

EASEMENT AGREEMENT

The printed portions of this form, except bold additions, have been reviewed by the State of Colorado Attorney General. All additions to this form must be in bold type. All deletions must be shown by strike-through.

THIS EASEMENT AGREEMENT is made and entered into this 22nd day of December, **2008** by and between PALMER RANCH LIMITED II, (hereinafter, the "Grantor"), and, the STATE OF COLORADO, acting by and through the DEPARTMENT OF NATURAL RESOURCES for the use and benefit of OIL AND GAS CONSERVATION COMMISSION (hereinafter, the "Grantee" or the "State").

WITNESSETH:

That, for and in consideration of the payment of a one-time payment of \$50,000.00 within 30 days of the execution of this easement, and other good and valuable consideration, the of receipt and legal sufficiency of which are hereby acknowledged, and the keeping and the performance of the covenants and agreements hereinafter expressed, Grantor grants to Grantee a **nonexclusive easement** upon the following property (hereinafter, the "Property") located in the County of La Plata, State of Colorado for the **exclusive purposes of installing and maintaining one monitor well** as described in attachment "A", to wit:

TO HAVE AND TO HOLD, subject to the covenants and agreements hereinafter expressed, for the purpose of using the Property for One Monitor Well for the term beginning January 1, **2009**, and ending January 1, **2029**.

GRANTOR AND GRANTEE MUTUALLY EXPRESSLY COVENANT AND AGREE:

1. The signatories aver that to their knowledge, no State employee has any personal or beneficial interest whatsoever in the Property.
2. This Easement Agreement shall not be deemed valid unless and until approved by the officials and officers of the State of Colorado as required by Colorado Revised Statutes, as amended, or such assistants as they may designate.
3. The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto and all covenants shall apply to and run with the land unless otherwise specifically noted.
4. The signatories aver that they are familiar with CRS 18-8-301, et. seq., (Bribery and Corrupt Influences) and CRS 18-8-401, et. seq., (Abuse of Public Office), and that no violation of such provisions is present.
5. This Easement Agreement including all exhibits supersedes any and all prior written or oral agreements, and there are no covenants or agreements between the parties except as set forth herein with respect to the use of the Property by Grantee. No prior or contemporaneous addition, deletion, or other amendment hereto shall have any force or effect whatsoever unless embodied herein in writing. No subsequent amendment hereto shall have any force or effect unless embodied in a written agreement executed and approved by the officials and officers of the State of Colorado as required by Colorado Revised Statutes as amended, or such assistants as they may designate.
6. Grantee shall be responsible for recording this Easement Agreement with the Clerk and Recorder's Office in the county or counties in which the Property is located. **Grantee will provide Grantor with a recorded copy of the Easement Agreement.**
7. Any notice required or permitted by this Easement Agreement may be delivered in person or sent by registered or certified mail, return receipt requested, to the party at the address as hereinafter provided, and if sent by mail it shall be effective when posted in the U.S. Mail Depository with sufficient postage attached thereto:

Grantor:

Palmer Ranch Limited II
Terry Lee Palmer & Dixie Lee Palmer
4140 CR 234
Durango, CO 81301

Grantee:

Cc: Real Estate Programs
Attn: Real Estate Specialist
1313 Sherman Street, Suite 319
Denver, CO 80203
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Notice of change of address shall be treated as any other notice.

8. Grantor reserves all rights to any and all ground water, metallic and non-metallic minerals, ores and metals of any kind and character, including but not limited to coal, asphalt, oil and gas, in or under said easement. **Any and all water produced from the Monitor Well is not the property of the Grantee and therefore cannot be assigned to the Grantor by the Grantee.**
9. If any part of this Easement Agreement is found, decreed or held to be void or unenforceable, the remainder of the provisions of this Easement Agreement shall not be affected thereby and shall remain in full force and effect.
10. This Easement Agreement shall be governed by the laws of the State of Colorado.
11. In the event of condemnation of all or a portion of the Property, Grantee shall only be entitled to a share of the proceeds of the condemnation award based on the value at the time of the taking of the Property. **Grantee shall only be entitled to receive a pro-rated share of the proceeds of the condemnation award based on a total area consisting of 25 feet by 25 feet.**
12. In accordance with the requirements of §24-30-202 (1) C.R.S., as amended, this Easement Agreement shall not be deemed valid until it has been approved by the State Controller, or such assistant as he may designate.
13. Pursuant to §24-30-202.4 C.R.S., the State Controller may withhold debts owed to state agencies under the vendor offset intercept system for: (a) unpaid child support debt or child support arrearages; (b) unpaid balance of tax, accrued interest, or other charges specified in Article 21, Title 39, C.R.S., (c) unpaid loans due to the student loan division of the department of higher education; (d) owed amounts required to be paid to the unemployment compensation fund; and (e) other unpaid debts owing to the state or any agency thereof, the amount of which is found to be owing as a result of final agency determination or reduced to judgment as certified by the State Controller.
14. No State or other public funds payable under this Easement Agreement shall be used for the acquisition, operation or maintenance of computer software in violation of United States copyright laws or applicable licensing restrictions. The Grantor hereby certifies that, for the term of this Easement Agreement and any extensions, the Grantor has in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that the Grantor is in violation of this section, the State may exercise any remedy available at law or equity or under this Easement Agreement, including, without limitation, immediate termination of the Easement Agreement and any remedy consistent with United States copyright laws or applicable licensing restrictions.

GRANTOR EXPRESSLY COVENANTS:

1. Grantee and Grantee's agents, assigns and successors shall have access at all times, to the Property for the purposes set forth herein. **Grantor requires that Grantee notifies Grantor 24 hours in advance of Grantee accessing Grantor's property.**
2. Grantor is the sole owner of the Property and has the present full authority and power to execute this Easement Agreement.

GRANTEE EXPRESSLY COVENANTS:

1. Grantor shall have, during the continuance of this Easement Agreement, the right to dispose of the Property and to use the Property for other purposes provided such use does not materially interfere with the easement granted herein.
2. In the event of termination, Grantee, at its expense, shall, upon written request by Grantor, remove all appurtenances from the Property and restore the Property as nearly as is practicable to the condition of the land existing immediately prior to Grantee's first use. **Should Grantor request Grantee to assign/deed the Monitor Well to Grantor, Grantee shall plug back the Monitor Well in accordance with Rules, 2 CCR 404-1, 319 & 319.a.7 to a depth where the well will produce fresh water, approximately 120 feet below the surface of the ground, the final depth will be determined by the Grantor. Once the well is plugged back**

to the depth determined by the Grantor the well will become the sole property of the Grantor. Any additional work or improvement to the well will become the responsibility of the Grantor and Grantee will have no further liability as to the well.

3. Notwithstanding any other provision of this Easement Agreement to the contrary, no term or condition of this Easement Agreement shall be construed or interpreted as a waiver of any provision of the Colorado Governmental Immunity Act, §24-10-101, et seq., CRS as now or hereafter amended. The parties hereto understand and agree that liability for claims for injuries to persons or property arising out of the negligence of the State of Colorado, its departments, institutions, agencies, boards, officials and employees is controlled and limited by the provisions of §24-10-101, et seq., CRS, as now or hereafter amended and §24-30-1501, et seq., CRS as now or hereafter amended. Any provision of this Easement Agreement, whether or not incorporated herein by reference, shall be controlled, limited and otherwise modified so as to limit any liability of the Grantee to the above cited laws.
4. Grantee agrees that all excavations or other temporary removal of soil as required for Grantee's use of the Property for the purposes set forth herein shall be properly replaced, and as nearly as possible, restored and maintained by Grantee in its original configuration and with similar vegetation **as soon as practicable**. Grantee shall be responsible at all times for the immediate repair or replacement of, or reimbursement for any damage to the Property due to Grantee's use of the Property for the purposes set forth herein. **All equipment placed on the Monitor Well site by Grantee will be fenced off by panel gates provided and installed by Grantee. The panel gates will provide Grantee immediate access to all Monitor Well equipment and will protect the Monitor Well equipment from any damages that could be caused by animals rubbing against such equipment.** Routes of ingress and egress for construction or for maintenance are to be limited to the minimum necessary locations, and all work areas created must be obliterated, protected against erosion, and restored to the former condition of the land, as nearly as possible by Grantee. **No access via the Grantor's pasture during wet conditions. Weed management will be in accordance with La Plata County Weed Management Guidelines and the Colorado Noxious Weed Act 35-5.5-101-119 C.R.S.**

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Special Provisions

The Special Provisions apply to all contracts except where noted in *italics*.

