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SURFACE OWNER'S AGREEMENT

**COLO. OIL & GAS CONS. COMM.**

THIS AGREEMENT, made and entered into this 9<sup>th</sup> day of February, 1990, by and between

VERLA FAY SMALL, of Bennett, Colorado (hereinafter for convenience called the "Landowner") and UNION PACIFIC RESOURCES COMPANY (hereinafter for convenience called "UPRC");

W I T N E S S E T H:

RECITALS:

Landowner is the owner of the following-described premises, hereinafter referred to as "described premises":

Township 2 South, Range 63 West  
Section 17: NE/4  
Adams County, Colorado

SUBJECT, however, to exceptions and reservations of minerals and rights of entry and of surface use contained in a certain deed or deeds of conveyance, as follows: Warranty Deed No. 1636 dated September 13, 1906 from The Union Pacific Land Company to E. E. Stepp and J. B. Everhardt, recorded December 10, 1906 in Book 25 at Page 165 in the office of the County Clerk and Recorder of Adams County, Colorado. Union Pacific Railroad Company is successor in interest to The Union Pacific Land Company and UPRC is successor in interest to all the right, title and interest of Union Pacific Railroad Company in and to the oil, gas and associated liquid hydrocarbons in said premises for a term or period equal to or exceeding the term of this Surface Owner's Agreement.

UPRC proposes for UPRC or its agents, lessees, licensees, successors or assigns to prospect upon and explore the described premises for the development and production of oil, gas and associated liquid hydrocarbon substances either on UPRC's behalf or under or pursuant to an oil and gas lease or license, or under or pursuant to a "unitization agreement", meaning here and wherever that term is used herein any operating agreement, or any other agreement covering the exploration or development for or the production of oil, gas or associated liquid hydrocarbons, or any pooling, communitization, unit or other agreement whereby the described premises may be included

with other lands in proximity thereto as a unit area under a plan of unit or joint exploration, development and operation.

Besides confirming the surface uses expressly set forth below, this agreement is intended to avoid and resolve any and all disputes of whatever nature in connection with the ownership of oil, gas and associated liquid hydrocarbon substances in the described premises, including rights to extract, remove or market such minerals, and including any such dispute that may arise hereafter, whether or not the basis for such dispute is now known or has been identified in disputes involving exceptions and reservations of minerals in other deeds from Union Pacific Railroad Company or its predecessors.

AGREEMENT:

NOW, THEREFORE, it is agreed as follows:

Section 1. In consideration of the mutual benefits and of the sum of Ten Dollars (\$10.00) paid by UPRC to Landowner, receipt whereof is hereby acknowledged, Landowner hereby confirms, extends and grants to UPRC, its agents, lessees, licensees, successors and assigns, including any operator or unit operator from time to time in charge of operations under a unitization agreement, and their respective successors and assigns, the easements and rights to enter upon the described premises and any lands adjacent or contiguous thereto owned or claimed by the Landowner and to extract, remove, store, transport, and market for its or their account oil, gas and associated liquid hydrocarbon substances in or from said described premises, and to drill, construct, maintain and use upon, within, and over said described premises all oil wells, gas wells, derricks, machinery, tanks, drips, boilers, engines, pipelines, power and telephone lines, roadways, ~~water wells,~~ and, without limitation by reason of the foregoing enumeration, ~~any and all other structures, equipment, fixtures, appurtenances, or facilities~~ (all of the above being included under the term "facilities") necessary or convenient in prospecting and developing for, producing, storing, transporting, and marketing oil, gas and associated liquid hydrocarbon substances under or produced from any portion of the described premises or under or produced from any portion of the unit area created under a unitization agreement, together with the right to remove said ~~facilities~~ and the right to use such water as may be needed from the described premises, not including water from Landowner's wells.

Section 2. UPRC agrees, so long as it is receiving oil and/or gas production from or oil and/or gas royalties upon production from the described premises or allocated thereto under the provisions of a unitization agreement, to pay or cause to be paid to the Landowner in cash the value (which shall never be greater than the amount realized by UPRC from the sale of such production) on the premises of two and one-

*Other than those owned by Landowner*

*Other than those owned by Landowner*

*J.S.*  
*AS*

half percent (2-1/2%) of all the oil and gas and associated liquid hydrocarbons hereafter produced, saved, and marketed therefrom or allocated thereto as aforesaid, except oil and gas and associated liquid hydrocarbons used in operations on the premises or used under the unitization agreement, and except that as to casinghead gasoline and other products manufactured from gas there shall be deducted the cost of manufacture; provided, however, that during any time the described premises or any portion thereof are included within the boundaries of a participating, pooled, or communitized area, and there is no provision for the payment of royalties to UPRC but it participates in the production from the pooled, communitized, or unit area as a working interest owner, then the two and one-half percent (2-1/2%) above set forth shall be applied to that percentage of the total production from such area which is allocated to the described premises. Any payment made to the Landowner pursuant to this Section 2 for production which is sold or which is used off the premises shall be calculated after deducting all taxes, now or hereafter levied against, paid on, or measured by production or the value thereof, and after deducting all costs incurred or borne by UPRC for treating the production to make it merchantable, and for gathering, transporting and compressing the production prior to delivery to the purchaser at the point of sale or use.

