

COMPATIBLE DEVELOPMENT AND SURFACE USE AGREEMENT

THIS SURFACE USE AGREEMENT (Agreement) is made and entered into this 1st day of March, 2006, and effective upon the date as described below by and between EnCana Oil & Gas (USA) Inc. ("EnCana") with an address of 370 17th Street, Suite 1700, Denver, Colorado 80202, and Wallace H. Grant, Douglas Grant, Wallspring LLC, a Colorado limited liability company, and Yampa VLC 3, LLC a Colorado limited liability company ("Surface Owner") with an address of c/o Grant, Grant & Goiran LLP, 436 Coffman Street, P.O. Box 908, Longmont, Colorado 80502-0908.

- A. Surface Owner owns the surface estate of the property located in SE/4 of Section 26, Township 2 North, Range 68 West, Town of Frederick ("Town"), Weld County, Colorado, which is more particularly described in Exhibit A to this Agreement and is hereinafter referred to as the "Property".
- B. Surface Owner proposes to develop the surface estate.
- C. EnCana owns certain oil and gas leasehold interests in the Property and EnCana currently operates two oil and gas wells on the Property, generally located in the center of the SE/4 and the SE/4SE/4, said existing wells named the Sullivan 1 (1980 feet from the FSL, 990 feet from the FEL) and Sullivan 44-26 (557 feet from FSL, 510 feet from FEL), respectively (the "Existing Wells"). The Existing Wells and Future Wells herein referred to as "Wells" and the operating areas surrounding such wells shall be the "Oil and Gas Operations Areas," all as depicted on Exhibit B. EnCana also owns existing oil and gas flowlines and gathering lines throughout the Property.
- D. This Agreement provides for, and is limited to, the compatible development of the surface estate and the oil and gas estate for the Property.
- E. Current Colorado Oil and Gas Conservation Commission ("Commission") rules and regulations would allow the owner of the oil and gas rights under the described premises to locate additional drillsites potentially productive in any of the Codell, Niobrara, Sussex, Shannon, Dakota, D Sand and J Sand formations, each to be located approximately in the center of each quarter-quarter section, with a tolerance of 200 feet in any direction of the Property or 400 feet from the center of the quarter section of the Property, as depicted on Exhibit B (Drilling Location Windows).

NOW THEREFORE, in consideration of the covenants and mutual promises set forth in this Agreement, including in the recitals, the parties agree as follows:

Surface Owner and EnCana agree that upon the execution of this Agreement by the parties hereto, this Agreement shall become effective between EnCana and Surface Owner:

1. Wellsite Locations.

- a. Encana shall conduct and limit future drilling operations on the Property to the Oil and Gas Operations Areas as depicted on Exhibit B. Operations conducted on the existing Sullivan #1 and Sullivan 44-26 wells shall be limited to the Oil and Gas Operations Areas as depicted on Exhibit B.





(1) The Oil and Gas Operations Areas shall consist of the setback areas as shown on Exhibit B. Under no circumstances shall EnCana be prohibited from having adequate area to conduct its activities.

(2) Operations and uses within the Oil and Gas Operations Areas include, but are not limited to, drilling, completion, and maintenance of wells and equipment, production operations, workovers, well recompletions and deepenings, fracturing, twinning, the drilling of replacement wells and the location of associated oil and gas production and drilling equipment and facilities.

b. Production facilities, flowlines, gathering lines, tank batteries and access easements, more fully described below, are also part of the Oil and Gas Operations Areas.

2. Production Facility Locations.

a. EnCana shall locate, build, repair maintain and add separators, dehydrators, compressors and tanks and all other associated oil and gas drilling and production equipment and facilities within the Production Facility Location(s) as depicted on Exhibit B.

