

DOCUMENT NO. 98-037

**SURFACE OWNER'S AGREEMENT**

THIS AGREEMENT, made and entered into this 19th day of February, 1998, by and between **JULIA HELEN SPAFFORD (AN UNDIVIDED 1/12TH INTEREST), JAMES HOWARD JOHNSON (AN UNDIVIDED 1/12TH INTEREST), AND LINDA JO ZIMMERMAN (AN UNDIVIDED 1/12TH INTEREST)** (hereinafter for convenience called the "Landowner") and **UNION PACIFIC LAND RESOURCES CORPORATION** (hereinafter for convenience called "UPLRC");

**WITNESSETH:**

**RECITALS:**

Landowner is the owner of the following-described premises, hereinafter referred to as "described premises":

**Township 1 North, Range 67 West**  
**Section 27: All, Except 1.186 acs.**  
**Weld County, Colorado**

SUBJECT, however, to exceptions and reservations of minerals and rights of entry and of surface use contained in a certain deed or deeds of conveyance, as follows: Warranty Deed No. 2450 dated August 25, 1908 from the Union Pacific Railroad Company to Wester Land Company, recorded October 1, 1908 in Book 233 at Page 172 in the office of the County Clerk and Recorder of Weld County, Colorado. UPLRC is successor in interest to all the right, title and interest of Union Pacific Railroad Company in and to the oil, gas and associated liquid hydrocarbons in said premises for a term or period equal to or exceeding the term of this Surface Owner's Agreement.

UPLRC proposes for UPLRC or its agents, lessees, licensees, successors or assigns to prospect upon and explore the described premises for the development and production of oil, gas and associated liquid hydrocarbon substances either on UPLRC's behalf or under or pursuant to an oil and gas lease or license, or under or pursuant to a "unitization agreement", meaning here and wherever that term is used herein any operating agreement, or any other agreement covering the exploration or development for or the production of oil, gas or associated liquid hydrocarbons, or any pooling, communitization, unit or other agreement whereby the described premises may be included with other lands in proximity thereto as a unit area under a plan of unit or joint exploration, development and operation.

Besides confirming the surface uses expressly set forth below, this agreement is intended to avoid and resolve any and all disputes of whatever nature in connection with the ownership of oil, gas and associated liquid hydrocarbon substances in the described premises, including rights to extract, remove or market such minerals, and including any such dispute that may arise hereafter, whether or not the basis for such dispute is now known or has been identified in disputes involving exceptions and reservations of minerals in other deeds from Union Pacific Railroad Company or its predecessors.

**AGREEMENT:**

NOW, THEREFORE, it is agreed as follows:

Section 1. In consideration of the mutual benefits and other good and valuable consideration, Landowner hereby confirms, extends and grants to UPLRC, its agents, lessees, licensees, successors and assigns, including any operator or unit operator from time to time in charge of operations under a unitization agreement, and their respective successors and assigns, the easements and rights to enter upon the described premises and any lands adjacent or contiguous thereto owned or claimed by the Landowner and to extract, remove, store, transport, and market for its or their account oil, gas and associated liquid



hydrocarbon substances in or from said described premises, and to drill, construct, maintain and use upon, within, and over said described premises all oil wells, gas wells, derricks, machinery, tanks, drips, boilers, engines, pipelines, power and telephone lines, roadways, water wells, and, without limitation by reason of the foregoing enumeration, any and all other structures, equipment, fixtures, appurtenances, or facilities (all of the above being included under the term "facilities") necessary or convenient in prospecting and developing for, producing, storing, transporting, and marketing oil, gas and associated liquid hydrocarbon substances under or produced from any portion of the described premises or under or produced from any portion of the unit area created under a unitization agreement, together with the right to remove said facilities and the right to use such water as may be needed from the described premises, not including water from Landowner's wells.