1. **CONTROLLER'S APPROVAL. CRS §24-30-202 (1).** This contract shall not be deemed valid until it has been approved by the Colorado State Controller or designee.
2. **FUND AVAILABILITY. CRS §24-30-202(5.5).** Financial obligations of the State payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.
3. **INDEMNIFICATION.** Contractor shall indemnify, save, and hold harmless the State, its employees and agents, against any and all claims, damages, liability and court awards including costs, expenses, and attorney fees and related costs, incurred as a result of any act or omission by Contractor, or its employees, agents, subcontractors, or assignees pursuant to the terms of this contract.
[Applicable Only to Intergovernmental Contracts] No term or condition of this contract shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protection, or other provisions, of the Colorado Governmental Immunity Act, CRS §24-10-101 et seq., or the Federal Tort Claims Act, 28 U.S.C. 2671 et seq., as applicable, as now or hereafter amended.
4. **INDEPENDENT CONTRACTOR. 4 CCR 801-2.** Contractor shall perform its duties hereunder as an independent contractor and not as an employee. Neither contractor nor any agent or employee of contractor shall be or shall be deemed to be an agent or employee of the state. Contractor shall pay when due all required employment taxes and income taxes and local head taxes on any monies paid by the state pursuant to this contract. Contractor acknowledges that contractor and its employees are not entitled to unemployment insurance benefits unless contractor or a third party provides such coverage and that the state does not pay for or otherwise provide such coverage. Contractor shall have no authorization, express or implied, to bind the state to any agreement, liability or understanding, except as expressly set forth herein. Contractor shall provide and keep in force workers' compensation (and provide proof of such insurance when requested by the state) and unemployment compensation insurance in the amounts required by law and shall be solely responsible for its acts and those of its employees and agents.
5. **NON-DISCRIMINATION.** Contractor agrees to comply with the letter and the spirit of all applicable State and federal laws respecting discrimination and unfair employment practices.
6. **CHOICE OF LAW.** The laws of the State of Colorado, and rules and regulations issued pursuant thereto, shall be applied in the interpretation, execution, and enforcement of this contract. Any provision of this contract, whether or not incorporated herein by reference, which provides for arbitration by any extra-judicial body or person or which is otherwise in conflict with said laws, rules, and regulations shall be considered null and void. Nothing contained in any provision incorporated herein by reference which purports to negate this or any other special provision in whole or in part shall be valid or enforceable or available in any action at law, whether by way of complaint, defense, or otherwise. Any provision rendered null and void by the operation of this provision will not invalidate the remainder of this contract, to the extent that this contract is capable of execution. At all times during the performance of this contract, Contractor shall strictly adhere to all applicable federal and State laws, rules, and regulations that have been or may hereafter be established.
7. **VENDOR OFFSET. CRS §§24-30-202 (1) and 24-30-202.4. [Not Applicable to Intergovernmental Agreements]** The State Controller may withhold payment of certain debts owed to State agencies under the State's vendor offset intercept system for: (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in CRS §39-21-101, et. seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts certified by the State Controller as owing to the State as a result of final agency determination or judicial action.
8. **SOFTWARE PIRACY PROHIBITION. Governor's Executive Order D 002 00.** No State or other public funds payable under this contract shall be used for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions. Contractor hereby certifies that, for the term of this contract and any extensions, Contractor has in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that Contractor is in violation of this paragraph, the State may exercise any remedy available at law or equity or under this contract, including, without limitation, immediate termination of this contract and any remedy consistent with federal copyright laws or applicable licensing restrictions.
9. **EMPLOYEE FINANCIAL INTEREST. CRS §24-18-201 and §24-50-507.** The signatories aver that to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described in this contract.
10. **PUBLIC CONTRACTS FOR SERVICES. CRS §8-17.5-101. [Not Applicable to agreements relating to the offer, issuance, or sale of securities, investment advisory services or fund management services, sponsored projects, intergovernmental agreements, or information technology services or products and services]** Contractor certifies, warrants, and agrees that it does not knowingly employ or contract with an illegal alien who will perform work under this contract and will confirm the employment eligibility of all employees who are newly hired for employment in the United States to perform work under this contract, through participation in the E-Verify Program or the Department program established pursuant to CRS §8-17.5-102(5)(c). Contractor shall not knowingly employ or contract with an illegal alien to perform work under this contract or enter into a contract with a subcontractor that fails to certify to Contractor that the subcontractor shall not knowingly employ or contract with an illegal alien to perform work under this contract. Contractor (a) shall not use E-Verify Program or Department program procedures to undertake pre-employment screening of job applicants while this contract is being performed, (b) shall notify the subcontractor and the contracting State agency within three days if Contractor has actual knowledge that a subcontractor is employing or contracting with an illegal alien for work under this contract, (c) shall terminate the subcontract if a subcontractor does not stop employing or contracting with the illegal alien within three days of receiving the notice, and (d) shall comply with reasonable requests made in the course of an investigation, undertaken pursuant to CRS §8-17.5-102(5), by the Colorado Department of Labor and Employment. If Contractor participates in the Department program, Contractor shall deliver to the contracting State agency, institution of higher education or political subdivision a written, notarized affirmation, affirming that Contractor has examined the legal work status of such employee, and comply with all of the other requirements of the Department program. If Contractor fails to comply with any requirement of this provision or CRS §8-17.5-101 et seq., the contracting State agency, institution of higher education or political subdivision may terminate this contract for breach and, if so terminated, Contractor shall be liable for damages.
11. **PUBLIC CONTRACTS WITH NATURAL PERSONS. CRS §24-76.5-101.** Contractor, if a natural person eighteen (18) years of age or older, hereby swears and affirms under penalty of perjury that he or she (a) is a citizen or otherwise lawfully present in the United States pursuant to federal law, (b) shall comply with the provisions of CRS §24-76.5-101 et seq., and (c) has produced one form of identification required by CRS §24-76.5-103 prior to the effective date of this contract.

