

# SURFACE OWNER'S RELEASE AND SETTLEMENT OF SURFACE DAMAGES

State: Colorado  
County: Cheyenne

Surface Owner(s): Betty Hoffman  
42206 Hwy 40  
Cheyenne Wells, CO 80810

Operator: Pronghorn Operating, LLC  
8400 E. Prentice Ave., Ste 1000, Greenwood Village, CO 80111

For adequate consideration, Russell J. Hoffman, as Surface Owner, release and discharge, in full, Pronghorn Operating, LLC, Operator, its officers, agents, contractors, subcontractors, employees, successors and assigns from all claims, demands or causes of action caused by or arising from the usual and customary damages associated with the drilling, completion, reworking and production operations related to well(s) including the access road to the location(s) on the following lands:

Township 14 South, Range 44 West, 6<sup>th</sup> P.M.  
Section 31: S/2

This consideration shall amount to \$ \_\_\_\_\_ and more, good and valuable consideration, receipt of which is hereby acknowledged, per wellsite.

Further, Surface Owner(s) hereby agree to release and discharge, in full, Operator for damages connected with the laying of gas gathering pipeline, electrical and water flow lines associated with the above describes land(s).

Operator agrees that, should the well warrant the setting of production equipment, a yearly payment of \_\_\_\_\_ shall be made for the space allocated the pumping unit. If production tanks and separator are set Operator agrees to pay an additional yearly payment of \_\_\_\_\_ for the space allocated the tanks and separator. The first payment shall be made within two weeks of the anniversary date of first production, as noted on the Colorado Oil and Gas Commission database, and subsequent payments shall follow, so long as the well is capable of production, on said anniversary date. Should such payment not be made within the two week period, Surface Owner(s) agree to notify the Operator of lack of payment, and Operator shall have an additional two weeks to make said payment; however, a \_\_\_\_\_ late fee shall be added. Should drilling commence before harvest, Operator agrees to pay surface owner the average \$/acre yield of the field for the specific acreage of crops lost due to drilling.

Operator shall deliver the initial \_\_\_\_\_ payment to Surface Owner(s) prior to commencing operations. Operator shall notify Surface Owner(s) by mail, electronic mail, telephone, or fax prior to commencing operations. Surface Owner(s) does hereby waive the need of a 30 Day Notice Letter, and will not require an on-site audit by the Colorado Division of Wildlife or the Colorado Department of Health and Human Safety.

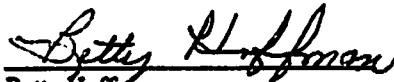
Operator agrees to consult with Surface Owner as to the timing of drilling operations and will excavate the wellsite just prior to drilling. Operator agrees to erect a fence around any surface facility which shall be on land actively pastured with livestock.

The consideration paid by the Operator to the Surface Owner(s) in the amount set forth are accepted in full and final settlement and discharge of the usual and customary surface damages related to the drilling, completion, reworking and operations of the subject well(s), including access road and the installation and maintenance of gathering, water and electrical lines.

Except to compensate Surface Owner(s) for damages to growing crops and the use of the above described wellsite/road damages, none of the foregoing provisions of this document shall act to waive, modify or amend any applicable law, rule, regulation or order of any Federal, state or local governmental authority.

Dated this 15<sup>th</sup> day of July, 2014.

Surface Owners:

  
Betty Hoffman

Operator:

  
Jacob M. Flora, Managing Member  
Pronghorn Operating, LLC