

SURFACE DAMAGE AGREEMENT

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, **BP America Production Company** (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, and reasonable operations of Operator for the **IGW 152** well situated upon and under the hereinafter described lands (hereinafter Subject Land):

Section 15: NW/4SW/4, Township 33 North, Range 9 West, NMPM

The well-pad to be located around the wellhead located 1513 feet from the South section line, and 1067 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 well-pad 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 well-pad 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. The pipelines will be used only to transport gas and water produced from the **IGW 152** well.

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 and/or maintenance 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 reasonable 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 well-pad shall be reduced in size to the minimum necessary to allow for normal and reasonable production operations and the remainder of the well-pad will be reclaimed by and at the expense of Operator to the reasonable satisfaction of Owner. 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 and agreed to by Owner. 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 Operator's use of the surface in accordance with the terms of this agreement reasonably accommodate Surface Owner's use of the Subject Land pursuant to C.R.S. § 34-60-127.

Plata County Clerk

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

Operator will comply with all COGCC Rules including without limitation those 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 Surface of the subject lands.

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 Agreement is voluntarily entered into and executed this 20th, day of August, 2008.

OWNER:
BP America Production Company

BY: E M Sierra
E. M. Sierra, Attorney-In-Fact

OPERATOR:
Elm Ridge Exploration Company, LLC.

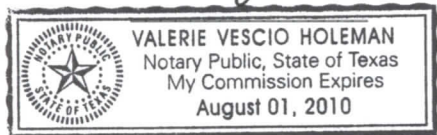
BY: Michael J. Finney
Michael J. Finney, Agent

NOTARY PUBLIC

STATE OF TEXAS)
) ss
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 20th day of August, 2008, by **E. M. Sierra, Attorney-In-Fact.**

My Commission Expires:
August 01, 2010



Witness my hand and official seal

Valerie Vescio Holeman
Notary Public

NOTARY PUBLIC

STATE OF Colorado)
) ss
COUNTY OF La Plata)

The foregoing instrument was acknowledged before me this 5th day of September, 2008, by **Michael J. Finney, as agent for Elm Ridge Exploration Company, LLC.**

My Commission expires:
10/6/11

Witness my hand and official seal.

Notary Public

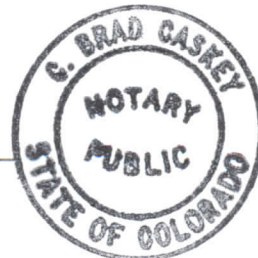
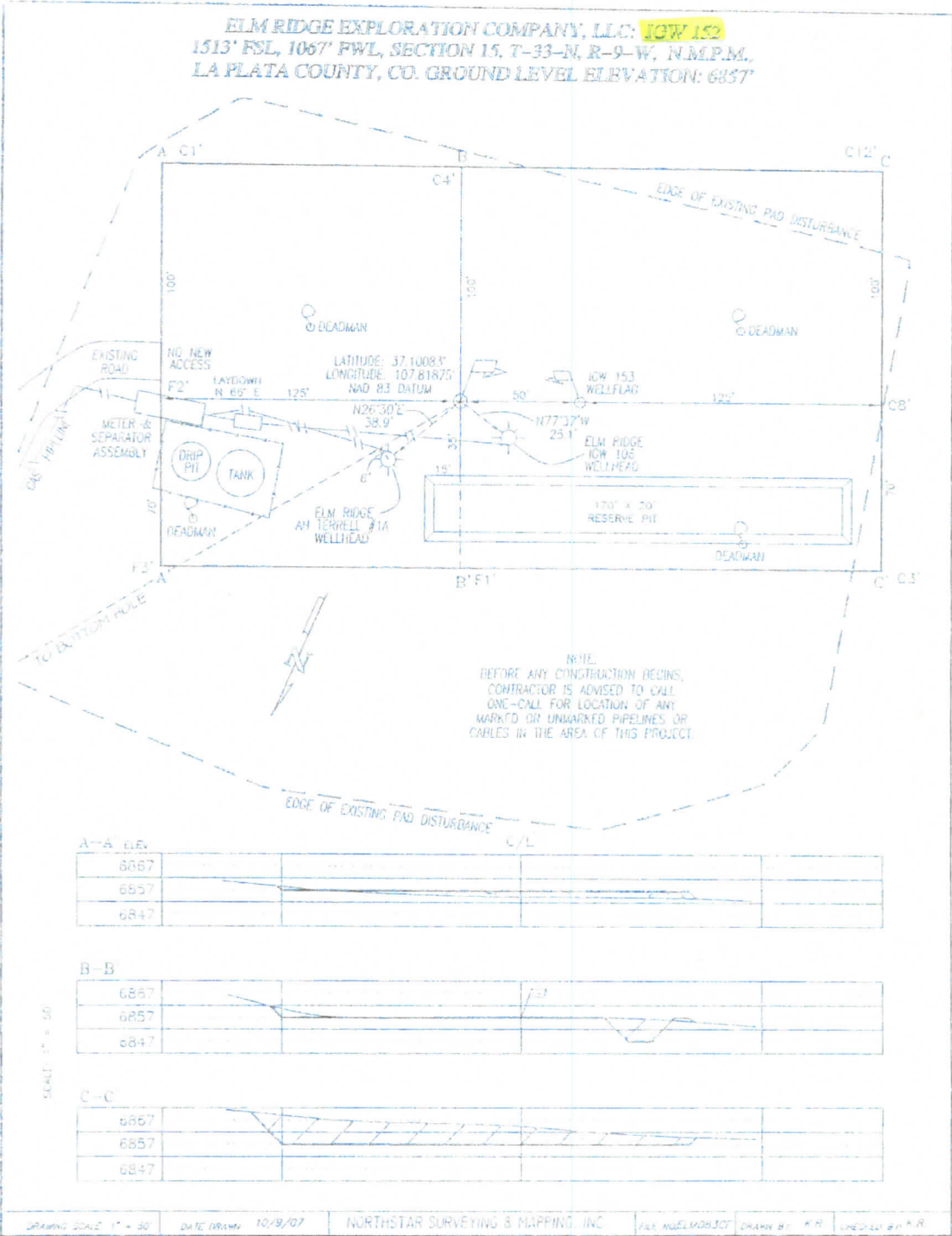


