

SURFACE USE AGREEMENT  
OM 3470  
STATE 23-16 WELLSITE AND PRODUCTION FACILITIES  
STATE OIL AND GAS LEASE NO. 1532.11

THIS SURFACE USE AGREEMENT ("Agreement"), dated effective this 4th day of February, 2013, is made by and between the Colorado State Board of Land Commissioners, whose address is 1127 Sherman Street, Suite 300, Denver, CO 80203 herein called "Owner", and Encana Oil & Gas (USA) Inc., whose address is 370 17<sup>th</sup> Street, Suite 1700, Denver, CO 80202, herein called "Encana";

WHEREAS, Owner represents that it is the surface Owner and in possession of an interest in part or all of the surface estate for the following described lands in Weld County, Colorado, said land herein called "Lands", to wit;

Township 3 North, Range 68 West, 6<sup>th</sup> P.M.  
Section 16: N/2

WHEREAS, Owner recognizes that Encana has certain rights to conduct operations on the Lands under the terms of State Oil and Gas Lease No. 1532.11 and certain obligations under Colorado Oil & Gas Conservation Commission (COGCC) regulations covering the Lands. Owner and Encana desire to facilitate development of the oil and gas resources by use of the surface and to minimize any surface damage to the lands and to reach an agreement regarding such surface use; and

WHEREAS, it is Encana's desire to drill one vertical well from a surface location on the Lands whose wellbore will travel through the NW4 of Section 16 T3N, R68W, Weld County, Colorado but bottom hole and produce from an off lease location located in the NE4SW4 of Section 16, Township 3 North, Range 68 West, 6<sup>th</sup> P.M., Weld County, Colorado.

NOW, THEREFORE, in consideration of the terms and conditions cited below, the parties agree as follows:

- 1) Owner agrees to allow Encana to use the surface of the lands to drill, complete, produce and operate the following vertical well: State 23-16 (the "Well") as shown on Exhibit A.
- 2) Surface Operations. Encana's rights to use the surface of the Lands pursuant to this Agreement shall continue until the termination of the herein referenced oil and gas lease. Upon the plugging and abandonment of the Well, Encana shall reclaim the wellsite pursuant to the terms of this Agreement.

3) Subsurface Easement. Owner grants to Encana a subsurface easement for passage of any portion of the Well and all appurtenant structures, including but not limited to, the wellbore, well casing, production tubing and cement. The subsurface easement hereby granted includes the right to occupy and use the subsurface and the subsurface pore space beneath the Lands displaced by the Well and all appurtenant structures. This Agreement and associated subsurface easement shall run with the Lands and shall terminate upon termination of the herein referenced oil and gas lease. Upon the termination of the herein referenced oil and gas lease, this Agreement and associated subsurface easement shall terminate, however, some underground appurtenances, including, but not limited to, the wellbore, well casing, production tubing and cement shall be allowed to remain in place.

4) Indemnification. Encana shall indemnify and hold Owner harmless from any and all liability, liens, demands, judgments, suits, and claims of any kind or character ("Claims") arising out of, in connection with, or relating to Encana's operations on the Lands including, but not limited to, environmental issues, erosion, sedimentation, surface damage, claims for injury to or death of any persons, or damage, loss or destruction of any property, real or personal, under any theory of tort, contract, strict liability, or statutory liability, except to the extent such claims arise from Owner's sole or gross negligence or willful misconduct. Encana further covenants and agrees to defend any suits brought against Owner on any Claims, and to pay any judgment against Owner resulting from any suit or suits, together with all costs and expenses relating to any claims, including reasonable attorney's fees, arising from Encana's operations on the Lands, except to the extent such Claims arise from Owner's sole or gross negligence or willful misconduct. Owner, if it so elects, shall have the right to participate in its defense in any suit or suits in which it may be a party, inclusive of using separate counsel due to any conflicts that may arise, without relieving Encana of the obligation to defend Owner. Owner shall have the right to employ separate counsel in any action, suit or proceeding if, in accord with applicable codes or rules of attorney conduct, there would be an unwaivable or unwaived conflict of interest between Encana and Owner so that they cannot be represented by the same counsel and, under such circumstances, the fees and expenses of such separate counsel shall be paid solely by Encana.

