



**SURFACE DAMAGE AGREEMENT**

THIS AGREEMENT made and entered into this 29th day of March, 1993, by and between Per Sten Johnson and Iva Joy Johnson, husband and wife, hereinafter referred to as OWNER, and Strachan Exploration, Inc., hereinafter referred to as OPERATOR.

WITNESSETH:

For and in consideration of the covenants and agreements herein contained and other valuable considerations, the parties hereto agree:

1. OPERATOR intends to drill the Exxon #1 Well at a legal location in the SW4SW4 of Section 18, Township 3 South, Range 95 West, 6th P.M., Rio Blanco County, Colorado. Operator shall use the Bureau of Land Management's Sprague Gulch Road and Right-of-Way for access to and from the drill site for said well. OPERATOR plans to locate said well and maintain said road within the confines of the Bureau of Land Management's Right-of-Way.

2. OPERATOR plans to construct a drill pad for its drilling operations for said well which will be approximately two (2) acres in size. A maximum of one (1) acre of OWNER'S surface should be disturbed in building and maintaining said drill pad. OPERATOR agrees to pay OWNER the sum of \$ 1,000.00 for the well site for the Exxon #1 Well. OPERATOR agrees to at all times keep the well site safe and in good order and free of noxious weeds, litter and debris. All trash, litter and debris shall be hauled away; none is to be buried or burned at the well site for any reason. If the OPERATOR does not discover oil, gas or hydrocarbons of commercial quantity, and determines the well to be a "dry hole", OPERATOR shall restore said area by replacing the top soil. All clean up and restoration requirements shall be completed by OPERATOR within nine (9) months after the termination of drilling, completing or producing activities at the well site.

3. OPERATOR shall have an option to purchase an amount of water from OWNER sufficient to drill the subject well, said amount not to exceed 5000 barrels of water. OWNER also grants OPERATOR a temporary right-of-way from said water source to the well site location. If OPERATOR exercises the option to purchase said water, OPERATOR will pay OWNER the sum of \$ 1,250.00 for this water and temporary right-of-way.

4. OPERATOR agrees that no dogs, firearms, or hunting will be permitted on the property covered by this agreement with out the express written consent of the OWNER and that OPERATOR agrees to notify all of its contractors, agents and employees of this restriction.

5. The terms and provisions of this agreement shall constitute covenants running with the lands and shall be binding upon the parties hereto and shall inure to the benefit of and bind their heirs, executors, successors and assigns.

OWNER:

Per Sten Johnson  
Per Sten Johnson

Iva Joy Johnson  
Iva Joy Johnson

OPERATOR:

Strachan Exploration, Inc.

By: Stephen M. Strachan  
Stephen M. Strachan, President