Section 2. UPLRC agrees, so long as it is receiving oil and/or gas production from or oil and/or gas royalties upon production from the described premises or allocated thereto under the provisions of a unitization agreement, to pay or cause to be paid to the Landowner in cash the value (which shall never be greater than the amount realized by UPLRC from the sale of such production) on the premises of two and one-half percent (2 1/2%) of all the oil and gas and associated liquid hydrocarbons hereafter produced, saved, and marketed therefrom or allocated thereto as aforesaid, except oil and gas and associated liquid hydrocarbons used in operations on the premises or used under the unitization agreement, and except that as to casinghead gasoline and other products manufactured from gas there shall be deducted the cost of manufacture; provided, however, that during any time the described premises or any portion thereof are included within the boundaries of a participating, pooled, or communitized area, and there is no provision for the payment of royalties to UPLRC but it participates in the production from the pooled, communitized, or unit area as a working interest owner, then the two and one-half percent (2 1/2%) above set forth shall be applied to that percentage of the total production from such area which is allocated to the described premises. Any payment made to the Landowner pursuant to this Section 2 for production which is sold or which is used off the premises shall be calculated after deducting all taxes, now or hereafter levied against, paid on, or measured by production or the value thereof, and after deducting all costs incurred or borne by UPLRC for treating the production to make it merchantable, and for gathering, transporting and compressing the production prior to delivery to the purchaser at the point of sale or use.

When production of oil from lands under several surface ownerships is commingled in one central tank setting for practical operating reasons, periodic individual well tests may be made to compute the quantities of commingled oil properly allocable to each well, and the two and one-half percent (2 1/2%) payment provided herein shall be payable upon the quantities apportioned to each well as reported to UPLRC in full satisfaction of the obligations of UPLRC under this Section 2.

Section 3. Nothing herein contained shall be construed as a covenant to drill by UPLRC, its agents, lessees, licensees, successors, or assigns, or by any operator or unit operator, or as a grant to Landowner of oil or gas rights or rights in other associated liquid hydrocarbons.

Section 4. UPLRC, its agents, lessees, licensees, successors and assigns, including the operator or unit operator under a unitization agreement, shall be required: (a) to pay for all damage to Landowner's lands, buildings, and growing crops caused by the erection or construction of facilities to be used in connection with oil or gas or associated liquid hydrocarbon operations; (b) to bury all pipelines below plow depth where such lines cross cultivated land; and (c) to construct gates or, at its option, install cattle guards where necessary for crossing fenced land in connection with exploration, development, or producing operations and, where an election has been made to construct gates in lieu of cattle guards, to keep such gates in repair and closed. In no event shall the amount of damages exceed the value (as determined by the use of the land at the time the damages are sustained) of that portion of the Landowner's lands actually used by UPLRC, its agents, lessees, licensees, successors or assigns, for the location of its facilities. The fact that damages have not been agreed upon shall in no way delay, restrict, impair or diminish the right of UPLRC, its agents, lessees, licensees, successors and assigns to commence or conduct oil and gas operations on the described premises.

Section 5. Other than the payments to be made as aforesaid, the Landowner shall not be entitled to any other or additional payments as a result of the conduct of the operations described in Section 1 hereof, and Landowner will claim no right, title or interest in or to the oil, gas and associated liquid hydrocarbon substances in the described premises.



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Section 6. Subject to the provisions of Section 8 hereof, it is agreed that the covenants to pay the sums provided in Sections 2 and 4 hereof shall be covenants running with the surface ownership of the described premises and shall not be held or transferred separately therefrom, and any sums payable under this agreement shall be paid to the person or persons owning the surface of the described premises as of the date the oil or gas or associated liquid hydrocarbon production is marketed. UPLRC shall not, however, become obligated to make such payments to any subsequent purchaser of the described premises and shall continue to make such payments to the Landowner until the first day of the month following the receipt by UPLRC of notice of change of ownership, consisting of the original or certified copies of the instrument or instruments constituting a complete chain of title from the Landowner to the party claiming such ownership, and then only as to payments thereafter made.

Section 7. The easements, rights, and uses herein shall be binding upon the described premises and each and every part thereof, and the present and future owners thereof, and shall continue for the benefit of UPLRC and its successors and assigns, as owners of the oil and/or gas and/or associated liquid hydrocarbon rights in the described premises and each and every part thereof, and their agents, lessees, licensees, successors, and assigns, including any operator or unit operator, and for the benefit of other lands within any unit area within which the described premises, or any portion thereof may be included, and each and every part thereof.