5) Payment to Owner. Owner and Encana agree that Encana has paid to Owner, through Encana Check # \_\_\_\_\_ (the "Payment") for the Well, as consideration for Owner's written consent to locate and drill, complete, produce and operate the Well as set out on Exhibit A and for the Subsurface Easement described in paragraph 3 above:

A) Payment is an advance payment for the wellsite and production facilities site as shown on Exhibit A attached hereto and made a part hereof and located on the Lands in which Owner owns the entire surface estate, together with any land used for road purposes, pipelines, flow lines or

other necessary facilities in connection with the wellsite including production facilities for hydrocarbons and other produced fluids, and:

B) If the operations of Encana or its contractors directly cause damage to real or personal property upon the Lands such as, but not limited to, damage to livestock, structures, building, fences, culverts, concrete ditches, irrigation systems, and natural water ways, such damage will be repaired or replaced by Encana, or Encana shall pay reasonable compensation to Owner for such additional actual damage or equal to an amount necessary to reimburse the Owner for the reasonable cost to repair such actual damages.

6) Existing Colorado Oil and Gas Lease No. 1532.11. No provision of this Surface Use Agreement shall modify, change, extend, amend or otherwise affect the rights and obligations of the parties under Colorado Oil and Gas Lease No. 1532.11 including the provisions for bonding for surface damage/restoration. In conducting operations on the Lands, Encana as the operator of this lease, shall be responsible for all activities herein described.

7) Approval of Wellsite and Production Facilities Locations and Other Surface Stipulations. Encana has received Owner's written approval and has submitted an Application for Permit to Drill (APD) with the COGCC. Encana's representative has met with Owner (or Owner's representative) as to the location of wells, access roads, flow lines, tank batteries, associated production facilities, and other stipulations as provided in the attached Exhibit A of this agreement. Reclamation activities shall include but not be limited to the following:

A) Encana shall reclaim the wellsite and associated roads and other associated impacted lands at its sole expense as nearly as practicable to its original condition. Final reclamation of the wellsite shall be to the satisfaction of the Owner, and shall comply with all appropriate reclamation regulations including COGCC Reclamation Regulation Series 1000 and Series 1100.

B) Encana shall use its best efforts to keep the Well, Lands and production facilities free of weeds and debris.

8) Standard of Conduct. At all times Encana, its employees and all contractors shall enter and use the Lands and shall conduct all oil and gas operations thereon in a good, careful, safe, and workmanlike manner, in compliance with the rules and regulations of the COGCC, the applicable Oil and Gas Lease, and this Agreement, and shall strive to identify and use the best management practices then available for surface management for oil and gas operations to the extent reasonably practicable.

9) Other Lessees. The parties recognize that other leases for surface use of the Lands exist. Encana shall use reasonable efforts to minimize the impact of its use of the surface of the Lands on the other surface lessees and their surface use.

10) Successors and Assigns. When the word Encana is used in this Agreement, it shall also mean the successors and assigns of Encana, including but not limited to its employees and officers, agents, affiliates, contractors, subcontractors and/or purchasers. 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.

11) Confidentiality. Owner agrees to keep the amount of consideration paid hereunder by Encana confidential to the extent allowed by law. Encana may record a memorandum evidencing the existence of this Agreement.

12) Governing Law/Venue. This Agreement shall be interpreted according to the laws of the State of Colorado. Venue for any dispute shall be City and County of Denver.

13) Written Modifications/Notices. This Agreement may only be amended in writing signed by both parties. All notices to either party shall be in writing addressed to the parties at the address first set forth above.

