

## SURFACE USE AGREEMENT

This Surface Use Agreement (this "Agreement") is made and entered into this 24<sup>th</sup> day of April, 2007, by and between **Albert Lee Hodgson and Beverly D. Hodgson**, husband and wife, ("Owner") with an address of 13255 Weld County Road 46, Platteville, Colorado 80651 and **K.P. Kauffman Company, Inc.** ("Kauffman") with an address of 1675 Broadway, Ste 2800, Denver, CO 80202-4628.

Whereas, Kauffman or an affiliate has the right to drill and oil and gas well, the **Hodgson 17-11-A1** (the "Well") on the lands described below and as depicted on Exhibit A (the "Lands"), to wit:

**That portion of the N/2NW/4 lying North and West of Weld County Road 46, Section 17, Township 4 North, Range 66 West, 6<sup>th</sup> P.M., Weld County, Colorado, as more particularly described on Exhibit B attached hereto and made a part hereof.**

Whereas, Owner and Kauffman wish to memorialize their agreement concerning location of oil and gas facilities, including but not limited to well sites, pipelines, batteries (Oil and Gas Facilities) and access and the payment for damages to the surface of the Lands in connection with the drilling, construction, completion, recompletion, reworking, re-entry, twinning, production, maintenance and operation of the Well and all pipelines, tank batteries and other facilities or property of Kauffman or its affiliates associated with the Well and located on the Lands.

Therefore, 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, Owner and Kauffman agree as follows:

1. Prior to the commencement of drilling operations for the Well, Kauffman shall pay Owner the sum of \$5,000.00 ("Damage Amount"). Such payment shall constitute payment in full by Kauffman and its affiliates for all normal damages, including, but not limited to, damages to growing crops, associated with the drilling, construction, completion, recompletion, reworking, re-entry, production, tank battery location, operation and maintenance of the Well. Normal damages include, but are not limited to, reasonable and customary ingress, egress, rights-of-way, construction of all access roads, preparation and use of the drillsite area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom.
2. If by reason of Kauffman's operations, there is damage to personal property located on the Lands or there is damage to the surface of the Lands caused by the negligence of Kauffman or an unreasonable use of the surface of the Lands by Kauffman that is not associated with reasonable and normal drilling, completion, recompletion, reworking, re-entry, production, maintenance and operation of the Well, such as damage to structures, fences, culverts and cement ditches, such damage shall be repaired or replaced by Kauffman or Kauffman shall promptly pay Owner for such damage.
3. Owner warrants that he is the owner of the entire surface subject to this Agreement and that no one who is not a party to this Agreement is entitled to object to this Agreement or entitled to payment for normal damage to the surface of the Lands for which payment has been made pursuant to paragraph numbered 1 above.
4. Except as provided in paragraph numbered 2 above for cases of unreasonable surface use and/or negligence by Kauffman, Owner, for itself and its successors and assigns, does hereby, in consideration of the Damage Amount, release, relinquish and discharge Kauffman, its affiliates,

successors and assigns from all claims, demands, damages and causes of action that Owner may have by reason of the drilling of the Well and all other damage or injury to the Lands caused by the drilling, completion, recompletion, reworking, re-entry, twinning, production, operation and maintenance of the Well, and Owner accepts the Damage Amount as full compensation therefore.