3. The Oil and Gas Operation Areas.

a. The rights of EnCana to conduct oil and gas operations within the Oil and Gas Operations Areas shall be nonexclusive with respect to other oil and gas operators with drilling and production rights.

b. Surface Owner shall not plat any surface property lines within the Oil and Gas Operations Areas, and no building, structure, or other temporary or permanent improvement shall be constructed or installed by Surface Owner within the Oil and Gas Operations Areas, except Surface Owner may install landscaping, install and use roads subject to the setbacks set forth herein and use such areas for open space insofar as such use does not diminish, impede or interfere with EnCana's operations.

c. Except for the Oil and Gas Operations Areas, Production Facility Location(s), Access Roads and pipeline easements as set forth in this Agreement, EnCana shall not use the surface, except in cases of emergency in which case such use shall be temporary.

4. Access to Oil and Gas Operations Areas.

a. Surface Owner acknowledges and understands that EnCana has the right to and will continue to use, and will be limited to the access routes that it is currently using, all as shown on Exhibit B, to access the Oil and Gas Operations Areas, until such time as the roads shown on Exhibit B are built to the specifications set forth herein and EnCana has access to the same.

b. Surface Owner shall have the right to relocate and/or re-route access roads; provided, Surface Owner pays the entire cost, risk and expense of rerouting such roads. At such time as the relocated or re-routed access road is completed, which enables EnCana to access the Oil and Gas Operations Areas, the existing access roads will be abandoned. Surface Owner shall grant and convey to EnCana an easement and right of way for access to any surface and/or subsurface facilities located upon and under the Property.

Construction and Width of Access Roads.

- (1) Access roads or portions of access roads that are jointly used by EnCana and Owner shall be thirty (30) feet or more in width and Owner shall construct or improve all paved or improved joint access roads so as to withstand the weight of oilfield equipment. Specifically, Owner shall construct the roads so that they can be used to withstand the weight of 110,000 pounds and 28,000 pounds per axle.
- (2) Access roads or portions of access roads that are used exclusively by EnCana shall be thirty (30) feet or more in width and EnCana shall install and maintain them to Commission standards that apply to oil and gas operations.

c. If a road is built within 100' of a wellhead and EnCana requires rig access to the wellhead, for safety reasons EnCana shall close the road to public traffic during such operations. Surface owner shall provide alternate access to the public during such operations.

d. Neither party shall unreasonably interfere with the use by the other of an access road.

5. Pipelines, Flowlines and Easements.

a. Surface Owner acknowledges and understands that EnCana has the right to continue to use the flowlines, pipelines and pipeline easements that it is currently utilizing to service the Existing Wells and to construct, repair, maintain and replace the flowlines and pipelines.

b. Easements for flowlines and pipelines to be installed in the future shall be at the locations identified in Exhibit B, and such flowlines and pipelines shall be installed at depths of approximately forty eight (48) inches below the surface of the ground.

c. Locations of existing and future flowlines, pipelines and easements may be changed at the request of Surface Owner, provided that the change does not unreasonably interfere with oil and gas operations and is paid for by Surface Owner and the work is performed by EnCana's contractor of choice. In the event that Surface Owner requests the relocation of an existing pipeline or flowline, EnCana shall provide Surface Owner with a written estimate of the relocation costs which amount Surface Owner shall remit to EnCana within thirty (30) days after receipt of a written invoice(s). The payment shall be adjusted up or down upon completion of the work and after an itemized statement is provided to Surface Owner.

d. Pipeline easements shall be fifty (50) feet in width during construction and twenty-five (25) feet in width thereafter for all operations, maintenance and transportation activities.

e. Surface Owner shall have the right to cross the pipeline easements with roads and utilities, and Surface Owner shall also have the right to install utility lines, including those for water, gas, sewer, electric, telephone, cable, tv and fiber optic and other pipelines; provided, however, i) any new underground facilities which travel alongside a pipeline identified herein shall be located a distance horizontally of at least ten (10) feet from parallel existing pipelines; and ii) any new underground facilities which cross the pipeline easements shall have at least eighteen (18) inches of vertical clearance