Section 8. This agreement shall be in full force and effect from and after execution and delivery and shall continue in full force and effect for a period of one (1) year and so long thereafter as the oil and gas rights in the described premises are committed to an oil and gas lease or license or to a unitization agreement, or so long as a well capable of producing oil or gas or associated liquid hydrocarbons is located upon the described premises, or drilling or reworking operations are being conducted thereon, and, upon termination of such lease, license, or unitization agreement, or upon abandonment of such well, or upon cessation of such drilling or reworking operations, whichever last occurs, this agreement shall terminate; provided, however, that such termination shall neither affect nor terminate the rights, expressed or implied, in the deed or deeds referred to in the Recitals hereof.

Section 9. Subject to the provisions of Sections 6 and 8 hereof, this agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, and assigns.

Section 10. This Agreement may be executed as one document signed by all parties or the parties named herein may join herein by execution of a counterpart with the same effect as if all parties executed this Agreement. The failure of any one or more of the parties named herein to execute this Agreement shall not in any manner affect the validity of same as to the parties who do execute this Agreement.

Section 11. Any and all existing Surface Owner Agreements between Union Pacific Land Resources Corporation or its predecessor in interest and the Landowner or its predecessor in interest which affect the described premises are hereby terminated and are no longer of any force or effect.

IN WITNESS WHEREOF, the parties hereto have executed this agreement this 3rd day of March, 1998, to be effective as of the day and year first above written.

UNION PACIFIC LAND RESOURCES CORPORATION

By: 

VERNON A. TOWNES, III, Attorney-in-Fact

Julia Helen Spafford  
JULIA HELEN SPAFFORD

524 44 4352

Social Security Number

~~P. O. Box 50, Granby, CO 80446~~

~~Box 3135 WINTER PARK CO 80482~~

866 FORESTVILLE  
MEADOWS DR.  
GRAND FAIR, VA. 22066

James Howard Johnson  
JAMES HOWARD JOHNSON

522-44-2164

Social Security Number

~~P. O. Box 50, Granby, CO 80446~~

~~Box 3135 WINTER PARK CO 80482~~

P.O. BOX 3135  
WINTER PARK, CO. 80482

Linda Jo Zimmerman  
LINDA JO ZIMMERMAN

522 60 3341

Social Security Number

~~P. O. Box 50, Granby, CO 80446~~

~~Box 3135 WINTER PARK CO 80482~~

2744 LAGUNA DR.  
GRAND JUNCTION, CO. 81503

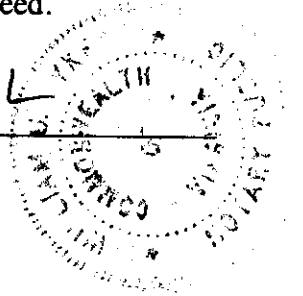
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STATE OF VIRGINIA )  
COUNTY OF FAIRFAX ) ss

On this 3 day of MAR, 1998, before me personally appeared JULIA HELEN SPAFFORD, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed.

William U. Syl  
Notary Public

My Commission Expires: 7/31/98



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STATE OF Colorado )  
COUNTY OF Grand ) ss

On this 18th day of March, 1998, before me personally appeared JAMES HOWARD JOHNSON, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

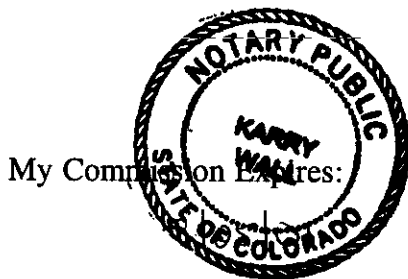
Cindy L. Kleist  
Notary Public



STATE OF Alamosa Colorado )  
COUNTY OF Mesa ) ss

On this 9 day of March, 1998, before me personally appeared LINDA JO ZIMMERMAN, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed.

Kary W. [Signature]  
Notary Public



STATE OF TEXAS )  
COUNTY OF TARRANT ) ss

The foregoing instrument was acknowledged before me this 27th day of March, 1998, by VERNON A. TOWNES, III, as an Attorney-in-Fact of UNION PACIFIC LAND RESOURCES CORPORATION, a Delaware corporation, on behalf of the corporation.

Judy B. Abernathy  
Notary Public

My Commission Expires:

