



SURFACE DAMAGE AGREEMENT

WHEREAS, Charles E. Frye and Dorothy M. Darden hereinafter referred to as ("OWNERS") are the owners of the surface estate of 80 acres being the East Half (E/2) of the Northwest Quarter (NW/4) of Section Twenty Three (23), Township Six (6) North, Range Sixty Eight (68) West, Larimer County, Colorado, herein after referred to as ("the Premises"); and

WHEREAS, Bright & Company, ("Company") has acquired rights to an Oil and Gas Lease covering the Premises by which it may explore the Premises for the development and production of oil, gas and associated hydrocarbon substances; and

WHEREAS, the parties desire to settle and agree upon the matter of compensation for damages that may be caused to the Premises as a result of such exploration, development and production; and

WHEREAS, Company, proposes to drill a well identified as the Union #1, located in the Northeast Quarter (NE/4) of the Northwest Quarter (NW/4), of Section 23, T6N,R68W, being according to and within the governing regulations of the County of Larimer and State of Colorado.

NOW, THEREFORE, in consideration of the payment of sums of money described hereinbelow and other valuable consideration to be paid to the Owners by Company, the parties hereby agree as follows:

1. Company shall pay Owner, prior to commencement of earth moving operations in connection with the above described well, the sum of \_\_\_\_\_ Said sum shall constitute payment for damages necessarily and normally associated with the drilling, and initial completion, of the above described well. Normal damages include construction of one access road per well, preparation and use of the drillsite area, preparation and use of a reserve pit, and construction, installation of production equipment and facilities such as flowlines, separators and tank batteries necessary for the production of oil and/or gas from the said well. In the event this well is a commercially producing oil and/or gas well, Company agrees to pay Owners \_\_\_\_\_ per year as long as the well remains in production.

2. When constructing the wellsite location, the topsoil shall be removed from the area over the pit, stock piled and held in reserve until the contour of the site is re-established, at which time it will be replaced, as close as is reasonably possible, to the condition it was in before Company entered the wellsite area. The wellsite shall be returned as best as practicable, to the original slope and contour, as existed immediately prior to drilling and completion activities. Such wellsite shall be cleared of drilling mud and oil following completion operations. Company agrees, after reclamation of the wellsite, to reseed, if necessary, in order to establish ground cover to as close as is reasonably possible to the condition it was in before Company entered the wellsite.

★ To be paid in equal, monthly, installments starting 30 days after production begins.  
C.S.L.

3. Access to the above described well shall be from State Hwy. 392 across from the entrance to Ptarmigan Country Club. The access road from State Hwy. 392 to the wellsite will be approximately 18 feet in width. Owners agree to allow Company to use the access to the well location described in Colorado Department of Transportation State Highway Access Permit No. 493006 (see attached Exhibit "A"), for the purpose stated in said permit.

4. The surface facilities for the Union #1 well shall be located as described in Exhibit "B" attached to this agreement.

5. Company agrees to be responsible for any alterations needed to existing fences for the purposes of drilling, completing, or production of the well herein described.

6. Company agrees to install culverts if needed to maintain present land drainage and irrigation, so long as well is producing. Owner does hereby give permission to install said culverts.

7. Any subsequent operations of said well, except in an emergency, require seven days prior written notice to Owners and shall require payment of all actual damages caused by said operations to growing crops and damages to real or personal property resulting therefrom as set forth in paragraph 9 of this agreement.

8. Consideration herein stated shall be for damage to a maximum of 2.5 acres, being 108,900 square feet, plus access road. The drillsite shall be approximately 255 feet by 340 feet. Company agrees to construct the reserve pit approximately 150 feet long and approximately 60 feet wide.

9. Should Lessor suffer damage to livestock, water wells, fences, roads, personal property, buildings or other improvements as a result of operations of Lessee under this lease, Lessee agrees to pay Lessor the actual amount of the said loss. Lessee further agrees to fill and level all slush pits, so as to return the surface to its original condition as nearly as practical, within a reasonable length of time after the abandonment of the use of such pits, and, upon written request from Lessor, Lessee will construct and maintain fences surrounding such pit or other excavations sufficient to turn cattle until such pits or other excavations are so leveled.

10. All operations shall be conducted in a diligent manner and in accordance with requirements of the Colorado Oil & Gas Commission. Company agrees to be responsible for damages resulting from their third party contractors to the extent required by law.

11. Notwithstanding any other provisions hereof, Company agrees that all trash, refuse, pipe, equipment, liquids, chemicals or other material and reasonable amount of drilling mud and fracturing sand 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 thirty (30) days after completion of said well.