14) Insurance. Encana, at its sole cost and expense shall, prior to any surface disturbance and continuing during the entire lease term thereafter, procure, pay for and keep or shall ensure that its Operator procures, pays for and keeps in full force and affect the following types of insurance:

A) Liability Insurance

- I) A comprehensive policy of liability insurance covering the Leased Premises insuring Encana, or the Operator, in the amount and types of insurance required by the Commission, but not less than one million dollars per occurrence.

B) General Provisions of Insurance Policies

- I) All liability policies of insurance carried by Encana shall name Encana as insured and shall include the Owner as additional insured on the policy.
- II) Encana shall not cancel the policy until thirty (30) days prior written notice is given to the Owner. Encana shall notify Owner if the policy is cancelled by the insurance company within 10 days of Encana receiving notification of such cancellation.

III) Encana shall furnish to Owner a certificate of insurance or Letter of Self-insurance at the request of Owner

C) Owner agrees that Encana may self-insure for these insurance requirements.

AGREED TO AND ACCEPTED AS OF THE DATE FIRST WRITTEN ABOVE.

Owner: Colorado State Board of Land Commissioners

By: Pete Milonas  
Pete Milonas, Minerals Director

Encana Oil & Gas (USA) Inc.

By: Helen M. Capps JAC  
Helen M. Capps, Attorney-in-Fact

ACKNOWLEDGMENTS

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

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of February, 2013, by Helen M. Capps, Attorney-in-Face of Encana Oil & Gas (USA) Inc., a Delaware corporation, on behalf of said corporation.

Witness my hand and official seal.

APRIL JACKSON Notary Public April Jackson  
NOTARY PUBLIC  
STATE OF COLORADO  
My Commission Expires: 3/25/13  
My Commission Expires 03/25/2013

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

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of February, 2013, by Pete Milonas, Minerals Director, Colorado State Board of Land Commissioners.

Witness my hand and official seal.

