



## SURFACE DAMAGE AGREEMENT & RELEASE

KNOW ALL MEN BY THESE PRESENTS:

That for and in consideration of the sum of Ten and More Dollars (\$10.00 +), paid to the undersigned by **Elm Ridge Exploration Company, LLC.**, (hereinafter "Operator"), receipt of which is hereby acknowledged, **Klusman Ranches Co., a Colorado General Partnership** (hereinafter "OWNER") and their heirs, successors, and assigns, as the OWNER of the hereinafter described lands, do hereby release Operator, its successors, agents and employees from any and all claims for damages to the surface of the hereinafter described lands in La Plata County, Colorado, resulting from the ingress and egress, drilling, completion, operation, maintenance and/or abandonment of the IGE 134 well situated upon and under the hereinafter described lands:

Township 33 North, Range 8 West, NMPM  
Section 11: SE/4SW/4

The wellpad to be located around the wellhead located 1103 feet from the South section line and 1465 feet from the West section line.

Operator shall use only such portions of the described lands as are reasonably necessary as more particularly shown on attached Exhibit "A"; however, the surface area actually disturbed for the wellpad shall not be more than 1.5 acres in size for drilling and completion operations. Operator shall have full and complete access to the original 1.5 acre wellpad at all times for subsequent well operations. Operator will install one gas gathering and one water gathering pipeline. Such pipelines shall be laid to a minimum depth of 36 inches below the surface.

OWNER hereby grants unto Operator an easement for a road not to exceed twenty feet (20') in width located across the above referenced property as shown on the attached Exhibit "B". The parties hereto shall cooperate with each other concerning the use and enjoyment of the subject road except for the purposes herein granted, but such use shall not hinder, conflict, or interfere directly, or indirectly, with the exercise of Operator's rights hereunder.

OWNER further releases Operator, its successors, agents and employees from any and all claims for damages for loss of growing crops on the hereinafter described lands resulting directly or indirectly from the drilling, completion, operation, maintenance and/or abandonment of the well identified above.

The consideration paid hereunder shall also compensate the OWNER for damages sustained or which may be sustained, as a direct or indirect result of the construction, maintenance and subsequent use of the access road and production facilities necessary for Operator, its successors, agents, and employees to properly conduct operations and maintenance activities associated with the well identified above. Operator shall conduct its operations in a manner which will cause the least practical interference with OWNER's use of the leased lands.

Operator agrees to repair all fences, build gates and construct the access road and crossings in a manner which will allow OWNER to continue its use of the property in its current manner. Drainage areas or irrigation ditches will be re-constructed in a manner agreed to with OWNER. Upon completion of the well, the wellpad shall be reduced in size to the minimum necessary to allow for normal production operations and the remainder of the wellpad will be reclaimed. Reclamation shall consist of grading disturbed areas to pre-existing grade and seeding with a seed mixture recommended by the NRCS office for the area. Rig anchors may be left in place, if identified in a manner which will avoid damage to OWNER's equipment. Restoration shall conform to the Colorado Oil & Gas Conservation Commission (COGCC) rules and regulations. Operator shall maintain disturbed areas and facilities free of weeds. Well equipment shall be fenced.

OWNER hereby waives the thirty (30) day notification prior to commencement of drilling operations as required by Rule 305.b of the COGCC rules and acknowledges that OWNER has received the brochure "Information for Oil and Gas Operators, Surface Owners and Surface Tenants" as per COGCC Rule 305.c(6). This agreement shall serve as evidence that the consultation requirements of the COGCC Rules 305 and 306 have been fulfilled. Owner agrees that the terms of this agreement reasonably accommodate Surface Owner's use of the Subject Land pursuant to C.R.S. § 34-60-127.

Operator, in its discretion, may use synthetic liners for any pits utilized; however, Operator must bury said liners upon final reclamation of the site.

Operator will comply with COGCC Rules concerning Noise Abatement and shall install hospital grade mufflers, buried in series, sound walls, and/or other devices as necessary.

The consideration due hereunder shall be payable prior to the commencement of drilling operations on the subject lands.

*P/O by Finney Land Co*

Operator hereby agrees to indemnify and hold OWNER harmless from and against any and all expenses, losses or damages resulting from or relating to Operator's operation and maintenance of the well, equipment, road and related activities on the property, provided however Operator does not indemnify OWNER for expenses, losses or damages resulting from OWNER's conduct on the Property.

The Operator's rights under this Agreement shall be in addition to, and shall not diminish, any and all rights under its Oil and Gas Leases covering all or any portion of the Subject Property

This Agreement shall be for as long as the above captioned well is operated by Operator, its successors and assigns, and for a period of one year after the abandonment of the well during which time Operator shall have the right to remove all facilities and other fixtures installed pursuant to this agreement. Upon abandonment of the well, Operator agrees to restore the surface of the lands to as near as condition as it was prior to Operator's operations in accordance with COGCC Rules.

The terms of this written Agreement and Side Letter shall constitute the full agreement between the parties hereto and no modification or amendment of this Agreement shall be effective unless made in writing and signed by the parties.

IN WITNESS WHEREOF, this Release is voluntarily entered into and executed this 4th, day of January, 2008.

OWNER:

Ralph Klusman  
Klusman Ranches Co., a Colorado General Partnership signed by: Ralph Klusman

OPERATOR:

Elm Ridge Exploration Company, LLC.

BY: Michael J. Finney  
Michael J. Finney, Agent

NOTARY PUBLIC

STATE OF COLORADO )  
 ) ss  
COUNTY OF LLA PLATA )

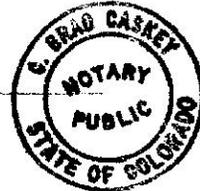
The foregoing instrument was acknowledged before me this 8th day of January, 2008, by Klusman Ranches Co., a Colorado General Partnership signed by: Ralph Klusman.

Witness my hand and official seal.

My Commission expires:

10/6/11

[Signature]  
Notary Public



NOTARY PUBLIC

STATE OF COLORADO )  
 ) ss  
COUNTY OF LA PLATA )

The foregoing instrument was acknowledged before me this 8th day of January, 2008, by Michael J. Finney, as agent for Elm Ridge Exploration Company, LLC.

Witness my hand and official seal.

My Commission expires:

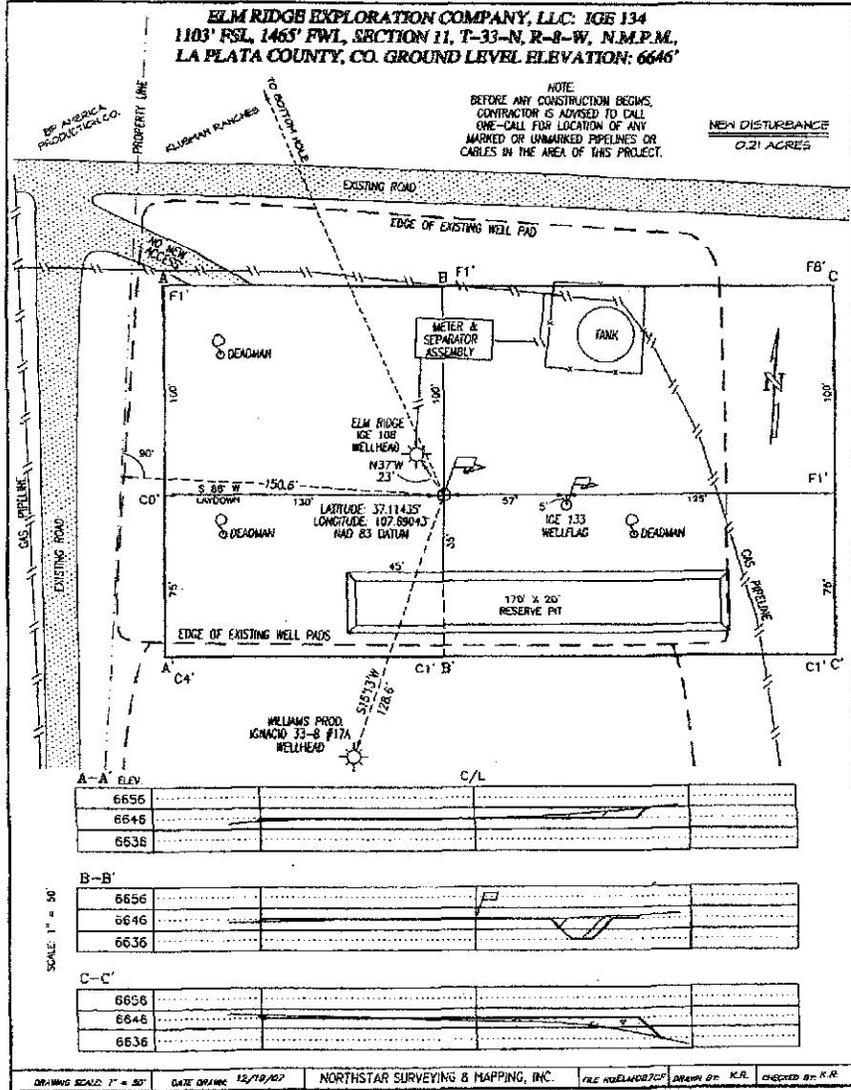
10/6/11

[Signature]  
Notary Public



EXHIBIT "A"

Attached to and made a part of that certain Surface Damage Agreement & Release dated January 4, 2008, by and between Klusman Ranches Co., a Colorado General Partnership (hereinafter "OWNER", whether one or more), and Elm Ridge Exploration Company, LLC. (hereinafter "Operator")



Signed for Identification:

OWNER:

Elm Ridge Exploration Company, LLC.

*Ralph Klusman*  
 Klusman Ranches Co., a Colorado General  
 Partnership signed by: Ralph Klusman

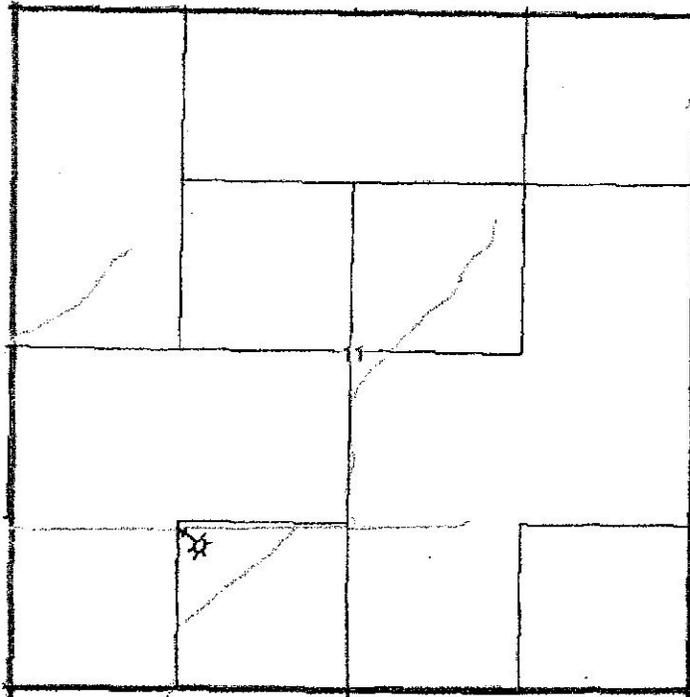
BY: *Michael J. Finney*  
 Michael J. Finney, Agent

EXHIBIT "B"

Attached to and made a part of that certain Surface Damage Agreement & Release dated January 4, 2008, by and between Klusman Ranches Co., a Colorado General Partnership (hereinafter "OWNER", whether one or more), and Elm Ridge Exploration Company, LLC. (hereinafter "Operator").

Description: Township 33 North, Range 8 West, N.M.P.M.  
Section 11: SE/4SW/4

A Twenty feet (20') wide road easement across a portion of OWNER's property as shown below:



✱ WELLPAD  
ROAD EASEMENT

Signed for Identification:

OWNER:

Elm Ridge Exploration Company, LLC.

Ralph Klusman  
Klusman Ranches Co., a Colorado General  
Partnership signed by: Ralph Klusman

BY: Michael J. Finney  
Michael J. Finney, Agent