12. Company will take reasonable precautions to protect the wildlife in the area during the operations above mentioned and as long as the well is in production.

13. 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 taking an action in the District Court of Larimer County for damages, for enforcement of the within agreement, or for injunctive relief.

14. This agreement shall be <sup>n</sup>binding upon the parties hereto, their heirs, successors and assigns and shall run with the land described hereinabove.

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

16. As additional consideration, Company agrees to pay Owner the sum of \_\_\_\_\_ per foot for the installation of any pipelines located on the Premises and off of the well pad shown in Exhibit "B" page 1. All pipelines shall be buried below plow depth. Excavation and restoration of all pipeline trenches shall be achieved by following the same requirements and guidelines set forth in paragraph 2. of this agreement.

17. Company agrees to complete landscaping, including berms, and planting of vegetation on the berms in accordance with the drawings previously submitted and the letter agreement with the Surface Owners, copies of which are attached hereto as Exhibits "B" & "C" and incorporated herein by reference. The

goal of the landscaping shall be to minimize the visual impact of the production facilities, and such landscaping shall only be required in the event the well is a commercially producing well. If required the landscaping shall be completed within six months and low profile storage tanks shall be used. The landscaping shall be maintained and modified as is necessary to facilitate use of the production facilities. However, at the end of the production term all landscaping shall become the property of the surface owner.

18. In the event of any dispute arising under this agreement, the party ultimately found to have failed to fulfill any of its obligations hereunder shall be liable to the other party for all costs, expenses, and attorney fees incurred by the other party in the enforcement of such obligation. This provision shall be in addition to any other redress available to the parties through arbitration, law or equity.

19. Any controversy or claim arising out of or related to this contract, or the breach thereof, shall be settled by binding arbitration and judgement on the award of the arbitrator(s) may be entered in any court having jurisdiction thereof. Both parties agree that the Colorado Oil & Gas Commission will be designated as arbitrator. Unless otherwise agreed in writing by the parties such arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the Colorado Oil & Gas Commission.

20. This agreement shall operate for the benefit of and be binding upon the parties and their heirs, representatives, successors and assigns.

Dated this 16<sup>th</sup> day of March, 1993.

BRIGHT & COMPANY

BY: [Signature]  
G.L. Richards  
Exploration Manager

[Signature]  
Charles E. Frye

[Signature]  
Dorothy M. Darden

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

No. 5193

State of CALIFORNIA  
County of ORANGE

On 3-23-93 before me, MICHAEL STERN  
DATE NAME, TITLE OF OFFICER - E.G., "JANE DOE, NOTARY PUBLIC"

personally appeared DOROTHY M. DARDEN  
NAME(S) OF SIGNER(S)

personally known to me - OR -  proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that ~~he~~/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.  
[Signature]  
SIGNATURE OF NOTARY

OPTIONAL SECTION

CAPACITY CLAIMED BY SIGNER

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the document.

- INDIVIDUAL
- CORPORATE OFFICER(S)
- TITLE(S) \_\_\_\_\_
- PARTNER(S)  LIMITED  GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: \_\_\_\_\_

SIGNER IS REPRESENTING:

NAME OF PERSON(S) OR ENTITY(IES)  
\_\_\_\_\_  
\_\_\_\_\_

OPTIONAL SECTION

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED AT RIGHT:  
TITLE OR TYPE OF DOCUMENT SURFACE DAMAGE AGREEMENT  
NUMBER OF PAGES 7 DATE OF DOCUMENT 3-11-93  
SIGNER(S) OTHER THAN NAMED ABOVE Ø

STATE OF TEXAS            ))

COUNTY OF BEXAR         ))

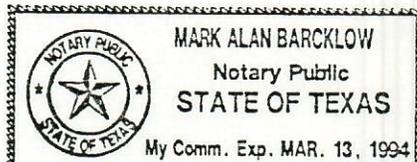
This instrument was acknowledged before me on March 11, 1993  
by G. L. Richards, Exploration Manager of Bright & Company  
a partnership, on behalf of said partnership.

My Commission Expires:  
MARCH 13, 1994

Mark Alan Barcklow  
Notary Public in and for the  
State of Texas

STATE OF COLORADO       ))

COUNTY OF WELD           ))



Before me, the undersigned authority, ~~on this day~~ appeared  
Charles E. Frye, known to me to be the person whose name \_\_\_\_\_ is  
subscribed to the foregoing instrument, and acknowledged to me  
that he executed the same as his free act and deed for the  
purposes and consideration therein expressed.

