

EASEMENT
and
SURFACE USE AGREEMENT

This Easement and Surface Use Agreement ("Agreement") is entered into this 8th day of November, 1988, by and between Cole Kugel and Mildred Kugel, husband and wife ("Surface Owner"), whose address is 420 Longview Court, Longmont, Colorado 80501, and ELK EXPLORATION, INC., a California corporation ("Elk"), with offices at 3807 Carson Avenue, Evans, Colorado 80620, covering certain lands, (the "Lands"), situated in Weld County, Colorado, described as follows:

Township 3 North, Range 66 West, of the 6th P.M.
Section 23: NE/4NW/4, SE/4NW/4, NE/4SW/4, S/2SW/4,
N/2SE/4, SW/4SE/4

For and in consideration of the sum of ten dollars (\$10.00), and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned hereby agree to the terms and provisions set forth as follows:

1. Compensation for Well; Release of All Claims.

Elk shall pay to Surface Owner the sum as set forth and agreed to in that Letter Agreement by and between Surface Owner and Elk, dated November 8th, 1988, as full and final settlement and satisfaction for any and all detriment, depreciation, injury or damage of any nature and/or character caused by Elk to the value of the real estate, growing crops or livestock thereon including, but not limited to, all surface use, access, surface damages, mud and reserve pits, wellhead equipment, separators, tank batteries, pipelines, flow lines and any and all other reasonable and customary uses of land as a result of drilling and completion operations and continuing activities for the production of oil and gas.

2. Grant of Right of Way and Easement.

Surface Owner hereby grants, bargains, sells, assigns and conveys to Elk an easement and right of way for the purpose of constructing, using and maintaining an access road, location for surface equipment and subsurface gathering lines for each well drilled upon the Lands for two years from the date of commencement of surface activities for drilling operations and so long thereafter as oil and/or gas is produced or capable of being produced from any well drilled on the leased premises.

This Agreement shall be binding upon the respective heirs, executors, administrators, successors, and/or assigns of the undersigned.

Executed this 8th day of November, 1988.

Cole Kugel

Mildred Kugel

Cole Kugel

Mildred Kugel

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23-3N-66W

ELK EXPLORATION, INC.

By: Ronald B. Jacobs
Vice President, Operations

STATE OF Colorado)
COUNTY OF Weld) ss.

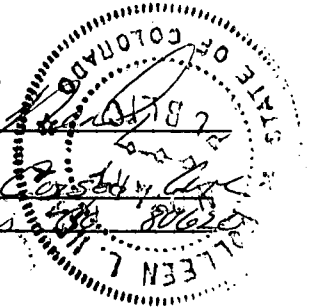
On this 9th day of November, 1988, before me personally appeared Cole Kugel and Mildred Kugel known to me to be the person whose names are subscribed to the within instrument and acknowledged that they executed the same for the purposes therein contained.

WITNESS my hand and official seal.

My Commission Expires: 4-10-92

Colleen L. Neal
Notary Public

Address: 3807 Carson
Evans CO



* * * * *

STATE OF Colorado)
COUNTY OF Weld) ss.

On this 9th day of November, 1988, before me personally appeared Ronald B. Jacobs, as Vice President, Operations, of Elk Exploration, Inc., a California corporation, to me personally known to be its Vice President, Operations and the identical person whose name is affixed to the above instrument, and acknowledged the execution thereof to be his voluntary act and deed as such officer and the voluntary act and deed of said Elk Exploration, Inc.

WITNESS my hand and official seal.

My Commission Expires: 4-10-92

Colleen L. Neal
Notary Public

Address: 3807 Carson
Evans CO