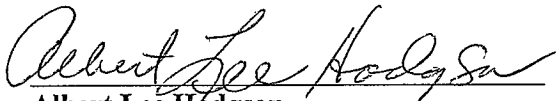
5. Owner hereby agrees that by its payment of the Damage Amount, Kauffman has fully complied with the applicable governmental regulations and statutes, if any, relating to the settlement of the damages contemplated herein and this Agreement shall be presented to the Colorado Oil and Gas Conservation Commission as proof of that fact.
6. In conducting operations on the Lands, Kauffman shall:
  - A. Limit the size of each wellsite to approximately 300 feet by 350 feet during any drilling, completion, recompletion or workover operations, and each wellsite shall be no more than an area of not greater than 150 foot radius from the well site in size during other periods. The area required for the tank battery location associated with each well shall be limited to an area of 75 feet by 150 feet in size upon completion of construction. Access roads shall be limited to approximately 30 feet in width during drilling, completion, recompletion and workover operations. The permanent access roads to the well head and tank battery location shall be limited to 20 feet in width.
  - B. Shall pay Owner six hundred dollars (\$600.00), the cost of materials and labor, to erect a temporary electric fence in the approximate location as depicted on Exhibit A to exclude farm animals access to the proposed padsite.
  - C. Separate the top soil at the time of excavation of pits so that the top soil and subsurface soil may be placed back in proper order as nearly as possible.
  - D. Reclaim the wellsite as nearly as practicable to its original condition and, if the location is in pasture, reseed the location with native grasses. Weather permitting, reclamation operations shall be completed within 3 months following drilling, completion and subsequent related operations, unless Kauffman and Owner mutually agree to postponement because of crop or other considerations.
  - E. Use reasonable efforts to keep the well and battery sites free of weeds and debris.
7. Attached hereto is a map of the locations of the Oil and Gas Facilities agreed to by the parties hereto as described in 6.A.
8. Owner waives the minimum 30 days written notice requirement described in the Notice Letter provided by Kauffman to Owner.
9. When the word "Kauffman" is used in this Agreement, it shall also mean the successors and assigns of K.P. Kauffman Company, Inc. and it shall include Kauffman's employees, agents, affiliates, contractors, subcontractors and/or purchasers.

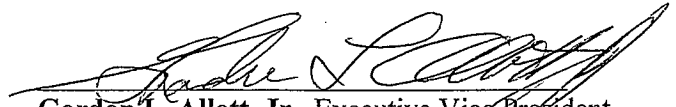
10. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties, and may be executed in counterparts. This Agreement shall be a covenant running with the land.

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

OWNER:

K.P. KAUFFMAN COMPANY, INC.

  
Albert Lee Hodgson

  
Gordon L. Allott, Jr., Executive Vice President

  
Beverly D. Hodgson

**ACKNOWLEDGEMENTS**

STATE OF COLORADO )  
COUNTY OF Weld ) ss.

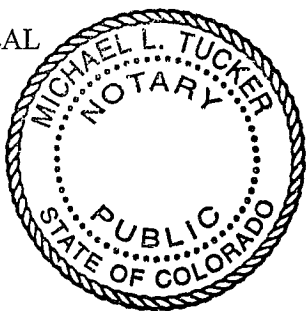
On this 24<sup>th</sup> day of April 2007, before me personally appeared Albert Lee Hodgson and Beverly D. Hodgson, husband and wife, and that he/she executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires 09/25/2007,  
1615 California, Suite 702  
Denver, Colorado 80202

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

SEAL



Michael L. Tucker  
Notary Public

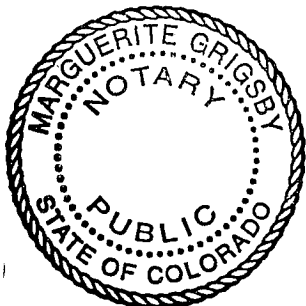
STATE OF COLORADO )  
COUNTY OF Denver ) ss.

On this 26<sup>th</sup> day of April 2007, before me personally appeared Gordon L. Allott, Jr., known to me to be Executive Vice President of KP Kauffman Company, Inc., and that he executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires: 06-15-07

SEAL



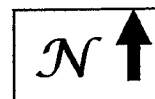
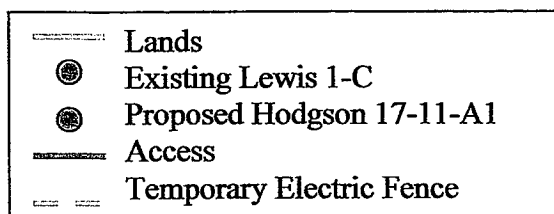
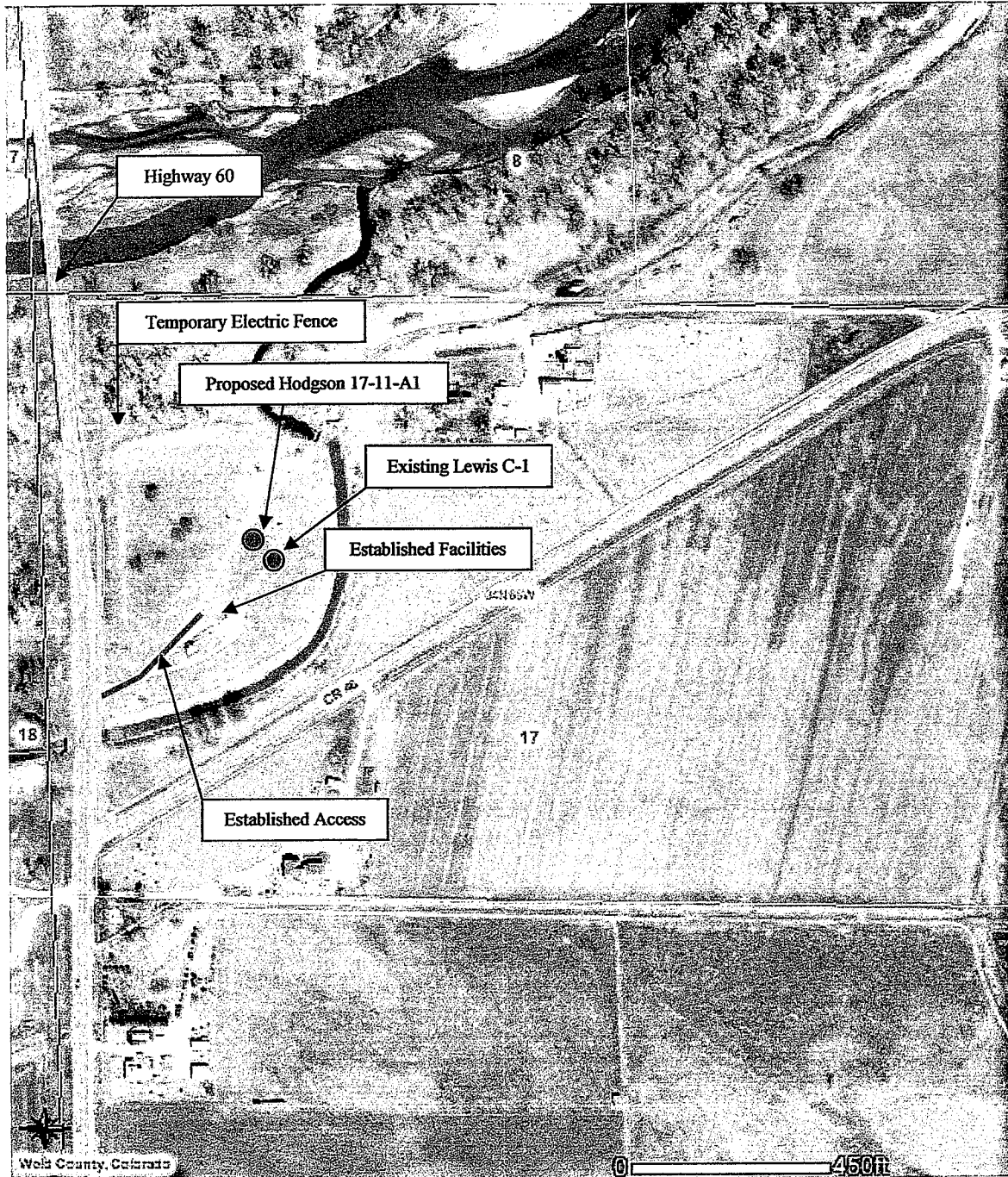
Marguerite Grigsby  
Notary Public

My Commission Expires 06/15/2007

# Exhibit A

Township 4 North, Range 66 West, 6<sup>th</sup> P.M.

Section 17: that portion of the N/2NW/4 lying North and West  
Of Weld County Road 46 as more fully described  
On Exhibit B



