

## **MEMORANDUM OF SURFACE DAMAGE AND RELEASE AGREEMENT**

This Memorandum of Surface Damage and Release Agreement is executed by Josef P. Langegger, dba Twin Creek Ranch, whose address is 3807 Lupine Drive, Vail, Colorado 81657 ("Owner") and EnCana Oil & Gas (USA) Inc., 370 17<sup>th</sup> Street, Suite 1700, Denver, Colorado 80202 ("EnCana") and placed of record in Garfield County, Colorado for the purpose of placing all persons on notice of the existence of that certain unrecorded Surface Damage and Release Agreement between Owner and EnCana dated the 12<sup>th</sup> day of February, 2010 (the "Agreement").

The Agreement provides for the use of the surface of the lands described below by EnCana in connection with certain oil and gas operations and for the compensation to Owner for all damages to the surface of the lands associated with the drilling, construction, testing, completion, recompletion, reworking, re-entry, production, maintenance and operation of the well(s) and all pipelines, tank batteries, and other facilities or property of EnCana or its affiliates associated with the well(s) located on the F12E Well Pad, SE/4NW/4 of Section 12, Township 7 South, Range 92 West, located on the lands described below in Garfield County, Colorado:

Township 7 South, Range 92 West, 6<sup>th</sup> P.M.


Section 1: W/2SE/4 LESS AND EXCEPT a parcel in the NW/4SE/4 described as that part lying East of a line lying five (5) feet easterly and parallel to the easterly bank of East Divide Creek, said excepted parcel containing 6.658 acres, more or less; E/2SW/4

Section 12: W/2NE/4, E/2NW/4, SW/4NW/4, NE/4SW/4, NW/4SE/4 LESS AND EXCEPT three parcels situated in the NW/4SE/4 containing 8.12 acres, more or less, described as Lots 1 (3.37 acres), 2 (2.26 acres) and 3 (2.49 acres), Josef P. Langegger Subdivision Exemption according to Plat recorded April 8, 2004 as Reception No. 649844, County of Garfield, State of Colorado

**OWNER**

  
\_\_\_\_\_  
Josef P. Langegger  
dba Twin Creek Ranch

**EnCana Oil & Gas (USA) Inc.**

By   
\_\_\_\_\_  
Ricardo D. Gallegos  
Attorney-in-Fact

**ACKNOWLEDGMENTS**

STATE OF COLORADO                     )  
  ) §  
COUNTY OF   EAGLE                       )

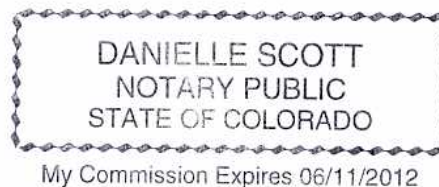
The foregoing instrument was acknowledged before me this 12<sup>th</sup> day of February, 2010 by Josef P. Langegger, dba Twin Creek Ranch, known to be the person described in and who executed the foregoing instrument, and who acknowledged to me that he executed the same.

WITNESS my hand and official seal.

My Commission Expires: 6/11/2012

Danielle Scott  
Notary Public

STATE OF COLORADO                     )  
  ) §  
CITY AND COUNTY OF DENVER                     )

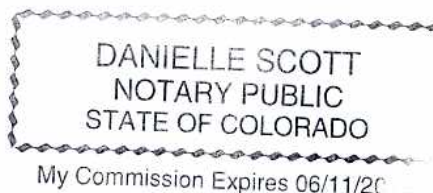


On this 1<sup>st</sup> day of February, 2010 before me personally appeared Ricardo D. Gallegos, known to me to be the Attorney-in-Fact for EnCana Oil & Gas (USA) Inc. and that he executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.

WITNESS my hand and official seal.

My Commission Expires: 6/11/2012

Danielle Scott  
Notary Public





## **SURFACE DAMAGE AND RELEASE AGREEMENT**

THIS SURFACE DAMAGE AND RELEASE AGREEMENT (this "Agreement") is made and entered into this 12<sup>th</sup> day of February, 2010, by and between **Josef P. Langegger, dba Twin Creek Ranch**, 3807 Lupine Drive, Vail, CO 81657 ("Owner"), and **EnCana Oil & Gas (USA) Inc.**, 370 17<sup>th</sup> Street, Suite 1700, Denver, CO 80202 ("EnCana"). Owner and EnCana are also referred to herein, together, as the "Parties."