EXHIBIT "A"

Attached to and made a part of that certain Surface Damage Agreement & Release dated August 20, 2008 by and between BP America Production Company (hereinafter "OWNER", whether one or more), and Elm Ridge Exploration Company, LLC. (hereinafter "Operator").



Signed for Identification:

BP America Production Company

Elm Ridge Exploration Company, LLC.

BY: E. M. Sierra
E. M. Sierra
Attorney-In-Fact

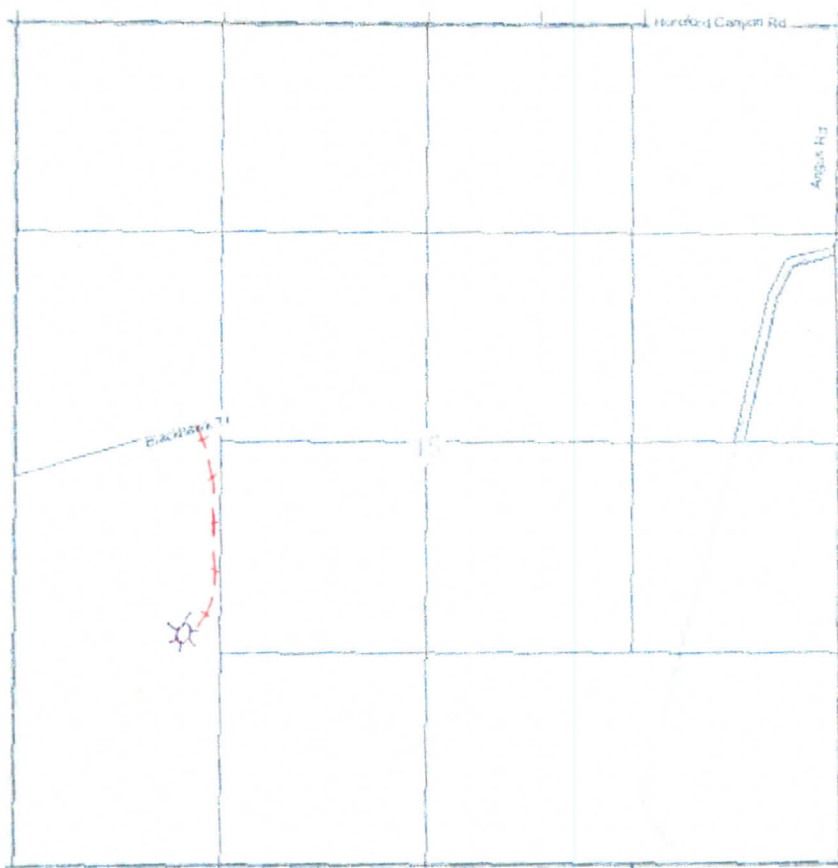
BY: Michael J. Finney
Michael J. Finney, Agent

EXHIBIT "B"

Attached to and made a part of that certain Surface Damage Agreement & Release dated August 20, 2008 by and between BP America Production Company (hereinafter "OWNER", whether one or more), and Elm Ridge Exploration Company, LLC. (hereinafter "Operator").

Description: Township 33 North, Range 9 West, N.M.P.M.
Section 15: NW/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:

BP America Production Company

Elm Ridge Exploration Company, LLC.

BY: E. M. Sierra

BY: Michael J. Finney

E. M. Sierra
Attorney-In-Fact

Michael J. Finney Agent