Revised May 13, 2008

IN WITNESS WHEREOF, the parties hereto have caused this Easement Agreement to be executed as of the day and year first above written.

CORPORATIONS:
(A corporate attestation is required)

ATTEST (Seal) By

N/A

(Corporate Secretary or Equivalent, or
Town/City/County Clerk)

(place corporate seal here, if available)

GRANTOR:

PALMER RANCH LIMITED II

Name of Lessor

By:

Terry Lee Palmer

Terry Lee Palmer –
General Partner – Palmer Ranch Limited II

By:

Dixie Lee Palmer

Dixie Lee Palmer –
General Partner – Palmer Ranch Limited II

Date:

Jan 7 09

841567159

Federal Tax Identification Number

GRANTEE:

STATE OF COLORADO

Acting by and through

The Department of Natural Resources - Oil and gas
Conservation Commission

By:

Donna G. Baldwin

Executive Director

Title:

ENVIRONMENTAL MANAGER

Date:

1/15/09

APPROVALS

ALL CONTRACTS MUST BE APPROVED BY THE
STATE CONTROLLER:

APPROVED:
DEPARTMENT OF LAW
ATTORNEY GENERAL (or authorized Delegate)

By:

N/A

Date:

CRS 24-30-202 requires that the State Controller approve all State contracts. This contract is not valid until the State Controller, or such assistant as he may delegate, has signed it. The Contractor is not authorized to begin performance until the contract is signed and dated below. If performance begins prior to the date below, the State of Colorado may not be obligated to pay for the good and/or services provided.

APPROVED:
DEPARTMENT OF PERSONNEL &
ADMINISTRATION
REAL ESTATE PROGRAMS
For the Executive Director

By:

Michael A. Karsbach

Date:

1/20/2009

APPROVED:
STATE OF COLORADO

STATE CONTROLLER'S OFFICE
State Controller (or authorized Delegate)

By:

Deanne C. Stump

Date:

1-26-09

State Lease I.D.#:

"EXHIBIT A"
LEGAL DESCRIPTION

A tract of land for ingress, egress and monitoring well purposes located in the SW1/4NW1/4 of Section 19, Township 35 North, Range 8 West, New Mexico Principal Meridian, La Plata County, Colorado, and being more particularly described as follows:

Beginning at an angle point on a barbed wire fence line whence the West 1/4 Corner of said Section 19 being marked by a 2-1/2" pipe with 3-1/4" aluminum cap stamped "GOFF ENGINEERING PLS 29026" bears South 44°29'53" West, a distance of 760.93 feet;

Thence running along said fence North 17°44'16" West, a distance of 282.55 feet to a point whence the N 1/16 Corner common to sections 19 and 24 bears North 40°31'05" West, a distance of 672.72 feet ;

Thence running along said fence North 80°57'46" East, a distance of 148.87 feet;

Thence running along said fence South 11°02'27" East, a distance of 276.65 feet;

Thence leaving said fence line running South 79°34'07" West, a distance of 115.84 feet to the point of Beginning.

Containing 0.84 Acres more or less.

N 1/16 CORNER
COMMON TO
SECTIONS 19 & 24

N40°31'05"W
672.72' TIE

POWER POLE

WELL EASEMENT AREA

36,811 sq.ft.
0.84 acres

SEE EXHIBIT "A"
FOR LEGAL DESCRIPTION

1" = 50 feet
50' 25' 0' 50'

SW1/4NW1/4
SECTION 19

POINT OF BEGINNING

Bearings based on the westerly
line of Section 19 as shown on
map Reception No. 851012
Reference Bearing: N 00°26'28" E

C/L 20' WIDE
ACCESS EASEMENT

DESCRIPTION OF MONUMENTS

- FOUND 3/4" REBAR WITH 2" ALUMINUM
CAP STAMPED PLS 12027
- ◆ FOUND A 2-1/2" PIPE WITH A 3-1/4"
ALUMINUM CAP STAMPED PLS 29026

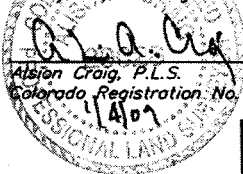
BEARINGS



POB

SURVEYORS STATEMENT:

I hereby state that this Legal Description was prepared by me or under my direct responsibility, supervision and checking, and that, in my professional opinion, it is true and correct to the best of my knowledge, belief and information based on the standards of care of Professional Land Surveyors practicing in the State of Colorado.



1/4/09
Date:

NOTICE: According to Colorado law you must commence any legal action based upon any defect in this survey within three years after you discovered such defect, in no event, may any action based upon any defect in this survey be commenced more than ten years from the date of the certification shown hereon.

CRAIG
SURVEYING & MAPPING

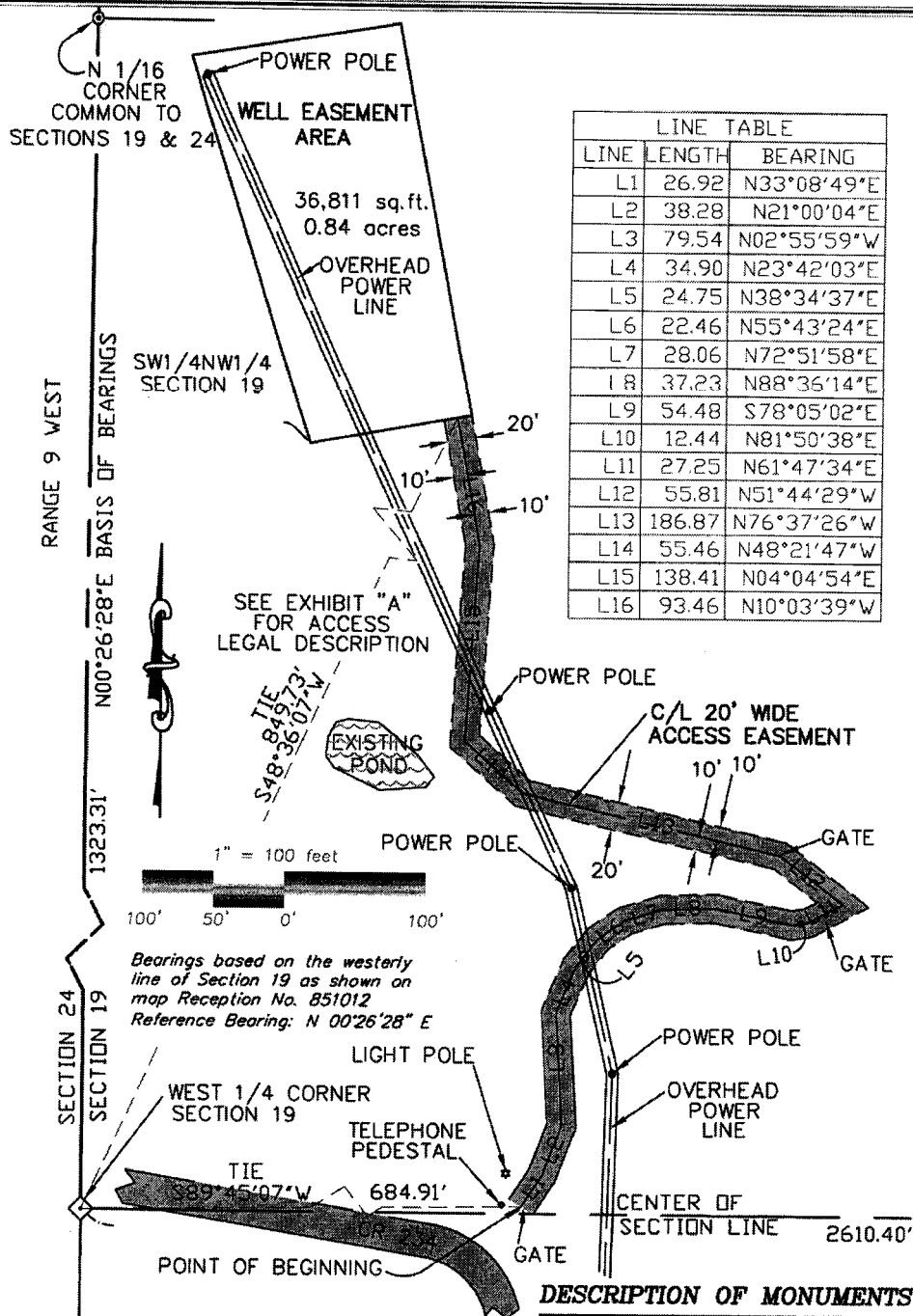
72 Suttle St., Suite I
Durango, Colorado 81303
(970) 259-2887
(970) 259-4322 (Fax)

**EASEMENT EXHIBIT MAP
FOR COGCC MONITORING WELL**

KAREN SPRAY, COGCC

Located in SW1/4NW1/4 Sec 19, T35N, R9W, N.M.P.M.

Prepared By: SW	Scale: 1"=50'
Checked By: JF	Project No.: 08014
Date: 12/30/08	Sheet 1 of 1



SURVEYORS STATEMENT:

I hereby state that this Legal Description was prepared by me or under my direct responsibility, supervision and checking, and that, in my professional opinion, it is true and correct to the best of my knowledge, belief and information based on the standards of care of Professional Land Surveyors practicing in the State of Colorado.

Allison Craig, P.L.S.
Colorado Registration No. 29026
1/4/09

1/4/09
Date:

NOTICE: According to Colorado law you must commence any legal action based upon any defect in this survey within three years after you discovered such defect. In no event, may any action based upon any defect in this survey be commenced more than ten years from the date of the certification shown hereon.

CRAIG
SURVEYING & MAPPING

72 Suttle St., Suite I
Durango, Colorado 81303
(970) 259-2887
(970) 259-4322 (Fax)

ACCESS EASEMENT EXHIBIT MAP FOR COGCC MONITORING WELL

KAREN SPRAY, COGCC

Located in SW1/4NW1/4 Sec 19, T35N, R01W, N.M.P.M.

Prepared By: SW	Scale: 1"=50'
Checked By: JF	Project No.: 08014
Date: 5/06/08	Sheet 1 of 1