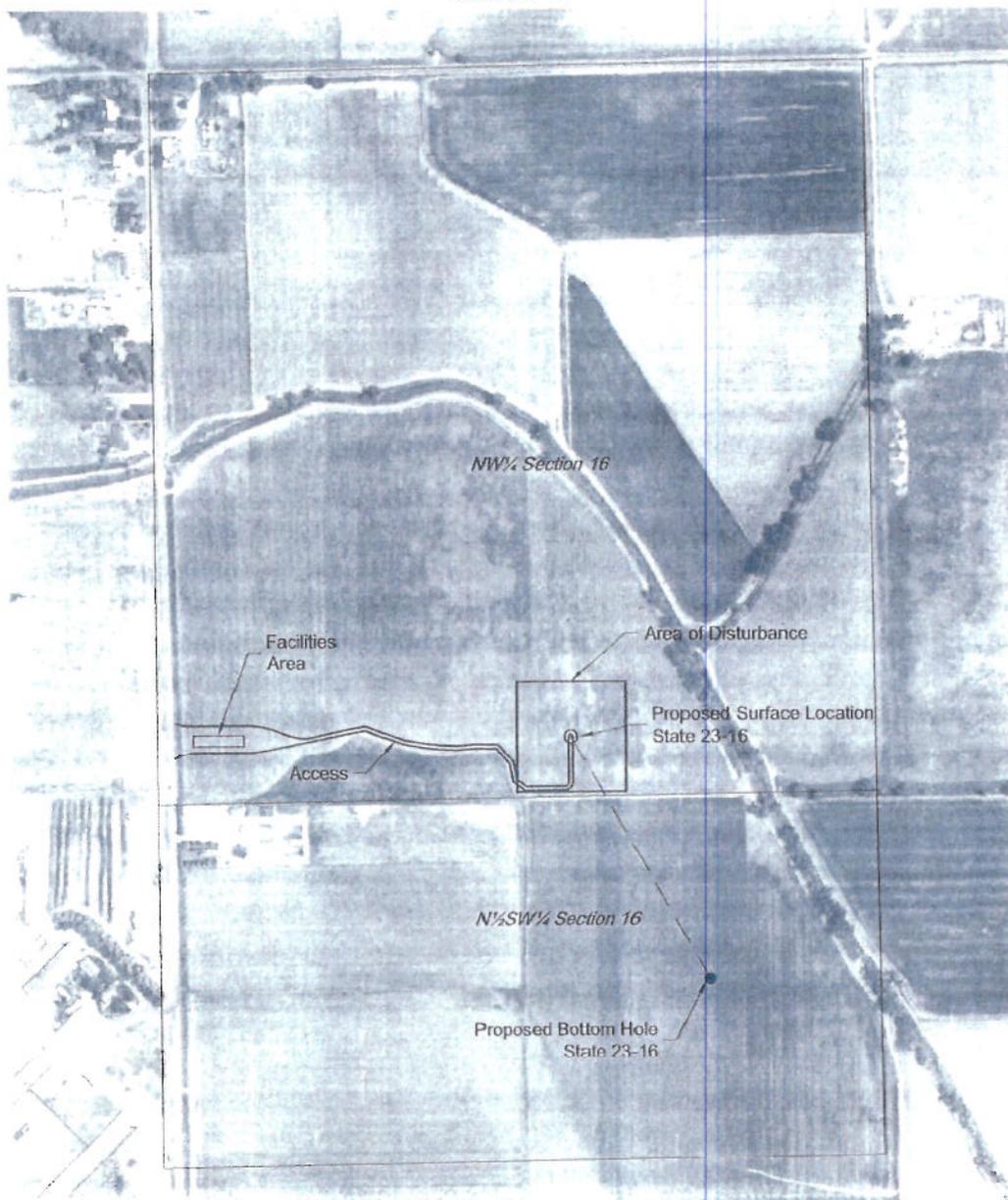


Notary Public [Signature]  
My Commission Expires: 4/20/2015

# EXHIBIT "A"

Attached to and made part of that certain Surface Use Agreement dated February 4, 2013,  
by and between the Colorado State Board of Land Commissioners as Owner and Encana Oil & Gas (USA) Inc.

State 23-16



**encana**

TOWNSHIP 3 NORTH, RANGE 68 WEST  
SECTION 16: NW¼ & N½SW¼

WELD COUNTY, COLORADO

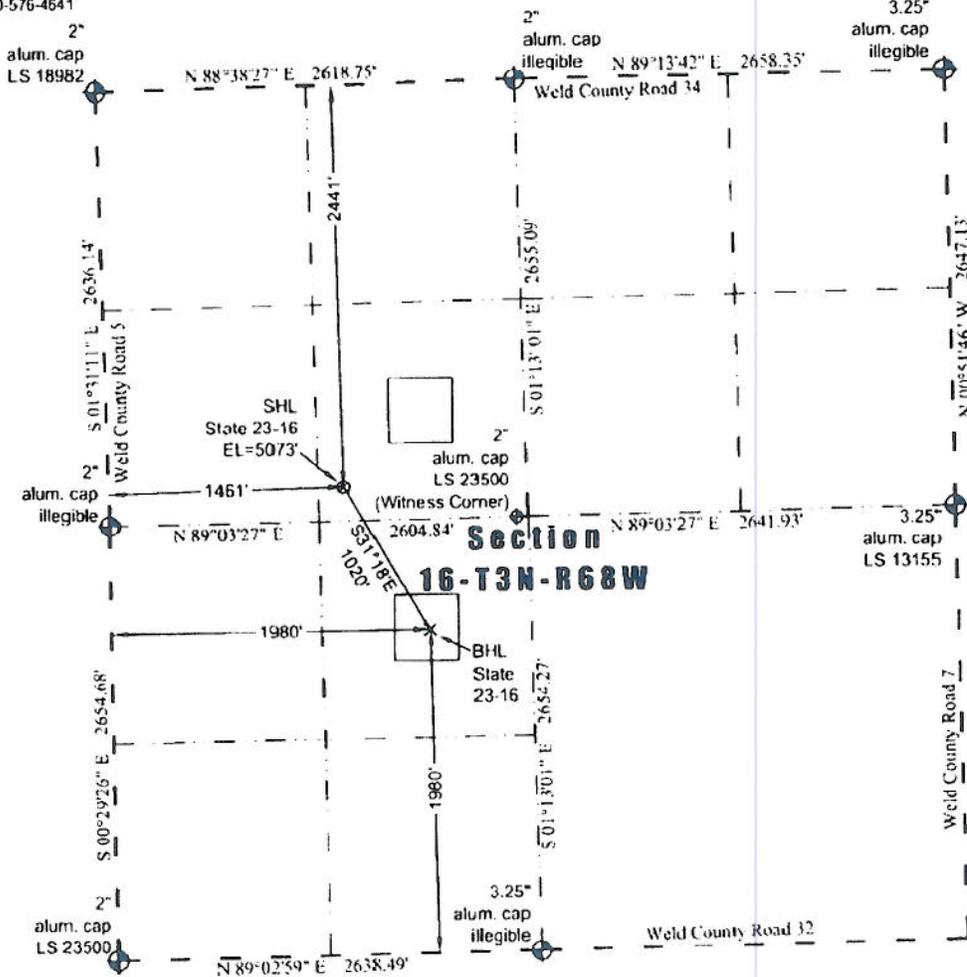
SCALE: 1" = 600'

FEBRUARY 4, 2013

JR Land Surveying, LLC  
 8114 Northstar Drive  
 Windsor, Colorado 80528  
 P. 970-576-4641

# WELL LOCATION CERTIFICATE

*THIS MAP DOES NOT REPRESENT A BOUNDARY SURVEY*



In accordance with a request from Jay Knutson of EnCana Oil & Gas (USA) Inc., JR Land Surveying, LLC has determined the location of the **State 23-16 well** site to be SHL: 2441' FNL and 1461' FWL, (BHL: 1980' FSL and 1980' FWL), as measured at ninety (90) degrees from the section lines of Sections 16, Township 3 North, Range 68 West of the 6th Principal Meridian, Weld County Colorado.

**Proposed Surface Hole Data:**  
 Latitude: N 40.22641° (BHL: 40.22401°)  
 Longitude: W 105.01212° (BHL: 105.01023°)  
 PDOP: 1.6

**Nearest:**

Building 1,226' southwest	Above Ground Utility 1,434' west
Public Road 1,453' west	Railroad 2,328' southeast
Property Line 206' south	Well Window: SHL is 387' outside
Existing Well: Runyan #1, 3,264' southwest	

- Notes:**
- 1) Bearings and distances based on NAD 83 Colorado North State Plane Coordinate, using RTK GPS observations taken 6/4/12 by operator John Rice.
  - 2) Conversion factor to ground (1.000285153).
  - 3) Elevations based on NAVD 88 GPS heights and Geoid 2003 corrections.
  - 4) See Location Drawing for visible improvements within 400 feet of Pad Site.
  - 5) The surface use is a cultivated field.

**NOTICE:** According to Colorado law you must commence any legal action based upon any defect in this W.L.C. within three years after you first discover such defect. In no event may any action based upon any defect in this W.L.C. be commenced more than ten years from this said date of the certification shown hereon.

I hereby certify that this Well Location Certificate was prepared by me or under my direct supervision on 6/13/2012 for and on behalf of EnCana Oil & Gas (USA) Inc. That it is not a Land Survey Plat or an Improvement Survey Plat and that it is not to be relied upon for establishment of fences, buildings, or other future improvement lines.

John Robert McGehee LS#38219  
 Well: State 23-16 WLC