When production of oil from lands under several surface ownerships is commingled in one central tank setting for practical operating reasons, periodic individual well tests may be made to compute the quantities of commingled oil properly allocable to each well, and the two and one-half percent (2-1/2%) payment provided herein shall be payable upon the quantities apportioned to each well as reported to UPRC in full satisfaction of the obligations of UPRC under this Section 2.

Section 3. Nothing herein contained shall be construed as a covenant to drill by UPRC, its agents, lessees, licensees, successors, or assigns, or by any operator or unit operator, or as a grant to Landowner of oil or gas rights or rights in other associated liquid hydrocarbons.

Section 4. UPRC, its agents, lessees, licensees, successors and assigns, including the operator or unit operator under a unitization agreement, shall be required: (a) to pay for all damage to Landowner's lands, buildings, ~~and growing~~ *Water and water wells* crops caused by the erection or construction of facilities to be used in connection with oil or gas or associated liquid hydrocarbon operations; (b) to bury all pipelines below plow depth where such lines cross cultivated land; and (c) to construct gates or, at its option, install cattle guards where necessary for crossing fenced land in connection with exploration, development, or producing operations and, where an election has been made to construct gates in lieu of cattle guards, to keep such gates in repair and closed. In no event shall the amount of damages exceed the value (as determined by

the use of the land at the time the damages are sustained) of that portion of the Landowner's lands actually used by UPRC, its agents, lessees, licensees, successors or assigns, for the location of its facilities. The fact that damages have not been agreed upon shall in no way delay, restrict, impair or diminish the right of UPRC, its agents, lessees, licensees, successors and assigns to commence or conduct oil and gas operations on the described premises.

Section 5. Other than the payments to be made as aforesaid, the Landowner shall not be entitled to any other or additional payments as a result of the conduct of the operations described in Section 1 hereof, and Landowner will claim no right, title or interest in or to the oil, gas and associated liquid hydrocarbon substances in the described premises.

Section 6. Subject to the provisions of Section 8 hereof, it is agreed that the covenants to pay the sums provided in Sections 2 and 4 hereof shall be covenants running with the surface ownership of the described premises and shall not be held or transferred separately therefrom, and any sums payable under this agreement shall be paid to the person or persons owning the surface of the described premises as of the date the oil or gas or associated liquid hydrocarbon production is marketed. UPRC shall not, however, become obligated to make such payments to any subsequent purchaser of the described premises and shall continue to make such payments to the Landowner until the first day of the month following the receipt by UPRC of notice of change of ownership, consisting of the original or certified copies of the instrument or instruments constituting a complete chain of title from the Landowner to the party claiming such ownership, and then only as to payments thereafter made.

Section 7. The easements, rights, and uses herein shall be binding upon the described premises and each and every part thereof, and the present and future owners thereof, and shall continue for the benefit of UPRC and its successors and assigns, as owners of the oil and/or gas and/or associated liquid hydrocarbon rights in the described premises and each and every part thereof, and their agents, lessees, licensees, successors, and assigns, including any operator or unit operator, and for the benefit of other lands within any unit area within which the described premises, or any portion thereof may be included, and each and every part thereof.

Section 8. This agreement shall be in full force and effect from and after execution and delivery and shall continue in full force and effect for a period of one (1) year and so long thereafter as the oil and gas rights in the described premises are committed to an oil and gas lease or license or to a unitization agreement, or so long as a well capable of producing oil or gas or associated liquid hydrocarbons is located upon the described premises, or drilling or reworking

operations are being conducted thereon, and, upon termination of such lease, license, or unitization agreement, or upon abandonment of such well, or upon cessation of such drilling or reworking operations, whichever last occurs, this agreement shall terminate; provided, however, that such termination shall neither affect nor terminate the rights, expressed or implied, in the deed or deeds referred to in the Recitals hereof.

Section 9. Subject to the provisions of Sections 6 and 8 hereof, this agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

UNION PACIFIC RESOURCES COMPANY

By: RO Lee

Attorney-in-Fact KID

Verla Fay Small  
VERLA FAY SMALL

524-48-7110  
Social Security Number

State of Colorado )  
County of Denver ) ss.

On this 9<sup>th</sup> day of February, 1990,  
before me personally appeared VERLA FAY SMALL to me known to be  
the person described in and who executed the foregoing instru-  
ment, and acknowledged that she executed the same as her free  
act and deed.

Bradley A Hill  
Notary Public

My Commission Expires:

January 8, 1994

State of Texas )  
County of Tarrant ) ss.

The foregoing instrument was acknowledged before me this  
28<sup>th</sup> day of FEBRUARY, 1990, by R.A. SEE  
an Attorney in Fact of UNION PACIFIC RESOURCES COMPANY, a  
Delaware corporation, on behalf of the corporation.

Dorothy K. Moravek  
Notary Public

My Commission Expires:

