

## **Surface Use Agreement**

This Surface Use Agreement is made and entered into this 10<sup>th</sup> day of December, 2010, by and between L & S Capital, Ltd, 800 N. Hwy 36, Byers, Colorado 80103 ("L & S"), and Bonanza Creek Energy Operating Company, LLC, 4900 California Ave., Suite #360-B, Bakersfield, California 93309 ("Bonanza").

### **BACKGROUND**

Bonanza owns oil and gas leasehold interests covering the following lands in Weld County, Colorado (the "Property"):

#### **Township 5 North, Range 61 West**

Section 5: All

Section 6: All

Section 7: All

Section 8: NE/4, SW/4

Section 17: S/2, NW/4

Section 18: All

Bonanza intends to drill various wells in search of oil and gas upon the Property, and L & S owns the surface of the Property. The parties desire to memorialize their agreement concerning use of the surface owned by L & S for Bonanza's drilling and other operations.

### **AGREEMENT**

In consideration of

, L & S and Bonanza agree as follows:

1. For purposes of this Agreement, a "Well" means a well drilled or caused to be drilled by Bonanza on the Property.
2. No well or production equipment shall be located within three hundred (300) feet from a residence or barn on the Property when the well is permitted.
3. Bonanza shall locate its access roads for the wells, to the extent reasonably practical, along section lines, quarter-section lines and 16<sup>th</sup> lines.
4. These access roads will be maintained by Bonanza for the passage of normal oilfield trucks and equipment, and Bonanza shall take care to minimize wind damage and erosion.
5. These access roads will not be used to access other property unless such access roads are located on section line rights-of-way designated in 1889 by the Board of Weld County Commissioners.
6. At the request of L & S, Bonanza may cause surface equipment and flow lines to be relocated at L & S's sole cost and expense, but only if the relocated facilities will not interfere with Bonanza's oil and gas operations, including drilling, producing, treating, gathering and storing operations.

7. Electric pumping units will be used if an electric source is available within one-quarter (1/4) mile of the well location. If electric pumping units are not used, Lessee shall install a Maxim-Silencer muffler model M51, or its model equivalent.
8. To the extent commercially practicable, surface equipment will be located in such a manner as to minimize diminution in value of the surface estate. Lessee will confer with L & S before locating wells, equipment and flowlines.
9. Lessee will comply with the Colorado Oil and Gas Conservation Commission ("COGCC") regulations at all times.
10. Bonanza shall have no obligation to pay any amounts to L & S for surface damages in connection with wells drilled on the Property. Instead L & S have been fully compensated for all normal surface damages by
11. By executing the Surface Use Agreement, L & S waives the 30-day notice required under Rule 305 of the COGCC, as such notice requirements may be changed or amended hereafter. L & S agrees that a photocopy of this Agreement may be submitted to the Colorado Oil and Gas Conservation Commission to evidence both this waiver and the settlement of all surface issues. If there is a surface tenant, L & S shall be solely responsible for all notices, negotiations, and compensation to that surface tenant in connection with Bonanza's oil and gas operations on the Property. However, Bonanza shall notify L & S 15 days in advance of drilling in order to confer in good faith with L & S regarding the location of wells, access routes, production facilities and flowlines. In the event that Bonanza is notified of the availability of a drilling rig less than 15 days before drilling is planned, Bonanza will use its best efforts to contact L & S or the contacts also listed below immediately after learning of the rig offer, in order to set an emergency site-meeting regarding locations.

Mark Linnebur

Phone: 303-822-5833  
303-769-4333

Frank Linnebur

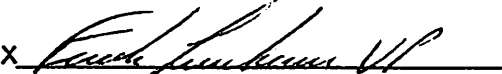
Phone: 303-822-5833  
303-769-4333

12. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors and assigns.

In Witness Whereof, this Surface Use Agreement is executed as of the date first above set forth.

L & S Capital, Ltd, a Colorado limited partnership  
By Progressive Farms Management, Inc.,  
Its General Partner

x  President  
Mark Linnebur, President

x  VP  
Frank Linnebur, President

Bonanza Creek Energy Operating Co., LLC

x   
R. Michael McPhetridge, VP Land

STATE OF COLORADO )  
 ) ss.  
COUNTY OF Arapahoe )

The foregoing instrument was acknowledged before me this 10th day of Dec, 2010,  
by Mark Linnebur

Witness my hand and official seal.

My commission expires:

8/29/2011

Sarah R. Nelson  
Notary Public  



STATE OF COLORADO )  
 ) ss.  
COUNTY OF Arapahoe )

The foregoing instrument was acknowledged before me this 10th day of Dec, 2010,  
by Michael McPhetridge

Witness my hand and official seal.

My commission expires:

8/29/2011

Sarah R. Nelson  
Notary Public  


STATE OF COLORADO )  
 ) ss.  
COUNTY OF Arapahoe )

The foregoing instrument was acknowledged before me this 10th day of Dec, 2010,  
by Frank Linnebur

Witness my hand and official seal.

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Sarah R. Nelson  
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