



Surface Use and Damages Agreement Between

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Red Willow Production, LLC
P.O. Box 737
Ignacio, CO, 81137
Office: 970-563-0145
Fax: 970-563-4826

and

Wetco Farms, Inc. OCT - 5 04
2055 1st Ave
Greeley, CO 80631
Home: COGCC
Cell:



- Referenced Lands: Township 4 North, Range 63 West
Section 4: W/2
Weld County, Colorado
- Well Name: Wetco Farms #24-4
Well Location: Township 4 North, Range 63 West
Section 4: SESW
Weld County, Colorado
- Well Name: Wetco Farms #22-4
Well Location: Township 4 North, Range 63 West
Section 4: SENW
Weld County, Colorado
- Well Name: Wetco Farms #11-4
Well Location: Township 4 North, Range 63 West
Section 4: NWNW
Weld County, Colorado
- Well Name: Wetco Farms #13-4
Well Location: Township 4 North, Range 63 West
Section 4: NWSW
Weld County, Colorado

THIS SURFACE USE AND DAMAGES AGREEMENT is made by and between Red Willow Production, LLC, a Colorado Limited Liability company, whose address is 116 Mouache Drive, Ignacio, Colorado 81137, hereinafter called "Red Willow" and Wetco Farms, Inc., whose address is 2055 1st Ave., Greeley, Colorado 80631, collectively called the "Surface Owner".

Red Willow proposes to conduct drilling operations to drill the Wetco Farms #24-4, Wetco Farms #22-4, Wetco Farms #11-4, and the Wetco Farms #13-4 oil and gas wells (the "Wells") at the above referenced locations and, thereafter, Red Willow proposes to conduct production operations at these locations. Surface Owner represents that it owns and is in possession of the entire surface estate in the W/2 of Section 4 in Township 4 North, Range 63 West, hereinafter called the "Referenced Lands", upon which the Wells will be located, upon which the associated equipment will be located; and upon which production operations will be conducted. By this instrument Red Willow and Surface Owner set forth their agreement concerning the surface damages resulting from the drilling and completing of each Well and subsequent production operations from each Well on the Referenced Lands.

NOW, THEREFORE, in consideration of the sum of three thousand dollars (\$3,000.00) per well, the sufficiency of which is hereby acknowledged, the parties agree as follows:

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Red Willow Production Co.

1. **Normal Damages:** Prior to commencement of drilling operations on each well, Red Willow shall pay Surface Owner the above stated sum as full settlement and satisfaction of all damages growing out of, incident to or in connection with the usual and customary exploration, drilling, completion and production of each Well. Activities shall include but shall not be limited to:

- a) construction of access roads, preparation and use of the drill site areas (not to exceed two acres, in size, exclusive of access roads) preparation and use of reserve and water pits, and construction, installation and maintenance of production equipment and facilities such as flow lines, gas pipelines, separators, treaters, tank batteries, and any other equipment, or facilities necessary or convenient for the production, transportation, gathering and sale of oil and/or gas from the Wells; and
- b) all damages caused to the Referenced Lands resulting from the installation and connection of buried gas pipelines from the Wells' equipment and/or facilities to the gas purchaser's pipeline.

In the event a well is completed as a well capable of producing oil and/or gas and a tank battery is set in crop lands, then Red Willow shall pay Surface Owner an additional consideration of five hundred dollars (\$500.00) for each new tank battery site. Surface Owner shall allow an access to the wellhead sufficient for vehicles to pass in the course of normal production operations.

In the event a well is drilled adjacent to the Referenced Lands and the Surface owner is not eligible to receive five hundred dollars (\$500.00) as set out herein, but a tank battery is set on the Referenced Lands, then Surface Owner may be eligible to receive compensation as set out in the paragraph above.

2. **Abnormal Damages:** If, by reasons directly resulting from the activities and/or operations of Red Willow, there is damage to real or personal property upon the Referenced Lands which is not associated with the usual, convenient and customary operations, such as, but not limited to, operations (including all acts or omissions of drilling contractors and water supply trucks) which are below the industry standards in Weld County; or which are outside of mutually agreed locations for roads, drill sites, flow lines, separating equipment, storage tanks, damage to livestock, structures, fences culverts, cement ditches, and irrigation systems, Red Willow shall promptly repair such damage or pay reasonable compensation to Surface Owner.

3. **Notice of Heavy Equipment Operations:** If requested by Surface Owner, prior to heavy equipment operations on the Referenced Lands, Red Willow's representative will meet and consult with Surface Owner or Surface Owner's representative, as to the location of the well site, access roads, flow lines, tank batteries, gas sales lines and other associated production facilities.

4. **Waiver of Thirty Day Notices:** Surface Owner hereby waives the thirty (30) day advance notices required by the Colorado Oil and Gas Conservation Commission ("COGCC") Rule 305, as amended, and agrees to execute a separate waiver for filing with the COGCC if requested by Red Willow.

5. **Notice to Tenants:** With respect to notices required to be given under COGCC's Rule 305, it shall be the responsibility of the notified Surface Owner to give notice of the proposed operation to the tenant farmer, lessee or other party that may own or have an interest in any crops or surface improvements that could be affected by such proposed operations. As a courtesy to Surface Owner and Tenant(s), Red Willow will attempt to notify said third party prior to commencement of any operation, but shall be under no obligation to do so.




6. **Topsoil Reclamation:** All topsoil removed during drill site preparation and reserve and water pits construction, (but not including buried flow lines and gas pipeline installations, which will be accomplished by trenching, not to exceed 18 inches in width) shall be segregated and kept separate from subsoil. Prior to replacing topsoil, bentonite drilling mud and fluids remaining in pits as a result of the drilling operations shall be removed and/or may be spread on the surface if so desired by Surface Owner or Surface Owner's tenant farmer. After subsoils have been replaced, topsoil shall be restored to its original location and condition as nearly as possible in the course of restoration activities. Red Willow shall replace natural grasses and take all reasonable steps necessary to assure there is no soil erosion directly resulting from the activities and/or operations of Red Willow caused by the wind.


7. **Site Restoration:** Upon completion of any activity by Red Willow, the premises shall be restored to its original condition as nearly as reasonable practical. At Red Willow's discretion, adequate road base material shall be applied to improve field access roads and tank battery sites where necessary. All surface equipment and materials associated with the activity, such as concrete, plastic, pipe, cable, and similar waste materials and refuse, shall be removed. Weather permitting, reclamation and restoration operations shall be completed as soon as is feasible following drilling and subsequent related operations, unless Red Willow and Surface Owners mutually agree to postponement because of crops or other considerations.

8. **Cropland Drillsite Locations:** Red Willow postpone commencing drilling operations on wells located within croplands on the Referenced Lands until such crops are removed or an earlier start is agreed to by the mutual consent of the parties.

9. **Successor, Assigns and Agents:** This Surface Damage Agreement shall be binding upon and inure to the benefit of the parties hereto, their agents, successors, and assigns and may be executed in counterparts and/or on different dates, each of which shall be deemed to be an original for the purpose hereof.

10. **Colorado Oil and Gas Conservation Commission:** Red Willow agrees to comply with all the COGCC rules and regulations regarding the activities proposed herein.

Signed:  Date: 8/6/04
 Barbara G. Wickman, President
 Red Willow Production, L.L.C.

Signed:  Date: 7-30-04
 Don Pedersen, CNA-IA
 Wetco Farms, Inc. SPARROW

ACKNOWLEDGMENT

STATE OF Colorado

COUNTY OF La Plata

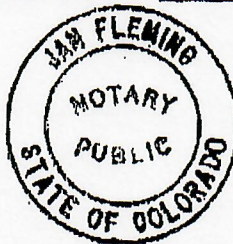
I, the undersigned authority, a Notary Public in and for said county, in said state hereby certify that Barbara G. Wickman as President of Red Willow Production, LLC, who is known to me, acknowledged before me on this day, that being informed of the contents of said instrument, she, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation and for the consideration therein set forth.

Given under my hand and seal of office this 6th day of August, 2004.

My commission expires:

2/14/08

(Seal)



Jan Fleming
Signature of Notary

ACKNOWLEDGMENT

STATE OF Colorado

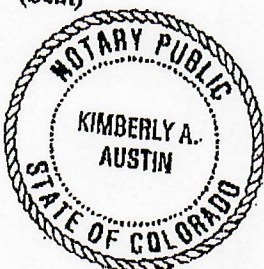
COUNTY OF Weld

This instrument was acknowledged before me this 2nd day of August, 2004, by ~~Barbara Wickman~~ CRISTA SPANOW

My commission expires:

10-19-2004

(Seal)



Kimberly A. Austin
Signature of Notary