Given under my hand and seal of office this 10<sup>th</sup> day of  
March, 1993.

My Commission Expires  
9-19-95

Sharon J Guerber  
Notary Public, in and for  
Weld County, Colorado

STATE OF CALIFORNIA     ))

COUNTY OF \_\_\_\_\_ ))

Before me, the undersigned authority, on this day appeared  
Dorothy M. Darden, known to me to be the person whose name  
is subscribed to the foregoing instrument, and acknowledged to me  
that he executed the same as his free act and deed for the  
purposes and consideration therein expressed.

Given under my hand and seal of office this \_\_\_ day of  
\_\_\_\_\_, 1993.

My Commission Expires  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public, in and for  
\_\_\_\_\_ County, California

APPLICATION FOR STATE HIGHWAY ACCESS PERMIT

Issuing authority application acceptance date

Instructions:

- contact the Department of Highways or your local government to determine your issuing authority.
- contact the issuing authority to determine what plans and other documents are required to be submitted with your application.
- complete this form (some questions may not apply to you) & attach all necessary documents and submit it to the issuing authority. Submit an application for each access requested.
- if you have any questions contact the issuing authority.

Please print or type

1) Property owner (Permittee) \* (And Co-Applicant) Charles E. Frye
2) Applicant Bright & Company \*(Charles Frye-Co-Applicant)
street address, city, 34896 Weld County Road #19
10100 Reunion Place, Suite 735
state & zip Windsor, CO 80550 Phone # 303/686-9960
San Antonio, TX 78216 Phone # 210/341-9773

3) Address of property to be served by permit (if known)

4) Legal description of property: county Larimer subdivision block lot section Sec. 23, township T6N range R68W

5) What state highway are you requesting access from? Highway 392
6) What side of the highway? [ ] N [X] S [ ] E [ ] W

7) How many feet is the proposed access from the nearest mile post or cross street? 474' feet ( N S(E)W ) from Mile Marker #1

8) Check here if you are requesting a [X] new access [ ] temporary access [ ] improvement to existing access [ ] change in access use

9) What is the approximate date you intend to begin construction? Upon approval of this application.

10) Do you have knowledge of any State Highway access permits serving this property, or for adjacent properties in which you have a property interest. [ ] yes [X] no If "yes" - what are the permit number(s)? and/or, permit date

11) Does the property owner own or have any interests in any adjacent property? [ ] yes [X] no If "yes" - please describe:

12) Are there existing or dedicated public streets, roads, highways or access easements bordering or within the property? [ ] yes [X] no If "yes" - list them on your plans and indicate the proposed and existing access points.

13) If you are requesting commercial or industrial access please indicate the types and number of businesses and provide the floor area square footage of each? Oil and Gas Drilling Operation. Wellpad size will be approximately 350' x 300'.

14) If you are requesting agricultural field access - how many acres will the access serve? 280 acres

15) If you are requesting residential development access, - what is the type (single family, apartment, townhouse) and number of units? N/A type number of units Dean Yost State of Colorado Colo. Dept. of Transportation P. O. Box 850 Greeley, CO 80632-0850

16) Provide the following vehicle count estimates for vehicles that will use the access. Leaving property then returning is two counts. Indicate if your counts are peak hour volumes [ ] or average daily volumes [X].
# of passengers cars and light trucks 4 # of multi unit trucks 4 # of other vehicles Workover Operations 12 vehicles every 6 months
# of single unit vehicles in excess of 30 ft 2 # of farm vehicles (field equipment) Less than 1 vehicle/month Total Count of All Vehicles 10

17) Check with the issuing authority to determine which of the following documents are required to complete the review of your application. (plans should be no larger than 24" x 36") 4 COPIES
a) Highway and driveway plan and profile.
b) Drainage plan showing impact to the highway right-of-way.
c) Map and letters detailing utility locations before and after development in and along the right-of-way.
d) Subdivision, zoning, or development plan.
e) Properly map indicating other access, bordering roads and streets.
f) Proposed access design.
g) Parcel and ownership maps including easements.
h) Signing and striping plans.
i) Traffic control plan
j) Proof of liability insurance

If an access permit is issued to you it will state the terms and conditions for its use. Any changes in the use of the permitted access not consistent with the terms and conditions listed on the permit may be considered a violation of the permit.

THE APPLICANT DECLARES UNDER PENALTY OF PERJURY IN THE SECOND DEGREE, AND ANY OTHER APPLICABLE STATE OR FEDERAL LAWS, THAT ALL INFORMATION PROVIDED ON THIS FORM AND SUBMITTED ATTACHMENTS ARE TO THE BEST OF THEIR KNOWLEDGE TRUE AND COMPLETE.

