

MASTER SURFACE DAMAGE AGREEMENT

THIS AGREEMENT, dated effective this 26th day of January 2005 is made by and between, Cannon Land Company ("Cannon") whose address is 3575 Cherry Creek North Drive, 2nd Floor, Denver, CO 80209, herein called "OWNER," and EnCana Oil & Gas (USA) Inc., 370 17th Street, Suite 261700, Denver, CO 80202, herein called "EnCana":

WHEREAS, OWNER represents that it is the surface owner and is in possession of an interest in part or all of the surface estate for the following described lands in Weld County, Colorado, said land herein called "LANDS", to wit:

TOWNSHIP 2 NORTH RANGE 66 WEST, 6TH P.M.

Section 2: All
Section 4: S/2
Section 8: NE/4
Section 9: N/2
Section 10: N/2NW/4, E/2
Section 19: The north 40 rods of the W/2NE/4

WHEREAS, EnCana has or will acquire certain leasehold interests in the oil and gas mineral estate in the LANDS and proposes to conduct or has already conducted drilling and subsequent production operations on the LANDS; and

WHEREAS, OWNER and EnCana or its predecessors in interest have entered into several prior separate Surface Damage Agreements covering part of the LANDS, and it is the desire of OWNER and EnCana to enter into one master agreement which shall supersede and replace all prior agreements; and

WHEREAS, OWNER and EnCana desire to minimize any surface damage to the LANDS and to reach agreement regarding such surface damage.

NOW, THEREFORE, in consideration of ten dollars and other valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Prior to commencement of future drilling operations on said lands, EnCana shall pay OWNER the following sum as full settlement and satisfaction of all damages growing out of, incident to, or in connection with the usual and customary exploration, drilling, completion, equipping and production operations, unless otherwise specifically provided herein:

 for each wellsite located on the LANDS in which OWNER owns the entire surface estate. The foregoing payment is also for use of the LANDS for road purposes, production facilities, pipelines, flowlines or other necessary facilities, all supporting the wellsites. This payment shall be adjusted after January 1, 2006 to an amount equal to payments made by oil and gas operators in the general vicinity of the LANDS in accordance with good industry practice on similar lands at the time of drilling. OWNER acknowledges that all prior consideration tendered to OWNER or its predecessors in interest by EnCana or its predecessors in interest was paid in full settlement and satisfaction of all damages resulting from the drilling, completion, equipping and production operations of wells drilled on the LANDS prior to the date of this Agreement. This provision is not intended to address damages to crops or pasture lands caused by EnCana's future operations in existing wellbores, which shall be negotiated on a case-by-case basis.

If, by reasons directly resulting from the operations of EnCana, there is damage to real or personal property upon the LANDS which is not associated with usual and customary operations, such as (but not limited to) damage to livestock, crops, pasture, structures, buildings, fences, culverts, cement ditches, irrigation systems and natural water ways, such damage will be repaired or replaced by EnCana, or EnCana will pay reasonable compensation to OWNER for such additional damage.

2. If requested by OWNER, prior to heavy equipment operations on each wellsite, EnCana's representative will meet and consult with OWNER (or OWNER's representative) as to the location of the wellsite, access roads, flowlines, tank batteries and other associated production facilities. In conducting operations on the LANDS, EnCana shall:

- A. Limit the size of each wellsite to approximately 300 feet by 300 feet during any drilling, completion, recompletion or workover operations and each wellsite shall be no more than ¼ acre in size during other periods. The area required for any tank battery location associated with each wellsite 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 road to each well head and tank battery location shall be limited to 15 feet in width.
- B. Separate the top soil at the time of excavation of pits so that the topsoil and subsurface soil be placed back in proper order as nearly as possible.
- C. Reclaim the wellsite as nearly as practicable to its original condition and if the locations are in pasture, reseed until the location is established with native grasses. 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.
- D. Use its best efforts to keep the well and battery sites free of weeds and debris.

3. EnCana shall indemnify OWNER and hold OWNER harmless from and against any and all environmental damages or all claims if such arise out of EnCana's operations.

4. OWNER agrees to waive the minimum thirty-day written notice requirement described in the Notice Letter provided by EnCana to OWNER when it initially gave notice of its intent to drill on the LANDS.

5. EnCana agrees to negotiate in good faith any crossings of pipelines and flowlines requested by OWNER and related to Cannon's activities on the LANDS. Any such crossings will be marked at the surface with appropriate stakings.

6. This agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties, and may be executed in counterparts.

OWNER:

CANNON LAND COMPANY

By: 


ENCANA OIL & GAS (USA) INC.


