



Jenni Sudduth
Field & Permit Analyst

January 18, 2011

VIA CERTIFIED MAIL # 7006 0100 0005 2218 7397

Steven R. & Chris A Schultz
34978 CR 83
Briggsdale, CO 80611

Re: Franks 7-62 34-1H
Section 34 – Township 7N – Range 62W
Weld County, CO

Dear Mr. & Mrs. Schultz:

Pursuant to the Colorado Oil & Gas Commission ("COGCC") Rule 305(e)(1)(B), Chesapeake Operating, Inc. ("Chesapeake"), as agent for Chesapeake Exploration, LLC, intends to commence oil and gas operations upon your property in the above Section, Township and Range, on or about February 21, 2011. This letter shall serve as the 30-day advanced notice required by the above referenced Rule.

Such operations will include, but not limited to, the construction and operation of certain road(s) and well site location as detailed on the plat enclosed herewith. Please be aware that such well site location will be used for the drilling of multiple horizontal wells. Should circumstances arise that warrant changes to this well site location, road(s) or other facilities detailed herein, contact will be made for discussion of said changes.

A representative from Chesapeake will attempt to make contact with you within 24 hours prior to entry onto the property, if possible. However, should you need to contact Chesapeake at any time, please utilize the following contact information:

Chesapeake Operating Inc.
Attention: Jack Applewhite, Agent
5880 Enterprise Drive
Casper, WY 82609
(254) 216-1878

In addition, Chesapeake hereby offers to negotiate in good faith a mutually agreed upon surface use agreement. Chesapeake's Surface Use Agreement is enclosed herewith for your review. Mr. Jack Applewhite, Agent for Chesapeake, will be contacting you shortly to discuss such Agreement and the payment of surface damages.

Should you have any questions or if I can be of further assistance, please do not hesitate to contact me.

