

SURFACE DAMAGE AGREEMENT

Brooks #1-2 Well

Page 1

SURFACE DAMAGE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, THAT

WHEREAS WILLIAM BROOKS, whose mailing address is 37701 CR V, Walsh, CO 81090, and BRIAN BROOKS, whose mailing address is 19511 CR 36, Walsh, CO 91090, (hereinafter referred to as "Owner", whether one or more), are the owners of the following described lands situated in the County of Baca, State of Colorado, to-wit:

Township 32 South, Range 45 West, 6th P.M.
Section 1: Northeast Quarter

containing 160.00 acres, more or less, hereinafter referred to as "said land"; and

WHEREAS, Cholla Production, LLC, whose mailing address is 7851 South Elati Street, Suite 201, Littleton, Colorado 80120 (with its agents and assigns, hereinafter referred to as "Company") proposes to clear wellsites and access roads on and across said land.

NOW, THEREFORE, in consideration of the sum of DOLLARS total (**\$ *), proportionately reduced to interest of Owner, and other valuable consideration in hand paid, the receipt of which is hereby acknowledged, the Owner does hereby release the Company from any and all claims for damage to future crops and the surface of the land which have arisen, or may arise from, out of, or in connection with necessary and reasonable oil and gas operations for the BROOKS #1-2 Well on said land, including the building of the drillsite and the use therefore, the initial completion of the well drilled on the drillsite and the establishment of the tank battery and setting of production equipment and laying of pipelines necessary for the production of the herein described well and accepts the above payment as full compensation for all such damages subject to the following terms and conditions, to-wit:

- 1) The BROOKS #1-2 drillsite shall be located approximately 1040 feet WEST of the EAST line and 940 feet SOUTH of the NORTH line in the Northeast Quarter (NE/4) of the Section, Township and Range aforementioned, being according to and within the governing regulations.
- 2) Company agrees to conduct all operations in a diligent manner and in accordance with the highest standards of the oil and gas industry in Baca County and within the guidelines of the Colorado Oil and Gas Corporation Commission.
- 3) In preparation of the drillsite location, Company agrees to remove the topsoil from the area over the pits; stockpile and hold said topsoil in reserve until the contour of the site is re-established. Each drillsite shall be ripped and contoured to the original slope, cleared of drilling mud and oil following completion operations. Company agrees to backfill the drilling mud pits once said pits are dry enough to fill without excessive settling.
- 4) Company agrees to install culverts as needed to maintain present land drainage and irrigation, so long as the wells are produced. Owner does hereby give permission to install said culverts.
- 5) In the event that commercial production is established, Company will install a fence around the wellsite to include sufficient room for the wellhead, any pumping unit and/or equipment which may be required at a later date, including adequate space for a well-servicing rig to rig up and perform service to the well, as may be required.
- 6) In the event that commercial production is established, all parties agree that if a right-of-way purchase is required for the purposes of pipeline or gathering construction, Company shall pay DOLLARS (**\$ **) per rod to the Owner of the property as compensation for damages and said right-of-way.
- 7) Notwithstanding any other provisions hereof, Company agrees that all trash, refuse pipe, equipment, liquids, chemicals, reasonable amounts of drilling mud, or other materials

SURFACE DAMAGE AGREEMENT

Brooks #1-2 Well

Page 2

brought onto the property that are not necessary for the continued operation of said well, shall be removed and disposed of away from the property not later than fifteen (15) days after completion of said wells. No such items shall be burned or buried on the property.

- 8) Company will be responsible for maintaining the lease road in safe and operable state or condition during the term of this Agreement. Upon plugging the wellbore for the BROOKS #1-2, roads and location shall be returned to their original condition. During reclamation, Company agrees to work in ~~lay~~ and manure to help prevent wind erosion of the sandy soil. At the owner's request, the reclaimed roads and location may be seeded with native grass.

certified weed-free straw W.B.B.

- 9) If, by reason of activities of Company, including but not limited to drilling, completion, equipping, and operating of the wells upon the premises, there is damage to the tangible, real or personal property of the Owner, including but not limited to irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation and drainage systems, the Company shall repair or replace such items after consultation with and to the complete satisfaction of the Owner. Any items damaged after well construction shall be brought to the attention of the Company immediately and shall be repair or replaced after consultation with the Owner within forty-five (45) days of occurrence.

10) SEE Page 3 - Attached Addendum W.B.B.B.

It is agreed that time is of the essence and that failure to perform obligations as provided herein shall entitle the party not in default to bring an action in the District Court of Baca County for damages, for enforcement of the within Agreement, or for injunctive relief.

This Agreement shall be binding upon the parties hereto, their heirs, successors and assigns and shall run with the land described hereinabove.

Colorado W.B.B.

This Agreement is entered into in the State of ~~Kansas~~ and shall be governed and interpreted by the laws of such State.

IN WITNESS WHEREOF, this Surface Damage Agreement is executed this 30th day of October, 2009.

OWNER:

COMPANY:

CHOLLA PRODUCTION, LLC

William Brooks
William Brooks

By: Emily Hundley Goff
Emily Hundley-Goff, Owner/Manager

Brian Brooks
Brian Brooks

SURFACE DAMAGE AGREEMENT

Brooks #1-2 Well

Page 3 - Addendum

NE The owner has plans to install a center pivot irrigation sprinkler on this NW1/4 1-32-45. If commercial production is established, the owner requests a low profile pumping unit and that the installed fence does not interfere with the sprinkler wheel tracks. The owner also requests that any future tank batteries be established in one of the corners of the quarter section.

