



370 17th Street  
Suite 1700  
Denver, CO 80202

tel: (303) 623-2300  
fax: (303) 623-2400  
www.encana.com

June 21, 2010

Mr. David Neslin, Director  
Colorado Oil & Gas Conservation Commission  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

RE: Exception Location Request to Rule 318A.a. and 318A.c.(2)  
Segal 4-0-24, Segal 4-2-24, Segal 4-4-24 and Segal 6-0-24  
SENW, Section 24-T4N-R66W  
Weld County, Colorado

Dear Mr. Neslin:

Please let this letter serve as a request for administrative approval of an exception location in accordance with Rule 318A.a. and 318A.c.(2) for the above captioned oil and gas wells.

The Segal four well pad is located outside of a legal drilling window and is greater than 50' from an existing well. The surface owners agreed to this location as evidenced by their signatures on the Compatible Development and Surface Use Agreement submitted with this exception location request.

Should you have any questions or comments, please contact me at (720) 876-3687.

Very truly yours,  
ENCANA OIL & GAS (USA) INC.

Cathi Boles  
Regulatory Analyst

/csb

## SURFACE DAMAGE AND RELEASE AGREEMENT

This Surface Damage and Release Agreement (this "Agreement") is made and entered into this 10th day of March 2010 by and between Segal Big Bend LLLP ("Owner") with an address of 6064 South Beeler Street, Greenwood Village, Colorado 80111, 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 an oil and gas wells (the "Wells") on the Lands described below (the "Lands"):

### TOWNSHIP 4 NORTH, RANGE 66 WEST, 6<sup>TH</sup> P.M.

Section 24: N ½

Weld County, Colorado

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 Well as generally depicted on Exhibit A attached hereto and made a part hereof and located on the Lands.

Therefore, 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, Owner and EnCana agree as follows:

1. Prior to the commencement of drilling operations for the Wells, EnCana shall pay Owner the sum of \_\_\_\_\_ of \_\_\_\_\_. 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 production 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 drillsite area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom. Should EnCana conduct subsequent operations on the Wells after the initial drilling, completion and equipping operations and the subsequent operations result in additional crop loss, EnCana will timely pay Owner for the actual crop loss sustained in an amount as shall be mutually agreed upon by and between the parties.
2. 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 those structures, fences, culverts, pipelines for

operation of the Wells, such as damage to those structures, fences, culverts, pipelines for irrigation systems and cement ditches identified on Exhibit A, such damage shall be repaired or replaced by EnCana or EnCana shall promptly pay Owner for such damage.

3. Owner warrants that it 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.
4. Except as provided in paragraph numbered 2 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 production facilities, and Owner accepts the Damage Amount as full compensation therefore.
5. EnCana agrees to indemnify and hold Owner harmless from any and all claims, damages and causes of action arising out of and caused by EnCana's operations on the Lands that may be asserted by any of EnCana's agents, employees, subcontractors, contractors or persons entering upon the Lands at the request of EnCana.
6. Owner hereby agrees that by its payment of the Damage Amount, EnCana has fully complied with the 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 wellsites, access roads, flowlines, tank batteries and other associated production facilities 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 wellsites to approximately 400 feet by 400 feet during any drilling, completion, recompletion or workover operations, and the wellsites shall be no more than ¼ acre in size during other periods. The area required for the tank battery location associated with the Wells shall be limited to approximately one-half acre in size upon completion of construction. Access roads shall be limited to approximately 30 feet in width during drilling, completion, recompletion and workover operations. The permanent access roads to the wellhead and tank battery location shall be limited to 15 feet in width.
  - B. Make reasonable efforts to insure that all vehicles accessing the Lands on its behalf utilize only the access road as depicted on Exhibit A. EnCana will maintain the access road and keep it in good condition.

C. 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.

D. Reclaim the wellsites as nearly as practicable to its original condition, and if a location is planted in alfalfa at the time of EnCana's operations, reseed the location with alfalfa after an appropriate period of time. Weather permitting, reclamation operations shall be completed within three months following drilling and subsequent related operations, unless EnCana and Owner mutually agree to postponement because of crop or other considerations.

