

**MEMORANDUM OF SURFACE DAMAGE AND RELEASE AGREEMENT**

Pursuant to the terms of that certain unrecorded Surface Damage and Release Agreement dated effective the 21 day of March 2012 between the undersigned, and subject to the conditions set forth therein, Encana Oil & Gas (USA) Inc. ("Encana") with an address at 370 17th Street, Suite 1700, Denver, Colorado 80202, and Robert Ruegge, (Owner) with an address at 1843 East 22<sup>nd</sup> Street, Cheyenne, Wyoming 82001, agreed to the location of Wells and payment for damages to the surface of Lands connected with the access to and the drilling, construction, completion, recompletion, reworking, re-entry, production, maintenance and operations of the Wells and associated pipeline, tank battery and other facilities or property of Encana associated with the Wells and located on the following Lands:

Township 1 North, Range 65 West, Weld County, Colorado  
Section 4: SW1/4, And Part of the SE1/4 West of Beebe Canal Waste,

containing 180.00 acres, more or less.

This Memorandum of Surface Damage and Release Agreement is executed by Owner and Encana and placed of record in Weld County, Colorado for the purpose of placing all persons on notice of the existence of the Agreement.

In witness whereof this instrument is executed effective the 21 day of March, 2012.

**ENCANA OIL & GAS (USA) INC.**

By: 

Ricardo D. Gallegos, Attorney-In-Fact

**OWNER: ROBERT RUEGGE**

By: 

Robert Ruegge

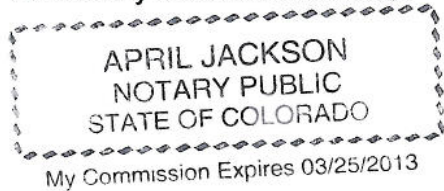


## ACKNOWLEDGMENTS

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

The foregoing instrument was acknowledged before me this 13 day of April, 2012, by Ricardo D. Gallegos, Attorney-in-Fact of Encana Oil & Gas (USA) Inc., a Delaware corporation, on behalf of said corporation.

Witness my hand and official seal.

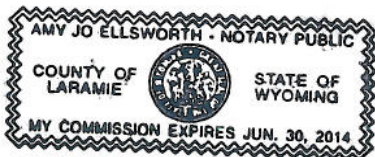


April Jackson  
Notary Public  
My Commission Expires: 3/25/13

STATE OF Wyoming )  
 ) ss.  
COUNTY OF Laramie )

The foregoing instrument was acknowledged before me this 21 day of March, 2012, by Robert Ruegge.

Witness my hand and official seal.



Amy Jo Ellsworth  
Notary Public  
My Commission Expires: June 30, 2014



## SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement (this "Agreement") is made and entered into this 21 day of March 2012 by and between Robert Ruegge ("Owner") with an address at 1843 East 22<sup>nd</sup> Street, Cheyenne, Wyoming 82001, and Encana Oil & Gas (USA) Inc. ("Encana") with an address at 370 17<sup>th</sup> Street, Suite 1700, Denver, Colorado 80202.

Whereas, Encana has the right to drill oil and gas wells (individually a "Well" and collectively, the "Wells") on the lands described below (the "Lands"):

Township 1 North, Range 65 West, of the 6<sup>th</sup> P.M.  
Section 4: SW1/4 and part of the SE1/4 West of the Beebee Canal.  
Weld County, Colorado

Whereas, Owner is the owner of the Lands.

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 on the wellsite described on the attached Exhibit A (the "Wellsite"), Encana shall pay Owner the sum of \$16,500 (Sixteen Thousand Five Hundred Dollars) ("Damage Amount"). 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, associated with the access to and the drilling, construction, completion, recompletion, reworking, re-entry, production, operation and maintenance of the Wells and all pipelines, tank batteries and other facilities. 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 Wellsite area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom. The Wells, Wellsite, access roads ("Access Roads"), and facilities area ("Facilities Area") are generally depicted on the attached Exhibit A.
2. After any of the Wells are drilled from the Wellsite, Owner agrees that Encana may at any time re-enter the Wellsite to conduct additional drilling, completion, recompletion, and reworking operations in accordance with Colorado Oil and Gas Conservation



