

## **SURFACE DAMAGE & RELEASE AGREEMENT**

THIS SURFACE DAMAGE AGREEMENT ("Agreement") is entered into by and between **Steve D. Chappell**, (Owner"), whose address is 15989 County Road P, Cortez, CO 81321, the owner(s) of the surface estate in the SW/4 SE/4, Section 15, T37N, R17W, Montezuma County, Colorado (the "Property"), and Bill Barrett Corporation, ("Company"), whose address is 1099 18<sup>th</sup> Street, Suite 2300, Denver, CO 80202 ("the parties").

WHEREAS, Company owns the leasehold right of ingress and egress across the Property and to use so much of the surface as is reasonably necessary to explore for and produce oil and gas; and,

WHEREAS, Company and Owner desire to enter into this Agreement as a supplement to, but not in derogation of, Company's leasehold rights, including the right to drill future wells in addition to those enumerated herein;

NOW THEREFORE; in consideration of Company's payment to Owner of the sum of \$2,000.00 at execution of this agreement, and the sum of \$6,000.00, to be paid on a per well basis and at the time of commencement of operations for drilling (the drilling of each well shall be at the sole discretion of Company), the receipt and sufficiency of which is hereby acknowledged; and the mutual promises and covenants contained herein:

Owner hereby releases and discharges Company, its agents, employees, contractors and licensees from and against any and all claims by Owner for damages, of whatsoever nature and character, including, but not limited to, diminution in value of the Property, arising from, incident to, or in connection with Company's oil and gas operations on the Property, including, but not limited to: geophysical exploration, surveying, locating, drilling, including directional drilling to access subsurface locations outside the boundaries of the surface area described herein in the instance of restricted surface access, stimulating, completing, restimulating, recompleting, deepening, producing, maintaining, plugging, and abandoning the oil and gas well(s) shown below; installing and operating pipelines and production facilities necessary or convenient for the operation of the well(s); and, constructing, maintaining and reclaiming the well pad(s), production facilities, pipelines and roads (collectively the "Operations") (the well(s) and production facilities are hereinafter collectively referred to as the "Well(s)");

Chappell #15N & #15S-15-37-17, and,  
Others to be determined from pad site located in and on the herein described lands.

AND,

Owner hereby grants, demises and conveys such easements and rights-of-way on and across the Property as may be necessary or convenient for the Operations.

### ADDITIONAL PROVISIONS

1. Company may exercise its rights hereunder for all purposes necessary or convenient for Company to perform the Operations, including the right of unimpeded ingress and egress across the Property to access the Well(s), and to install and operate pipelines. Company may assign or delegate to a third party the right to install and operate pipelines in order to connect the Well(s) to a gas gathering system. The access easement shall be non-exclusive and may be used

by Owner and its successors, lessees and assigns so long as such use does not interfere with the Operations.

2. Notwithstanding Owner's release of Company from any and all damage claims incident to normal and customary Operations, Company shall compensate Owner for damage to personal property or to improvements on the Property, such as damage to buildings, fences, gates, culverts and livestock, and for other such extraordinary losses or physical damages caused by Company. Company agrees to promptly compensate Owner for such extraordinary losses and physical damages. Any failure to reach mutual agreement with respect to such compensation shall not, however, be deemed to constitute a breach or abrogation of this Agreement, nor to terminate or diminish the grants, conveyances, rights and obligations contained herein.

3. Company hereby agrees to indemnify and hold Owner harmless from and against any and all third party claims, losses, liability, damages, and causes of action for personal injury or property damage arising out of Company's Operations, unless, and to the extent that, Owner's negligence causes or contributes to such third party claims.

4. Owner has requested that all consultation be conducted directly with Owner. Accordingly, Owner shall have the responsibility of notifying any affected tenant, lessee or other party who may own or have an interest in any crops or surface improvements which could be affected by the Operations. Owner agrees that all damages claimed by a surface tenant, lessee or other such party resulting from the Operations shall be settled by Owner, and Owner hereby agrees to indemnify and hold Company harmless from and against any such claims.

5. Company agrees to perform all reclamation in accordance with the rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC"), unless a variance there from is granted by the COGCC upon the request of Owner. Company shall endeavor to keep the well pad(s), the production facilities, and the pipeline and road easements free of weeds and debris, and to control erosion thereon. At Owner's request, Company will fence its road easement with a single-strand fence to limit traffic to the easement.

