

SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement (this "Agreement") is made and entered into this 24th day of MARCH 2011, by and between Pepler Farms, LLC and Kent M. Pepler (collectively "Owner") with an address at 4493 Weld County Road, Platteville, CO 80651 and Encana Oil & Gas (USA) Inc. ("Encana") with an address at 370 17th Street, Suite 1700, Denver, Colorado 80202.

Whereas, Encana has the right to drill oil and gas Wells on the below described lands and plans to drill one or more Wells (individually a "Well" and collectively the "Wells") on said lands.

Township 3 North, Range 68 West, 6th P.M.
Section 4: NE/4
Weld County, Colorado

Whereas, Owner is the owner of the following lands (the "Lands"):

Township 3 North, Range 68 West, 6th P.M.
Section 4: NE/4
Weld County, 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 access to and the drilling, construction, completion, recompletion, reworking, re-entry, production, maintenance and operation of the Wells and all pipelines, tank batteries and other facilities or property of Encana or its affiliates associated with the Wells and located on the Lands.

Therefore, for and in consideration of the covenants and agreements contained herein, and for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and Encana agree as follows:

1. Prior to the commencement of drilling operations for the initial Well, Encana shall pay Owner the sum of [REDACTED]. Such payment shall constitute payment in full by Encana and its affiliates for all normal damages, including but not limited to damages to growing crops (for initial Wells), associated with the access to and the drilling, construction, completion, recompletion, reworking, re-entry, production, operation and maintenance of all the Wells. Normal damages include, but are not limited to, reasonable and customary ingress, egress, rights-of-way, construction of all access roads, preparation and use of the drillsite area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom. The locations and nature of the Wells, access road and facilities are generally depicted on Exhibit A attached hereto and made a part hereof.

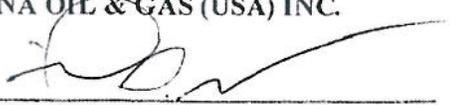
2. If by reason of Encana's operations, there is damage to personal property located on the Lands or there is damage to the surface of the Lands caused by the negligence of Encana or its agents or an unreasonable use of the surface of the Lands by Encana that is not associated with reasonable and normal drilling, completion, recompletion, reworking, re-entry, production, maintenance and operation of the Wells, such as damage to structures, fences, culverts and cement ditches, such damage shall be repaired or replaced by Encana or Encana shall promptly pay Owner for such damage.
3. Owner warrants that he is the owner of the entire interest in the surface of the Lands and that no one who is not a party to this Agreement is entitled to payment for normal damage to the surface of the Lands for which payment has been made pursuant to paragraph numbered 1 above.
4. Any and all Wells drilled on the Lands shall be drilled from a single surface location depicted on Exhibit A.
5. Encana shall utilize commercially reasonable efforts to minimize the noise level of its Wells(s) and operations and to shield from sight by appropriate barriers or fencing the Wells and all related equipment.
6. Construction, enlargement and maintenance of the access road depicted on Exhibit A shall be solely Encana's responsibility and Owner shall also be entitled to use this road. Encana may limit or restrict Owner's access or use of the road for security or safety reasons.
7. Should the drilling or other operations of Encana or its agents or contractors cause any damage to Owner's irrigation system or to Owner's growing crops (after Encana has reclaimed the site after initial operations; Owner acknowledges that the Damage Amount compensates Owner for damage to growing crops as a result of initial operations), Encana shall promptly reimburse Owner for the reasonable cost of repair or replacement of this irrigation system and for any losses associated with the crops. Further, Encana shall endeavor to situate its facilities so as not to interfere with Owner's pivot irrigation system. Encana shall also be responsible for any damage to and to cleanup any contamination of water on the Lands that it causes by its operations.
8. All flowlines and pipelines are to be buried underground and shall use north/south or east/west routes across the property lines, if practicable. To the extent that flowlines or pipelines are located outside of the Operations Area depicted on Exhibit A, a separate agreement shall be entered into with Owner providing for the nature, location, and compensation to Owner associated with such flowlines or pipelines.
9. Encana shall have the right to remove and/or dispose of any property, equipment and fixtures located within the Property/Equipment Removal Area depicted on Exhibit A which Encana determines would interfere with its operations, including the abandoned silo, concrete feedbunks, fences and water valve.

10. Except as provided in paragraph numbered 2 above for cases of unreasonable surface use and/or negligence by Encana, except as provided in paragraphs numbered 7 and 8 above, and subject to Encana's compliance with this Agreement, Owner, for itself and its successors and assigns, does hereby, in consideration of the Damage Amount, release, relinquish and discharge Encana, its affiliates, successors and assigns from all claims, demands, damages and causes of action that Owner may have by reason of the drilling of the Wells and all other damage or injury to the Lands caused by the drilling, completion, recompletion, reworking, re-entry, production, operation and maintenance of the Wells, and Owner accepts the Damage Amount as full compensation therefor.
11. 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 Land. 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 Land, existing and future, and Owner waives any statutory or common law claims to the contrary including, but not limited to, any claims pursuant to C.R.S. 34-60-127. Owner also acknowledges that Encana has fully complied with all other applicable governmental regulations and statutes, if any, relating to the settlement of the damages contemplated herein.
12. Owner acknowledges that Encana's representative has met with and consulted with Owner (or Owner's representative) as to the location of the Wellsite, access road, flowline, tank battery and other associated production facilities and that this Agreement incorporates the results of such meeting(s) and consultation(s).
13. In conducting operations on the Lands, Encana shall:
 - A. Limit the size of the Wellsite during any drilling, completion, recompletion or workover operations to the area depicted on Exhibit A, and during other periods the area, not to exceed 3 acres, required for production equipment and facilities such as wellheads, flowlines, gas pipelines, separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas. The access road shall be limited to approximately 30 feet in width during drilling, completion, recompletion and workover operations. The permanent access roads to the Wellhead and tank battery location shall be limited to 15 feet in width.
 - B. Separate the top soil at the time of excavation of pits so that the top soil and subsurface soil may be placed back in proper order as nearly as possible.
 - C. Reclaim the Wellsite as nearly as practicable to its original condition and, if the location is in pasture, reseed the location with native grasses. Weather permitting, reclamation operations shall be completed within three months following drilling and subsequent related operations, unless Encana and Owner mutually agree to postponement because of crop or other considerations.

