



123-28106

Booth 25-15

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COGCC

SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement ("Agreement") is made and entered into this 25th day of May 2008, by and between Booth Land and Livestock, LLC ("Owner"), and Petro-Canada Resources (USA) Inc., ("Operator"); sometimes referred to each as a "Party," or collectively as the "Parties."

WITNESSETH:

For and in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. **OWNERSHIP.** Owner is the surface owner of certain lands located in Weld County, Colorado as more specifically described as follows ("Lands");

Township 5 North, Range 67 West, 6th P. M.
Section 25, NE 1/4, provided however this Agreement relates only to one well, flow line, access road and facility, as depicted on Exhibit "A."

Operator owns a working or operating interest in a valid oil and gas lease or leases covering all or portions of the Lands or included in a spacing unit therewith (each a "Lease," collectively, the "Leases").

2. **OPERATOR'S OIL AND GAS OPERATIONS ON THE LANDS.** Operator may drill or cause to be drilled one oil and/or gas well on the Lands ("Wells"). In order for Operator to drill, construct, complete, produce, maintain, and operate the Wells and all facilities associated therewith, including, but not limited to, access roads ("Access Roads"), flow lines, separators, tank batteries, necessary for Operator to conduct operations on the Wells (each a "Facility," collectively, the "Facilities"), it is necessary that Operator enter and utilize a portion of the surface of the Lands. The Parties enter into this Agreement to evidence their entire agreement regarding the payment of surface damages, entry, surface use, and any other matters relating to Operator's use of the Lands.

3. **LOCATION.** The approximate location of the Wells, the Access Roads to the Well site and certain other Facilities to be constructed on the Lands are depicted on Exhibit "A." Any material changes to such locations may be made by Operator only with the consent of Owner, which will not be unreasonably withheld, but will not unduly interfere with Owner's existing use of the surface estate. Operator agrees not to use any more of the surface of the Lands than is reasonably necessary to conduct its operations; provided, however, that each Well site will not exceed 1.75 acres, absent written consent from the Owner.

4. **CONDUCT OF OPERATIONS.** Operator's operations on the Lands will be conducted pursuant to the terms of the Leases, this Agreement, and the rules and regulations of the Colorado Oil & Gas Conservation Commission ("COGCC"). Additionally, Operator agrees:

- A. All exploration and production waste shall be removed from the water and reserve pits.
- B. As soon as practical after completion of drilling, Operator shall pump all fluids from the pits, remove all drilling mud, bentonite saturated soil, cuttings and other materials deposited in the pits from drilling operations and shall restore that part of the drill site not necessary for production.
- C. The drill site shall be re-leveled in a manner and as often as necessary to restore the surface to its original contour so that the drill site will irrigate in the same manner as existed prior to Operator's entry on the Lands.
- D. During all excavation operations, the topsoil, and each subsoil horizons, if more than one, shall be removed and separately stockpiled. Each soil horizon shall be replaced in its original location. All drainage and seep tiles which are damaged, shall be repaired and replaced.
- E. Owner shall be given notice after all materials are removed from the pits and at least three days notice before the pits are closed.
- F. Owner shall be given notice three days before commencement of operations.
- G. Operator agrees that drilling operations shall be conducted only between October 1st and April 1st of each crop year.

6. ADDITIONAL SURFACE USE PROVISIONS, ACCESS ROADS AND FACILITIES. With respect to its operations on the Lands, Operator will comply with the following provisions:

A. Access Roads:

(i) Access Roads will not exceed 20 feet in width during drilling operations and 12 feet thereafter.

(ii) Operator will take reasonable steps to insure that all of its vehicles accessing the Lands on its behalf remain on the Access Roads.

(iii) Operator agrees to back-slope all Access Roads.

(iv) Operator will provide Owner with a minimum of 10 days prior written notice before restoring the surface of all Access Roads to be permanently abandoned by Operator. No later than 10 days following receipt of such notice, Owner may elect, in writing, not to have such Access Roads abandoned by Operator. In such event, Operator will have no liability under this Agreement, the Lease, or otherwise, to restore the surface of the Lands utilized as Access Roads. Failure to timely respond will be deemed as Owner's election that Operator proceed with the abandonment of the Access Roads and the restoration of the surface thereof.

(v) Operator will stockpile and save any topsoil removed while constructing Access Roads for rehabilitation or re-seeding as reasonably directed by Owner.