Commission ("COGCC") regulations. In such case, if the Wellsite has not been reclaimed and the Facilities Area stays as depicted on Exhibit A, no additional consideration will be due to Owner. If, however, the Wellsite has been reclaimed or the Facilities Area expands beyond the area depicted on Exhibit A, then upon completion of drilling, completion, recompletion, or reworking operations Encana shall make an additional payment to Owner in an amount equal to actual crop damages and/or crop losses resulting from these operations and/or any increase in Facilities Area (the "Re-entry Payment"). Encana shall notify Owner in writing, and provide a revised Exhibit A, no less than 30 days prior to drilling additional Wells.

3. 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 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.
4. Owner warrants that he is the owner of the entire surface subject to this Agreement 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.
5. Except as provided in paragraph numbered 3 above for cases of unreasonable surface use and/or negligence by Encana, 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 all pipelines, tank batteries and other facilities, and Owner accepts the Damage Amount and Re-entry Payment as full compensation therefor.
6. Owner expressly acknowledges that this Agreement satisfies the obligations and requirements of Encana pursuant to COGCC rules and regulations and Colorado statutes to consult in good faith with Owner regarding proposed oil and gas operations on the Lands. 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 Lands, 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.
7. Owner acknowledges that Encana's representative has met with and consulted with Owner (or Owner's representative) as to the location of the Wells, Wellsite, Access



Roads, and Facilities Area and that this Agreement incorporates the results of such meeting(s) and consultation(s).

8. In conducting operations on the Lands, Encana shall:


- A. Limit the size of the Wellsite to approximately 15 acres during any drilling, completion, recompletion or workover operations as shown on Exhibit A. The area required for the Wells during production, maintenance and operation shall be an area around the Wells of approximately ¼ acre in size. The area required for the Facilities Area associated with the Wells shall be approximately one and three-quarters acres in size upon completion of construction. The Access Road(s) shall be approximately 30 feet in width during drilling, completion, recompletion and workover operations. The permanent Access Roads to the Wells and Facilities Area shall be approximately 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 (3) 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 area around the Wells and Facilities Area free of weeds and debris.

9. Owner waives the minimum thirty day written notice requirement described in the Notice Letter provided by Encana to Owner.

10. 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.

  
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Ricardo D. Gallegos, Attorney in Fact

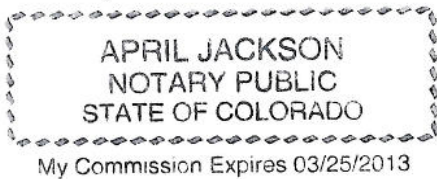
  
\_\_\_\_\_  
Robert Ruegge

## ACKNOWLEDGMENTS

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

The foregoing instrument was acknowledged before me this 13<sup>th</sup> day of April, 2012, by Ricardo D. Gallegos, Attorney-in-Fact of Encana Oil & Gas (USA) Inc., a Delaware corporation, on behalf of said corporation.

Witness my hand and official seal.



April Jackson  
Notary Public  
My Commission Expires: 3/25/13

STATE OF Wyoming                     )  
  ) ss.  
COUNTY OF Laramie                )

The foregoing instrument was acknowledged before me this 21 day of March, 2012, by Robert Ruegge.

Witness my hand and official seal.

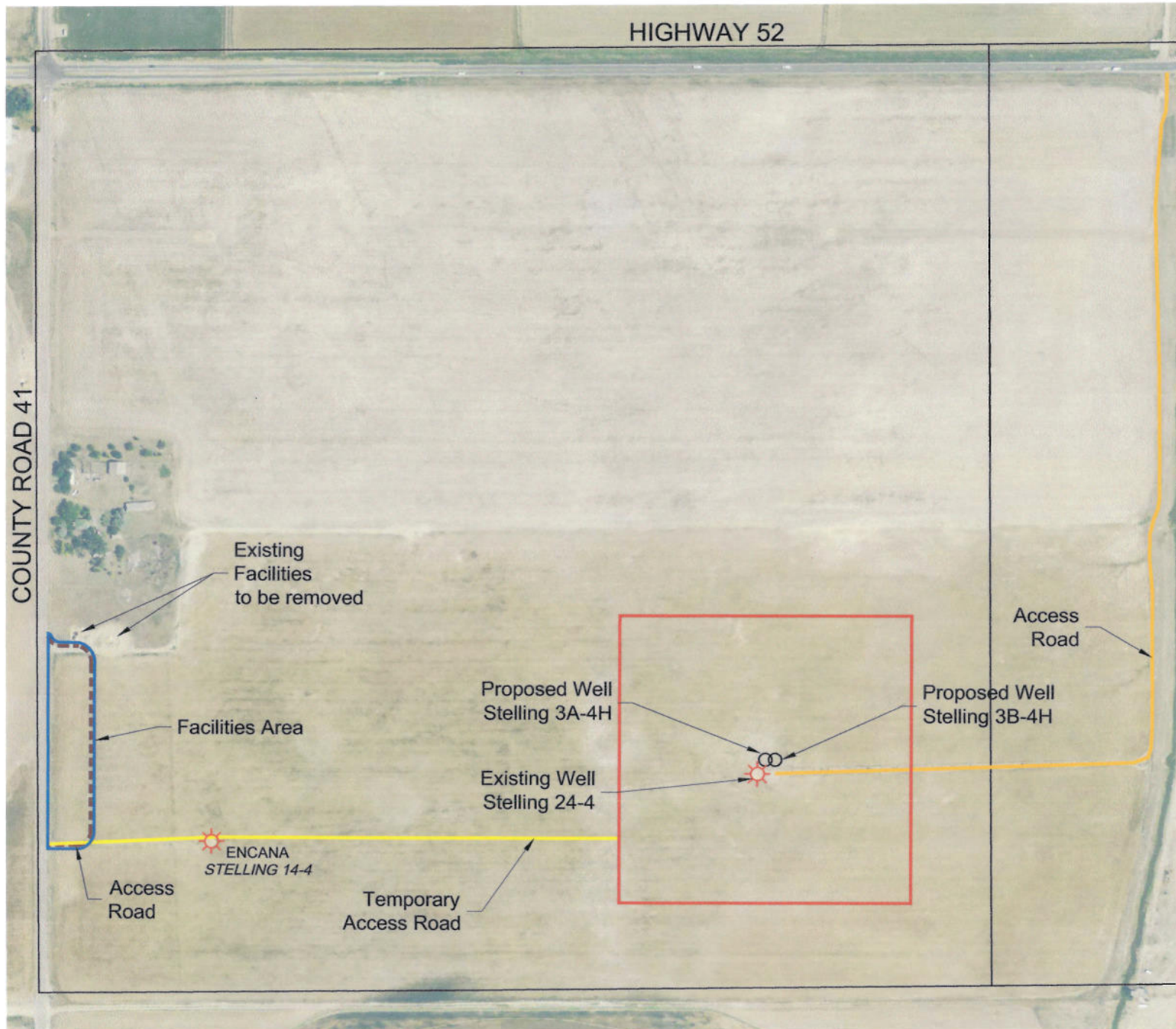


Amy Jo Ellsworth  
Notary Public  
My Commission Expires: June 30, 2014



# EXHIBIT "A"

Attached hereto and made part hereof that certain Surface Damage and Release Agreement dated the 2<sup>nd</sup> of March, 2012, by and between Robert Ruegge, "Owner" and Encana Oil & Gas (USA) Inc., "Encana" covering the below described lands to-wit:



-  Temporary Access Road for drilling and completions operations only. To be reclaimed after completions operations.
-  Access Road
-  Access Road
-  Facilities Area
-  Wellsite



TOWNSHIP 1 NORTH, RANGE 65 WEST  
SECTION 4: SW $\frac{1}{4}$   
WELD COUNTY, COLORADO

MARCH 7, 2012