



SURFACE DAMAGE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS;

That ERVIN AND BETTY J. HANCOCK, whose address is 308 California Street Walsh, Colorado 81090, is the owner of the described lands in Baca County, Colorado, to wit: SECTION 16, TOWNSHIP 33 SOUTH, RANGE 43 WEST, APPROX. 640.00 TOTAL ACRES.

Whereas, Energy Alliance Company, Inc., P.O. Box 4461, Englewood, CO 80155 (with its agents and assigns, hereinafter called "Company") proposes to clear wellsites and access roads on and across said land.

NOW THEREFORE, in consideration of the sum of ONE THOUSAND FIVE HUNDRED DOLLARS total (\$1500.00), and other valuable consideration to the undersigned (hereinafter called the "Owner") in hand paid, the receipt of which is hereby acknowledged, the Owner does hereby release the Company from any and all claims for damage to growing crops and the surface of the land which have arisen, or may arise from, out of, or in connection with necessary and reasonable oil and gas operations for the GREENSBURG STATE #1-16, and WECO STATE #1-16 wells on the land, including the building of the drillsites and the use thereof, the initial completion of the wells drilled on the drillsite and the establishment of tank batteries and setting of production equipment and laying of pipelines necessary for the production of the herein described wells and accepts the above payment as full compensation for all such damages subject to the following, to wit:

1. The GREENSBURG STATE #1-16 wellsite shall be located in the Southwest Quarter (SW/4) in Section 16 of the Township and Range aforementioned, and the WECO STATE #1-16 wellsite shall be located in the Northeast Quarter of Section 16 of the Township and Range aforementioned, being according to and within the governing regulations.
2. The topsoil shall be removed from the area over the pits, stockpiled and held in reserve until the contour of the site is re-established. The wellsites shall be ripped and returned to the original slope and contour and cleared of drilling mud and oil following completion operations.
3. Company agrees to install culverts as needed to maintain present land drainage and irrigation, so long as the wells are produced. Owner does hereby give permission to install said culverts.
4. Any subsequent operations for said wells, except in case of emergency, require prior notice to landowner and shall require payment of all actual damages caused by said operations to growing crops and damages to real or personal property resulting therefrom.
5. Consideration herein stated shall be for damage to maximum of 2.1 acres per wellsite, being 90,000 square feet plus access roads. Each drillsite shall be 300 feet by 300 feet square. Damages to any acreage in excess of 2.1 acres shall be compensated to Owner for actual loss by Company.

6. If by reason of activities of Company, including but not limited to, drilling, completion, equipping, and operating of the wells upon the premises there is damage to the tangible, real or personal property of the Owner including but not limited to, irrigation wells, fences, culverts, bridges, pipelines, ditches, or irrigation and drainage systems, the Company shall repair or replace such items after consultation with and to the complete satisfaction of the Owner. Any items damaged after well construction shall be brought to the attention of the Company immediately and shall be repaired or replaced after consultation with the Owner within ten (10) days of occurrence.

7. All operations shall be conducted in a diligent manner and in accordance with the highest standards of the oil and gas industry in Baca County.

8. Notwithstanding any other provisions hereof, Company agrees that all trash, refuse pipe, equipment, liquids, chemicals, reasonable amounts of drilling mud, or other materials brought onto the property that are not necessary for the continued operation of said well, shall be removed and disposed of away from the property not later than ten (10) days after completion of said wells. No such items shall be burned or buried on the property.

9. It is agreed that time is of the essence and that failure to perform obligations as provided herein shall entitle the party not in default to bring an action in the District Court of Baca County for damages, for enforcement of the within Agreement, or for injunctive relief.

10. This Agreement shall be binding upon the parties hereto, their heirs, successors and assigns and shall run with the land described hereinabove.

11. This Agreement is entered into in the State of Colorado and shall be governed and interpreted by the laws of such state.

OWNER:

Ervin J. Hancock

Ervin and Betty J. Hancock

Betty J. Hancock

Date:

11-14-95

COMPANY:

ENERGY ALLIANCE COMPANY, INC.

By:

Rick W. Wight

Title: *President*

Date:

11-2-95