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between such new facility and a pipeline provided for herein. Surface owner shall notice EnCana at least 90 days prior to construction so that EnCana has adequate time to sleeve that portion of all pipeline or flowline over which construction is planned.

f. Surface Owner shall grant the flowline and pipeline easements in a recordable document to EnCana at the time of final plat approval(s). Upon receipt of a recordable grant by Surface Owner of new flowline and pipeline easements which are acceptable to EnCana, EnCana and its affiliates shall release existing its existing flowline and pipeline easements. Under no circumstances shall Surface Owner prohibit EnCana from flowing gas through its flowlines and pipelines at any time.

g. Surface Owner shall maintain a minimum ground cover of 48 inches and not more than 72 inches over pipelines and flowlines in the conduct of its operations and its construction activities on the Property.

6. Subdivision Plat. Surface Owner shall identify the Oil and Gas Operations Areas and all access and flowline and pipeline easements on its subdivision plats and in all applications for development that it files with a local jurisdiction, and the plats shall include restrictions that no property lines, buildings, structures, or other improvements shall be located, constructed or installed within the Oil and Gas Operations Areas, except as shown on Exhibit B, or as permitted by Paragraph 3 b. of this Agreement. Any road lying within 100 feet of an existing or proposed wellbore and dedicated to the Town of Frederick shall be so dedicated subject to EnCana's prior right of closure during operations. EnCana shall have full, continuous and unimpeded access to its operations areas and access roads at all times. Surface Owner shall record the subdivision plat in the Office of the Clerk and Recorder of Weld County and provide written evidence of recording to EnCana.

7. Waiver of Surface Damage Payments. EnCana shall pay to Surface Owner the sum of \$1,000.00 (One Thousand Dollars) per future drilled well as final settlement for any and all surface damages associated with reasonable drilling operations on the Property consistent with this Agreement. Surface Owner hereby waives further surface damage payments pursuant to any Colorado Oil and Gas Conservation Commission ("COGCC") regulation or local regulation, state statute, common law or prior agreement for each Wellsite Location. EnCana or their lessees or their assignees may provide a copy of this Agreement to the COGCC or to any local jurisdiction, person or entity or any court of law as evidence of this waiver.

8. Waiver of Setbacks and Other Requirements. Surface Owner understands and acknowledges that the COGCC has rules and regulations that apply to the distance between a wellhead and public roads, production facilities, building units and surface property lines, among other things. Surface Owner, its successors and assigns, hereby waives all setback requirements in COGCC Rule 603, or any successor rule or amendment to the COGCC setback rules, and to any other state or local setback requirements, or other requirements or regulations, that are or become inconsistent with this Agreement or that would prohibit or interfere with the rights of EnCana to explore for and produce oil and gas in accordance with this Agreement. EnCana agrees that all other operations performed by EnCana shall be performed in accordance with the rules and regulations of the COGCC.

9. Governmental Proceedings. Each party agrees that it will support in any forum the use of the



Property by the other party as long as such use remains consistent with the terms and conditions of this Agreement, and each party hereby waives any right to object to such consistent use. Each party further agrees that it will provide to the other party such other written approvals and waivers as are requested by the other party and are consistent with this Agreement, including, but not limited to, all approvals and waivers to drill a well or to conduct oil and gas operations on the Property required by any law or regulation, including any local ordinance and regulations of the COGCC, and including, for example, waivers to state and local setback requirements and to any setback requirements from a surface property line. Neither party shall be required to make more than a minimal time or financial commitment in connection with its support of the other party.

10. Notice of Oil and Gas Operations. EnCana shall provide Surface Owner with notice of drilling operations and subsequent well operations in accordance with COGCC rules and regulation.