E. Use its best efforts to keep the well and battery sites free of weeds and debris.

F. Owner may request that EnCana install livestock fences and guards on the Lands where identified on Exhibit A if needed to protect livestock from oil and gas operations associated with the Wells. If installed, all such fences and livestock guards and crossings will be maintained in good condition by EnCana. Upon plugging and abandonment of the Wells, the fences and guards will be removed unless Owner elects in writing to assume ownership, maintenance and operations of those items.

G. EnCana will install culverts or other structures on the Lands where identified on Exhibit A at its sole expense as may be necessary to maintain present drainage and irrigation otherwise affected by its operations on the land.

9. Upon permanent cessation of EnCana's operations on the Lands, all areas thereof occupied or utilized by EnCana will be restored by EnCana to their original contour as nearly as is reasonably practicable and will be re-seeded if so requested by Owner.
10. EnCana will make its best efforts to remove and dispose of all trash, refuse, pipe, equipment, liquids, chemicals or other material brought on the Lands that are not necessary for continued operations of the Wells or the production facilities within thirty (30) days after completion of the Wells. No such items will be burned or buried on the Lands.
11. EnCana agrees to make a good faith effort to drill and complete the Wells to facilitate Owner's crop planting dates unless otherwise agreed by Owner.
12. EnCana will comply with Colorado Oil & Gas Conservation Commission rules and regulations, including providing notice to Owner for subsequent operations on the Wells including, but not limited to, reworking operations.

13. Notice by either party will be given in writing and sent by United States mail, postage prepaid and addressed to the parties at the address designated below, or to such other address as either party may from time to time designate by written notice to the other:

Owner:  
Segal Big Bend, LLLP  
6064 Beeler Street  
Greenwood Village, CO 80111  
Telephone: 303-771-4687

EnCana:  
370-17<sup>th</sup> Street, Suite 1700  
Denver, CO 80202  
Attn: D-J Basin Land Department  
Telephone: 303-623-2300

With copy to:  
Melvin Dinner, Attorney at Law  
822-7<sup>th</sup> Street, Suite 540  
Greeley, CO 80631

14. This Agreement will be governed by, construed and enforced in accordance with the laws of the State of Colorado.

15. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties and may be executed in counterparts.

16. This Agreement will remain in force and effect for so long as EnCana has the right to conduct oil and gas operations on the Lands pursuant to the Lease; 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.

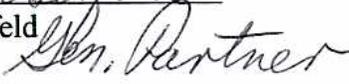
17. This Agreement contains the entire agreement between the parties with reference to the drilling, completion and production facilities of the Wells and may not be modified orally or in any other manner other than by agreement in writing signed by both parties or their respective successors or assigns.

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

ENCANA OIL & GAS (USA) INC.

OWNER  
SEGAL BIG BEND LLLP

By:   
\_\_\_\_\_  
Ricardo D. Gallegos  
Attorney in Fact 

By:   
\_\_\_\_\_  
Name: Debora G. Rosenfeld  
Title: General Partner 

**ACKNOWLEDGMENTS**

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

On this 8<sup>th</sup> day of April, 2010, before me personally appeared Ricardo D. Gallegos who executed the within and foregoing instrument as Attorney-in-Fact of EnCana Oil & Gas (USA) Inc. on behalf of the corporation, and acknowledged the instrument to be the free and voluntary act and deed of the corporation for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

My Commission Expires: 3/25/13



Notary Public: April Jackson

My Commission Expires 03/25/2013

STATE OF COLORADO )  
COUNTY OF Denver ) ss.

Deborah G. Rosenfeld, Gen. Partner

The foregoing instrument was acknowledged by Debora G. Rosenfeld, General Partner of Segal Big Bend LLLP \_\_\_\_\_ before me on this 25 day of March, 2010.

My Commission Expires: My Commission Expires 2/22/2011

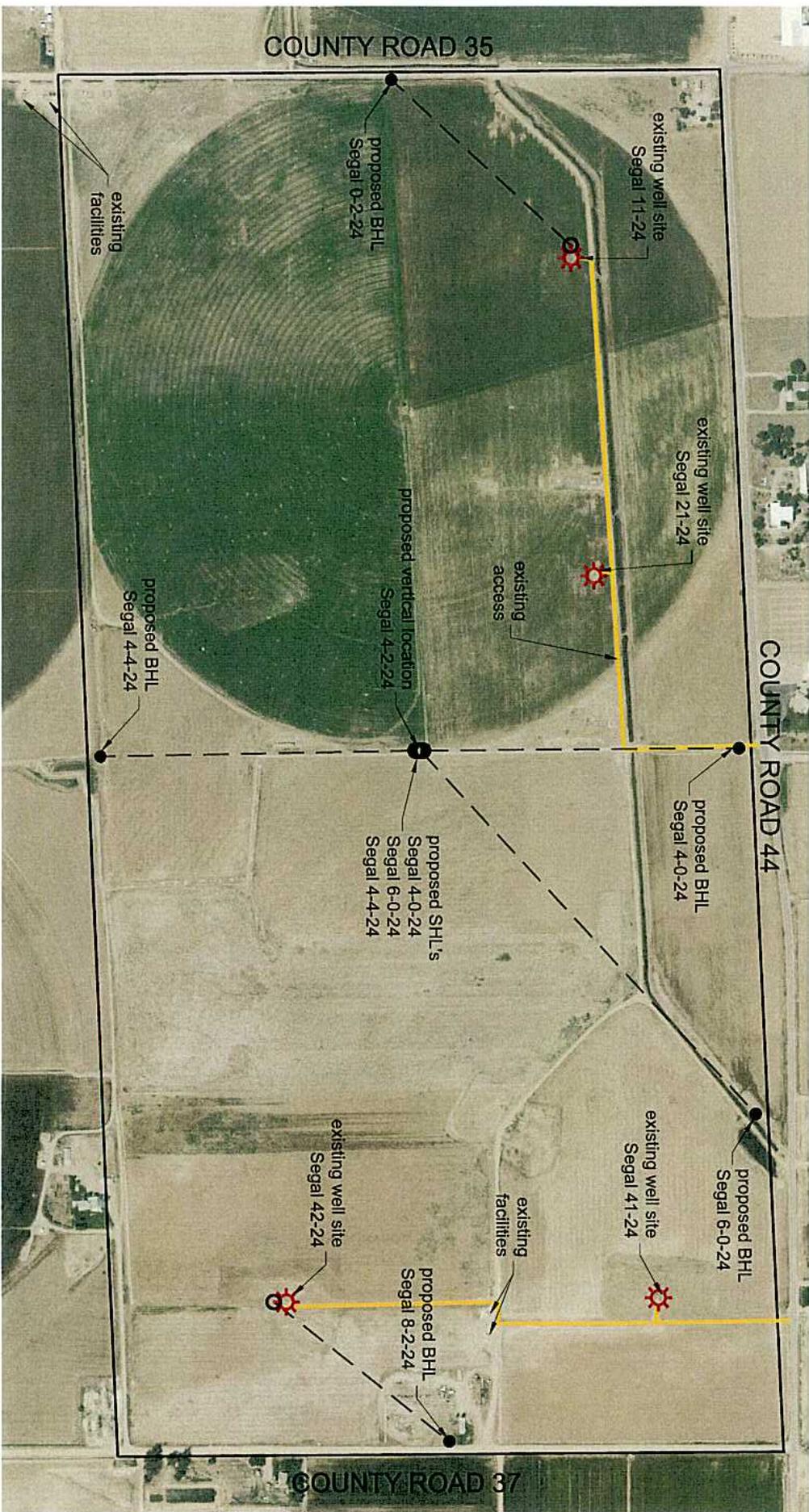


Notary Public: Aldo Liver  
Well Fargo Bank N.A.  
Address: 1001 S. Monaco Parkway  
Denver, CO 80224

State of Colorado County of Denver  
Subscribed and sworn before me on 05/25/2010  
Aldo Liver (Date)

(Notary Signature)

# EXHIBIT A



  
Encana Oil & Gas (USA) Inc.

**TOWNSHIP 4 NORTH, RANGE 66 WEST**  
**SECTION 24: N½**  
**WELD COUNTY, COLORADO**

SCALE: 1" = 600'      JANUARY 14, 2010