

EXHIBIT "B"

SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("Agreement") is made and entered into this 24th day of July, 2008 by and between Wiedeman Family Farm, LLC ("Owner") and Francis Energy, Inc., ("Operator"), sometimes referred to each as a "Party" or collectively as the "Parties".

WITNESSETH

For and in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **OWNERSHIP.** Owner is the surface owner of certain lands located in Weld County, Colorado as more specifically described as follows ("Lands");

All that part of the NE1/4 of Section 5, Township 5 North, Range 66 West, 6th P.M., and all that part of the S1/2SE1/4 of Section 32, Township 6 North, Range 66 West, 6th P.M., more particularly described on Exhibit "A" attached to the Lease.

Operator owns a working interest in valid leases taken in its name covering all or portions of the Lands or Land pooled or included in a spacing unit therewith (each a "Lease", collectively, the ("Leases")).

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator intends to drill or cause to be drilled oil and/or gas wells on the Lands, as approximately depicted on Exhibit "C" attached hereto ("Wells"). In order for Operator to drill, construct, complete, produce, maintain, and operate the Wells and all facilities associated therewith, including, but not limited to, permanent access roads ("Access Roads"), temporary access roads ("Temporary Access Roads"), pipelines, flow lines, separators, tank batteries, electric lines and any other facilities or property necessary for Operator to conduct operations on the Wells (each a "Facility", collectively, the "Facilities"), it is necessary that Operator enter and utilize a portion of the surface of the Lands.

During the primary term of the subject Oil and Gas Lease, Operator agrees to drill (or commence the operations of) not less than three (3) Wells upon the subject Lands or lands pooled therewith.

The parties enter into this Agreement to evidence their entire agreement regarding the payment of surface damages, entry, surface use, and any other matters relating to Operator's use of the Lands.

3. **LOCATION.** The approximate location of Wells, Access Roads, Temporary Roads to the Well sites, and the location of flow lines, separators, tank batteries and other facilities to be constructed on Lands are depicted on Exhibit "C".

Any changes to the Wells, Access Roads and Facilities locations may be made by Operator with the consent of Owner, which will not be unreasonably withheld, but will not unduly interfere with Owner's use or enjoyment of the surface estate. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations; provided, however, that each site will not exceed 1.75 acres, or 200 feet by 350 feet in area, absent written consent from the Owner.

No additional Well sites will be permitted upon the subject property unless approved in writing by Owner unless directionally drilled from existing Well pads.

4. **CONDUCT OF OPERATIONS.** Operator's operations on the Lands will be conducted pursuant to the terms of the Leases, this Agreement, the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"), and applicable Colorado statutes and case law.

5. **COMPENSATION AMOUNT.** Operator will pay Owner the sum of \$10,000.00 ("Amount") for each Well site located on Lands owned by Owner whether vertically drilled or for any Well with bottom hole locations to adjoining property not owned by Owner. The Amount shall be deemed full and agreed consideration for all damages caused or created by reason of the reasonable and customary ingress, egress, rights-of-way, drilling, completion, production and maintenance operations associated with the Wells and Facilities. Such damages will include, without limitation, damage to growing crops and crop land; the removal, transportation and care of any livestock; the re-seeding, construction and use of access roads; and the preparation and use of the Well site areas. Any subsequent major operations for said Wells (refrac, deepening, redrilling, etc.), except in case of emergency, shall require 10 days prior notice to Owner. Operator shall pay Owner all actual damages caused by said subsequent operations.

6. **ALLOWED WELLS.** Exhibit "C" depicts Wells numbered one through fourteen. No other Wells or Well Sites will be permitted without the specific written approval and agreement of Owner.