## Exhibit B

That portion of the N 1/2 NW 1/4 of Section 17, Township 4 North, Range 66 West of the 6th P.M., Weld County, Colorado, more particularly described as follows: Considering the North line of the NE 1/4 of said section, as monumented by a standard aluminum monument bearing Professional Land Surveyor registration number 10855 at the N 1/4 corner of said section and monumented by a square rod at the Northeast corner of said section, to bear East and West with all bearings contained herein relative thereto. Beginning at the N 1/4 corner of said section; thence along the North line of the NW 1/4 of said section South 89°48'58" West 399.45 feet to the True Point of Beginning, said point being also the beginning of a curve, on the Northerly right of way line of Weld County Road 46, concave to the Northwest, having a central angle of 32°10'30" and radius of 690.00 feet; thence along the arc of said curve and said right of way line Southwesterly 387.48 feet to the end of said curve; thence continuing along said right of way line South 57°49'30" West 2029.26 feet to the Easterly right of way line of Colorado State Highway 60; thence along said Easterly right of way line the following three courses: North 01°19'35" West 410.36 feet to the beginning of a curve concave to the East, having a central angle of 04°54'28" and a radius of 5805.00 feet; thence Northerly along the arc of said curve 497.25 feet to the end of said curve; thence North 06°14'05" West 274.99 feet to the North line of the NW 1/4 of said section; thence along said North line North 89°48'58" East 2157.17 feet more or less to the True Point of Beginning; Except a strip 60 feet wide off the entire North side of subject property previously conveyed to Weld County by Deed recorded November 13, 1893 in Book 114 at Page 86.

## MEMORANDUM OF SURFACE USE AGREEMENT

This Memorandum is made and entered into this 24<sup>th</sup> day of April, 2007, by and between **Albert Lee Hodgson** and **Beverly D. Hodgson**, husband and wife, ("Owner") with an address of 13255 Weld County Road 46, Platteville, Colorado 80651, and **K.P. Kauffman Company, Inc.** ("Kauffman") with an address of 1675 Broadway, Ste. 2800, Denver, Colorado 80202-4628.

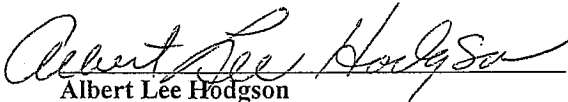
As of the date above, Owner and Kauffman entered into a Surface Use Agreement ("Agreement") providing for the use of the surface of the land described below by Kauffman in connection with certain oil and gas operations and the compensation to Owner for all damages (except as provided for in the Agreement) to the surface of the land associated with the drilling, testing completion, reworking, pumping, operation and maintenance of the well site to be located in:

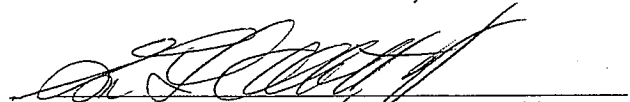
**NW/4NW/4 Section 17, Township 4 North, Range 66 West, 6<sup>th</sup> P.M., Weld County, Colorado.**

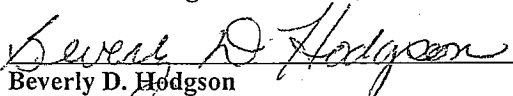
This Memorandum of Surface Use Agreement is executed by Owner and Kauffman and placed of record in Weld County, Colorado for the purpose of placing all persons on notice of the existence of the Agreement. A true and complete copy of the Agreement is available from Kauffman to any person with an interest in the above described land.

**OWNER:**

**K.P. KAUFFMAN COMPANY, INC.**

  
Albert Lee Hodgson

  
Gordon L. Allott, Jr., Executive Vice President

  
Beverly D. Hodgson

ACKNOWLEDGEMENTS

STATE OF COLORADO )  
COUNTY OF Weld ) ss.

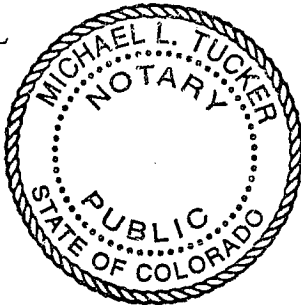
On this 24<sup>th</sup> day of April 2007, before me personally appeared Albert Lee Hodgson and Beverly D. Hodgson, husband and wife, and that he/she executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires 09/25/2007  
1615 California, Suite 702  
Denver, Colorado 80202

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

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Michael L. Tucker  
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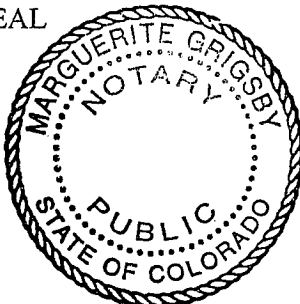
STATE OF COLORADO )  
COUNTY OF Denver ) ss.

On this 26<sup>th</sup> day of April 2007, before me personally appeared Gordon L. Allott, Jr., known to me to be Executive Vice President, of KP Kauffman Company, Inc., and that he executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

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Marguerite Grigsby  
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