(vi) Operator will maintain all Access Roads in good repair and condition.

(vii) Field access roads shall not be graveled, but shall be repaired as necessary to avoid rutting from wheeled vehicles and access shall be restricted when roads are muddy.

B. Surface Restoration:

Upon permanent cessation of Operator's operations on the Lands, all areas thereof occupied or utilized by Operator will be restored by Operator to their original contour as nearly as is reasonably practicable, and re-seeded if so requested by Owner; provided however, that Operator's intent to abandon any Access Roads will be subject to the provisions of Paragraph 6(A)(iv) herein.

C. Other:

(i) Operator will install culverts on the Lands that may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the Lands.

(ii) If by reason of the activities of the Operator, including, but not limited to, drilling, completing, equipping, and operating of the Wells, there is unanticipated damage to personal property of the Owner, including, but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation systems, Operator will repair or replace such items after consultation with and to the reasonable satisfaction of the Owner. Owner will notify Operator of any items damaged after the Well's construction and

Operator will repair or replace such items after consultation with the Owner within 15 days of occurrence.

(iii) Operator agrees that all trash, refuse pipe, equipment, liquids, chemicals, or other materials brought on the Lands that are not necessary for continued operations of the Wells will be removed and disposed away from the Lands no later than 30 days after the completion of the Wells. No such items will be burned or buried on the Lands.

7. **DEFAULT AND RIGHT TO CURE.** In the event of alleged default by Operator in the payment of any of the sums hereinabove provided to be made, in obligations to be performed, or any other terms, conditions or covenants of this Agreement, Owner will notify Operator, by certified mail, return receipt requested, of the alleged default. Operator will have 30 business days from receipt of the written notification in which to dispute or otherwise respond to the notification before Owner may allege default.

Except as otherwise agreed in writing, no waiver by Owner of any breach by the Operator of any of its obligations, agreements, or covenants hereunder will be deemed to be a waiver of any subsequent or continuing breach of the same, nor will any forbearance by Owner to seek a remedy for any breach by the Operator be deemed to be a waiver by Owner of its rights or remedies with respect to such breach; however, in no event will Operator be liable for additional payment for reasonably anticipated damages to the Lands caused by Operator's oil and gas operations, and in no event will Operator be liable for consequential damages.

8. **INDEMNITY/RELEASE.**

- A. Except as to additional surface damages and/or crop loss due to subsequent operations as specified in Paragraph 5, and except for a breach of the covenants and agreements of Operator herein, Owner hereby releases and agrees to hold Operator harmless from any and all liability of and further payment for damages on the Lands which arise or may arise from, out of, or in connection with Operator's drilling and completion of the Wells and related Facilities, and Operator's normal, routine operations thereafter.
- B. Operator agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by Operator's operations on the Lands that may be asserted by any of Operator's agents, employees, subcontractors, contractors or persons entering upon the Lands at the request of Operator.
- C. The Operator shall indemnify and hold Owner harmless from any and all claims of whatever nature whatsoever by Owner or third parties arising from or related to Operator's conduct of operations on owners property (except for crop and surface use and damage for which Owner is compensated under Paragraph 5 above). Operator shall indemnify and hold Owner harmless from any and all claims arising from or related to Operator's conduct or operations under the Comprehensive Environmental Response, Compensation and Liability Act, Resource Conservation and Recovery Act, Oil Pollution Act, Clean Water Act and all other state and federal laws, rules, or regulations.

9. **WAIVER OF 30-DAY NOTICE.** Owner hereby waives the minimum 30-day written notice requirement for operations to begin and any other notice or consultation requirements of the COGCC. Without waiving the foregoing, Operator agrees it will provide an initial notice to Owner after it has submitted a request for permit to drill from the COGCC.

10. **NOTICE FOR ADDITIONAL OPERATIONS.** Operator will comply with COGCC rules and regulations requiring that advance notice be provided to Owner for subsequent operations on the Wells, including, but not limited to, reworking operations thereto.