7. **ADDITIONAL SURFACE USE PROVISIONS, ACCESS ROADS, FENCES AND FACILITIES.** With respect to its operations on the Lands, Operator will comply with the following provisions:

A. Access Roads:

- (i) Access Roads will not exceed 20 feet in width.
- (ii) During Drilling operations, Operator will insure that all vehicles accessing the Lands on its behalf remain on the Access Roads. Operator agrees to place a single strand fence on both sides of Access Roads during drilling operations.
- (iii) Operator agrees to back-slope all Access Roads.
- (iv) Operator will provide Owner with a minimum of 10 days prior written notice before restoring the surface of all Access Roads to be permanently abandoned by Operator. No later than 10 days following receipt of such notice, Owner may elect, in writing, not to have such Access Roads abandoned by Operator. In such event, Operator will have no liability under this Agreement, the Lease, or otherwise, to restore or maintain the surface of the Lands utilized as Access Roads. Failure to timely respond will be deemed as Owner's election that Operator proceed with the abandonment of the Access Roads and the restoration of the surface thereof.
- (v) Operator will stockpile and save any topsoil removed while constructing Access Roads for rehabilitation or re-seeding as reasonably directed by Owner.
- (vi) Operator will maintain all Access Roads in good repair and condition, and Operator shall not haul rocks on roads and the Well sites in a form larger than 3/4" gravel.

B. Surface Restoration:

Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator will be restored by Operator to their original contour as nearly as is reasonably practicable, and re-seeded if so requested by Owner; provided however, that Operator's intent to abandon any Access Roads will be subject to the provisions of Paragraph 6(A)(iv) herein.

C. Other:

- (i) Operator will install culverts on the Lands that may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the Lands.

- (ii) If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the Wells, there is damage to personal property of the Owner, including, but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, and for which Owner has not been previously compensated pursuant to Paragraph 5, Operator will repair or replace such items after consultation with and to the reasonable satisfaction of the Owner. Owner will notify Operator of any items damaged after the Wells construction and Operator will repair or replace such items after consultation with the Owner within 15 days of the occurrence.
- (iii) Operator agrees that all trash, refuse pipes, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells will be removed and disposed away from the Lands no later than 30 days after the completion of the Wells. No such items will be burned or buried on the Lands.
- (iv) Operator is required to remove casing to a depth of 6 feet below surface within 90 days following cessation of operations.
- (v) During drilling operations the Well sites and any pits shall be fenced at Owner's request. After completion of the Wells and in the event of production, the Wellheads and all production equipment shall be fenced at request of Owner. Additionally, the Well sites and production/tank sites shall be kept free and clear of all noxious weeds, unsightly growth and trash either during drilling operations or after completion and production.
- (vi) All guy line anchors for drilling and completion rigs shall be immediately removed after such work is completed.
- (vii) Operator agrees to fence off the perimeter of the Well sites with temporary fencing at Owner's request. Operator will also install temporary cattle guards where necessary and shall be responsible for restoring Owner's existing fence to its original condition at any point of access.
- (viii) All pipelines of any type or purpose shall be buried not less than three and one-half feet (3½') beneath the surface and water packed or compacted upon installation. In excavating for pipelines or for drilling operations or for any other purpose, all soils will be separated so that topsoil and subsurface soils shall be placed back in the proper order and leveled, with top soil on top. No pipelines shall be permitted which do not serve a Well or Wells located upon Owner's property.

8. **SHUT-IN.** Notwithstanding Paragraph 4 of the subject Lease, the Lease shall not be extended for more than three (3) consecutive years beyond the primary term by virtue of the shut-in gas clause. Additionally, the royalty fee for shut-in shall be Ten Dollars (\$10.00) per year per net mineral acre.

9. **DEFAULT AND RIGHT TO CURE.** In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner will notify Operator, by certified mail, return receipt requested, of the alleged default. Operator will have 30 days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default. Receipt of the certified mail shall be deemed effective three (3) days after the mailing unless sooner received by Operator.

Except as otherwise agreed in writing, no waiver by Owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder will be deemed to be a waiver of any subsequent or continuing breach of the same, nor will any forbearance by Owner to seek a remedy for any breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to such breach; however, in no event will Operator be liable for consequential damages.

10. **INDEMNITY/RELEASE.** Owner hereby releases and agrees to hold harmless Operator from any and all liability and further payment, other than what has been provided herein, for damages on the Lands which arise from, out of or in connection with the Operator's operations on the Lands, but only as to those operations which are described in and permitted by this Agreement, and for those operations which the Amount has been paid and received by Owner pursuant to this Agreement.

Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Lands that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the premises at the request of Operator.

11. **WAIVER OF 30-DAY NOTICE.** Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other notice or consultation requirements of the COGCC. Without waiving the foregoing, Operator agrees it will provide an initial notice to Owner after it has submitted a request for permit to drill from COGCC.

12. **NOTICE FOR ADDITIONAL OPERATIONS.** Operator will comply with COGCC rules and regulations requiring that advance notice be provided to Owner for subsequent operations on the Wells, including, but not limited to, reworking operations thereto.

13. **NOTICES:** Notice by either Party will be promptly given, orally if possible (with exception of the default notice described in Paragraph 8), with subsequent written confirmation sent by United States mail, postage prepaid and addressed to either Party at the address as designated below; or to such other place as either Party may from time to time designate by notice to the other:

Owner:

Elsie M. Schoenhaar
4250 W. 16th Street, #22
Greeley, CO 80634

With a copy to:

Lind, Lawrence & Ottenhoff LLP
Kenneth F. Lind, Esq.
355 Eastman Park Drive, Suite 200
Windsor, CO 80550
Phone: (970) 674-9888
Fax: (970) 674-9535

Operator:

Francis Energy, Inc.
4539 14th Street
Greeley, CO 80634

14. **BINDING EFFECT.** The covenants and conditions herein contained are all of the provisions of this Agreement, will insure to the benefit of and will be binding upon the Parties hereto, their respective heirs, representatives, successors or assigns. Owner agrees to contact any and all tenants of Lands or any other third parties utilizing the surface of the Lands that may be affected by Operator's activities on the Lands. It will be Owner's sole responsibility to advise such third parties of the existence of this Agreement and Operator's right to utilize the surface of the Lands pursuant to this Agreement for the payment of any consideration, if any, due such third party from Owner.

15. **ENTIRE AGREEMENT.** This instrument contains the entire agreement between the Parties and may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective successors or assigns.

16. **TERMINATION.** If Operator does not commence operations for the Wells within the primary term of the Lease, this Agreement will terminate in its entirety without penalty to either Party, or will otherwise be renegotiated.

17. **CONFLICT.** This Agreement sets for additional terms and conditions of the Lease between the parties hereto. If there is a conflict between this Agreement and the Lease, this Agreement shall control.

18. **COUNTERPARTS.** This Agreement may be executed by facsimile, in counterparts, each of which will be considered an original and enforceable against either party.

19. **GOVERNING LAW AND VENUE.** This Agreement will be governed by, construed and enforced in accordance with the laws of Colorado. Venue shall be deemed to be in Weld County, Colorado.

20. **ATTORNEY'S FEES AND COSTS.** The Parties agree that the prevailing Party in any action resulting from a breach of this Agreement will be entitled to its reasonable attorneys' fees and costs incurred therein.


21. **AUTHORITY OF SIGNATORIES.** The signatories below declare, warrant and represent that they have the authority to enter into this Agreement on behalf of their respective principals, if any.


22. **SUCCESSORS.** This Agreement constitutes a covenant running with the Lands and will be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, administrators, trustees, executors and assigns.

IN WITNESS WHEREOF, the Parties have set their hands, the day and year first written above.

OPERATOR:
FRANCIS ENERGY, INC.

OWNER:
WIEDEMAN FAMILY FARM, LLC

By: 
Name: Nicholas D. Francis
Title: President

By: 
Name: Elsie M. Schoenhaar
Title: Manager