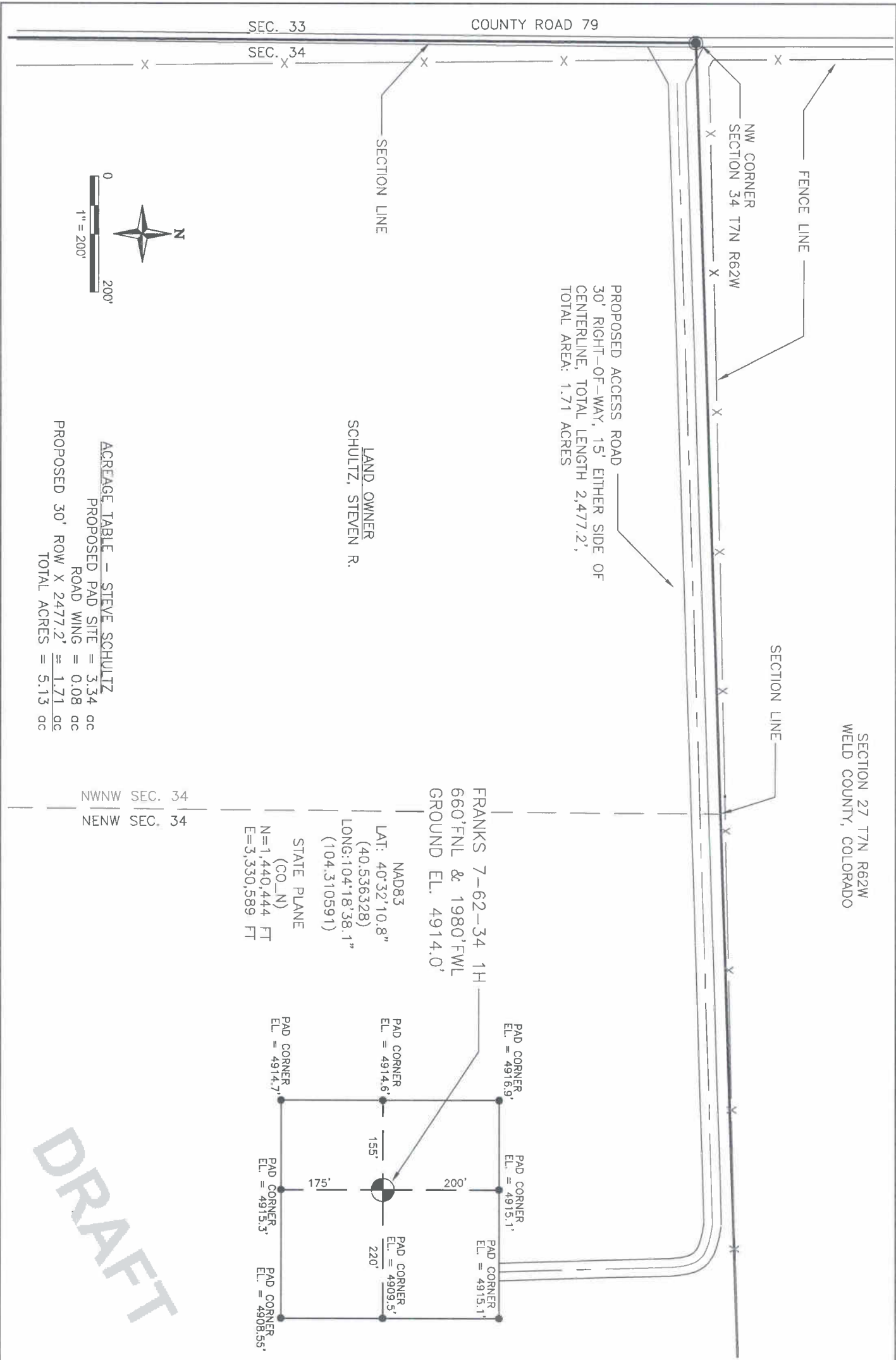
Sincerely yours,

A handwritten signature in blue ink, appearing to read "Jenni Sudduth".

Jenni Sudduth

Enclosures

Chesapeake Energy Corporation
6100 N Western Ave. Oklahoma City, OK 73118
405.935.2165 • fax 405.849.2165 • Jenni.Sudduth@chk.com



DRAWN BY: TAW

CHECKED BY: PFK

DATE: 01/10/2011

SCALE: 1" = 200'

FILE: CHESAPEAKEWELDCOUNTYCNTR.2010

Trihydro
CORPORATION
1252 Commerce Drive
Laramie, Wyoming 82070
www.trihydro.com
(P) 307/745.7474 (F) 307/745.7729