Whereas, Owner is the owner of the surface of the lands described below, located in Garfield County, Colorado ("Lands"):

Township 7 South, Range 92 West, 6<sup>th</sup> P.M.

Section 1: W/2SE/4 LESS AND EXCEPT a parcel in the NW/4SE/4 described as that part lying East of a line lying five (5) feet easterly and parallel to the easterly bank of East Divide Creek, said excepted parcel containing 6.658 acres, more or less; E/2SW/4

Section 12: W/2NE/4, E/2NW/4, SW/4NW/4, NE/4SW/4, NW/4SE/4 LESS AND EXCEPT three parcels situated in the NW/4SE/4 containing 8.12 acres, more or less, described as Lots 1 (3.37 acres), 2 (2.26 acres) and 3 (2.49 acres), Josef P. Langegger Subdivision Exemption according to Plat recorded April 8, 2004 as Reception No. 649844, County of Garfield, State of Colorado

Whereas, Owner and EnCana wish to memorialize their agreement concerning the payment for damages to the surface of the Lands in connection with the drilling, construction, completion, recompletion, reworking, re-entry, production, maintenance and operation of the wells on the F12E Well Pad, described in Paragraph 2, and all pipelines, tank batteries and other facilities or property of EnCana associated with the wells and located on the Lands.

Therefore, for and in consideration of the covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. EnCana agrees that a maximum of three well pads will be located on the Lands at Twin Creek Ranch, as set forth below:
  - A. O1E Well Pad, NW/4SW/4SE/4, Section 1, Township 7 South, Range 92 West
  - B. O1EB Well Pad, SW/4SE/4, Section 1, Township 7 South, Range 92 West
  - C. F12E Well Pad, SE/4NW/4, Section 12, Township 7 South, Range 92 West

If EnCana desires to locate additional well pads or easements on the Lands, EnCana shall obtain the consent of Owner.

2. EnCana intends to construct and operate the F12E well pad in the SE/4NW/4 of Section 12, Township 7 South, Range 92 West, 6<sup>th</sup> P.M., Garfield County, Colorado (the "Well Pad"), for the purposes of drilling and producing oil and gas wells (the "Wells") with unit, lease and



off-lease bottom hole locations. It is EnCana's current intent to drill ten (10) Wells, but EnCana reserves the right to drill more or fewer Wells. To the extent reasonably possible, EnCana will keep the initial Well Pad disturbance to the size shown on Exhibit A attached hereto and made a part hereof.

3. EnCana may at any time elect to re-enter and expand the Well Pad to an area greater than that shown on Exhibit A to accommodate the drilling of more Wells therefrom; provided, however, that the size of the Well Pad will not be increased to more than seven (7) acres without the consent of Owner, which shall not be unreasonably withheld. If EnCana elects to re-enter the Well Pad after it has been reclaimed, payment shall be as outlined in Paragraph 5. Re-entry - A and B.
4. Owner agrees that EnCana may use the surface of the Lands for the drilling, construction, completion, recompletion, reworking, re-entry, production, maintenance and operation of the Wells and pipelines, tank batteries and other facilities or property of EnCana associated with the Wells and located on the Lands. In addition, Owner agrees that EnCana may use the Well Pad for drilling and producing Wells in which Owner has no interest in the production therefrom ("Off-Lease Wells").
5. The Parties hereby agree as to damages, entry and surface use thereof.

#### **Initial Occupation**

- A. Upon Owner's execution of this Agreement, EnCana agrees to pay Owner Twenty Thousand Dollars (\$20,000.00) ("Damage Amount").
- B. Upon commencement of initial construction of the Well Pad, EnCana agrees to pay Owner a minimum payment ("Minimum Guaranteed Payment") of Thirty Thousand Dollars (\$30,000.00) calculated on the basis of Six Thousand Dollars (\$6,000.00) for each of five (5) unit and lease bottom hole locations. In the event any of the Wells proposed to be drilled is an Off-Lease Well bottom hole location, the Minimum Guaranteed Payment will be adjusted upward by Four Thousand Dollars (\$4,000.00) for each such location so that Owner receives the equivalent of Ten Thousand Dollars (\$10,000.00) for any Off-Lease Well bottom hole location.
- C. Upon commencement of actual drilling operations for the sixth (6<sup>th</sup>) and subsequent Wells, EnCana agrees to pay Owner:
  - a. Seven Thousand Dollars (\$7,000.00) for each unit and lease bottom hole location
  - b. Ten Thousand Dollars (\$10,000.00) for each Off-Lease Well bottom hole location

#### **Re-entry**

- A. If EnCana elects to re-enter the Well Pad after EnCana has performed interim reclamation, upon re-entry of the Well Pad for the purpose of drilling additional Wells EnCana agrees to pay Owner Twenty Thousand Dollars (\$20,000.00).
- B. Upon commencement of actual drilling operations on the Well Pad, EnCana agrees to pay Owner:



- a. Six Thousand Dollars (\$6,000.00) for each unit and lease bottom hole location
  - b. Ten Thousand Dollars (\$10,000.00) for each Off-Lease Well bottom hole location
6. Such payment or payments described in Paragraph 5 shall constitute payment in full by EnCana and its affiliates for all normal damages, including, but not limited to, damages to growing crops, associated with the drilling, construction, completion, recompletion, reworking, re-entry, production, operation and maintenance of the Wells. Normal damages include, but are not limited to, reasonable and customary ingress, egress, rights-of-way, preparation and use of the Well Pad site, and construction, installation and maintenance of production equipment and facilities such as flow lines, gas pipelines, separators, and tank batteries as shown on Exhibit B attached hereto and made a part hereof.
7. Upon installation of the production equipment, as shown on Exhibit B attached hereto and made a part hereof, Owner shall have a one-time choice of selection of paint/scheme for the tanks.
8. Within six (6) months after drilling and completion of all of the Wells on the Well Pad, those portions of the Well Pad that are no longer necessary for EnCana's drilling and completion operations shall be re-contoured, reseeded with a seed mix acceptable to Owner, and restored as closely as practicable to their condition prior to disturbance by EnCana. EnCana shall fence the remaining area necessary for EnCana's production operations ("Reclaimed Pad"). To the extent reasonably possible, the area of the Reclaimed Pad shall be no larger than depicted on Exhibit B.
9. EnCana shall not house employees, agents or contractors on the Well Pad, provided, however, that during drilling and completion operations, EnCana may have three (3) trailers on the Well Pad. The trailers shall be only occupied by a reasonable number of EnCana's employees, agents or contractors as is necessary for the drilling and completion operations on the Well Pad.
10. Owner expressly acknowledges that this Agreement satisfies the obligations and requirements of EnCana pursuant to Colorado Oil and Gas Conservation Commission rules and regulations and Colorado statutes to consult in good faith with Owner regarding proposed oil and gas operations on the Lands. Owner expressly acknowledges that this Agreement shall be deemed to be specifically applicable to, and to satisfy fully, the obligation of EnCana to accommodate the Owner's use of the surface of the Lands.
11. The rights granted herein shall be possessed and enjoyed by EnCana, its successors and assigns, so long as the Well Pad site and appurtenances thereto are maintained and operated by EnCana, its successors or assigns.
12. EnCana agrees:
  - A. To consult with Owner regarding relocation of fences, ditches and culverts required in connection with EnCana's operations.
  - B. To bury all pipelines to a depth sufficient to avoid interference with Owner's operations.
  - C. To clean and maintain culverts installed by EnCana as necessary, and when notified by Owner of clogging.
  - D. To adequately control weeds and dust along the access route and on the Well Pad.



- E. To restrict its use, and the use by its agents, employees, contractors and sub-contractors, to only the access route, the F12E Well Pad and production facilities, and only for purposes necessary for its operations on the Lands.
  - F. No firearms, alcohol, or pets will be brought on the Lands at any time.
  - G. Top soil will be kept separate and replaced on top when the site is reclaimed.
  - H. Any useable timber, fence posts, and firewood shall be cut to Owner's designated lengths and stockpiled at mutual agreed locations.
  - I. Slash from trees will be piled at location of Owner's choice, hauled away or chipped.
13. The rights granted herein to EnCana shall be assignable together or separately and in whole or in part.
14. If by reason of EnCana's operations, there is damage to personal property located on the Lands or there is damage to the surface of the Lands caused by the negligence of EnCana or its contractors, or if EnCana should unreasonably use the surface of the Lands in such a manner so as to damage structures, fences, culverts and cement ditches, such damage shall be repaired by EnCana or EnCana shall promptly pay Owner for such damage.
15. In the event of any breach of this Agreement, the prevailing party shall be entitled to recover reasonable costs and attorney fees.
16. Notice by either party hereto shall be promptly given, orally, if possible, and immediately mailed to:

**OWNER:** Josef P. Langegger, dba Twin Creek Ranch  
3807 Lupine Drive  
Vail, CO 81657

**ENCANA:** EnCana Oil & Gas (USA) Inc.  
Attention: South Piceance Land  
370 17<sup>th</sup> Street, Suite 1700  
Denver, CO 80202

**17. Option to Extend**

- I. If Wells are not drilled and completed by December 31, 2014, EnCana may defer commencement of drilling operations until December 31, 2016 by giving written notice to Owner and making the payments set forth below:
  - A. If EnCana elects to exercise the option set forth above, EnCana will pay Owner an extension payment of Thirty Thousand Dollars (\$30,000.00) on or before January 1, 2015.
  - B. Upon commencement of initial construction of the Well Pad, EnCana agrees to pay Owner a Minimum Guaranteed Payment of Forty-five Thousand Dollars (\$45,000.00) calculated on the basis of Nine Thousand Dollars (\$9,000.00) for each of five (5) unit and lease bottom hole locations. In the event any of the Wells proposed to be drilled is

an Off-Lease Well bottom hole location, the Minimum Guaranteed Payment will be adjusted upward by Six Thousand Dollars (\$6,000.00) for each such location so that Owner receives the equivalent of Fifteen Thousand Dollars (\$15,000.00) for each Off-Lease Well bottom hole location.

- C. Upon commencement of actual drilling operations for the sixth (6<sup>th</sup>) and subsequent Wells, EnCana agrees to pay Owner:
  - a. Ten Thousand Five Hundred Dollars (\$10,500.00) for each unit and lease bottom hole location
  - b. Fifteen Thousand Dollars (\$15,000.00) for each Off-Lease Well bottom hole location
- II. If EnCana commences actual drilling operations prior to December 31, 2014 but is still conducting drilling operations on December 31, 2014, EnCana will make payments to Owner as set forth below:
  - A. EnCana will pay Owner an extension payment of Thirty Thousand Dollars (\$30,000.00) on or before January 1, 2015.
  - B. EnCana will pay Owner the difference between the amounts paid to Owner pursuant to Paragraph 5. Initial Occupation - B and C and the amounts specified in Paragraph 17.I. B and C, as applicable.
- III. If EnCana concludes drilling operations prior to December 31, 2014 but is still conducting completion operations on December 31, 2014, EnCana will make payments to Owner as set forth below:
  - A. EnCana will pay Owner Five Thousand Dollars (\$5,000.00) for each additional month required by EnCana to conclude completion operations, up to a maximum of three (3) months.
  - B. If completion operations are not concluded by the end of the three (3) month period, EnCana will make payments to Owner as set forth below:
    - a. EnCana will pay Owner an additional Fifteen Thousand Dollars (\$15,000.00).
    - b. EnCana will pay Owner the difference between the amounts paid to Owner pursuant to Paragraph 5. Initial Occupation - B and C and the amounts specified in Paragraph 17.I. B and C, as applicable.
- 18. Owner agrees to keep confidential the terms of this Agreement. EnCana intends to place of record a Memorandum of Surface Damage and Release Agreement for the purpose of giving notice of this Agreement.
- 19. This Agreement shall be binding upon the heirs, legal representatives, successors and assigns of the Parties hereto.



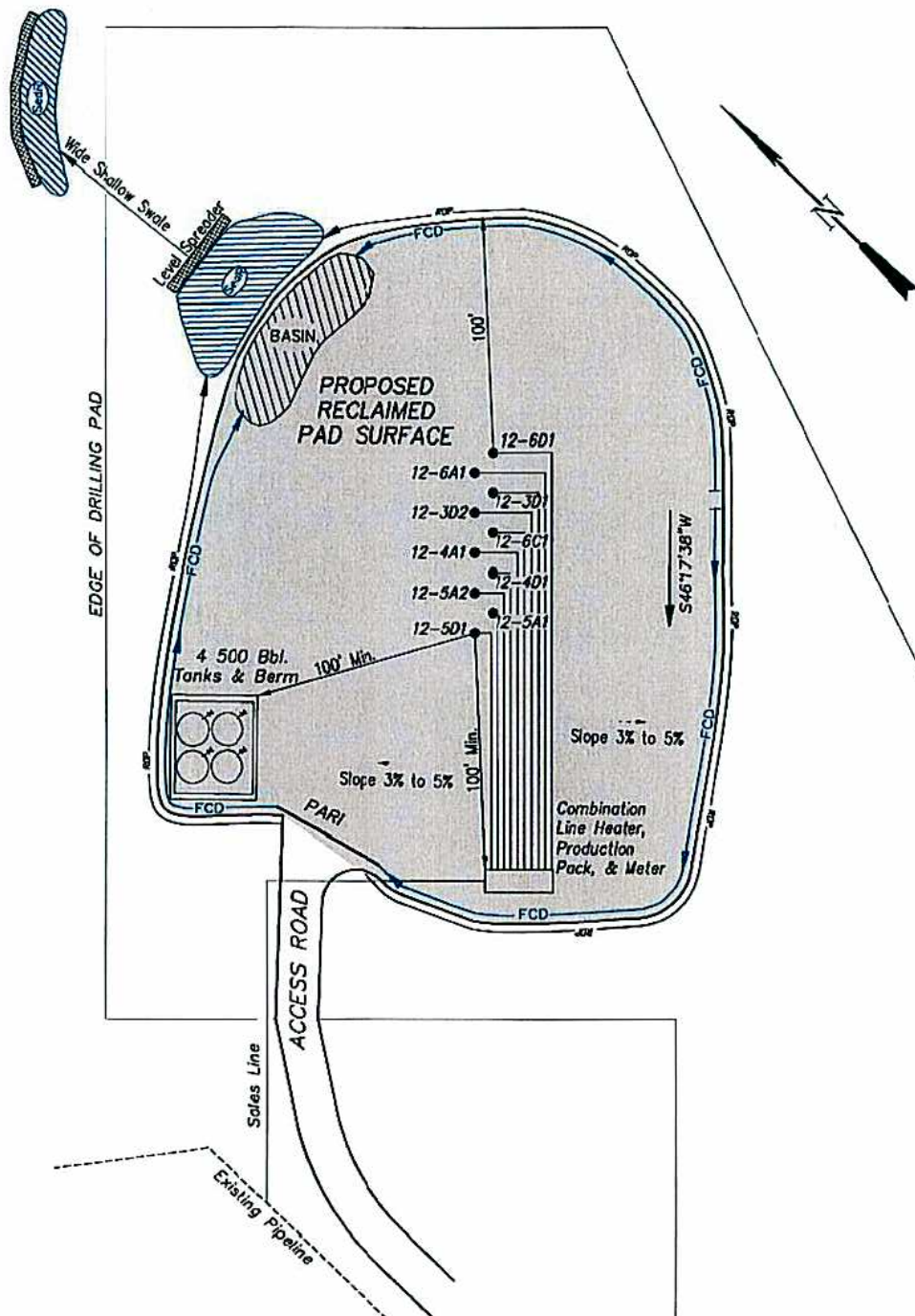






# EXHIBIT B

## EnCana Oil & Gas (USA) Inc. F12E Well Pad PRODUCTION SCHEMATIC



### NOTES:

1. Set Tanks High so pad Entrance & Tank Area Can Drain to Pad Basin
2. Gravel Pad 75' from Wells & Around Tanks and Separators
3. Pad Drains to Pad Basin at a 3% to 5% slope
4. BMP Selection and Position may change Depending on Actual Conditions Encountered During the Construction Process

### NOTE:

Actual Equipment Layout and Reclaimed Pad Surface Area May Change due to Production Requirements or Site Conditions.

**ESTIMATED AREAS**  
RECLAIMED AREA: 3.97 ACRES  
UNRECLAIMED AREA: 1.39 ACRES

### LEGEND:

- S- SLASH
- ST - SEDIMENT TRAP
- SwR - SEDIMENT RESERVOIR
- R.O.D. - RUN-ON DIVERSION
- W- PERIMETER CONTROL (WATLES)
- CSD - CUT SLOPE DIVERSION (BERM TOE OF CUT SLOPE)
- D - FILL DIVERSION TO SEDIMENT TRAP
- VGB - VEGETATION BUFFER (UNDISTURBED LAND INSIDE PC)
- FCD - FLOW CONTROL DITCH
- PARI - PAD/ACCESS ROAD INTERFACE
- Level Spreader
- TOE BERM (PLACED AT TOE OF ALL FILL SLOPES/STOCKPILES)
- TOPSOIL BERM
- SEED, VGB & FLEX
- SEED



900 Main Street  
Evanston, Wyoming 82930  
Phone No. (307) 789-4545



Production Schematic		Scale: 1" = 50'	SHEET
Project No.	08-04-53	Date Surveyed: 08/13/08	6
Date Drawn:	12/15/09	Latest Revision Date: 1/19/10	OF 10