

SURFACE USAGE AGREEMENT

THIS AGREEMENT is made and entered into this 16th day of April, 1990 by and among the following parties:

1. Beebe Draw Farms, Ltd., a Colorado limited partnership ("Beebe");
2. Beebe Draw Farms and Equestrian Center Property Owners Association, a Colorado nonprofit corporation ("Association");
3. Amoco Production Company, a Delaware corporation ("Amoco"); and
4. Union Pacific Resources Company, a Delaware corporation ("UPRC").

RECITALS:

A. Beebe is the owner of all of the surface estate in all of Sections 9 and 17, the west 43 acres of Section 15 and all of Section 5 except for the NW₄NW₄, the NE₄NW₄ and the NW₄NE₄, all in Township 3 North, Range 65 West of the 6th Principal Meridian, Weld County, Colorado (the "described premises");

B. UPRC is the owner of the mineral estate in the described premises, portions of which are subject to an oil and gas lease or leases which UPRC has granted to Amoco and to Basin Exploration, Inc., ("Basin");

C. UPRC and Amoco are sometimes referred to herein together or individually, as applicable, as "Producer";

D. A Planned Unit Development ("PUD") affecting the described premises and adjacent property has been approved by Weld County as evidenced by instruments recorded on December 21, 1984 at Book 1053, Reception No. 1992773, on May 24, 1989 at Book 1233, Reception No. 2180622 and on May 24, 1989 at Book 1233, Reception No. 2180623 and the Corrected First Filing recorded on December 13, 1989 at Book 1251, Reception No. 0223074. The PUD provides for joint use of the described premises for both single-family residential use and for oil and gas production;

E. The Association will become the owner of all of the greenbelt areas within the described premises as such areas are designated in an existing recorded plat and as they may be designated in future recorded plats which include parts of the described premises, all as contemplated by the provisions of the PUD;

F. UPRC, Basin and Amoco, each has existing oil and gas production facilities in Sections 5 and 9 of the described premises, Basin and UPRC each has existing oil and gas production

facilities in the NE₄ of Section 17 of the described premises, and Producer has recently drilled a J Sands well in the NE₄ of Section 17 of the described premises;

G. UPRC or Champlin Petroleum Company, predecessor in name to UPRC, has entered into surface owners agreements ("SOA") with the applicable landowner for portions of the described premises as follows:

<u>Date of SOA</u>	<u>Premises covered</u>
August 23, 1978	Section 5: S ₂ , S ₂ N ₂ , NE ₄ NE ₄ Section 9: All
January 23, 1986	Section 17: NW ₄ NE ₄
May 2, 1989	Section 17: E ₂ NE ₄ , SW ₄ NE ₄

H. Contemporaneous with the execution of this Surface Usage Agreement, UPRC and the current owner of the surface estate shall enter into an SOA or SOAs which cover that portion of Section 15 which is included in the PUD and also the W₂ and the SE₄ of Section 17;

I. The parties are entering into this Surface Usage Agreement in order to set forth their agreement with respect to (i) the locations of future drilling sites on the described premises and access thereto; (ii) some of the operating standards and procedures which may be used by Producer in connection therewith so as to minimize interference with any residential development which may occur on the described premises; and (iii) the agreement by Beebe and the Association to waive surface damages in connection with future drilling and production activities by Producer on the described premises.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties agree as follows:

1. Access. Beebe and the Association agree that they shall provide access to Producer to all existing and future well sites and the necessary easements and rights to enter only at locations to be mutually agreed upon by the parties from time to time, subject to the following conditions which are hereby agreed upon by Producer:

A. If subdivision roads are designated by the parties for access by Producer,

(i) UPRC or Amoco, as applicable, shall promptly repair or cause to be repaired at its expense damage in connection with such use caused by it or its agents;

(ii) neither UPRC nor Amoco, as applicable, shall unreasonably interfere with the use of such subdivision roads by others at any time; likewise, neither Beebe nor the Association shall unreasonably interfere with the use of such subdivision roads by UPRC or Amoco at any time;

(iii) UPRC or Amoco, as applicable, shall adhere to speed limits established from time to time by Beebe, the Association and/or the Beebe Draw Metropolitan District (the "District"), the entity which will maintain such roads;

(iv) UPRC or Amoco, as applicable, shall use such subdivision roads or the temporary roads described in Section 1.B. herein, whichever applies, and shall not deviate from them; provided however, that in the event of any such deviation by either Amoco or UPRC, or any of their agents, UPRC or Amoco, as applicable, shall promptly repair the damage, if any, at its expense.

B. If temporary roads are designated by the parties for access by Producer,

(i) UPRC or Amoco, as applicable, shall install and maintain such roads at its expense; provided however, that in the event that either or both of Beebe and/or the Association also intend to use such temporary roads or do in fact use such temporary roads, all of the parties hereto which use the temporary road shall share in the expense to install and maintain it in proportion to the amount which each party uses the road;

(ii) UPRC or Amoco, as applicable, shall use such temporary roads or the subdivision roads described in Section 1.A. herein, whichever applies, and shall not deviate from them; provided however, that in the event of any such deviation by Amoco or UPRC, or any of their agents, UPRC or Amoco, as applicable, shall promptly repair the damage, if any, at its expense;

(iii) in the event that Beebe subsequently designates and installs a subdivision road as the access alternative to all or part of a temporary road as access to a particular drillsite location, UPRC or Amoco, as applicable, agrees that it shall use the subdivision road and that it shall restore the temporary road to as near to its original grade and state as is possible under the circumstances at its expense; provided however, that in

the event that Beebe and/or the Association were also using the temporary road, either or both of them, as applicable, shall also share in the costs to restore the temporary road in proportion to the extent to which each of them used it.

2. Well Locations. Producer agrees as follows in connection with drillsite locations on the described premises:

A. New drillsite locations shall be only those shown on the master plan which is attached hereto as Exhibit 1.

B. Producer shall have the right to directionally drill a well from a location both in the southwest half and in the northwest half of that part of Section 15 which is included in this Surface Usage Agreement; provided that such drillsite locations shall be mutually acceptable to the parties.

C. Amoco waives its rights to drillsite locations in the NW₄SW₄ of Section 5 and the NW₄SW₄ of Section 17 of the described premises.

D. Producer agrees to notify Beebe and the Association at least 40 days prior to the time that it intends to commence drilling a well. Producer shall cooperate with Beebe and the Association to establish a schedule in advance of the commencement of site work in order to minimize interference with development activities within the PUD.

E. Beebe and the Association acknowledge that Producer has provided them with the notice required herein in Section 2.D. with regard to the drilling by Producer of a well in the NE₄ of Section 17 and one in the NW₄ of Section 17 of the described premises.

F. Amoco and UPRC each agrees to provide to Beebe surveys of drillsites and gathering system pipelines owned by it which exist on the described premises and a list of production equipment located on each drillsite which it has in its possession within 60 days from the date that this Surface Usage Agreement is executed. Diagrams to scale of future drillsites and a list of facilities for future wells shall be provided to Beebe by UPRC or Amoco, as applicable, within 30 days after completion of a well.

G. No ground vibrating seismic equipment may be used other than within the sites designated in this Agreement in Exhibit 1 as future drillsites and within sites existing as of the date of this Agreement.

H. Each new drillsite location shall be 250' by 300' to be reduced at the discretion of Producer at the time that the well is completed; provided, however, that in the event and at any time upon reasonable notice to Beebe that Producer needs to conduct workover operations, Producer shall have the right to use as much of the original drillsite location as is necessary under the circumstances.

3. Batteries and Equipment. Producer agrees to comply with the provisions of Exhibit 2 attached hereto with respect to batteries and equipment for wells which it drills after the date of this Surface Usage Agreement.

4. Pipelines. Producer agrees as follows with respect to pipelines:

A. Pipelines to be installed in the future shall be permitted within the PUD only for gathering systems between the Producers' wells which are located on the described premises.

B. The location and installation of main transmission lines shall be the subject of a separate agreement among the appropriate parties.

C. Pipelines shall be located in greenbelt areas or platted utility easements. Beebe and the Association acknowledge and represent that roads have been built or that they intend to build roads at the locations indicated on the attached Exhibit 1. For pipelines which Producer installs in the future, it agrees to install such pipelines that will be located within thirty (30) feet of such roads at a surface depth of approximately sixty (60) inches from the future road elevation which will be furnished to Producer by Beebe promptly upon request. In the event that Beebe or the Association changes the location of a road from that reflected on Exhibit 1 so that Producer's pipeline is located within thirty (30) feet of such relocated road and is not at a minimum surface depth of approximately sixty (60) inches or such other depth as is satisfactory to Producer, Producer shall either move the pipeline to another location or lower it to a depth of approximately sixty (60) inches; provided however, that the cost of such work shall be borne by Beebe or the Association, as applicable. For pipelines which have been installed as of the date of this Agreement and which are located within thirty (30) feet of such roads designated in Exhibit 1 and are not currently at a minimum surface depth of approximately sixty (60) inches or such other depth as is satisfactory to Producer, Producer, in its discretion and at the time that a road is being built, shall either bury the pipeline to a surface depth of approximately sixty (60) inches or other depth satisfactory to Producer or relocate it and Beebe or the Association, as applicable, and Amoco or UPRC,

as applicable, shall share the expense equally; provided however, the work shall be performed by Producer. Notwithstanding anything in this paragraph to the contrary, the provisions of this paragraph numbered 4 shall apply to pipelines only and shall not apply to flowlines which are defined to be those lines which carry hydrocarbons from the wellhead to the production unit within the drillsite; provided further, however, Beebe and the Association agree that neither of them shall require UPRC to relocate the flowline that is owned by UPRC and located in Section 15 or to bury it deeper.

5. Other Agreements of Producer. Producer further agrees as follows:

A. Amoco or UPRC, as applicable, shall promptly remove all drilling mud from the described premises at its expense upon completion of the applicable drilling unless otherwise agreed to in writing with Beebe.

B. Amoco or UPRC, as applicable, shall restore the drillsite to as close to its original grade and state as is possible under the circumstances upon completion of drilling.

C. All areas which after the date of this Surface Usage Agreement are disturbed by Producer, including areas affected by construction of wells (insofar only as such area is not being used following drilling and completion activities), the abandonment of facilities, temporary roads and the installation of pipelines, shall be reseeded by Producer with a native grass seed mix which is mutually acceptable to the parties as soon as practicable and shall be subsequently reseeded by Producer if reasonably required and at the request of Beebe or the Association in order to get a satisfactory native grass covering.

6. Waiver of Surface Damages. In consideration of Producers' agreements contained herein and its compliance with such agreements, Beebe and the Association hereby agree that they shall not be entitled to any surface damage payments as a result of operations by Producer under and upon the described premises, except for damages that are awarded by a court for a negligence, willful misconduct, pollution, or strict liability claim. Notwithstanding anything to the contrary contained herein, the foregoing agreement by Beebe and the Association is prospective only and does not apply to the drilling of those wells which have been drilled on the described premises as of the date of this Surface Usage Agreement; provided, however, this Surface Usage Agreement does apply to the J Sands well which Producer has drilled in the NE₄ of Section 17 and the one that it intends to drill in the NW₄ of Section 17.

7. Binding Effect. Except as provided in paragraph numbered 8 herein, the agreement of all of the parties included herein shall be binding upon their successors and assigns, and the agreement of Producer included herein shall be binding upon its licensees, lessees and sublessees.

8. Basin Leases. Beebe, the Association and UPRC acknowledge and understand that UPRC, as lessor, has entered into certain oil and gas leases with Basin, as lessee, (the "Basin Leases") which include portions of the described premises. Beebe, the Association and UPRC all agree that the terms and provisions of this Surface Usage Agreement do not apply to the oil and gas operations and activities of either Basin or of any of its licensees, assignees or sublessees, which operations and activities are conducted pursuant to the Basin Leases, and Beebe acknowledges that it intends to enter into a separate surface damages agreement or agreements with Basin for any wells which Basin proposes to drill pursuant to the Basin Leases on the described premises in the future.

9. Benefit. The provisions of this Surface Usage Agreement shall inure to the benefit of the parties and to their successors and assigns. The provisions of this Agreement are also intended to benefit the District, which shall have the right to enforce the provisions hereof against Producer, or its successors and assigns, as the interests of the District may warrant.

10. Term. Except as set forth in this paragraph numbered 10, this Surface Usage Agreement shall remain in full force and effect for a period of 10 years from the date that it is executed, and it shall continue in effect thereafter so long as Producer has the right to conduct oil and gas exploration activities on the described premises. Notwithstanding the foregoing, this Surface Usage Agreement shall automatically terminate and shall have no further force and effect three years from the date of this Agreement in the event that Beebe does not obtain financing and commence substantial development work within the PUD prior to the end of such three year period. For the purposes of the preceding sentence, substantial development work will be deemed to have occurred if an aggregate of at least one million dollars (\$1,000,000) has been spent by Beebe and/or the District for the actual installation (subsequent to the date of this Agreement) of roads within the PUD, County access roads, utilities and/or amenities. Furthermore, this Surface Usage Agreement shall automatically terminate to the extent and at the time that all or portions of the described premises are sold or are otherwise transferred to a person or entity which will not develop the portions of the described premises over which it has control substantially in accordance with the PUD plan reflected in Exhibit 1 to this Surface Usage Agreement. Finally, any portions of the described premises which have not been platted and any portions of the described premises for which a separate plat has been filed but

within which no lot has been sold to a bona fide purchaser in an arms length sale shall no longer be subject to this Surface Usage Agreement (a) upon the expiration of 10 years from the date of this Agreement, or (b) at such time as any dissolution, insolvency or bankruptcy of the owner of the unsold lots in the PUD or any foreclosure sale with respect to such lots results in the ceasing of sale and development activities within the PUD for a period of six consecutive months.

11. Release. In the event that all or portions of the described premises are no longer subject to this Surface Usage Agreement, all parties agree that they shall execute a release or releases which describe those portions of the described premises which are no longer subject to this Agreement and, provided that this Agreement has been recorded with the County Clerk of Weld County, which any party hereto may record in the records of the Weld County Clerk and Recorder's office.

12. Several Liability. Except as may be otherwise agreed upon by separate agreement among themselves, the liability of Amoco and UPRC to Beebe or the Association to perform the obligations of Producer under this Surface Usage Agreement is several and individual only and not joint or collective.

13. Costs. In the event of litigation between the parties relating to the subject matter hereof, the prevailing party shall be entitled to recover its reasonable attorneys' fees.

14. Incorporation of Exhibits. Exhibits 1 and 2 are incorporated into this Surface Usage Agreement by this reference.

15. Notices. Any notice or other communication required or permitted under this Surface Usage Agreement shall be sufficient if deposited in U.S. Mail, postage prepaid, addressed as follows:

Beebe Draw Farms, Ltd.
1551 Larimer Street
Suite 2706
Denver, Colorado 80202

Beebe Draw Farms and Equestrian Center Property
Owners Association
1551 Larimer Street
Suite 2706
Denver, Colorado 80202

Amoco Production Company
Attention: Regional Attorney
1670 Broadway
Denver, CO 80202

Union Pacific Resources Company
P.O. Box 7
Fort Worth, TX 76101-0007

16. Notice of Lease, Farmout or Assignment. This Surface Usage Agreement and the described premises may be leased, sold or assigned by Amoco or UPRC in accordance with each of their legal rights and obligations; provided however, that from and after the date of this Surface Usage Agreement, in the event that Amoco or UPRC leases, sells, farms out or assigns any of its interests in any of the described premises, it shall notify Beebe as soon as is practicable under the circumstances of such lease, sale, farmout or assignment.

✓17. Governing Law. The validity, interpretation and performance of this Surface Usage Agreement shall be governed and construed in accordance with the laws of the State of Colorado.

✓18. Entire Agreement. This Surface Usage Agreement sets forth the entire understanding between the parties hereto and supersedes any previous communications, representations or agreements, whether oral or written. No change of any of the terms or conditions herein shall be valid or binding on any party unless in writing and signed by an authorized representative of each party. There are no understandings, agreements, representations or warranties, express or implied, that are not specified terms or conditions herein.

19. Conflicts. In the event of a conflict between the provisions of this Agreement and the provisions of an SOA, the provisions of this Agreement shall control with respect to the matter as to which there is a conflict.

✓20. Recording. This Surface Usage Agreement may be recorded by any party only after the time and in the event that this Agreement continues in effect three years from the effective date in accordance with paragraph numbered 10. At such time as this Agreement is recorded, the party which has recorded it shall provide the other parties with a copy showing the recording information as soon as is practicable thereafter.

✓21. OGCC Rule. This Surface Usage Agreement shall constitute the agreement for surface damages described in Colorado Oil and Gas Conservation Commission Rule 304(b) for all wells to be drilled on the described premises.

✓22. Effective Date. This Surface Usage Agreement is effective on the date of the last signature.

IN WITNESS WHEREOF, the undersigned parties have caused this Surface Usage Agreement to be executed by an authorized representative on the day and year written above.

BEEBE DRAW FARMS, LTD.,
a Colorado limited partnership

Date: _____

By 
Morris Burk, General Partner

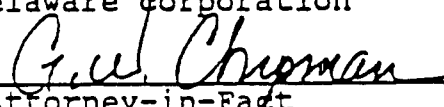

BEEBE DRAW FARMS AND EQUESTRIAN
CENTER PROPERTY OWNERS ASSOCIATION,
a Colorado non-profit corporation

Date: _____

By 
President


AMOCO PRODUCTION COMPANY,
a Delaware corporation

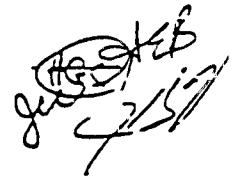
Date: _____

By  
Attorney-in-Fact

UNION PACIFIC RESOURCES COMPANY,
a Delaware corporation

Date: _____

By 
Attorney-in-Fact


JEB
7/5/97

ACKNOWLEDGEMENTS

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

The foregoing instrument was acknowledged before me this 16th
day of April, 1990, by Morris Burk as General Partner of
BEEBE DRAW FARMS, LTD., a Colorado limited partnership.

Witness my hand and official seal.

Stephanie Boyer
Notary Public

Address: 1670 Broadway
Denver, CO 80201

My Commission Expires: 12/1/1992

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

The foregoing instrument was acknowledged before me this 16th
day of April, 1990, by Morris Burk as
President of BEEBE DRAW FARMS AND EQUESTRIAN CENTER PROPERTY OWNERS
ASSOCIATION, a Colorado non-profit corporation.

Witness my hand and official seal.

Stephanie Boyer
Notary

Address: 1670 Broadway
Denver, CO 80201

My Commission Expires: 12/1/1992

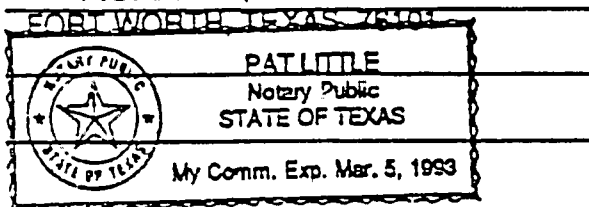
STATE OF TEXAS)
COUNTY OF San Antonio) ss.

The foregoing instrument was acknowledged before me this 16th
day of April, 1990, by R.A. See as
Attorney-in-Fact of UNION PACIFIC RESOURCES COMPANY, a Delaware
corporation.

Witness my hand and official seal.

Pat Little
Notary
UNION PACIFIC RESOURCES CO.

Address: P.O. BOX 7, MS-3903



My Commission Expires:

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

The foregoing instrument was acknowledged before me this 16th
day of April, 1990, by G.W. Chism as
Attorney-in-Fact of AMOCO PRODUCTION COMPANY, a Delaware
corporation.

Witness my hand and official seal.

Stephanie Boyer
Notary

Address: 1676 Broadway
Denver, CO 80201

My Commission Expires: 12/1/1992

EXHIBIT 2

Conditions and Procedures for
Batteries and Other Equipment for New Well Locations

1. Battery Locations

- a) Locate batteries for future well sites as indicated on Exhibit 1.
- b) Amoco shall connect multiple wells to each future tank battery in accordance with Exhibit 1, provided that, Beebe pays to Amoco all costs which Amoco will incur because it connects two or more wells to individual tank batteries at a single site and which it would not have incurred had it located a battery at each well; provided further, however, that Amoco and/or UPRC, as applicable, shall in all cases connect each J Sands well to a separate battery.
- c) Notwithstanding anything in this Surface Usage Agreement to the contrary, all parties acknowledge and understand that there are multiple oil and/or gas producing formations in the described premises. In recognition of this fact, Producer agrees that, in the future, it shall drill oil and/or gas wells only at those drillsite locations which are reflected on Exhibit 1; provided, however, Beebe and the Association acknowledge and understand that Producer has the right to locate more than one well on any drillsite location and that, in the event that it drills more than one well at a drillsite location, Producer also has the right to locate within the drillsite location a battery and related equipment for each additional well.

2. Tanks

- a) To be either horizontal or, in the event, a tank is upright, to be a group of two tanks for a well and each tank to be no higher than approximately 5 feet.
- b) In the event that the tank is horizontal, the site at each tank location to have the grade lowered for the bottom of tanks or skids as much as possible below existing grade, but in any event to a maximum of 24 inches. In the event that the tanks are approximately 5 feet high, no lowering of grade is required.
- c) The site around each tank location to be bermed up approximately 2 feet around the tank so as to reduce the exposed tank profile above the surrounding grade. Beebe shall plant shrubs on the outside slope of the berms.

3. Lavout of Equipment

- a) Producer shall consult with Beebe with regard to the direction (axis in relation to the well) of the equipment to be installed at each site and, to the extent possible, Producer and Beebe shall reasonably agree upon the direction.
- b) Other equipment shall be kept as close to the well location as is feasible to conduct oil and gas drilling and production activities (in accordance with Colorado Oil and Gas Conservation Commission Rules and Regulations) for the purpose of reducing the distance from the nearest oil and gas facility on the drillsite to the potential homesite, but nevertheless in compliance with the 300 foot building set back requirement.
- c) The vent line overhead piping shall not extend beyond the diameter of the tank. The stairs shall be kept within the face of the tank profile.

4. Color of Equipment

All tanks, piping and any other equipment installed by Producer shall be painted one of the following colors: "Blm Desert Tan" or "Desert Sand" of Midland Dexter Co., Product #1703-A69 or any equal which matches either color.

5. Lift Equipment for Production

- a) At such time as artificial lift is necessary to produce the well adequately, Producer may install and maintain a plunger lift or a low profile rod pumping unit at the wellhead or such other equipment that minimizes visual impairment.
- b) If machines have to be used, they will be equipped with mufflers to minimize noise.
- c) Tin sheds shall not be installed over equipment unless they are of minimum size and are painted in a color described in paragraph numbered 4.

6. Well Site Fencing and Buffering

- a) Sites shall be fenced by Producer using 3 strand wire fence if requested by Beebe or the Association.
- b) Buffering of well sites with decorative fencing and/or landscaping may be installed by Beebe or the Association at any well site in consultation with Producer. Adequate

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space for pickup and tank truck access will be maintained. Adequate space for reworking operations will be provided as needed. Any landscaping that is installed so that it blocks proper access for reworking a well by Producer will be promptly removed by Beebe when notified by Producer that reworking is to start and may be replaced by Beebe or the Association at the completion of reworking operations at the expense of Beebe or the Association.