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COLO. OIL &amp; GAS CONS. COMM.

## SURFACE DAMAGE AGREEMENT

This Agreement dated this 7th day of December, 1992, between Merrill A. Lowe, whose address is P. O. Box 85, Cheyenne Wells, Colorado 80810, hereinafter referred to as "Surface Owner", and Leede Exploration, whose address is 6400 South Fiddler's Green Circle, Suite 2100, Englewood, Colorado 80111, hereinafter referred to as "Lessee".

## WITNESSETH:

WHEREAS, Surface Owner represents that he is the owner in fee and in possession of the entire surface estate for the following described lands in Cheyenne County, Colorado, to wit:

TOWNSHIP 15 SOUTH, RANGE 46 WEST

Section 17: SW/4NE/4

WHEREAS, Lessee has or will acquire certain rights to the use of the surface of a portion or all of the above described lands under the terms of an Agreement with Union Pacific Resources Company, said agreement covering all or a portion of the mineral estate underlying such lands; and,

WHEREAS, the Surface Owner is generally aware of the nature of the operations which may be conducted under oil and gas leases covering the mineral estate of a portion of or all of the above described lands; and,

WHEREAS, the parties believe that it is in their mutual best interest to agree to the amount of damages to be assessed incident to the operations of Lessee on the premises in the exploration for, development and production of oil, gas and/or other leasehold substances under the terms of those certain Oil and Gas Leases now owned or which may be acquired by Lessee covering portions of the mineral estate of the above described lands and other lands; and,

WHEREAS, the parties believe that a reasonable estimate can be made of the damages which will result from the exploration, development and production operations contemplated by such Oil and Gas Leases.

NOW, THEREFORE, in consideration of the mutual promises and obligations imposed by this Agreement, the advantages to be derived by the parties, together with the payment by Lessee to Surface Owner of Ten Dollars (\$10.00), and other good and valuable consideration being hereby acknowledged, the parties agree as follows:

1. Lessee has the right of ingress and egress and to the use of those portions of the above described lands which it requires for oil and gas exploration, development and production operations, including tank batteries and other production facilities and the transportation of produced substances from the leasehold, and also the right to construct and use roads and pipelines across portions of the subject lands. Lessee shall pay Surface Owner as liquidated damages the following sums as full settlement and satisfaction of all detriment, injuries, and damages growing out of, incident to, or in connection with the usual and customary exploration, drilling, reworking, equipping and production operations contemplated by the Oil and Gas Leases covering the above described lands, unless otherwise specifically provided herein:

\$ 2,800.00 for the wellsite (Leede Exploration, or its operating entity, operator) located on the above described land, together with any lands used for production facilities, pipelines or other necessary facilities in connection with the wellsite. In addition, Surface Owner hereby acknowledges that he is the surface owner of the SW/4 of said Section 17, and Surface Owner grants to Lessee a temporary road easement, not to exceed 24 feet in width, across the North Line of said SW/4 of Section 17, 15S-46W, and the subject lands, to conduct its operations arising from the aforesaid oil and gas leases and/or agreements. Consideration for this temporary road easement shall be \$1.00 per rod. Lessee hereby agrees not to blade or construct any road on the temporary road easement. In the event any well drilled hereunder is completed as a producer, for the consideration of \$5.00 per rod, Surface Owner agrees to grant Lessee the right to convert any such temporary road easements into permanent road easements, not to exceed 24 feet in width, which shall include the right to blade, improve and/or construct a permanent road easement to said wellsite and related production facilities.

2. Lessee agrees to consult with Surface Owner as to the location of all roads and tank batteries required for its operations.

3. On pits dug by Lessee for its drilling operations on the subject lands, the top soil shall be removed and stored separately, and said top soil to be replaced on top when said pits are filled in. Said pits will be dug to a minimum of three feet below grade line. Surface Owner shall be contacted prior to the filling in of such pits.

4. Surface Owner and Lessee hereby agree that anyone connected with Weber Water Hauling and Dozer Service of Sheridan Lake, Colorado, is strictly prohibited from coming on the subject property.

5. After cessation of Lessee's operations and restoration of the surface, as provided herein, Lessee shall furnish the Surface Owner written evidence indicating that the restored wellsite has complied with the environmental guidelines established by the rules and regulations, rules of practice and procedures of the Oil and Gas Conservation Act, as amended, for the State of Colorado.

6. Lessee is responsible for acquiring all necessary permits, licenses, fees, etc. incident to its operations on the subject lands.

7. In the event that any well hereunder is plugged and/or abandoned, Lessee agrees that Lessee will, within six months, restore Surface Owner's surface estate as near as practical to its original condition. It is understood and agreed that Surface Owner may elect in writing, prior to cessation of operations of Lessee, to have any road constructed under the terms of this Agreement remain upon the property, in which event, Lessee agrees to leave such road or roads in reasonable condition.

8. In the event Surface Owner considers that Lessee has not complied with all its obligations hereunder, both express and implied, Surface owner shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this agreement. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Surface Owner. The service of said notice shall be precedent to the bringing of any action by Surface Owner for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. In the event of litigation, the prevailing party's reasonable attorney's fees will be paid by the opposing party.

9. This Agreement shall remain in full force and effect from date hereof and for so long thereafter as Lessee's oil and gas operations affecting the subject lands are in effect.

10. When the word "Lessee" is used in this Agreement, it shall also mean the successors and assigns of Leede Exploration, including, but not limited to its employees and officers, agents, affiliates, contractors, subcontractors, and/or purchasers.

11. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties.

SURFACE OWNER:

*Merril A. Lowe*  
MERRIL A. LOWE

Acknowledgement

STATE OF COLORADO  
COUNTY OF CHEYENNE

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 17<sup>th</sup> day of December, 1992, personally appeared Merril A. Lowe, to me known to be the identical person described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires: 03-06-95

*Barbara Young*  
Notary Public  
Address: P.O. Box 8  
Cheyenne WY 82001

