

SURFACE DAMAGE AGREEMENT

Well Pad Name: Tailholt

THIS SURFACE DAMAGE AGREEMENT ("Agreement") is entered into by and between Babcock Land Corporation ("Owner"), whose address is 212 N. Wahsatch Ave., Suite 301, Colorado Springs, CO 80903, the owner of the surface estate described below (the "Property"), and Great Western Operating Company, LLC ("Great Western"), whose address is 1700 Broadway, Suite 650, Denver, CO 80290 (together "the parties"), with respect to the following described lands:

TOWNSHIP 6 NORTH, RANGE 67 WEST, 6th P.M.

Section 11: Parcel #1: Lot B of Corrected Recorded Exemption No. 0807-11-2-RE 3694 according to that certain map or plat thereof as recorded September 29, 2004 under Reception No. 3223254.

Parcel #2: Lot C of Corrected Recorded Exemption No. 0807-11-2-RE 3694 according to that certain map or plat thereof September 29, 2004 under Reception No. 3223254.

Parcel #3: Lot D of Corrected Recorded Exemption No. 0807-11-2-RE 3694 (including BE) according to that certain map or plat thereof September 29, 2004 under Reception No. 3223254.

Parcel #4: Lot B of Recorded Exemption No. 0807-11-3-RE 3615 according to that certain map or plat thereof as recorded October 23, 2003 under Reception No. 3119803, EXCEPTING THEREFROM Tract B of Hidden Valley Farm Subdivision First Filing, according to that certain map or plat thereof recorded October 24, 2007 under Reception No. 3513226.

WHEREAS, Great Western owns the leasehold right to access the Property and use so much of the surface as is reasonably necessary to explore for and produce oil and gas from the leased premises; and,

WHEREAS, Great Western and Owner desire to enter into this Agreement as a supplement to, but not in derogation of, Great Western's leasehold rights, including the right to drill future wells and construct additional surface facilities in addition to any well enumerated herein;

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Except as provided below in Additional Provisions 2, 3 and 7, Owner hereby releases and discharges Great Western, its agents, employees, contractors 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 Property, arising from, incident to, or in connection with Great Western's oil and gas operations ("the Operations") on the Property, so long as such Operations are conducted in accordance with this Agreement.

AND,

Owner hereby grants, demises and conveys such easements and rights-of-way on and across the Property as may be convenient for the Operations. Great Western shall have the right to drill and operate wells, including future additional wells, ("Wells") and conduct its Operations anywhere within the Oil and Gas Operations Area ("OGOA") shown on Exhibit A, B and C attached hereto and incorporated herein, including vertical, directional, and/or horizontal wells that produce from and drain lands other than the Property, provided such lands are validly pooled

with all or any portion of the lands included in Great Western's oil and gas lease covering the Property.

This Agreement is applicable to the following Wells and any associated access roads, production facilities and pipelines:

Tailholt FD #11-25HN, being in the NW/4NW/4
Tailholt FD #11-25HC, being in the NW/4NW/4
Tailholt FD #11-35HN, being in the NW/4NW/4
Tailholt FD #11-24HN, being in the NW/4NW/4
Tailholt FD #11-24HC, being in the NW/4NW/4
Tailholt FD #11-36HN, being in the NW/4NW/4

The Parties agree that this Agreement is also applicable to any additional well, wells or surface facilities that may be drilled and completed, or constructed, respectively, in the future on any wellsite, wellpad or production facility referenced in this Agreement.

ADDITIONAL PROVISIONS

1. Great Western may exercise its rights hereunder for all purposes convenient for Great Western to perform the Operations, including the right of unimpeded ingress and egress on the designated rights-of-way to access the OGOA, to install and operate any and all production facilities and pipelines, and to install other associated equipment and facilities within the OGOA. Great Western may assign or delegate to a third party the right to install and operate pipelines in order to connect a well to a gas or liquids gathering system. The access easements granted herein shall be non-exclusive and capable of use by Owner, so long as such use does not interfere with or impair the Operations, and with the permission of Great Western, which permission shall not be unreasonably withheld.

2. Great Western shall promptly repair, or compensate Owner for, damage to personal property or to improvements on the Property, such as damage to buildings, fences, gates, culverts and livestock, as well as any other such extraordinary losses or damages caused by Great Western. Any failure to reach mutual agreement with respect to such repair or compensation shall not, however, be deemed to constitute a breach or abrogation of this Agreement, nor to terminate or diminish the grants, conveyances, rights and obligations contained herein.

3. Great Western hereby agrees to release, discharge, 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 Great Western's Operations, unless, and to the extent that, Owner's negligence causes or contributes to such third party claims. This indemnification extends to any action by a government agency with jurisdiction over the Operations under an environmental law or regulation.

4. Owner has requested that all consultation be conducted directly with Owner. Accordingly, Owner shall have the responsibility of notifying any affected tenant, lessee or other party who may own or have an interest in any crops or surface improvements which could be affected by the Operations. Owner agrees that all damages claimed by a surface tenant, lessee or other such party resulting from the Operations shall be settled by Owner, and Owner hereby agrees to release, discharge, indemnify and hold Great Western harmless from and against any such claims.

