

SUA

# AGREEMENT

THIS AGREEMENT is made and entered into this 31st day of December, 1992, effective, however, for all purposes as of June 1st, 1992, by and between GUTTERSEN & COMPANY, a Colorado Limited Partnership, with an address of P. O. Box 528, Kersey, Colorado 80644 ("Guttersen") and GERRITY OIL & GAS CORPORATION, a Delaware corporation, with an address of 4100 E. Mississippi Ave., #1200, Denver, Colorado 80222 ("Gerrity").

## RECITALS:

A. Guttersen owns the Guttersen Ranch, which is more fully described on Parts 1 and 2 of Exhibit A attached hereto and made a part hereof.

B. Gerrity owns and may hereafter own one or more oil and gas leases from the State of Colorado or others that cover or include lands within the Guttersen Ranch.

C. Guttersen and Gerrity have agreed upon the terms of this Agreement pursuant to which Gerrity will be provided access to all drillsites owned by it on the Guttersen Ranch and pursuant to which operations to be conducted by Gerrity on the Guttersen Ranch are to be governed.

NOW, THEREFORE, in consideration of the terms of this Agreement, to include the mutual covenants contained herein, and for other good and valuable consideration, the

receipt and sufficiency of which is hereby confessed and acknowledged, Gerrity and Guttersen agree as follows:

1. Surface Payment. Gerrity hereby agrees to pay Guttersen Dollars for each well drilled by or for Gerrity on the lands described on Part 1 of Exhibit A ("Guttersen Owned Fee"). The payment, to be made by Gerrity on or before the date actual drilling operations are commenced for a particular well, constitutes the full and entire consideration to be paid by Gerrity for all reasonable and normal damages to and use of the surface of each location drilled on Guttersen Owned Fee associated with the drilling, reworking, recompletion (not involving additional reserve pits), testing, completion, operation, equipping and maintenance of each well and wellsite drilled on Guttersen Owned Fee. Such reasonable and normal damages shall include, but are not limited to, removal of growing crops, sod, damage to cropland, rangeland, pastureland, construction of access roads, preparation and use of drillsite area, preparation and use of reserve pits, and the 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, gas and other materials produced by or used for production of wells drilled on Guttersen Owned Fee. With respect the 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, gas and other materials produced by or used for production from Guttersen Owned

Fee, Gerrity may exercise the rights granted by this Agreement at any time and from time to time without further or additional consideration being payable to Gutteresen.

In addition, the payment being made pursuant to this Paragraph 1 shall constitute consideration for access to, from, over and across the Gutteresen Ranch to the surface of all lands now owned by the State of Colorado and leased to Gutteresen (which are described on Part 2 of Exhibit A) where the minerals are owned by the State of Colorado whether or not Gutteresen continues to own a surface lease covering those lands and to the lands described on Part 3 of Exhibit A, which are currently under contract to be sold to Waste Services Development Corporation ("WSDC") dated September 23, 1991 (the "Contract"). Should WSDC or its successors and assigns fail to acquire the lands described on Part 3 of Exhibit A pursuant to the Contract as the same may be modified or amended, those lands shall be deemed to be Gutteresen's Owned Fee for all of the purposes of this Agreement.

For the same consideration, Gutteresen agrees to be responsible, fully and completely, for the revegetation of all drillsites. Specifically, it shall be Gerrity's responsibility to fulfill the obligations of Paragraph 3d and to backfill or cause to be backfilled the reserve pits, to include drilling mud and cuttings therein, and after the pits have been backfilled by Gerrity, any revegetation of the drillsite shall be the sole and exclusive responsibility of Gutteresen. Gutteresen and Gerrity agree that, to minimize potential damage to the surface of the Gutteresen Ranch and to facilitate Gerrity's operations on the Gutteresen Ranch,

drilling mud can be spread on roads and drillsite locations, if and as may be agreed by Gutttersen and Gerrity. Absent such agreement, all drilling mud and cuttings shall remain in the pits and shall be backfilled by Gerrity provided that no material may remain that would otherwise constitute an unlawful disposal of toxic or hazardous materials or materials that otherwise require special disposal but for this Agreement.

For the same consideration, Gutttersen agrees that all wells drilled on the Gutttersen Ranch may be connected to the gathering system of Associated Natural Gas, Inc. ("ANGI") or such other gas gatherer as Gerrity may designate in writing, all in the ordinary course of business of ANGI or such other gas gatherer and Gerrity. Such connections shall be made by ANGI or such other gatherer subject only to good faith negotiations with Gutttersen relating to easements, surface damage, gas compression facilities and related gas gathering issues. Issues related to the subject matter of this Agreement shall remain separate and distinct from the connection of wells drilled by or for Gerrity on the Gutttersen Ranch to the gas gathering system of ANGI or other gas gatherer.

2. Consultation. In exercising its access rights to locations on the Gutttersen Ranch, Gerrity shall, in each case, conduct good faith consultations with Gutttersen as to the access routes to each well to be drilled on the Gutttersen Ranch. The parties agree that the consultation for each well to be drilled on the Gutttersen Ranch will be conducted not less than seven (7) days prior to the rig move scheduled for the well and that existing ranch roads will be utilized to the maximum degree practical and said roads will be

maintained by Gerrity. The maintenance obligation of Gerrity is to assure that there is no degradation or material decline in road quality or utility by reason of Gerrity's operations. The parties will mutually agree from time to time as to any maintenance that may be necessary. Additional roads constructed on the Guttersen Ranch will be constructed at the cost and expense of Gerrity at the locations agreed upon by Gerrity and Guttersen. Such additional roads shall be constructed to specifications agreed upon by Gerrity and Guttersen and the same will be maintained by Gerrity at its expense as necessary for its level of activity for a particular road as that level of activity may change from time to time. If Guttersen elects to maintain such additional roads beyond the level necessary for Gerrity's operations, the cost shall be borne by Guttersen.

The parties agree that the good faith consultation provided for pursuant to this Paragraph 2 shall include consultation regarding well locations and the location of production equipment, to include flowlines, provided, however, that Gerrity shall have the final decision-making authority with respect to those matters subject to compliance with the laws of the State of Colorado and regulations promulgated pursuant thereto as the same may from time to time be amended. Gerrity hereby agrees to locate all wells drilled by it on the Guttersen Ranch at legal locations as prescribed by the rules and regulations of the Oil and Gas Conservation Commission of the State of Colorado and/or at exception locations approved by the Oil and Gas Conservation Commission. Guttersen agrees to support any application of Gerrity for exception locations for wells drilled on the Guttersen Ranch when such locations are agreeable to Guttersen.

Guttersen and Gerrity acknowledge that close consultation is necessary with respect to the location of access roads as contemplated by this Agreement and other aspects of this Agreement and in order to facilitate the consultation, Guttersen and Gerrity agree that it is essential to provide for one person from Guttersen and one person from Gerrity to conduct the consultations. Art Guttersen is hereby appointed as the representative of Guttersen and Tom Majors is hereby appointed as the representative of Gerrity. Mr. Majors and Mr. Guttersen will use their best efforts to implement the provisions of this Agreement and dedicate the time and resources required to implement the terms hereof. Telephone numbers for Mr. Guttersen and Mr. Majors are as follows:

Art Guttersen:

Phone: 284-7777  
Mobile: 395-7777  
Fax: 284-5256  
Home: 284-7777

Tom Majors:

Phone: 353-3657  
Mobile: 789-7246 + 1722  
Fax: 939-8838  
Home: 532-3136

The designated representatives may be replaced by giving written notice of the name of the new representative.

3. Site Restoration.

a. With respect to the restoration of drillsites and surface disruption for each well drilled on Gutttersen Owned Fee, Gerrity will backfill the drillsite location to the level existing prior to operations. All such revegetation activities shall be accomplished at the sole cost and expense of Gutttersen.

b. Gutttersen hereby indemnifies Gerrity from the cost and expense of such revegetation to include attorneys' fees and other costs incurred by Gerrity in connection with any matter dealing with site revegetation issues and acknowledges that site revegetation is the exclusive responsibility of Gutttersen. When requested, Gutttersen shall cooperate with Gerrity for the release of any bonds to secure the performance by Gerrity of site restoration obligations now posted or hereafter posted by Gerrity with respect to Gutttersen Owned Fee. When requested, Gutttersen will notify the Oil and Gas Conservation Commission of the State of Colorado of its obligations with respect to restoration of drillsites on Gutttersen Owned Fee.

c. Gerrity hereby acknowledges that with respect to the lands described on Exhibit A, Parts 2 and 3 (assuming the Part 3 lands are sold to WSDC pursuant to the

Contract), that it retains the site restoration responsibility and that it shall comply with the applicable regulations of the Oil and Gas Conservation Commission of the State of Colorado as those regulations are now enacted or as the same may be amended from time to time. Gerrity hereby indemnifies Gutttersen from the cost and expense of such restoration to include attorneys' fees and other costs incurred by Gutttersen in connection with any matter dealing with site restoration issues for the lands described on Exhibit A, Parts 2 and 3 (assuming the Part 3 lands are sold to WSDC).

d. Notwithstanding the foregoing, within seven (7) days of rig release for a particular well drilled on Gutttersen Owned Fee, Gerrity will backfill all mouseholes, rat holes and working pits. Within one hundred twenty (120) days of rig release for a particular well, Gerrity will backfill reserve pits for that well unless otherwise agreed by Gutttersen and Gerrity. If requested by Gutttersen, Gerrity will use its best efforts to backfill pits earlier if the area covered by the pit is necessary for the normal and usual operation of the Gutttersen Ranch.

4. Livestock Control. All mudpits will be fenced at the cost and expense of Gerrity as needed to protect cattle from access to the pits and other reasonable protection measures to protect livestock from injury due to Gerrity's wellsite locations and operations will be utilized, provided, however, that in lieu of fencing pits, Gerrity may, with the concurrence of Gutttersen, construct a larger wellsite with more gradual slopes for the main pit area so that any livestock accessing the pit would be able to walk out of the pit.



Livestock control measures include, but should not be limited to, the installation and maintenance by Gerrity of cattle guards and/or fences as may be agreed upon and as may be necessary to control livestock movement on the Gutttersen Ranch consistent with the normal and usual operation of the Gutttersen Ranch by Gutttersen taking into account the operations of Gerrity. Cattle guards installed by Gerrity will be maintained by Gerrity as needed to maintain effectiveness during Gerrity's operations and, thereafter, cattle guards shall be maintained by Gutttersen.

At the conclusion of drilling and completion operations for wells drilled on the Gutttersen Ranch, Gerrity and Gutttersen shall agree on permanent access control measures such as locked gates, signage and such other control measures as may be agreed.

5. Gerrity Subcontractors. Gutttersen acknowledges that Gerrity utilizes the services of Powers Elevation, Jim's Water Service, various drilling contractors, various well completion service companies and others to drill, complete and operate wells for Gerrity. Gutttersen also realizes that the services provided by those subcontractors is being provided to Gerrity on an independent contractor basis. Notwithstanding the independent contractor relationship between Gerrity and its subcontractors, Gerrity hereby agrees to use good faith efforts to control the activities of the subcontractors while on the Gutttersen Ranch so as to minimize disruption, to the degree practical, to the operation of the Gutttersen Ranch and to minimize, to the degree practical, unacceptable behavior by the independent contractors.

To the extent that employees of Gerrity's subcontractors engage in unacceptable conduct on the Guttersen Ranch, such as driving at speeds that pose an imminent danger to life, property, including livestock, or other unacceptable or rude behavior to Guttersen and/or its employees, Guttersen may notify Gerrity thereof, which notice shall describe in detail the nature of the conduct complained of and the identity of the individual(s) involved, if known. Promptly, Gerrity shall investigate the basis of the complaint and take such remedial measures as may be warranted under the circumstances and Gerrity shall notify Guttersen, to the extent it is aware of such information, of the identity of the person engaged in unacceptable conduct and the resolution thereof. If the individual has been identified and if there is a reasonable basis for the complaint by Guttersen, any repeat of such conduct by that individual will result in that individual being barred from the Guttersen Ranch during the operations of Gerrity. Gerrity agrees to notify the employer of any such individual that the individual is not to return to the Guttersen Ranch for the reasons underlying the complaint.

6. Default. Should either party default on any of the obligations set forth herein, that party (the non-defaulting party) may give the other party (the defaulting party) written notice specifying in reasonable detail the nature of the default claimed. The defaulting party shall have thirty (30) days within which to cure or commence action, which if diligently pursued, would cure the alleged default, or to contest the existence of the alleged default.

Should the defaulting party fail to cure the default within such thirty (30) day period or fail to commence action within that period, which if diligently pursued, would cure the default or contest the existence of the default, the non-defaulting party may terminate this Agreement by giving written notice of such termination, which termination shall be effective at the time the notice is deemed received by the defaulting party pursuant to Paragraph 8 below. The non-defaulting party may seek to have the obligations of the defaulting party specifically enforced or may seek damages to ensure that the benefits of this Agreement are not lost to the non-defaulting party by the default of the defaulting party of its obligations hereunder.

If the defaulting party contests the existence of the alleged default, the defaulting party shall have thirty (30) days from the date that the existence the default is finally determined to exist by a court of competent jurisdiction or by the agreement of the parties within which to commence action, which if diligently pursued, would cure the alleged default provided that this sentence shall not release a party from compliance with court orders or judgments as appropriate during such 30-day period. If any such default is not cured, the non-defaulting party may seek to have the obligations of the defaulting party specifically enforced or may seek damages to ensure that the benefits of this Agreement are not lost to the non-defaulting party by the default of the defaulting party of its obligations hereunder.

Should this Agreement be terminated by Guttersen pursuant to the terms of this Paragraph 6, Gerrity may continue to access all wells drilled on or prior to the date of termination by means of the roads then used as access to those wells. Further, should Gerrity contest the effectiveness of the termination in a court of competent jurisdiction within thirty (30) days of the effective date of the termination as set forth herein, this Agreement shall remain in full force and effect for all wells drilled prior to the receipt of the notice until the effectiveness of the termination by Guttersen has been finally judicially determined by a court of competent jurisdiction provided, however, that any such claim by Gerrity that the termination was not effective due to the acts or omissions of Guttersen be made in good faith. It shall be a conclusive determination that such claim was not made in good faith should a court of competent jurisdiction conclude that the maintenance or defense of any such action by Gerrity was groundless and frivolous.

7. Ratification of Oil and Gas Leases. Guttersen, for itself and its successors and assigns, hereby ratifies, adopts, and confirms, and by these presents does hereby lease and let unto Gerrity those portions of the following described oil and gas leases now owned or hereafter acquired by Gerrity and do hereby further confirm that the same are in full force and effect as of the date hereof, subject to the terms hereof:

L.F. Ranch Lease: Dated July 2, 1964, recorded in Book 518, Reception No. 1440221 from L. F. Ranch Co. to Mel C. Bedinger.

Two E Ranches Lease: Dated August 11, 1964, recorded in Book 523, Reception No. 1444837 from Two E Ranches, Inc. to Mel C. Bedinger.

Guttersen and Gerrity agree that this Agreement governs only the subject matter hereof and that this Agreement is not intended to amend, modify or otherwise alter in any way any term or condition of the leases unless specifically provided herein.

8. Miscellaneous.

a. All notices and communications required or permitted under this Agreement shall be in writing and addressed as set forth below. Any communication or delivery hereunder shall be deemed to have been duly made and the receiving party charged with notice (i) is personally delivered, when received, (ii) if sent by telefax, when receipt of the fax by the party to whom the fax was sent has been electronically confirmed, (iii) if mailed, three business days after mailing, certified mail, return receipt requested, or (iv) if sent by overnight courier, one day after sending. All notices shall be addressed as follows:

IF TO GUTTERSEN:

Guttersen & Company

P.O. Box 528

Kersey, CO 80644

ATTN: Art Gutttersen

Telephone: 284-7777

Telefax: 284-5256

Home Telephone:

With a copy to:

Stow L. Witwer, Jr., Esq.

Affiliated National Bank Bldg., #760

Greeley, Colorado 80631

Telephone: 623-4128

Telefax: 352-3165

IF TO GERRITY:

Gerrity Oil & Gas Corporation

1476 42nd Street

Evans, CO 80620

ATTN: Tom Majors

Telephone: 939-8585

Telefax: 939-8838

Home Telephone:

With a copy to:

David W. Siple, Land Manager

Gerrity Oil & Gas Corporation

4100 E. Mississippi Ave., #1200

Denver, CO 80222

Telephone: 757-1110

Telefax: 757-5014

The parties agree that the giving of notice to Mr. Witwer and Mr. Siple shall not constitute notices for the purposes of this Paragraph 8.a.

b. This Agreement and the transactions contemplated thereby shall be construed in accordance with and governed by the laws of the State of Colorado. The parties hereby submit themselves to the exclusive jurisdiction of the courts of the State of Colorado and to venue in the District Court for the First Judicial District of Colorado or the District Court of the Nineteenth District of Colorado for resolution of any disputes hereunder.


c. This Agreement may not be amended or any rights hereunder waived except by instrument in writing signed by the party to be charged with such amendment or waiver and delivered by such party to the party claiming the benefit of any such amendment or waiver.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the date and year first above written.

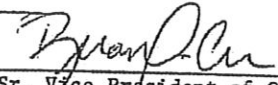
GUTTERSEN & COMPANY

GERRITY OIL & GAS CORPORATION

By:

  
Michael Gutterson,  
General Partner

By:

  
Sr. Vice President of Operations,  
Chief Accounting Officer



## EXHIBIT A - PART I

### Surface Check

Basis of Title: Weld County Assessor's Records

Guttersen & Company  
P.O. Box 528  
Kersey, CO 80644

### Township 2 North, Range 63 West, 6th P.M.

Section 4: Part SW $\frac{1}{4}$  (Parcel #130304000003)  
Section 5: All  
Section 8: All

### Township 2 North, Range 64 West, 6th P.M.

Section 4: N $\frac{1}{2}$ , SE $\frac{1}{4}$

### Township 3 North, Range 63 West, 6th P.M.

Section 5: All  
Section 6: S $\frac{1}{2}$ , E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$   
Section 7: All  
Section 8: E $\frac{1}{2}$   
Section 17: All  
Section 18: SW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$   
Section 19: All  
Section 28: NW $\frac{1}{4}$   
Section 29: All  
Section 30: W $\frac{1}{2}$ , W $\frac{1}{2}$ E $\frac{1}{2}$   
Section 32: All  
Section 33: W $\frac{1}{2}$

### Township 3 North, Range 64 West, 6th P.M.

Section 1: All  
Section 2: S $\frac{1}{2}$   
Section 3: All exc. parcel described by metes and bounds (Parcel # 121503000008)  
Section 4: All exc. parcel described by metes and bounds (Parcel # 121504000018)  
Section 9: All exc. parcel described by metes and bounds (Parcel # 121509000006)  
Section 10: NE $\frac{1}{4}$   
Section 11: All  
Section 12: S $\frac{1}{2}$   
Section 13: All  
Section 14: E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ E $\frac{1}{2}$   
Section 15: All  
Section 17: SE $\frac{1}{4}$   
Section 20: E $\frac{1}{2}$ SW $\frac{1}{4}$   
Section 21: All  
Section 22: NW $\frac{1}{4}$   
Section 23: All  
Section 24: S $\frac{1}{2}$ NW $\frac{1}{4}$   
Section 25: NE $\frac{1}{4}$ , Pt. NW $\frac{1}{4}$  (Parcel # 121525000006)  
Section 29: All  
Section 33: All

### Township 4 North, Range 63 West, 6th P.M.

Section 7: Pt. SE $\frac{1}{4}$  (Parcel # 105107000008)  
Section 8: All  
Section 9: All  
Section 17: All  
Section 29: All

### Township 4 North, Range 64 West, 6th P.M.

Section 33: All  
Section 34: NW $\frac{1}{4}$ , SE $\frac{1}{4}$

EXHIBIT A - PART 2

Township 4 North, Range 63 West, 6th P.M.

Section 32: All

Township 3 North, Range 64 West, 6th P.M.

Section 10: S $\frac{1}{2}$

Section 14: W $\frac{1}{2}$ NW $\frac{1}{4}$

SW $\frac{1}{4}$

W $\frac{1}{2}$ SE $\frac{1}{4}$

Section 16: All

Section 22: E $\frac{1}{2}$

SW $\frac{1}{4}$

Section 28: All

Township 2 North, Range 63 West, 6th P.M.

Section 4: S $\frac{1}{2}$ NW $\frac{1}{4}$

Lot 2

Township 3 North, Range 63 West, 6th P.M.

Section 8: W $\frac{1}{2}$

Section 18: NE $\frac{1}{4}$

NE $\frac{1}{4}$ NW $\frac{1}{4}$

Lot 1

S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 20: All

Section 28: SW $\frac{1}{4}$

Section 30: E $\frac{1}{2}$ E $\frac{1}{2}$

Township 4 North, Range 63 West, 6th P.M.

Section 16: All

Section 20: All

Township 3 North, Range 64 West, 6th P.M.

Section 12: N $\frac{1}{2}$

EXHIBIT A - PART 3

Township 3 North, Range 64 West, 6th P.M.

Section 27: All

Section 34: All

Section 35: All

Section 26: S½, NW¼

Township 2 North, Range 64 West, 6th P.M.

Section 2: All

Section 3: All

Section 10: All

Section 11: N½