Applicant signature Lisa L. Smith Authorized Agent Date 2/5/03

If the applicant is not the owner of the property, we require this application also to be signed by the property owner or their legally authorized representative (or other acceptable written evidence). This signature shall constitute agreement with this application by all owners-of-interest unless stated in writing. If a permit is authorized, the property owner will be listed as the permittee.

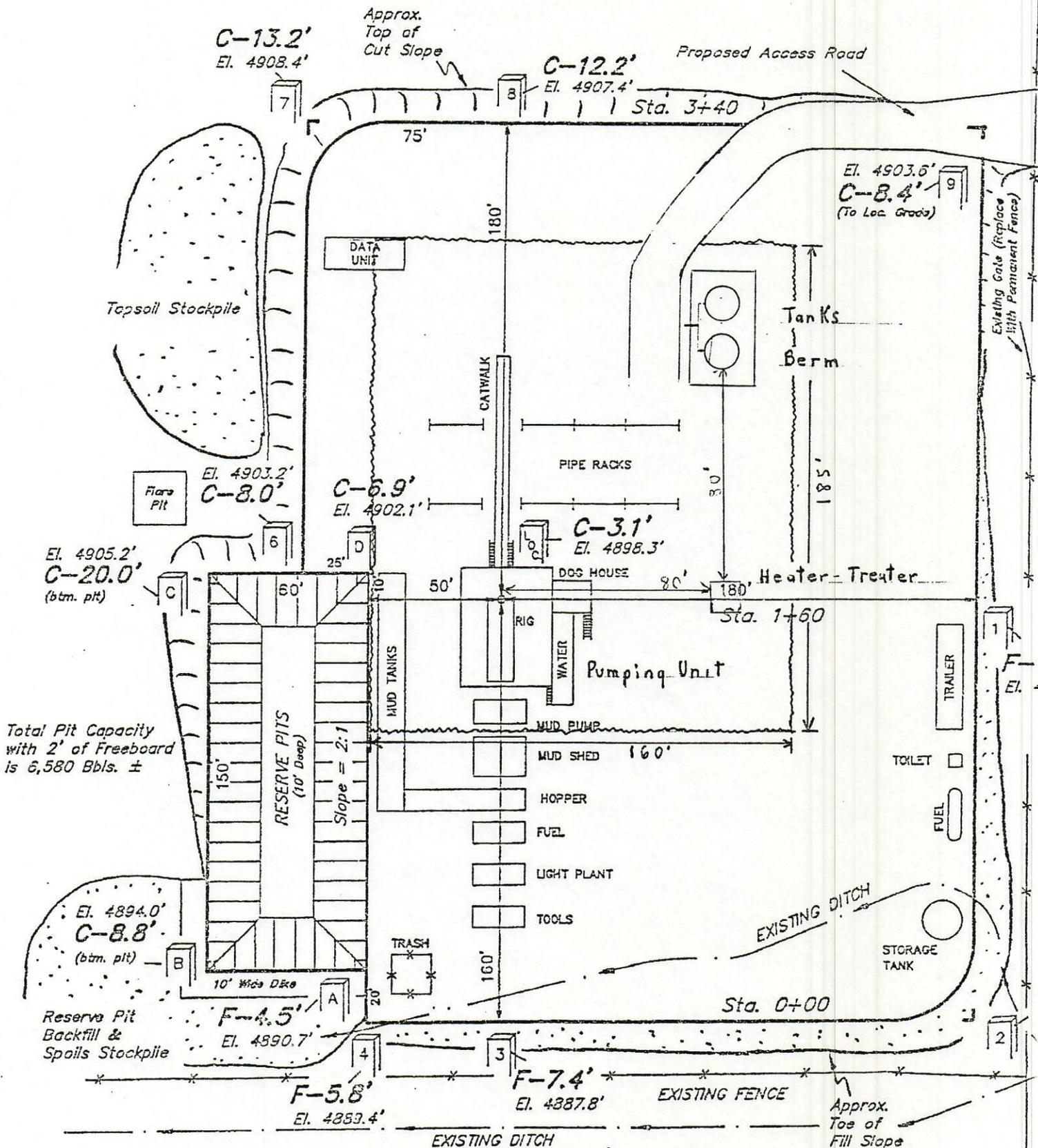
Property owner signature Charles E. Frye Date 2/5/03



EXHIBIT "B" - Pg. 2

2.27a

≅ 2.5 ac.



