

# MATRIX ENERGY, LLC

P.O. Box 271309  
Ft. Collins, CO 80527  
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Surface Damages Agreement Between  
For the Drilling of the Arellano 43-10-12  
NESE-10-T5N-R65W  
Bobby and Patty Arellano  
2460 E. 16<sup>th</sup> Street  
Greeley, CO 80631  
(970)330-1137

Matrix Energy, LLC (hereinafter referred to as Matrix) agrees to take every reasonable precaution and to make every reasonable effort to minimize the disruption of the property. This includes:

1. When leveling requires disturbance/removal of the topsoil, Matrix agrees to segregate and stockpile the topsoil and subsoil. At the completion of Matrix's operations, Matrix agrees to reshape the disturbed surface as near as possible to its original contour.
2. To restore the drillsite surface and any abandoned well site and any road to a level condition, including compaction, if necessary.
3. To notify the surface owner at least seven (7) days prior to entering upon the premises for drilling purposes and Matrix 's intention to drill. Execution of this agreement by the parties identified below shall serve as each party's consent to waive the mandatory fourteen (14) day notice, (should such rule apply), as set forth in Rule 1002.b of the Wattenberg Special Area Rules established by the Colorado Oil and Gas Conservation Commission.
4. To refrain from using permanent ground anchors.
5. Restoration of the lands shall commence as soon as practicable after drilling and completion activities are concluded. Restoration shall be made as near as practicable to its condition when Matrix first entered onto the lands.
6. Permanent access roads shall be approximately 15 feet wide. Matrix agrees to construct the roads using a road base as necessary and install culverts to insure proper water drainage. Matrix also agrees to maintain roads accessible for ingress and egress in and to the wellhead.
7. Notification of Matrix 's plans to recomplete or workover any well on the lands shall be given to Surface Owner 15 days prior to entering the lands with equipment. Matrix shall use all reasonable efforts to coordinate any recompletion or workover of any well on the lands with Surface Owner so as not to interfere with normal farming and irrigation operations. Should the recompletion or workover operations on such well) cause the Surface Owner to lose cash crop on

the lands, upon Surface Owner's proof to Matrix; or the actual dollar amount of crop loss from the lands directly caused by Matrix's recompletion or workover activities, Matrix will reimburse Surface Owner for actual dollar amount of crop loss from such lands.

8. Matrix shall be responsible for damage to Surface Owner's water systems, livestock, and fences on the lands that may be caused as a direct result of Matrix's drilling and completion operations.
9. Matrix agrees to comply with all applicable federal, state and local laws, rules and regulations including, without limitation, environmental laws in its use and enjoyment of the lands covered hereby. Surface Owner will not be held liable for any environmental damages caused as a direct result of Matrix's drilling operations.
10. All drilling waste, except cuttings, shall be removed from the reserve pit and drilling pits and disposed of properly off the property as soon as possible. Cuttings may be spread evenly across the bottom of the entire reserve pit. All pits shall be allowed to dry adequately and then backfilled according to the soil segregation requirements of the Colorado Oil and Gas Conservation Commission's applicable rules. If subsidence occurs, the site shall be re-leveled to its original contour.
11. Matrix specifically understands that the [REDACTED] payment hereunder does not include or cover settlement for any environmental damages caused by Matrix, its assigns, or those under Matrix's direction or control while conducting oil and gas operations on the lands described herein.

This Surface Damages Agreement is intended to cover all damages which occur as the result of the location, drilling, completion, equipping and operation of the referenced well, including, but not limited to, Matrix's re-entry upon the referenced lands for the purposes of recompletion or reworking operations on the referenced well. This Surface Damages Agreement is also intended to cover all surface damages occasioned by location and use of the access road to the well, location, use and servicing of tank batteries and flow lines or gas gathering lines on the referenced lands.

Prior to the commencement of drilling operations for this well, Matrix agrees to pay the surface owner the sum of [REDACTED] as payment for surface damages relating to drilling and completion of any specific well and for the installation of the production equipment and flow lines required for the production of oil and gas from that well. It is specifically understood that the [REDACTED] shall cover any damages at the drillsite resulting from Matrix's operations.

Execution of this Agreement by the parties identified below shall serve as each party's consent to waive the thirty (30) day notice as set forth in the Wattenberg Special Area Rules 1002.a as established by the Oil and Gas Conservation Commission of the State of Colorado.

This Agreement shall be binding on any subsequent surface owner(s) and represents the full and complete agreement between the parties. Any additional provisions would have to be agreed to in writing by both the surface owner and Matrix.

**MATRIX ENERGY, LLC**



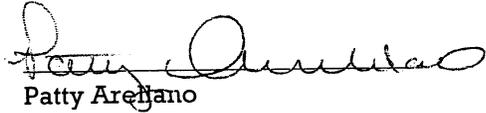
Dan L. Schwartz

Date: 5/14/12



Bobby Arellano

Date: 5/10/12



Patty Arellano

Date: 5/10/2012