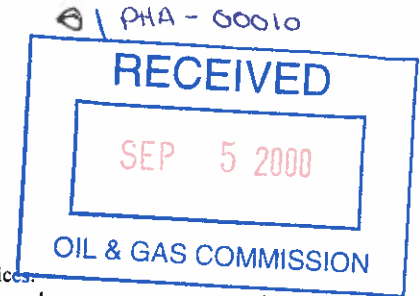


EASEMENT AGREEMENT

The printed portions of this form, except bold additions, have been reviewed by the State of Colorado, Department of Personnel/GSS, Division of Real Estate Services. All additions to this form must be in bold type. All deletions must be shown by strike-through.



THIS EASEMENT AGREEMENT, written in four (4) counterparts, made and entered into this 6th day of September, 2000 by and between **ROBERT C. MAGOON**, (hereinafter, the "Grantor"), and the STATE OF COLORADO, acting by and through the Department of **NATURAL RESOURCES** for the use and benefit of **OIL AND GAS CONSERVATION COMMISSION**, (hereinafter, the "Grantee").

WITNESSETH:

WHEREAS, authority exists in the law and funds have been budgeted, appropriated and otherwise made available, and a sufficient unencumbered balance thereof remains available for payment in Fund Number 257, Agency PHA, GBL Account Number , (Organizational Unit Code ENVR, Appropriation Code 070, Program Code O&GC, Function Code N/A), Contract Encumbrance Number C-106015

WHEREAS, Grantor owns 100% of the real property described on Exhibit A attached hereto and incorporated herein (hereinafter, the "Easement Property").

WHEREAS, the parties desire to execute an easement on the Easement Property in order to allow Grantee to access ground water monitoring wells on a nearby property.

AGREEMENT

NOW THEREFORE, for and in consideration of the payment by Grantee of **\$ 10.00** and other good and valuable consideration as described in Attachment B, the receipt and legal sufficiency of which are hereby acknowledged, and the keeping and the performance of the covenants and agreements hereinafter expressed, the parties to this Easement Agreement agree to the following:

1. GRANT OF EASEMENT. Grantor grants to Grantee and Grantee's agents, employees, successors and assigns a non-exclusive and irrevocable easement (the "Easement") over, upon and across the Easement Property.

2. USE OF THE EASEMENT PROPERTY. The Easement shall be used by the Grantee solely for the purpose of accessing ground water monitoring wells on an **nearby adjacent** property.

3. ACCESS ROAD. Grantee and Grantee's agents, assigns and successors shall have the right to ~~construct~~ use an **existing** access road approximately **1.25 miles** feet long and **20** feet wide on the Easement Property for the sole purpose of ingress and egress. The location of the access road shall be as depicted on the plat labeled as Exhibit ~~B~~ **A**, attached hereto and incorporated herein. Grantor, ~~his~~ **and Grantor's** successors or assigns, ~~shall without obligation of maintenance, have the reserve~~ **all** rights to use said access road for **Grantor's own purposes that do not unreasonably interfere with the Grantee's use for ingress and egress.** ~~private, non-public access to Grantor's property; provided Grantee shall not be liable for any injury or damage to Grantor, his successors or assigns or third persons resulting from such use and provided Grantor, its successors and assigns shall indemnify, save, and hold harmless the Grantee, its employees, agents, successors and assigns, against any and all claims, damages, liability and court awards, including costs, expenses, and attorney fees incurred as a result of the use of~~

~~said road. Grantee may install a gate or gates at any point or points where the road may cross an existing fence on the Easement Property. In the event a gate or gates are installed, Grantee will furnish a key to Grantor. Such gates shall be considered the personal property of the Grantee and upon termination of this Easement, may be left on the Easement Property or removed therefrom at the sole discretion of Grantee.~~

4. TERM. The term of the Easement shall commence on September 1, 2000 and terminate on September 1, 2010, unless terminated earlier in accordance with paragraphs 5 or 6 hereof, ~~or extended in accordance with paragraph 7 hereof.~~

5. ABANDONMENT. If Grantee does not for a period of 366 consecutive days make use of the Easement for the purpose aforesaid, Grantor may give Grantee sixty (60) days prior written notice of Grantor's intent to declare the Easement abandoned. During such notice period, Grantee shall have the option to make use of the Easement. In the event Grantee makes use of the Easement during the notice period, the Easement shall not be deemed abandoned, and the Easement shall continue in full force and effect.

6. TERMINATION BY GRANTEE. Grantee shall have the right to terminate the Easement at any time by giving Grantor written notice of Grantee's desire to terminate the Easement.

~~7. EXTENSION. Grantee shall have the right to extend the term of the Easement for an additional _____ years by giving Grantor (or Grantor's successors or assigns) no less than ninety (90) days written notice prior to the expiration of the term set forth in paragraph 4. No additional consideration shall be required for extending the term of the Easement.~~

~~8. WARRANTIES OF TITLE. Grantor represents and warrants that it has good and marketable title to the Easement Property and that Grantor's interest therein is subject only to those exceptions to title numbered _____ as reflected on the title insurance commitment attached hereto and incorporated herein as Exhibit C. Grantor, for his heirs and personal representatives, does covenant, grant, bargain and agree to and with the Grantee, its successors and assigns, that at the time of the sealing and delivery of these presents, Grantor is well seized of the Easement Property, has good, sure, perfect, absolute and indefeasible estate of inheritance, in law, in fee simple, and has good right, full power and lawful authority to grant, bargain, sell and convey the same in manner and form as aforesaid, and that the same is free and clear from all former and other grants, bargains, sales, liens, taxes, assessments, encumbrances and restrictions of whatever kind and nature soever, except the lien for general taxes for the calendar year in which the conveyance is made and subject to those exceptions to title numbered _____ as reflected on the title insurance commitment attached hereto and incorporated herein as Exhibit C. The Grantor shall and will warrant and forever defend the Easement Property in the quiet and peaceable possession of the Grantee, its successors and assigns against all and every person or persons lawfully claiming the whole or any part thereof.~~

9. MINERAL RESERVATION. ~~If Grantor owns the minerals, then~~ Grantor reserves all rights to any and all metallic and non-metallic minerals, ores and metals of any kind and character, including but not limited to coal, asphaltum, oil and gas in or under said easement.

10. SUBSEQUENT TRANSFERS. Grantor shall have the right during the term of this Easement to dispose of the Easement Property subject to this Easement. Grantor agrees to incorporate the terms of

this Easement Agreement in any deed or other legal instrument by which it divests itself of any interest in all or a portion of the Easement Property, including, without limitation, a leasehold interest. Grantor agrees to give written notice to Grantee of the transfer of any interest in the Easement Property at least twenty (20) days prior to the date of such transfer. The failure of Grantor to perform any act required by this paragraph will not impair the validity of this Agreement or limit its enforceability in any way.

11. SUCCESSORS. The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto and all covenants shall apply to and run with the land unless otherwise specifically noted.

12. RESTORATION UPON TERMINATION. Upon termination, Grantee, at its expense, shall be responsible for restoring the surface as nearly as is reasonably practical to the condition existing prior to ~~the construction~~ Grantee's use of the ~~existing~~ access road on the Easement Property.

13. RECORDING. Grantee shall be responsible for recording this easement with the Clerk and Recorder's Office in the county or counties in which the Easement Property is located.

14. NOTICES. Any notice required or permitted by this easement may be delivered in person or sent by registered or certified mail, return receipt requested, to the party at the address as hereinafter provided, and if sent by mail it shall be effective when posted in the U.S. Mail Depository with sufficient postage attached thereto:

Grantor:

Dr. Robert C. Magoon
Managing Partner
P.O. Box P3
Aspen, CO 81612

Grantee:

The State of Colorado
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

with a copy to:

The State of Colorado
Department of Personnel/GSS
State Buildings and Real Estate Programs
1525 Sherman Street Suite 250
Denver, CO 80203

Notice of change of address shall be treated as any other notice.

15. CONTROLLER'S APPROVAL. This Easement Agreement shall not be deemed valid until approved by the Controller of the State of Colorado or such assistant as he may designate.

16. VENDOR OFFSETS. Pursuant to §24-30-202.4 C.R.S., (as amended), the state controller may withhold debts owed to state agencies under the vendor offset intercept system for: (a) unpaid child support debt or child support arrearages; (b) unpaid balance of tax, accrued interest, or other charges specified in Article 21, Title 39, C.R.S., (c) unpaid loans due to the student loan division of the department of higher education; (d) owed amounts required to be paid to the unemployment compensation fund; and (e) other unpaid debts owing to the state or any agency thereof, the amount of which is found to be owing as a result of final agency determination or reduced to judgment as certified by the controller.

17. FUNDS AVAILABILITY. Financial obligations of the State of Colorado payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted and otherwise made available.

18. APPLICABLE LAW. The laws of the State of Colorado ~~and rules and regulations issued pursuant thereto~~ shall be applied in the interpretation, execution and enforcement of this lease. Any provision of this Easement Agreement, whether or not incorporated herein by reference, which provides for arbitration by any extra-judicial body or person or which is otherwise in conflict with said laws, rules and regulations shall be considered null and void. Nothing contained in any provision incorporated herein by reference which purports to negate this or any other special provision in whole or in part shall be valid or enforceable or available in any action at law whether by way of complaint, defense or otherwise. Any provision rendered null and void by the operation of this provision will not invalidate the remainder of this Easement Agreement to the extent that this agreement is capable of execution.

19. NO BENEFICIAL INTEREST. The signatories aver that to their knowledge, no State employee has any personal or beneficial interest whatsoever in the service or property described herein.

20. NO VIOLATION OF LAW. The signatories aver that they are familiar with CRS 18-8-301, et. seq., (Bribery and Corrupt Influences) and CRS 18-8-401, et. seq., (Abuse of Public Office), and that no violation of such provisions is present.

21. COMPLETE AGREEMENT. This easement including all exhibits, supersedes any and all prior written or oral agreements, and there are no covenants or agreements between the parties except as set forth herein with respect to the use of the Easement Property by Grantee. No prior or contemporaneous addition, deletion, or other amendment hereto shall have any force or effect whatsoever unless embodied herein in writing. No subsequent novation, renewal, addition, deletion or other amendment hereto shall have any force or effect unless embodied in a written agreement executed and approved pursuant to State Fiscal Rules.

22. CAPTIONS. The captions in this instrument have been inserted solely for the convenience of reference and are not a part of this instrument and will have no effect upon construction or interpretation.

IN WITNESS WHEREOF, the parties hereto have caused this easement to be executed in four (4) counterparts the day and year first above written.

GRANTOR:

(If Corporation)
Attest (Seal)

By: Robert C. Magoon
Robert C. Magoon, Managing Partner
Title: _____

By: _____
Secretary

Federal Tax Identification Number

APPROVED:

STATE OF COLORADO
DEPARTMENT OF PERSONNEL/GSS
STATE BUILDINGS
AND REAL ESTATE PROGRAMS

GRANTEE

STATE OF COLORADO
Bill Owens, Governor
Acting by and through
The Department of **NATURAL RESOURCES**
For the use and benefit of
the Oil and Gas Conservation Commission

By: Michael N. Kautsch
For the Executive Director

By: B. Brinkley
Executive Director

APPROVED:

STATE OF COLORADO
Ken Salazar, Attorney General

By: Ken Salazar

APPROVED:

STATE OF COLORADO
STATE CONTROLLER'S OFFICE
Arthur L. Barnhart, State Controller

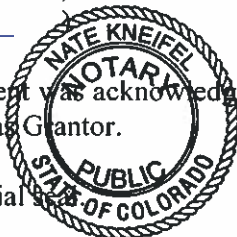
By: Robert D. Bower

STATE OF COLORADO)
COUNTY OF PITKIN) ss.

The foregoing instrument was acknowledged before me this 5th day of September 2000, by
ROBERT C. MAGOON as Grantor.

Witness my hand and official seal

My commission expires My Commission Expires: May 26, 2004.




Notary Public

18

SAN

JUAN

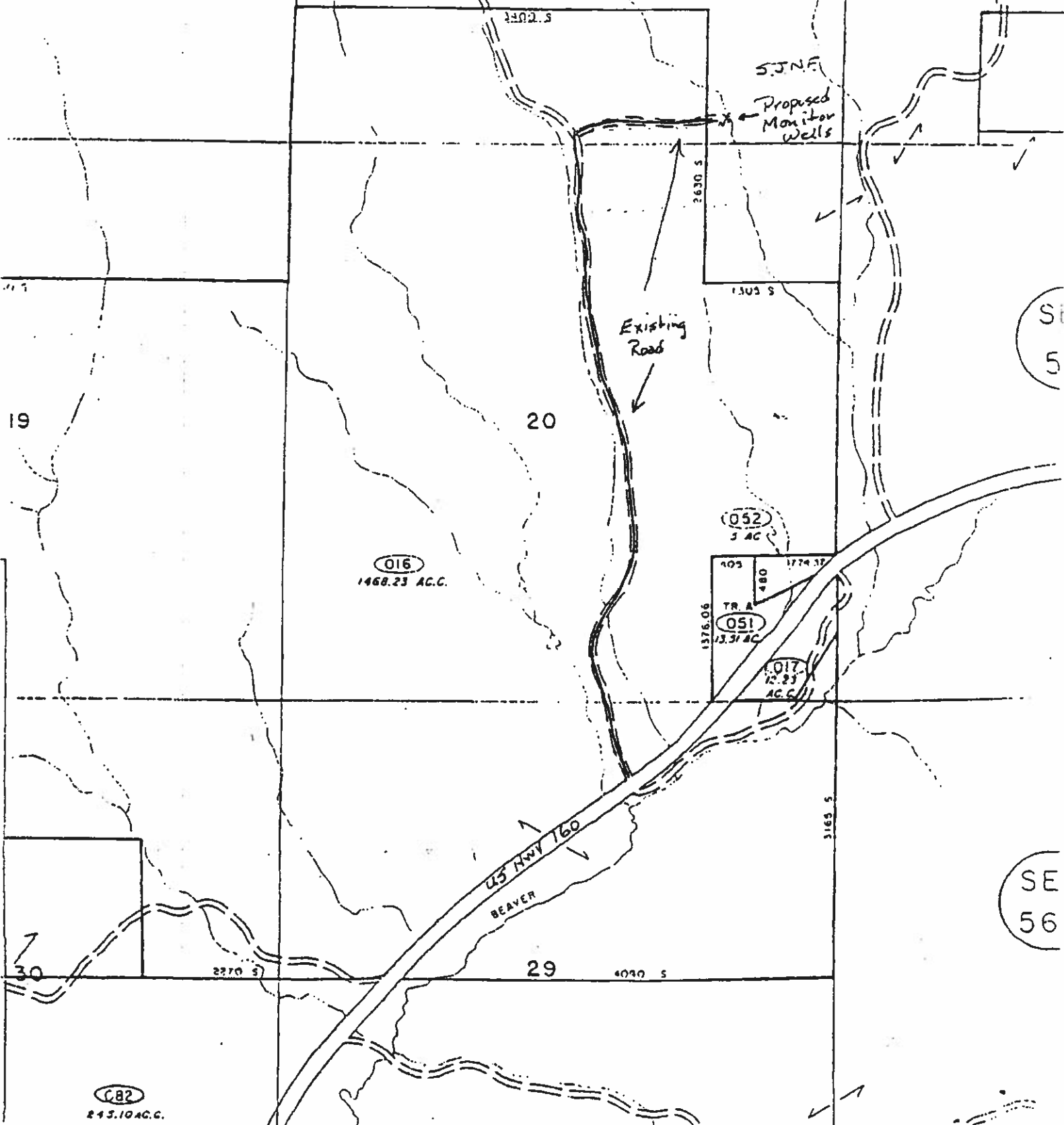
17
Exhibit A

NATIONAL

FORC

The Easement Property shall consist of the following:

Access Road:





DEPARTMENT OF NATURAL RESOURCES
Bill Owens, Governor
1120 Lincoln St., Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109
www.oil-gas.state.co.us

ATTACHMENT B

August 28, 2000

Dr. Robert C. Magoon, Managing Partner
P.O. Box P3
Aspen, CO 81612

Re: State of Colorado
Department of Natural Resources – Oil and Gas Conservation Commission
Study of the Fruitland Formation in the San Juan Basin

Dear Dr. Magoon:

The State of Colorado, Department of Natural Resources, Oil and Gas Conservation Commission ("COGCC") is undertaking a comprehensive study of the Fruitland Formation in the San Juan Basin, southwestern Colorado. This study is called the "3M Project" and will include the installation of ground water monitoring wells in the area between the outcrop of the Fruitland Formation and downdip gas production. Equipment will be used to measure water level and pressure in the monitoring wells. The monitoring wells will be drilled using standard water well drilling techniques.

COGCC would like to use an existing road on your property to access a ground water monitoring well location on an adjacent property. Once installed, the wells will be visited by COGCC, US BLM, and/or COGCC contractors on a routine basis of approximately one (1) time per month to check equipment, conduct necessary maintenance and download digital data from recorders. Access at these times will be by automobile, pickup truck or on foot. Should downhole equipment malfunction, it might be necessary to access the wells with a small, work-over drilling rig. The wells will be needed to monitor the Fruitland Formation for possibly 10 years or more.

For signing the agreement attached to this letter, which allows an access easement on your property, COGCC will pay you **\$10,000** prior to the drilling rig and associated equipment being driven across your property on the existing road.

Very truly yours,
Colorado Oil and Gas Conservation Commission Staff

Dorothy E. Baldwin
Environmental Supervisor

Agreement

By signing below, we agree to the following:

1. We agree to sign the attached Easement Agreement for payment to us of the amount of **\$10,000.00**. Payment will be made by COGCC prior to the drilling rig and associated equipment being driven across our property on the existing road.

Agreed to and accepted this 5th day of SEPTEMBER 2000.

Dr. Robert C. Magoon
Dr. Robert C. Magoon
Property Owner and Managing Partner

ACTION: C SCREEN: CLI2 USERID: \$DF30 10/30/00 09:02:54 AM
*** CONTRACT LOGGING INQUIRY TABLE ***

FY: 01 AGCY: PHA ROUT #: 00010 CNTR/PO: C TYPE: H2 TOTAL AMT: 10,000.00
START DATE: 10 30 00 END DATE: 09 01 10 OWNER: A ENC TOTAL: 10,000.00
HR AUTH: SEL METHD: X RFP/BID#: 0
CC/CM: N PROJ#: BILL#: PAGE: 0 AG BILL CODE: NR OG IJUC
VENDOR CODE: 265428085 MAGOON, ROBERT C ENTRY DATE: 09 11 00
PRGM CONTACT: PAULA NEAL PH: 303 894 2100 FAX: 303 894 2109

SQ	-DATE (MONTH/DAY)-	SENT	ERROR					
#	---AUTH----	RECV	REVV	SENT	TO	ACT	CODE	COMMENTS

PERSONNEL

1	PUR/ST BLDG	10 05	10 06	10 06	AG	A		MARSHALL/BOB
2	ATTRNY GNRL	10 06	10 11	10 12	DOCA	A		ROD WOLTHOFF
3	DOAC	10 12	10 30	10 30	AGCY	A		EASEMENT APPV RDB

01-*L031 ALL LINES CHANGED

OCT 31 3 17 PM '00
DEPARTMENT OF
NATURAL RESOURCES
ACCOUNTING



DEPARTMENT OF NATURAL RESOURCES

Bill Owens, Governor
1120 Lincoln St., Suite 801
Denver, CO 80203
Phone: (303) 894-2100
FAX: (303) 894-2109
www.oil-gas.state.co.us

November 2, 2000

Dr. Robert C. Magoon
Managing Partner
P.O. Box P3
Aspen, CO 81612

Dear Dr. Magoon:

Attached is a fully executed copy of the easement agreement between you and the Oil and Gas Conservation Commission.

Please feel free to call if you have any questions. Thank you.

Sincerely,

Paula Neal
Fiscal Manager

Enclosure

Neal, Paula

From: VanCleef, Maggie
Sent: Tuesday, October 03, 2000 2:29 PM
To: Neal, Paula
Subject: FW: Magoon Easement Fiscal rule waiver rt# 01-PHA-00010

-----Original Message-----

From: Goodnough, Robert
Sent: Tuesday, October 03, 2000 1:19 PM
To: VanCleef, Maggie
Subject: FW: Magoon Easement Fiscal rule waiver rt# 01-PHA-00010

here is Paula's waiver approval

Robert C. Goodnough
Controller
Department of Natural Resources
1313 Sherman St. Rm 423
Denver CO 80203
Phone: 303.866.2857
Fax: 303.866.3415
E-Mail: robert.goodnough@state.co.us

-----Original Message-----

From: Ivy, John [<mailto:john.ivy@state.co.us>]
Sent: Tuesday, October 03, 2000 8:53 AM
To: 'Goodnough, Robert'
Cc: 'VanCleef, Maggie'; Pyott, Jody
Subject: RE: Magoon Easement Fiscal rule waiver rt# 01-PHA-00010

Bob,

I have reviewed your request to waive State Fiscal Rule 3-1 and permit an advance payment to secure an access easement in the above referenced contract. Based on the information provided below, I am approving the waiver consistent with your request.

Should you have questions, please call.

John Ivy

State Controller's Office
303-866-3765 (phone)

303-866-4233 (fax)

-----Original Message-----

From: Goodnough, Robert [SMTP:Robert.Goodnough@state.co.us]
Sent: Monday, October 02, 2000 2:23 PM
To: 'john.ivy@state.co.us'
Cc: VanCleef, Maggie
Subject: FW: Magoon Easement Fiscal rule waiver rt# 01-PHA-00010

I have received this request for a waiver of the advance payment prohibition contained in Fiscal Rule 3.1 for the referenced access easment contract. As we have been seeing in most of our negotiations with landowners of access, the necessity of paying in advance has become a requirement in order to acquire this access. A similar easement agreement was just recently routed # 01-PHA-0009. As much as I don't like an advance payment that covers a span of ten (10) years, I have been assured by OGCC that the majority of the work of drilling monitoring wells and installing equipment will be done in the first year and access to the sites in subsequent years will be minimal.

I have read the contract and concur with the request. I am requesting your approval of the waiver.

Thank you for your consideration

Robert C. Goodnough
Controller
Department of Natural Resources
1313 Sherman St. Rm 423
Denver CO 80203
Phone: 303.866.2857
Fax: 303.866.3415
E-Mail: robert.goodnough@state.co.us

-----Original Message-----

From: Neal, Paula
Sent: Monday, September 18, 2000 1:17 PM
To: Goodnough, Robert
Cc: VanCleef, Maggie
Subject: FW: Magoon Easement

Please use this one - the first one I sent to you had a mistake in it.

Thanks!

-----Original Message-----

From: Neal, Paula
Sent: Monday, September 18, 2000 1:08 PM
To: Goodnough, Robert
Cc: VanCleef, Maggie
Subject: Magoon Easement

The Oil and Gas Conservation Commission is undertaking a study of
the

Fruitland Formation in the San Juan Basin (the 3M Project). The
study

will include the installation of ground water monitoring wells.

Some of

the monitoring wells will be drilled on private property, which
necessitates acquiring easement agreements with landowners.

We are requesting a waiver of the fiscal rule (3-1) regarding
advance

payment for the easement agreement between the OGCC and Robert C.
Magoon.

The OGCC would like to pay the landowner the \$10,000 agreed upon in
the

easement prior to the drilling rig and associated equipment being
driven

across the landowner's property.

There are several reasons for this request:

1. This easement is essential to the implementation of the 3M
Project.

The landowner is willing to enter into this easement agreement with
the

OGCC with the advance payment, and likely would not be willing to
without

the advance payment.

2. While the easement is over a 10 year period, most of the impact
to

the landowner happens during the first two weeks (during drilling)
when

contractors, drilling rigs, cement trucks, and large construction
equipment are moving across the property. It is customary in this

industry to make advance payments of this type.

3. There is a provision in the easement agreement that the easement transfers with the property should the owner decide to dispose of the property before the 10 years have passed.

Bob sent 9/27

Neal, Paula

From: Neal, Paula
Sent: Monday, September 18, 2000 1:08 PM
To: Goodnough, Robert
Cc: VanCleaf, Maggie
Subject: Magoon Easement

The Oil and Gas Conservation Commission is undertaking a study of the Fruitland Formation in the San Juan Basin (the 3M Project). The study will include the installation of ground water monitoring wells. Some of the monitoring wells will be drilled on private property, which necessitates acquiring easement agreements with landowners.

We are requesting a waiver of the fiscal rule (3-1) regarding advance payment for the easement agreement between the OGCC and Robert C. Magoon. The OGCC would like to pay the landowner the \$10,000 agreed upon in the easement prior to the drilling rig and associated equipment being driven across the landowner's property.

There are several reasons for this request:

1. This easement is essential to the implementation of the 3M Project. The landowner is willing to enter into this easement agreement with the OGCC with the advance payment, and likely would be willing to without the advance payment. not
2. While the easement is over a 10 year period, most of the impact to the landowner happens during the first two weeks (during drilling) when contractors, drilling rigs, cement trucks, and large construction equipment are moving across the property. It is customary in this industry to make advance payments of this type.
3. There is a provision in the easement agreement that the easement transfers with the property should the owner decide to dispose of the property before the 10 years have passed.