6. Company will provide Owner with ten (10) days notice by mail, phone call or personal visit prior to commencing Operations on the Property with heavy equipment. Owner acknowledges that this notice complies with, or hereby waives, all COGCC requirements that it be given advance notice by Company of the Operations. Owner acknowledges receiving from Company a brochure prepared by the COGCC which describes the rights and responsibilities of Owner as the surface owner of the Property.

7. Company shall construct and install the well pad(s), roads, pipelines and production facilities, including, but not limited to, pumping units, tanks, heater-treaters, separators, dehydration equipment, compression equipment, meter stations and emission control units, within the general surface location as shown on Exhibit "A". Owner acknowledges and agrees that Company has consulted in good faith with Owner as to its proposed Operations, in accordance with COGCC requirements, or hereby waives such requirements. Owner expressly waives the application of any COGCC setbacks inconsistent with this Agreement, including, but not limited to, setbacks for high density areas and surface lot lines.

8. Owner expressly acknowledges and agrees that this Agreement shall be deemed to be specifically applicable to, and to fully satisfy, the obligation of Company to accommodate

Owner's use of the surface of the Property, existing or future, and waives any statutory or common law claim to the contrary.

9. Owner hereby does not consent to the conduct of wildlife surveys on the Property, and to the imposition of timing restrictions, buffer zones or other conditions of approval, stipulations, or standard operating practices related to wildlife protection and habitat preservation by the COGCC with respect to the Well(s).

10. Owner agrees that Company may record a Memorandum of this Agreement to put successors or assigns on notice that the Property is subject to this Agreement. Owner further agrees to include a note regarding this Agreement in any annexation, subdivision plat, planned unit development or other land use designation or approval for which Owner may apply. In all other respects, the parties intend and agree to keep the specific terms hereof confidential.

11. In construing this Agreement, no consideration shall be given to the fact or presumption that one party has had a greater or lesser hand in drafting this Agreement than the other party. All exhibits attached hereto are incorporated herein by reference.

12. This Agreement shall be subject to, and construed under, the laws of the State of Colorado, without regard to its conflict of law provisions, and jurisdiction and venue shall be solely in the courts of the State of Colorado, subject to the right of either party to remove a matter to federal court.

13. Each of the undersigned principals of the parties represents and warrants that such person has the requisite corporate or legal authority to bind the respective parties to this Agreement.

14. This Agreement shall become effective when it is fully executed and shall remain in full force and effect until Company's leasehold estate expires or is terminated, and Company has plugged and abandoned the Well(s) and conducted reclamation in accordance with this Agreement and applicable COGCC rules and regulations, except that any release, discharge or indemnity from and against liability contained herein shall survive the expiration of this Agreement.

15. This Agreement shall extend to and bind Owner and Company, and their respective heirs, personal representatives, successors and assigns.

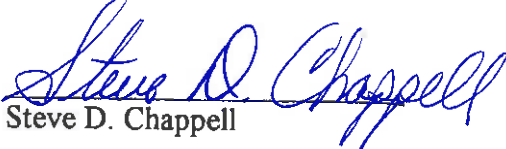
16. Concerning any matter relating to the Operations, Owner may contact:

Operator: Bill Barrett Corporation  
Person to Contact: Brian Wert  
Address: 1099 18<sup>th</sup> Street, Suite 2300, Denver, CO 80202  
Phone Number: (303) 312-8166  
Fax: (303) 291-0420  
Email Address: BWert@BillBarrettCorp.com

IN WITNESS WHEREOF, the parties have executed this Agreement this 6<sup>th</sup> day of

May, 2009.

OWNERS:

  
Steve D. Chappell

COMPANY

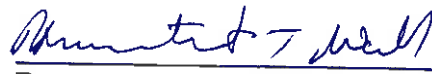
  
By: Huntington T. Walker  
Senior Vice-President, Land



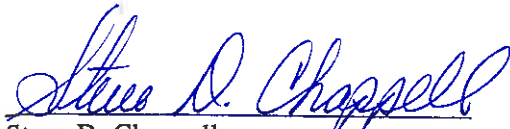
EXHIBIT "A"

OWNER and OPERATOR acknowledge they have inspected the proposed well locations and agree as to their location.

OWNER and OPERATOR hereby agree that surveyed plats will be substituted for this page when available. These plats will cover that area of the proposed well locations and access in OWNER'S lands generally described as follows:


Township 37 North, Range 17 West, N.M.P.M.  
Section 15: SW/4 SE/4

OWNER:

  
Steve D. Chappell

OPERATOR:

Bill Barrett Corporation

BY:   
Huntington T. Walker, Sr. VP-Land