11. Impact Mitigation.

a. Oil Company Mitigation. EnCana agrees that it shall install and maintain at its sole cost and expense such fences, gates and locks around the wells and production facilities as are required by the COGCC. The fences, gates and locks may be upgraded at Surface Owner's expense. Upgraded fences, gates and locks must be in compliance with COGCC and local regulations. EnCana shall paint any production facilities for any wells, including wellhead guards, with paint that is approved by the COGCC. Surface Owner may select the paint color so long as it is in compliance with COGCC and local regulations.

b. Surface Owner Mitigation. Except as provided in paragraph 13.a., Surface Owner shall bear all costs and expense to install such noise and visual impact mitigation measures as it desires or the Town or Weld County requires at or around the Oil and Gas Operation Areas which are in excess of or in addition to those measures which are required by COGCC regulations for areas which are not high density; provided, however, the operator of the well at the particular Oil and Gas Operations Area shall have reasonable discretion to veto or protest the types and locations of impact mitigation measures in order to allow for safe oil and gas operations.

12. Indemnities. Surface Owner shall be obligated to pay for, repair, replace or otherwise compensate EnCana for any damages resulting from Surface Owner's activities and operations on or in the Oil and Gas Operations Areas, easements and access roads; and, EnCana shall pay for, reimburse, indemnify and hold Surface Owner harmless from any and all claims or damages resulting from EnCana's activities on or in the Oil and Gas Operations Areas, easements and access roads.

13. Authority to Execute Agreement. Each party represents that it has the full right and authority to enter into this Agreement with respect to the surface rights, oil and gas interests, or oil and gas leasehold interests it owns in the Property, as applicable.

14. No Waiver of Rights. EnCana does not waive the rights it has pursuant to its oil and gas interests to explore for, drill and produce the oil and gas from the Property or for ingress and egress to any Oil and Gas Operations Area, except as specifically provided in this Agreement.



15. Successors and Assigns. This Agreement and all of the covenants in it shall be binding upon the personal representatives, heirs, successors and assigns of the parties, and the benefits of this Agreement shall inure to their personal representatives, heirs, successors and assigns. This Agreement and all of the covenants in it shall be covenants running with the land. Surface Owner agrees to provide written notice to any and all builders, homeowners or other buyers of the Property that there are likely to be oil and gas operations and production on the surface of the Property, that buyers, as successors in interest to Surface Owner will be acquiring all of Surface Owner's rights under this Agreement and assuming those obligations undertaken by Surface Owner pursuant to this Agreement.

16. Recording. Surface Owner may record this Agreement with the Clerk and Recorder of Weld County and provide evidence to EnCana of the recording.

17. Governing Law. The validity, interpretation and performance of this Agreement shall be governed and construed in accordance with the laws of the State of Colorado without reference to its conflicts of laws provisions.

18. Severability. If any part of this Agreement is found to be in conflict with applicable laws, such part shall be inoperative, null and void insofar as it conflicts with such laws; however, the remainder of this Agreement shall be in full force and effect. In the event that any part of this Agreement would otherwise be unenforceable or in conflict with applicable laws due to the term or period for which such part is in effect, the term or period for which such part of this Agreement shall be in effect shall be limited to the longest period allowable which does not cause such part to be unenforceable or in conflict with applicable laws.

19. Notices. Any notice or other communication required or permitted under this Agreement shall be given in writing either by (a) personal delivery; (b) expedited delivery service with proof of delivery (c) United States mail, postage prepaid, and registered or certified mail with return receipt requested; or (d) prepaid telecopy or fax, the receipt of which shall be acknowledged, addressed as follows:

EnCana: EnCana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, Colorado 80202
Attn: DJ Land Department

Surface Owner: Wallace H. Grant
c/o Grant, Grant & Goiran LLP
436 Coffman Street, Suite 200
P. O. Box 908
Longmont, Colorado 80502-0908

Douglas Grant
10515 Mooring Road
Longmont, Colorado 80504



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Wallspring LLC
Attn: Cameron A. Grant, Manager
c/o Grant, Grant & Goiran LLP
436 Coffman Street
P.O. Box 908
Longmont, Colorado 80502-0908

Yampa VLC 3, LLC
Attn: Patrick A. Grant, Manager
4655 Humboldt Street
Denver, Colorado 80216-2818

Notices shall be effective upon receipt and any party may change an address by notice to the other parties.

