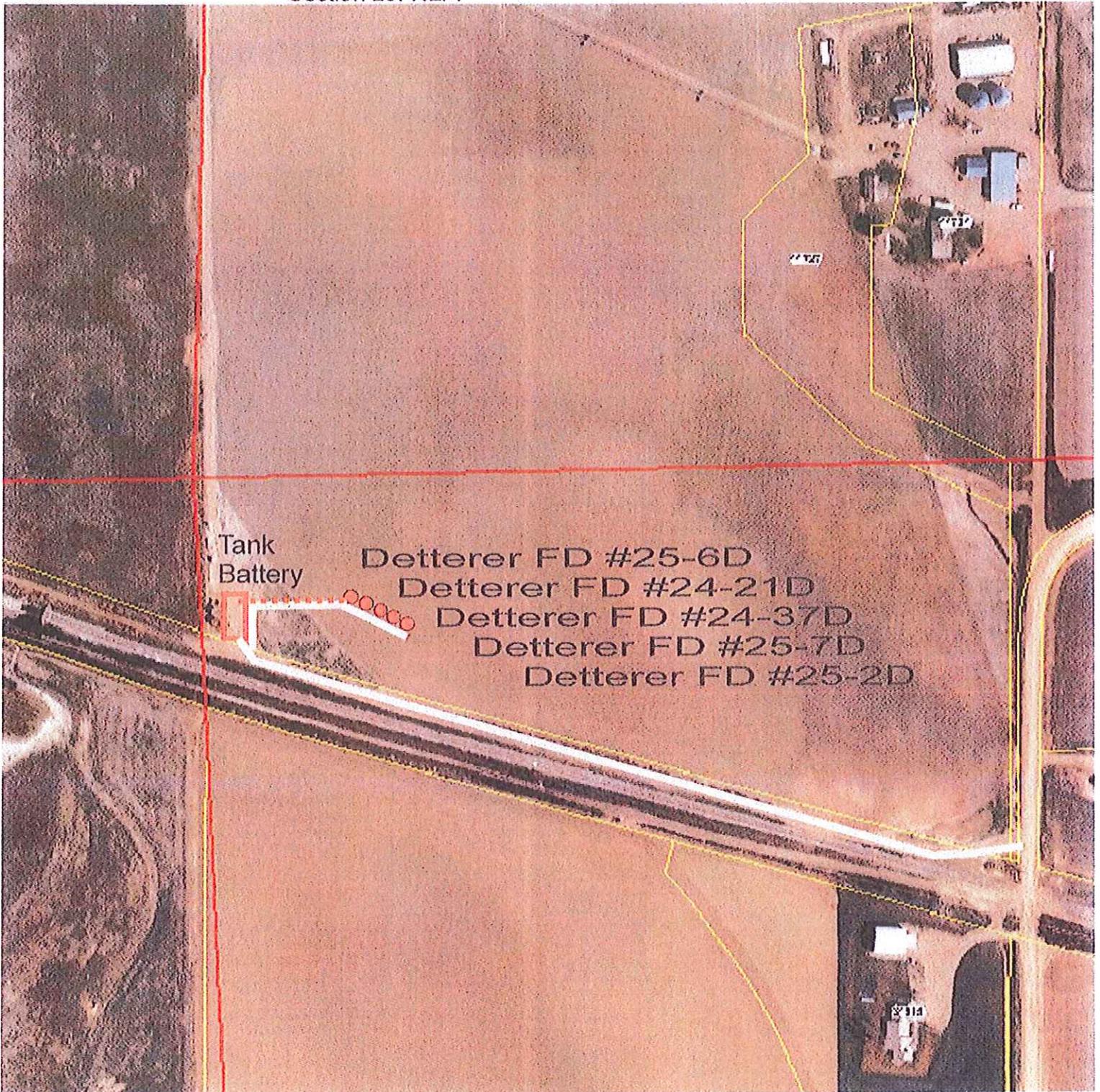
# EXHIBIT "A"

This Exhibit "A" is attached to and made a part of that Amendment To Amendment To Oil and Gas Lease between W. Lee Detterer, as "Lessor" and Canamex, LLC, as "Lessee", dated this \_\_\_\_\_ April, 2012.

TOWNSHIP 6 NORTH, RANGE 67 WEST, 6th P.M.

Section 24: SE/4

Section 25: NE/4



Access Road  Flow Line 