Total Pit Capacity with 2' of Freeboard is 6,580 Bbls. ±

$$PAD = \frac{160 \times 185}{43560} = .7 AC$$

$$ROAD = \frac{135 \times 16}{43560} = .05 AC$$

$$TOTAL = .75 AC (PRODUCTION FACILITIES) 1" = 50'$$

EXHIBIT "C" - PAGE 1

December 17, 1992

Mr. Charles Frye  
34896 Weld County Road #19  
Windsor, CO 80550

Highland Farms Partnership  
760 Whalers Way, Suite A200  
Fort Collins, CO 80525

Ptarmigan Golf Course  
5412 Vardon Way  
Fort Collins, CO 80525

Poudre Valley Rural Electric Association  
4809 South College Avenue  
Fort Collins, CO 80525

City of Fort Collins  
300 Iraporte Avenue  
Fort Collins, CO 80521

Gentlemen:

We know that you have some concerns about the long term aesthetic effect of the oil well that we plan to drill in the NE¼ of the NW¼ of Section 23 in your area. After discussing your concerns with Mr. Craig Harrison, we would be willing to work with you as follows:

- A. We will attempt, in good faith and in cooperation with the affected parties, to locate our well approximately 340 feet east of our proposed location, according to the document that was filed November 9, 1992, with the Oil and Gas Commission. If possible, we would also locate the well site approximately 100 feet south of the highway right of way.
- B. We plan to utilize an electric hydraulic type surface power unit, to avoid the motion of a moving pump jack.
- C. We will utilize a low profile tank battery that would be located approximately 100 feet from the well site and in a location as close to the State Highway as allowable by governing regulations.
- D. We will provide some landscape buffering around the well site and tank battery.
- E. We agree that the site in "A" above will be the only site from which wells are drilled on the proposed 640 acre unit or any other unit developed within the 640 acre unit for other formations. Any new well sites shall be developed to within no more than 100 feet of the initial well location.

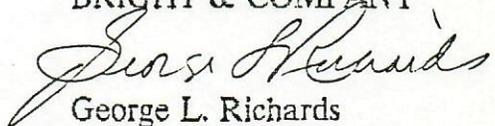
EXHIBIT "C" - PAGE 2

In view of our acquiescence to your concerns, we would expect your group to not only withdraw in writing your objections to our proposed unit by 12:00 Noon, MST, on 12/17/92, but also to inform the Colorado Oil and Gas Commission that you support our proposal.

If the above is satisfactory to your group, please have Mr. Craig Harrison of Highland Farms Partnership sign in the space provided below and return a fax copy of this letter to the undersigned at your early convenience.

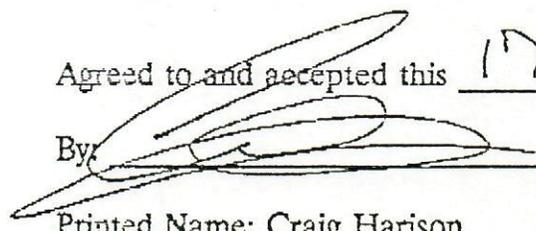
Sincerely,

BRIGHT & COMPANY



George L. Richards  
Exploration Manager

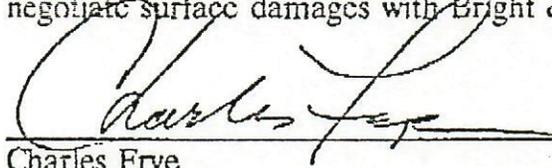
Agreed to and accepted this 17 day of December, 1992

By:   
\_\_\_\_\_

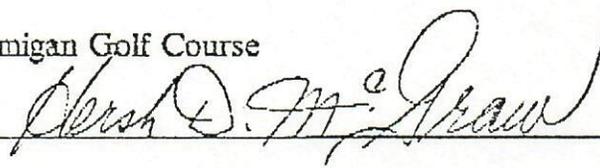
Printed Name: Craig Harrison

Title: Partner, Highland Farms Partnership

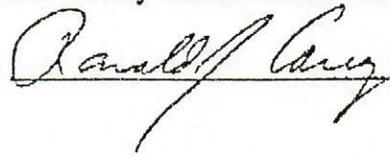
By execution below by Charles Frye, Charles Frye is not relinquishing any of his rights to negotiate surface damages with Bright & Company and its operators.

  
\_\_\_\_\_

Ptarmigan Golf Course

By:   
\_\_\_\_\_

Poudre Valley Rural Electric Association

By:   
\_\_\_\_\_