5. Great Western agrees to perform all reclamation in accordance with the rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC"), unless a variance is granted by the COGCC upon the request of Owner. Great Western shall endeavor to keep the OGOA and the pipeline and access easements free of weeds and debris and to control erosion.

6. Commencement of the Operations with heavy equipment is estimated to begin on September 1st, 2013. Owner acknowledges that this notice complies with, or hereby waives, all COGCC requirements that it be given advance notice by Great Western of the proposed

Operations. Owner acknowledges receiving from Great Western a brochure prepared by the COGCC which describes the rights and responsibilities of Owner as a surface owner.

7. Great Western shall construct its roads and pipelines within the access easements shown on Exhibit A, and otherwise confine its Operations to the OGOA, except in the event of an emergency, or for reasonable incidental and temporary activities, and Great Western shall be responsible for any physical damage to the Property that may be caused by such emergency or temporary activities. Any depiction of the Operations shown on Exhibit A are for illustrative purposes only and shall not bind Great Western with respect to the location or scope of its Operations within the OGOA, and Great Western reserves the right to expand any wellsite, wellpad, or production facility location in order to conduct its Operations pursuant to this Agreement

8. Owner acknowledges and agrees that Great Western has consulted in good faith with Owner as to its proposed Operations, in accordance with COGCC requirements, or hereby waives such requirements. Owner expressly waives the application of any COGCC setbacks inconsistent with this Agreement.

(a) Great Western will provide Owner with the COGCC Form 2A ("Oil and Gas Location Assessment") for the OGOA when submitted to the COGCC, and Great Western undertakes to ensure that said Form 2A accurately reflects the provisions of this Agreement.

(b) Owner agrees not to object to the Form 2A, so long as it is consistent with this Agreement, and hereby waives any right granted by COGCC rule to comment on the Form 2A, to request an extension of the comment period, to request an onsite inspection pursuant to COGCC policy, or to appeal the approval and issuance of the Form 2A, and any related Form 2 ("Application for Permit to Drill").

(c) Owner shall not oppose Great Western in any COGCC or other governmental proceedings related to Great Western's Operations, including, but not limited to, permitting, formation of drilling units, well spacing, well density, pooling, drilling, completion, stimulation, re-stimulation, workovers, deepening and recompleting, provided that Great Western's position in such proceedings is consistent with this Agreement.

9. Operator agrees to make every effort to utilize Wells Trucking and give them first choice in bidding for all access roads and wellsite construction.

10. Owner expressly acknowledges and agrees that this Agreement shall be deemed to be specifically applicable to, and to fully satisfy, the obligation of Great Western to reasonably accommodate Owner's use of the surface of the Property, existing or future, and waives any statutory or common law claim to the contrary.

11. Owner agrees to include a note on any annexation, subdivision plat, planned unit development or other land use designation for which Owner may apply to put successors or assigns on notice that the Property is subject to this Agreement. Great Western may also record this Agreement or a Memorandum thereof. In all other respects, however, the parties shall hold the provisions of the Agreement in confidence.

12. In construing this Agreement, no consideration shall be given to the fact or presumption that one party has had a greater or lesser hand in drafting this Agreement than any other party.

13. This Agreement shall be subject to, and construed under, the laws of the State of Colorado, without regard to its conflict of law provisions, and jurisdiction and venue shall be solely in the courts of the State of Colorado, subject to the right of either party to remove a matter to federal court.

14. Each of the undersigned principals of the parties represents and warrants that such person has the requisite corporate or legal authority to bind the respective parties to this Agreement.

15. Concerning any matter relating to the Operations, Owner may contact:

Operator: Great Western Operating Company, LLC
Person to Contact: Land Manager
Address: 1700 Broadway, Suite 650
Denver, CO 80290
Phone Number: (303) 398-0513
24-Hour Emergency Phone Number: (970) 395-7640

16. This Agreement shall extend to, bind and inure to the benefit of, Owner and Great Western, and their respective heirs, personal representatives, successors and assigns. The rights and obligations contained herein shall constitute covenants running with the Property.

17. This Agreement shall become effective upon execution, which may be by counterparts, each of which shall constitute one and the same document, and shall remain in full force and effect until Great Western's leasehold estate expires or is terminated, and Great Western has plugged and abandoned the wells and conducted reclamation in accordance with applicable COGCC rules and regulations, except that any release, discharge or indemnity from and against liability contained herein shall survive the expiration of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement this 16th day of May, 2013.

OWNER: Dave Cocolin

By: Dave Cocolin

GREAT WESTERN OPERATING COMPANY, LLC

Tom Rand

By: Tom Rand, Vice-President of Operations

EXHIBIT “A”

Attached to and made part of that certain Surface Damage Agreement dated May 16th, 2013, between Babcock Land Corporation, as “Owner” and Great Western Operating Company, LLC., as “Operator”.