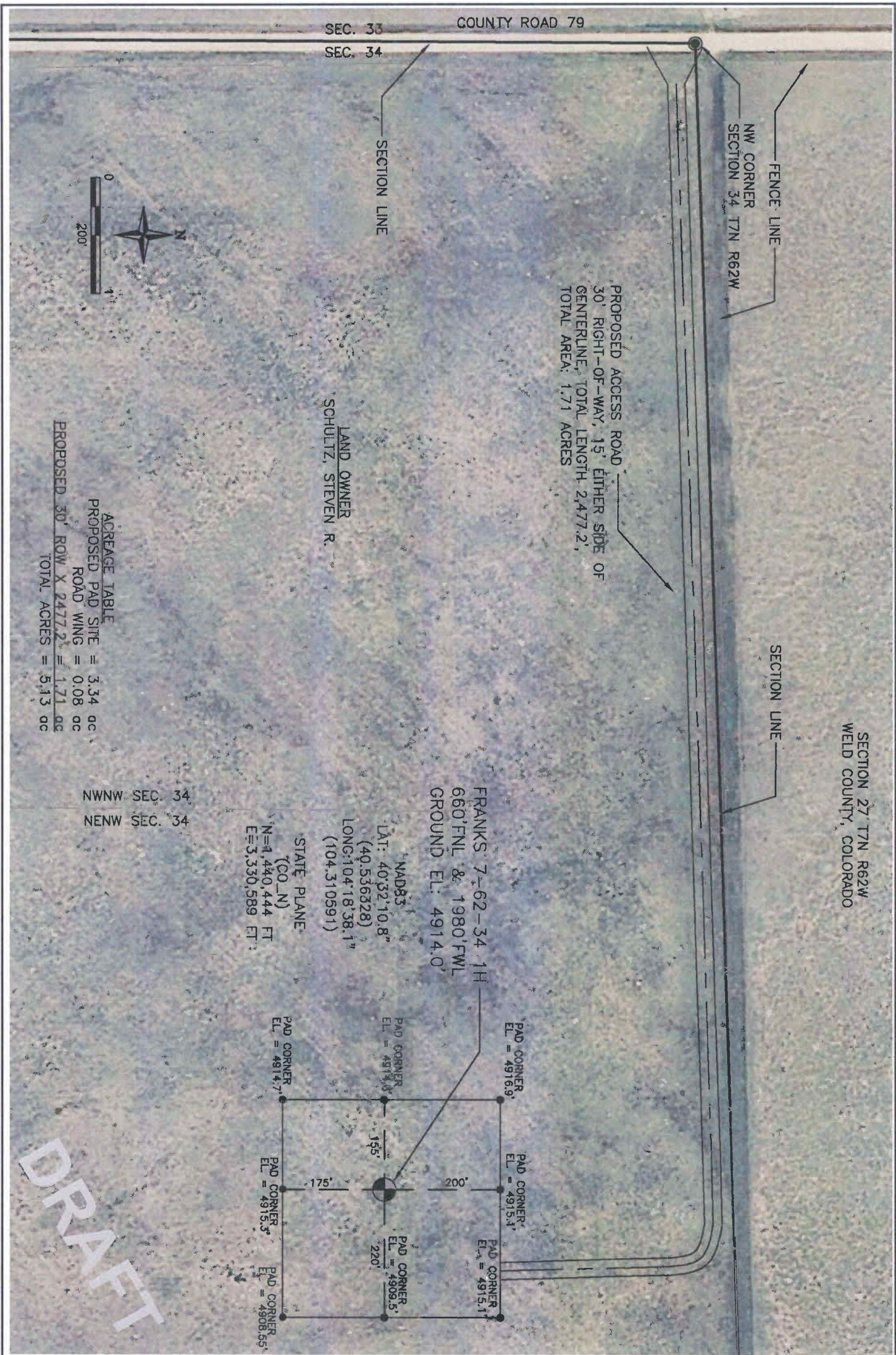
SHEET

1

CHESAPEAKE ENERGY, LLC.
SURFACE USE PLAT

1 OF 2

FRANKS 7-62 34-1H
660' FNL, 1980' FWL
NE¹/₄NW¹/₄, SEC 37 T7N R62W
WELD COUNTY, COLORADO



| | | | | |
|---------------------------------|---|---|------------------------------------|--|
| SHEET 2 2 OF 2 | CHESAPEAKE ENERGY, LLC. SURFACE USE PLAT | FRANKS 7-62 34-1H NE $\frac{1}{4}$ NW $\frac{1}{4}$, SEC 37 T7N R62W WELD COUNTY, COLORADO | DRAWN BY: TAW | PREPARED BY: Trihydro CORPORATION 1252 Commerce Drive Laramie, Wyoming 82070 www.trihydro.com (P) 307.774.7474 (F) 307.774.7720 |
| | | | CHECKED BY: PFK | |
| | | | DATE: 01/10/2011 | |
| | | | SCALE: 1" = 200' | |
| | | | FILE: CHESAPEAKEWELDCONTYONTRL2010 | |

SURFACE USE AGREEMENT

THIS AGREEMENT is made and entered into effective this ____ day of January, 2011, by and between Steven R. Schultz and Chris A. Schultz, whose address is 34978 CR 83, Briggsdale, CO 80611 ("Owner"), and **CHESAPEAKE OPERATING, INC.**, an Oklahoma corporation authorized to do business in Colorado ("Operator").

Recitals:

- A. Owner is the Owner of the surface estate of the following described lands (the "Lands") located in Weld County, Colorado:

Legal Description: Owner is the Owner of the surface estate of the following premises, to wit: The Southwest Quarter(SW/4), being Lots C and D, and the Northwest Quarter (NW/4),all in Section 34, Township 7 North, Range 62 West, 6th P.M., Weld, Colorado ("Lands")

- B. Operator owns the leasehold rights on all or a portion of the Lands and has the right to access the Lands and use so much of the surface as is reasonably necessary to explore for and produce oil, gas and minerals therefrom; and
- C. Owner hereby acknowledges that the surface estate of the Lands is subject to such rights of the Operator, which include the right to use and occupy so much of the surface as is reasonably necessary for or incident to Operator's leasehold rights including, but not limited to all operations necessary for the exploration, development, processing, gathering, and transportation of the oil, gas and minerals.
- D. Owner and Operator desire to enter into this Agreement, as supplement to, but not in derogation of, Operator's leasehold rights, for the grant of easements for ingress and egress across the surface of the Lands, construction and operation of roads, pipelines, power lines, and other surface facilities, and generally the use of the surface and subsurface for all necessary oil, gas and mineral operations, including geophysical operations, and the payment of reasonable compensation be paid by Operator to Owner in connection therewith.

NOW THEREFORE, for and in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration paid by Operator, the receipt and sufficiency which is hereby acknowledged, the parties agree as follows:

1. **Right of Use.** Owner hereby gives and grants to Operator, its agents, employees, contractors, subcontractors, and related service companies an easement for the right of ingress and egress over and across the Lands for the purpose of drilling, completing, and producing one or more oil, gas and minerals wells and all operations necessary for the exploration (by geophysical or other methods), production, processing, gathering, and transportation of oil, gas and minerals, together with rights-of-way across the Lands or other lands necessary to construct and maintain one or more access roads, well sites, tank batteries, pipelines, and any other facilities in connection with the oil, gas and mineral wells to be drilled by Operator. This grant of easement on the Lands, including all rights associated therewith, shall be a covenant running with the Lands.
2. **Surface Leases.** Owner agrees that Owner shall have the responsibility to notify any affected surface Owner, lessee or other party who may own or have an interest in any crops or surface improvements which could be affected by Operator's operations. Owner agrees that all damages claimed by a surface Owner, lessee or other such party resulting from Operator's operations shall be

settled by Owner, and Owner hereby agrees to indemnify and hold Operator harmless from and against any such claims.