20. Incorporation by Reference. Exhibits A and B are incorporated into this Agreement by this reference.

21. Entire Agreement. This Agreement sets forth the entire understanding between the parties with respect to the subject matter hereof and supersedes any previous communications, representations or agreements, whether oral or written. No change of any of the terms or conditions herein shall be valid or binding unless in writing and signed by an authorized representative of each party.


22. Counterpart Executions. This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the undersigned parties have caused this Agreement to be executed by a duly authorized representative on the date and year first above written.

ENCANA OIL & GAS (USA) INC.

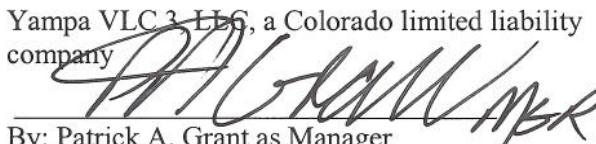

By: Byron R. Gale, Attorney-in-Fact

SURFACE OWNER:



Wallace H. Grant


Douglas Grant

Yampa VLC 3, LLC, a Colorado limited liability company


By: Patrick A. Grant as Manager

Wallspring LLC, a Colorado limited liability company


By: Cameron A Grant, as Manager



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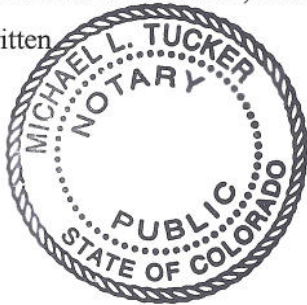
ACKNOWLEDGMENTS

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

On this 7th day of March, 2006, before me personally appeared Byron R. Gale, who, being by me duly sworn, did say that he is an Attorney-in-Fact for EnCana Oil & Gas (USA) Inc., that he signed the foregoing instrument on behalf of said corporation and acknowledged the instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I hereunto set my hand and affixed my official seal the day and year first above written

(SEAL)



My Commission Expires: 03/09/2007
101 West 1st St, Suite 702
Denver, Colorado 80202

Notary Public: Michael L. Tucker

STATE OF COLORADO)
)ss.
COUNTY of BOULDER)

The foregoing instrument was acknowledged before me this 1st day of March, 2006, by Wallace H. Grant.

My Commission expires: 11/16/07



Witness my hand and official seal.

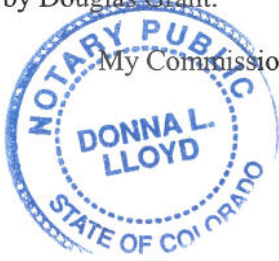
Donnal Lloyd
Notary Public



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STATE OF COLORADO)
) ss.
COUNTY of BOULDER)

The foregoing instrument was acknowledged before me this 1st day of March, 2006, by Douglas Grant.



My Commission expires: 11/16/07

Witness my hand and official seal.

Donna L. Lloyd
Notary Public

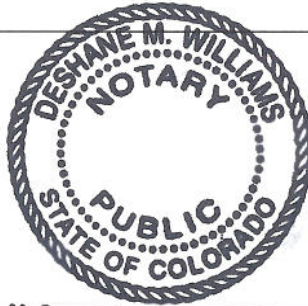
STATE OF COLORADO)
) ss
COUNTY OF)

On this 28th day of March, 2006, before me personally appeared Patrick A. Grant, as Manager of Yampa VLC 3, LLC, a Colorado limited liability company.