11. **NOTICES.** Notice by either Party will be promptly given, orally if possible (with the exception of the default notice described in Paragraph 7), with subsequent written confirmation sent by United States mail, postage prepaid and addressed to either Party at the address as designated below; or to such other place as either Party may from time-to-time designate by notice to the other:

Owner:

Booth Land & Livestock, LLC
Post Office Box 72
Lucerne, CO 80646
Phone: (970) 353-7055

Operator:

Petro-Canada Resources (USA) Inc.
Attention: Mari S. Gillman
999 18th Street, Suite 600
Denver, CO 80202-2499
Phone: (303) 297-2100
Fax: (303) 297-7708

12. **BINDING EFFECT.** The covenants and conditions herein contained and all of the provisions of this Agreement will inure to the benefit of and will be binding upon the Parties hereto, their respective heirs, representatives, successors or assigns. Owner agrees to contact any and all tenants of Lands or any other third parties utilizing the surface of the Lands that may be affected by Operator's activities on the Lands. It will be Owner's sole responsibility to advise such third parties of the existence of this Agreement and Operator's right to utilize the surface of the Lands pursuant to this Agreement for the payment of any consideration, if any, due such third party from Owner.

13. **CONFIDENTIALITY.** The Parties agree to keep the terms and conditions of this Agreement confidential and will not disclose such matters to any third party without the advance written consent of the other, or if ordered to do so in a legal proceeding. While the specific terms hereof are to remain confidential between the Parties, Operator may record a memorandum of this Agreement in Weld County, Colorado.

14. **ENTIRE AGREEMENT.** This instrument contains the entire agreement between the Parties and may not be modified orally or in any other manner other than by agreement in writing signed by all Parties or their respective successors or assigns.

15. **TERM.** This Agreement will remain in full force and effect for so long as Operator has the right to conduct oil and gas operations on the Lands pursuant to the Leases; provided, however, that the termination of this Agreement will not relieve the Parties from their respective obligations or liabilities arising herein prior to such termination.

16. **COUNTERPARTS.** This Agreement may be executed by facsimile, in counterparts, each of which will be considered an original and enforceable against either Party.

17. **GOVERNING LAW AND VENUE.** This Agreement will be governed by, construed and enforced in accordance with the laws of Colorado.

18. **AGREEMENT TO ARBITRATE ANY DISPUTE OVER THIS AGREEMENT OR OPERATOR'S OPERATIONS ON THE LANDS.** If any dispute arises between Owner and Operator with respect to this Agreement, the Lease, or from Operator's operations on the Lands, such dispute will be resolved through arbitration. Any such arbitration will be conducted by the Judicial Arbitrator Group ("**JAG**") in Denver, Colorado, by a single arbitrator employed by or associated with JAG. Such arbitrator will have at least 10 years experience in oil and gas, either by work directly in the industry or as a lawyer or a judge familiar with oil and gas issues. Either Party may serve upon the other a demand for such arbitration, which should be served by fax and mail, or by hand delivery. Owner and Operator agree that if either of them initiates a demand for such arbitration, Owner and Operator will thereafter attempt to mutually agree on the selection of one of the JAG arbitrators to be the arbitrator. Owner and Operator will confer on the selection of such arbitrator within 10 days after the demand for arbitration is served, and will agree upon the selection of a JAG arbitrator, if possible, within 20 days after the arbitration demand has been served. In the event that Owner and Operator are unable to agree on the selection of such arbitrator within this 20-day time period, then Owner and Operator will each submit to JAG, via fax, the names of three arbitrators (meeting the requisite experience specified above) who are employed by or associated with JAG, whom each would find acceptable to be the arbitrator. Such submission to JAG will be made on the fifth business day after the 20-day time period referenced above has expired. JAG will thereafter select from the names submitted by Owner and Operator a single arbitrator who will hear and decide the arbitration. The arbitrator will issue an arbitration decision within 30 days after the arbitration hearing is concluded. In the event that JAG no longer exists, the arbitration will be conducted by an American Arbitration Association arbitrator under the rules of the American Arbitration Association then existing. Any decision by the arbitrator relating to the dispute between Owner and Operator will be final and binding upon both Owner and Operator.

19. **SUCCESSORS.** This Agreement constitutes a covenant running with the Lands and will be binding upon and inure to the benefit of, and be enforceable by, the Parties and their respective successors, administrators, trustees, executors and assigns.

20. **AUTHORITY OF SIGNATORIES.** The signatories below declare, warrant and represent that they have the authority to enter into this Agreement on behalf of their respective principals, if any.

21. **ATTORNEY'S FEES AND COSTS.** The Parties agree that the prevailing Party in any action resulting from a substantial breach of this Agreement will be entitled to its reasonable attorney's fees and costs incurred therein.

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

OWNER:

BOOTH LAND AND LIVESTOCK, LLC

By: Mark C Booth
Mark C. Booth, Manager

OPERATOR:

PETRO-CANADA RESOURCES (USA) INC.

By: Mari S Gillman
Mari S. Gillman, Regional Landman

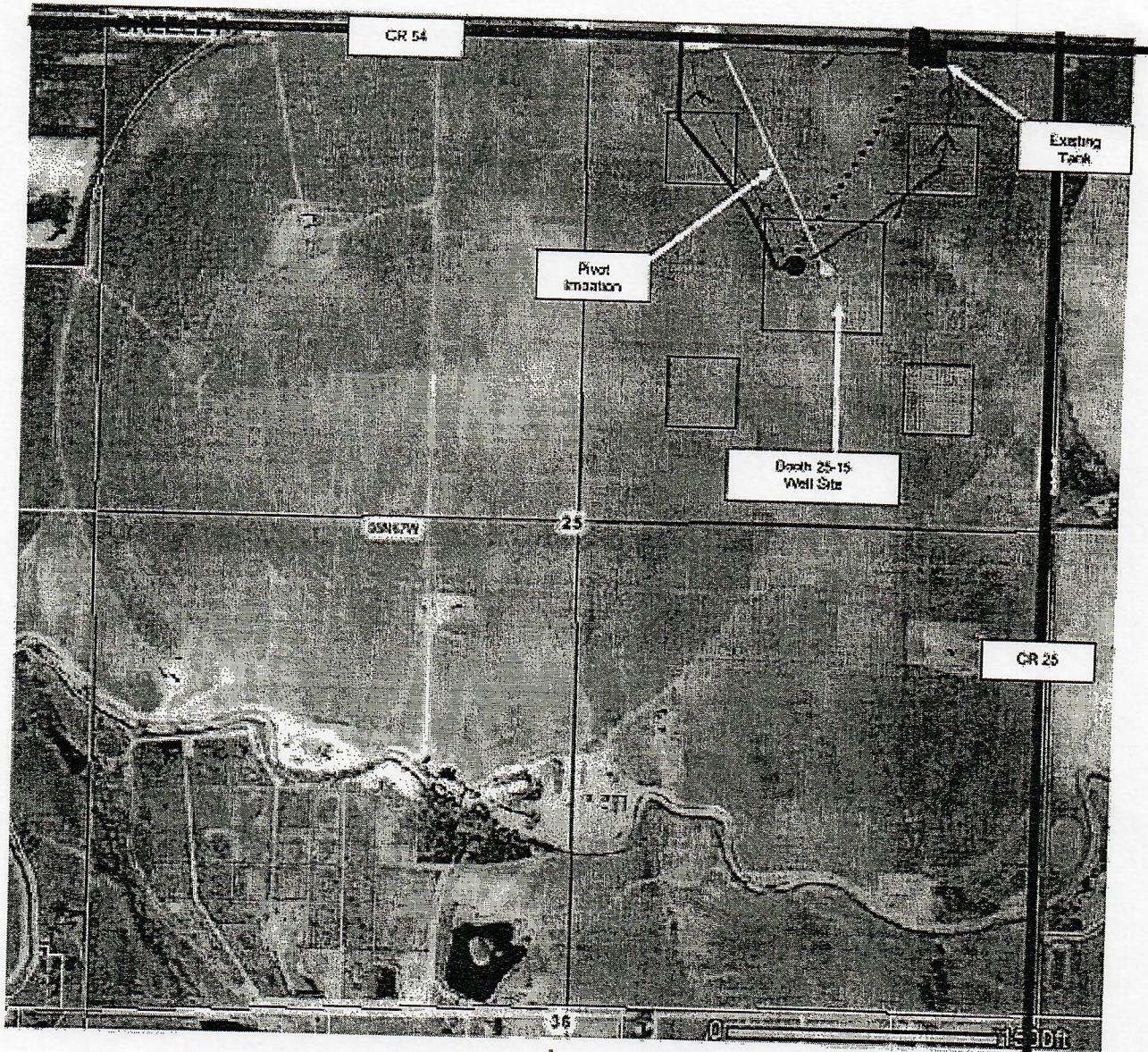
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COGCC

→ other possible routes

EXHIBIT "A"
Township: 5 North, Range 67 West, 6th P.M.
Section 25: All



Access Road	—
Flow Line
Tank Battery	■

Exact route of
flowline and placement
of Tank & separator
to be plotted later.

1/2/2008

6/15/08

SMB

This exhibit shows approximate route.