- D. Use its best efforts to keep the Wells and battery sites free of weeds and debris.
14. Owner waives the minimum thirty day written notice requirement described in the Notice Letter provided by Encana to Owner.
15. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties, and may be executed in counterparts.

IN WITNESS WHEREOF, the parties have set their hands on the day and year first written above.

ENCANA OIL & GAS (USA) INC.

By: 

Ricardo D. Gallegos

Attorney-in-Fact

OWNER

By: 

Kent M. Pepler
Individually and as Manager of Pepler
Farms. LLC

Exhibit "A"

Operations Area Exhibit

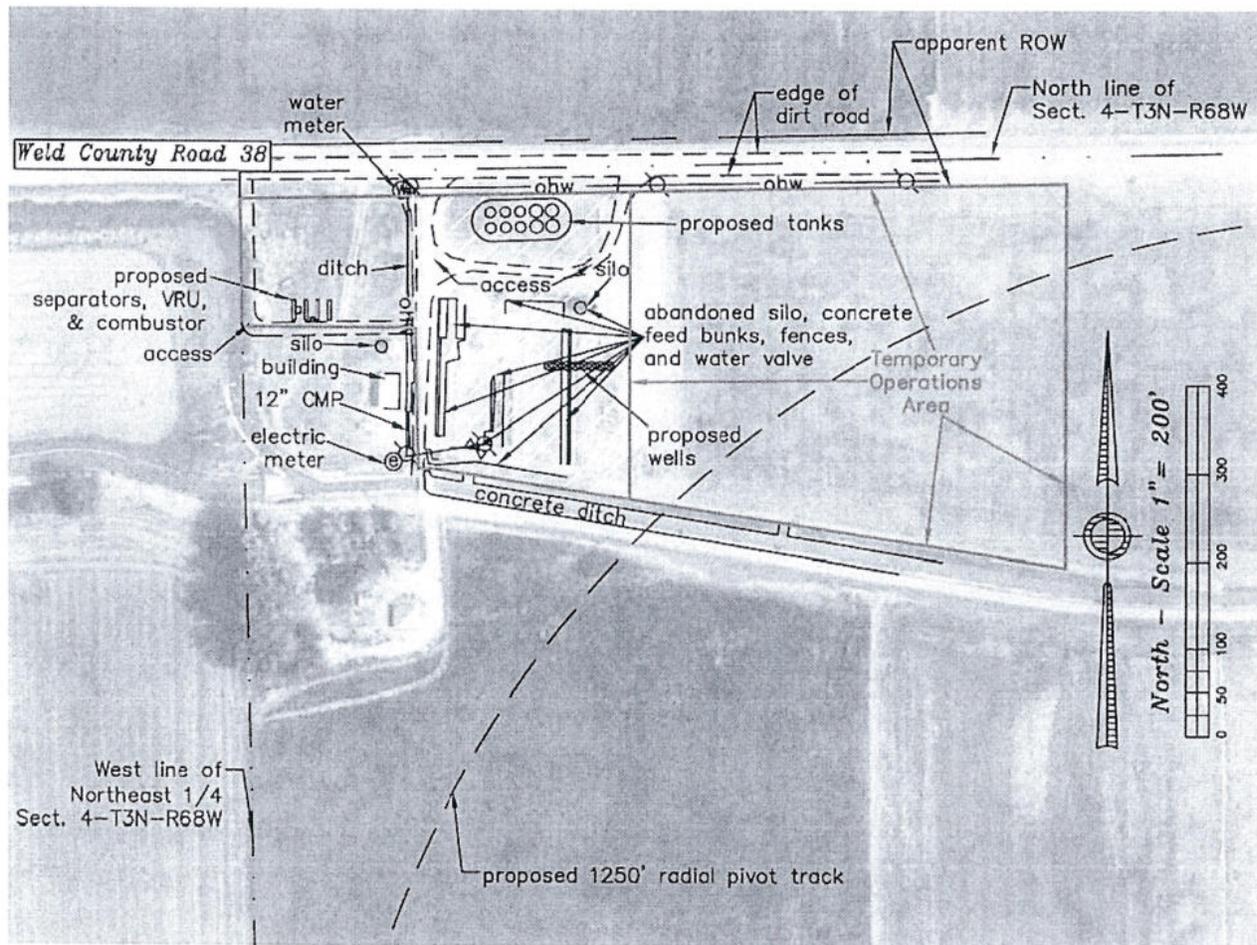
(General Depiction of Facilities Location)

Attached to and made a part of that certain Oil Gas Lease Dated: MARCH 24, 2011,

By and Between KENT M. PENPLER AND PENPLER FARMS, LLC and EnCana Oil & Gas (USA) Inc.,

Covering the following described lands in Weld County:

Portion of the Northeast 1/4 of Section 4, Township 3 North, Range 68 West of the 6th P.M.,
Weld County Colorado.



Property/Equipment
removal area



Operations Area
(includes Temporary
Operations Area)

Prepared for:

EnCana Oil & Gas U.S.A.

PLS Group, LLC

109 Coronado Ct - Bldg 7
Fort Collins, Colorado 80525

(970) 282-3446 - Fax (970) 377-6767