IN WITNESS WHEREOF, I hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires: 11/28/2009

(SEAL)



Notary Public: [Signature]

My Commission Expires 11/28/2009

STATE OF COLORADO)
) ss
COUNTY OF BOULDER)

On this 1st day of March, 2006, before me personally appeared Cameron A. Grant, as Manager of Wallspring LLC.

IN WITNESS WHEREOF, I hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires: 11/16/07



Notary Public

Donna L. Lloyd



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EXHIBIT A

Attached to and made a part of that Compatible Development and Surface Use Agreement by and between Wallace H. Grant, Douglas Grant, Wallspring LLC and Yampa VLC 3, LLC ("Surface Owner") and EnCana Oil & Gas (USA) Inc. ("EnCana") covering lands in the SE 1/4 Section 26, T2N, R68W, Weld County, Colorado.

Parcel I:

Lot B Amended of Recorded Exemption No. 13 13-26-4-RE506, recorded May 3, 1985 in Book 1067 as Reception No. 2008233, being a part of the SE 1/4 of Section 26, T2N, R68W of the 6 P.M., Weld County, Colorado, EXCEPTING THEREFROM Lot A of Recorded Exemption No. 131 3-26-4-RE506.

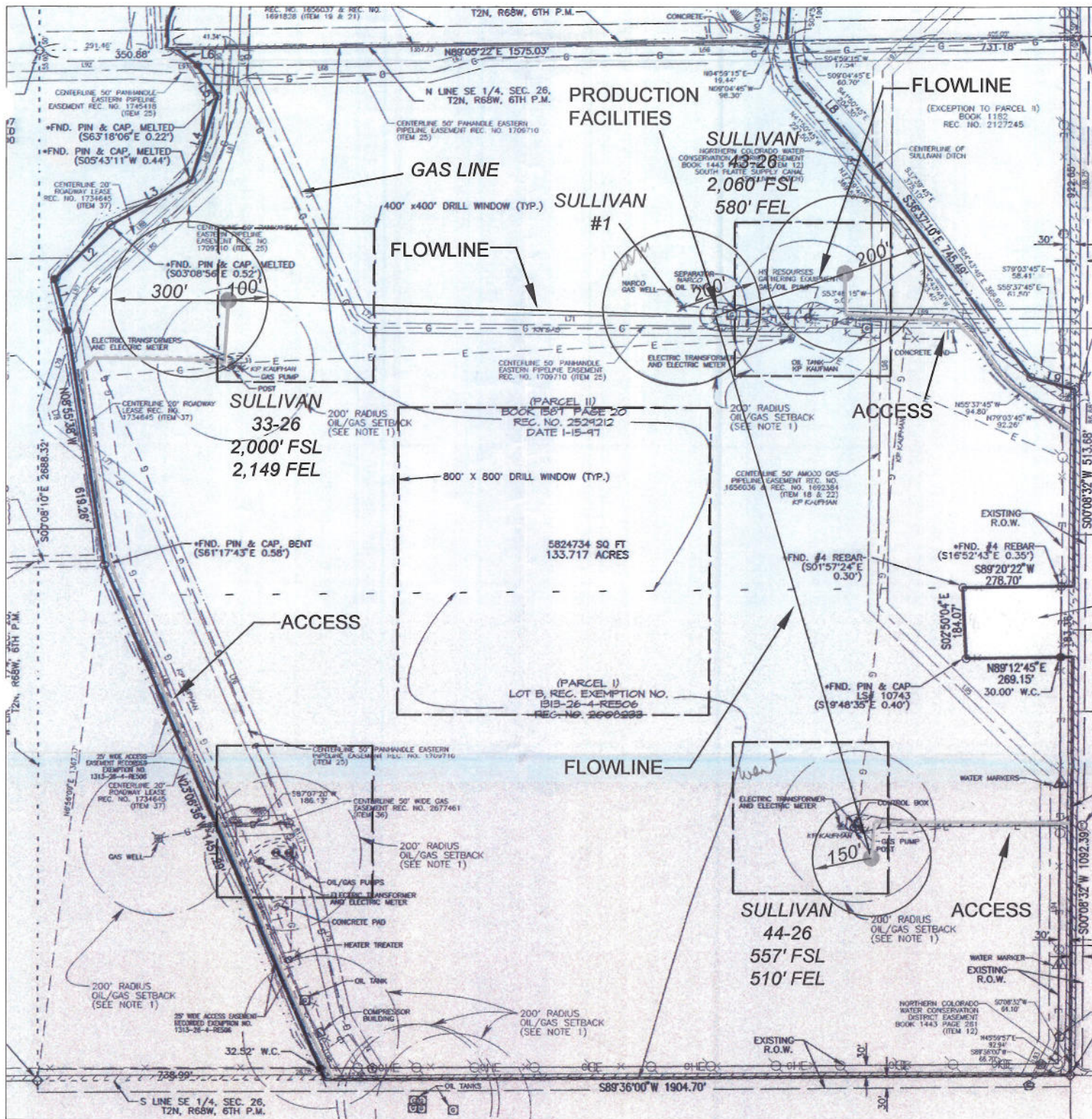
Parcel II:

A tract of land located in the SE 1/4 of Section 26, T2N, R68W of the 6 P.M., Weld County, Colorado, being more particularly described as follows: Beginning at the East 1/4 corner of Section 26; thence along the East line of said Section 26, S 00015 W 1436.13 feet; thence along the North line of Recorded Exemption No. 1313 S89°27'30" W, 2446.04 feet to a point on the East Bank of the Godding (sometimes known as "Gooding") Hollow Ditch; thence along said East Bank of the Godding Hollow Ditch the following courses: N22°59'27" W 86.43 feet; N 08°48'90" W, 619.26 feet; N 14°29'52" W, 137.29 feet; N 45°24'37" E, 201.52 feet; N 60°48'10" E, 238.78 feet; N 16°47'41" E, 229.04 feet; N 32°27'09" W, 97.09 feet; N 52°08'32" W, 71.10 feet to a point on the North line of the SE 1/4 of Section 26; thence leaving said East Bank of the Godding Hollow Ditch and along said North line of the SE 1/4, N 89°12'16" E, 2305.75 feet to the Point of Beginning, EXCEPT THEREFROM a tract of land conveyed by Deed recorded January 7, 1988 in Book 1182 as Reception No. 2127245 and

EXCEPTING THEREFROM a tract of land located in the Southeast 1/4 of Section 26, T2N, R68W of the 6 P.M., Weld County, Colorado, being more particularly described as follows:

Beginning at the East 1/4 corner of Section 26, thence along the East line of said Section 26, South 00 degrees 15'40" West 1067.41 feet; thence North 79 degrees 30'09" West 1308.59 feet; thence North 89 degrees 56'10" West 695.95 feet; thence North 00 degrees 00'00" West 125.16 feet; thence North 89 degrees 54'43" West 611.17 feet to a point on the East Bank of the Godding Hollow Ditch; thence along said East Bank of the Godding Hollow Ditch the following courses: North 14 degrees 29'52" West 67.00 feet; thence North 45 degrees 24'37" East 201.52 feet; thence North 60 degrees 48'10" East 238.78 feet; thence North 16 degrees 47'41" East 229.04 feet; thence North 32 degrees 27'09" West 97.09 feet; thence North 52 degrees 08'32" West 71.10 feet to a point on the North line of the Southeast 1/4 of Section 26; thence leaving said East Bank of the Godding Hollow Ditch and along said North line of the Southeast 1/4, North 89 degrees 12' 16" East 2305.75 feet to the Point of Beginning.

EXHIBIT B



- FLOWLINES — ACCESS
- DRILLING LOCATION WINDOWS
- OIL & GAS OPERATIONS AREAS