3. Compensation for Use of Surface. Owner and Operator agree and acknowledge that no payment is due and owing by the Operator for damages to or use of the Lands or any surface leases affecting the Lands prior to the effective date of this Agreement. Operator shall compensate the Owner for use of the surface of the Lands pursuant to the below payment schedule. Owner and Operator agree that the cash consideration paid hereunder and the terms and conditions hereof shall be full and adequate payment for damages caused by Operator's operations on said Lands.
 - A. Locations: Operator agrees to pay Owner the sum of Twelve Thousand and No/100ths Dollars (\$12,000.00) for each well site located on the Lands for drilling.
 - B. Roads: Operator agrees to pay Owner the sum of Fifteen Dollars (\$15.00) per linear rod for the right-of-way and surface damages for each new road constructed by Operator on the Lands.
 - C. Power Lines: Operator agrees to pay Owner the sum of a one-time payment of Twenty Dollars (\$20.00) per linear rod for overhead power lines, Operator shall pay Owner a one-time payment of Fifteen Dollars (\$15.00) per linear rod for underground power lines. Provided, however, where a power line is constructed in the bed of a road, Operator shall not pay Owner for surface damages for such power line, and Operator shall not make multiple payments for additional power lines installed within a pipeline, power line, or road easement or right of way.
 - D. Water Wells. In addition to the rights granted hereunder, Operator is also granted the right and option, but not the obligation, to drill water wells upon said Lands. Upon the expiration of this Agreement, Owner shall have the right, at its option, to retain any water wells (subject to the removal of pump and surface equipment and the execution of a form indemnification agreement), at no cost or obligation to Owner.
4. Release & Additional Damages. Owner hereby releases and discharges Operator, its agents, employees, contractors, subcontractors and licensees from and against any and all claims by Owner for damages, of whatsoever nature and character, including but not limited to, diminution in value of the Land, arising from, incident to, or in connection with Operator's oil, gas, and mineral operations on the Lands. Notwithstanding this release, for damage incurred outside of a road or power line right of way, well site, or facility location for which damage has been previously paid as set forth above, Operator shall remediate or compensate Owner for damage to personal property or to improvements to the Lands such as damage to buildings, fences, gates, culverts and livestock, or for other such extraordinary losses or damages caused by Operator. Operator shall not be liable for consequential damages.
5. Indemnification of Owner. Operator agrees to indemnify and hold Owner harmless from and against any and all third party claims, losses, liability, damages, and causes of action for personal injury or property damage arising out of Operator's operations, unless and to the extent that, Owner's negligence causes or contributes to such third party claims.
6. Indemnification of Operator. Owner agrees to indemnify and hold Operator and its contractors, employees, agents, affiliates, predecessor, successors and assigns harmless from and against any and all claims, losses, liability, damages, and causes of action arising out of the willful or intentional misconduct of Owner, its employees, agents, contractors, affiliates, and invitees. Owner further agrees to account to any other party who may be entitled to receive any portion of the compensation of surface damage and to indemnify and hold Operator harmless

from any claim or claims by any other party for damages to the Lands and/or crops, livestock, or other personal property thereon.

7. Compliance with Laws. Operator's operations on the Lands shall be conducted in compliance with all federal and state laws and regulations and, in the event Operator violates any such laws or regulations, Operator shall take reasonable action to bring its operations into compliance.
8. Reclamation. During its operations, Operator shall reclaim any surface of the Lands disturbed by its operations which are outside of the perimeter of the wellsite locations, facility locations or road right of way. Upon plugging and abandonment of any well owned or operated by Operator, Operator shall remove any above ground facilities no longer in use and reclaim the disturbed surface. Unless otherwise requested by Owner, Operator may leave one or more roads "as is, where is" for Owner's use, unless it is necessary to reclaim such roads for safety purposes or to comply with governmental regulations.
9. Notice. Operator shall give Owner twenty-four (24) hours notice prior to Operator's initial entry upon the Lands to conduct drilling operations. Operator may give such notice by telephone. Owner acknowledges that this notice complies with, or hereby waives, all requirements under the Colorado Split Estate Act (COGCC Rule 3E) that Owner be given advance notice by Operator of any proposed operations.
10. Term. This Agreement shall remain in full force and effect for a period of twenty (20) years from the date herein or for so long as Operator or its contractors, employees, agents, affiliates, or successors are operating on any or all of the Lands without cessation for more than two (2) consecutive years. Termination of this Agreement shall not relieve either of the parties from the liability or obligations incurred it in the exercise of the terms of this Agreement prior to such termination.
11. Recording. This Agreement shall not be placed of record without the prior written consent of both parties. However, the parties agree to execute and deliver a memorandum of this Agreement utilizing the form attached hereto as Exhibit "A" which may be recorded by either party and which shall contain only a general reference to this Agreement and the rights and obligations contained herein.
12. Confidentiality. Owner covenants and agrees that the terms, conditions, and negotiations of this Agreement shall remain confidential and shall not be divulged to any other party without the prior written consent of the other party except for disclosures made for tax purposes or upon requirement by a court of competent jurisdiction, and only as strictly necessary for such specific purpose. In such events of disclosure, Owner shall: (i) take all steps to limit disclosure to such of the information necessary to accomplish the purpose of disclosure, (ii) advise such persons of the confidentiality provisions of this Agreement, and (iii) bind such persons by written agreement to keep the information confidential. If Owner or any of its agents, contractors, employees, representatives, affiliates, or assigns breaches the confidentiality requirements set forth herein, Operator may reduce all monetary payments that become due and payable to Owner under this Agreement by seventy-five (75%) from and after the date of such breach. In addition, Operator reserves the right to seek any other remedies, including damages, which Operator may have under this Agreement and at law or in equity.
13. No Evidentiary Value. The Parties acknowledge and agree that the terms and conditions of this Agreement, including, without limitation, compensation paid to Owner, do not represent the fair market value of the property interests or other rights acquired by Operator under the Agreement. Rather, this Agreement represents a settlement and compromise of competing and sometimes adverse interests and each party enters into this Agreement for the purpose of avoiding further expense, burdens, and the uncertainties of litigation and without admission or the adjudication of any issue of fact or law. The parties further agree that the terms and conditions of this Agreement are not relevant to a claim or defense of

any party or third person in any eminent domain action. The parties further covenant that they will take all action necessary to oppose and prevent the use of this Agreement to prove fair market value of any property interest or other rights.

14. Notices. Any notice or communication permitted or required hereunder shall be given promptly, orally if possible, but shall also be in writing via e-mail or certified mail/return receipt requested and shall be addressed as follows:

Owner: Steven R. Schultz and Chris A. Schultz
34978 CR 83
Briggsdale, CO 80611
Phone: 307/656-3632
E-mail: CSchultz@henselphelps.com

Operator: Chesapeake Operating, Inc.
Attn: Randall Rodrigue
PO Box 18496
Oklahoma City, OK 73154-0496
Phone: (405) 935-9448
Fax: (405) 849-9448
E-mail: randy.rodrigue@chk.com

Any party may amend the foregoing addresses and information by written notice to the other party.

15. Waiver of Rights under Colorado Split Estate Act. Owner acknowledges and agrees that this Agreement constitutes a surface use agreement as contemplated by the Colorado Split Estate Act (COGCC Rule 3E-7) and Owner, for itself and for its heirs, devisees, representatives, successors, and assigns, waives any and all rights it may have under the Colorado Split Estate Act and all amendments to such Act and waives any rights to payment under such Act for any and all damages of any nature whatsoever caused by Operator's operations.
16. Authority. Each of the undersigned parties hereby declares that it has the legal authority to sign this Agreement, bind the parties, and receive payment with respect to the Lands. Owner warrants there is no prior agreement that would prevent Operator from conducting such operations on said Lands.
17. Binding Effect. This Agreement shall extend to, bind and inure to the benefit of Owner and Operator and their respective, heirs, personal representatives, successors and assigns.
18. Entire Agreement and Amendments. This Agreement and exhibits attached hereto constitutes the entire agreement by and among the parties pertaining to the subject matter hereof, and supersedes all prior written or oral statements, writings, agreements or negotiations with respect thereto, and may not be modified or amended except by an instrument in writing signed by the parties hereto.
19. Survival. All warranties, covenants, agreements and releases contained herein shall survive termination of this Agreement.
20. Partial Invalidity. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any of the other provisions hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

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

OWNER:

By: _____
Steven R. Schultz

By: _____
Chris A. Schultz

OPERATOR:
CHESAPEAKE OPERATING, INC.

By: _____
Randall Rodrigue
Manager – Field, Western Division