TOWNSHIP 6 NORTH, RANGE 67 WEST, 6TH P.M.
SECTION 11: Part of N/2

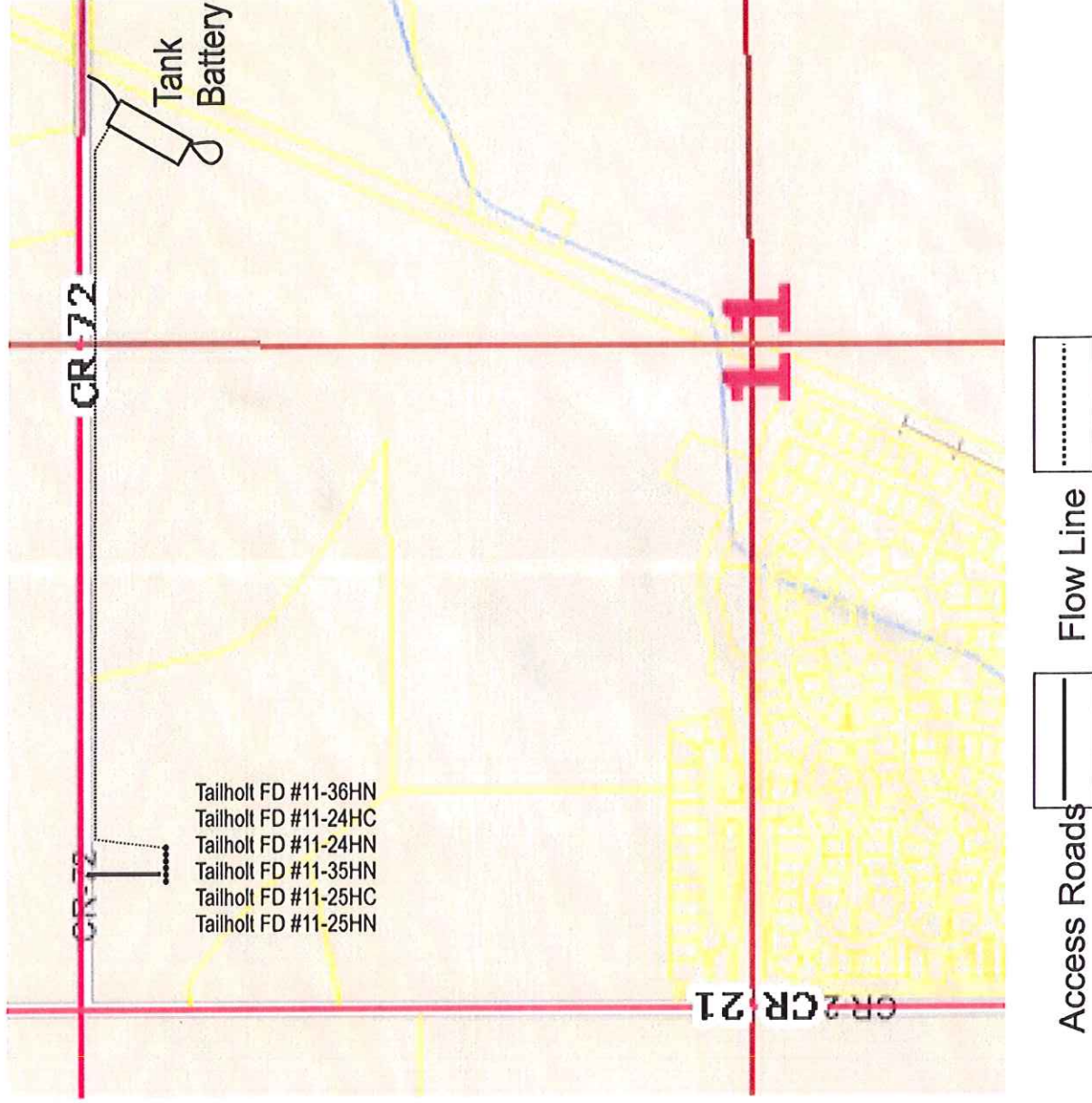


EXHIBIT "B"

Attached to and made part of that certain Surface Damage Agreement dated May 16th, 2013, between Babcock Land Corporation, as "Owner" and Great Western Operating Company, LLC., as "Operator".

TOWNSHIP 6 NORTH, RANGE 67 WEST, 6TH P.M. SECTION 11: Part of N/2

GREAT WESTERN OIL & GAS COMPANY

LOCATION DRAWING DETAIL FOR

TAILHOLT FD #11-25HN, #11-25HC, #11-36HN,

#11-24HN, #11-24HC & #11-35HN

SECTION 11, T6N, R67W, 6th P.M.

NW 1/4 NW 1/4

FIGURE #4A
SCALE: 1" = 200'
DATE: 07-26-12
DRAWN BY: J.W.
REVISED: 09-06-12
REVISED: 10-12-12
REVISED: 03-26-13
REVISED: 05-24-13

