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SURFACE DAMAGE AGREEMENT

This Agreement dated this 4th day of November, 1991, between Floyd E. Barnes, et ux Wynona M. Barnes, whose address is P. O. Box 254, Towner, Colorado 81080, hereinafter referred to as "Surface Owner", and Leede Exploration, whose address is 6400 South Fiddler's Green Circle, Suite 2100, Englewood, Colorado 80111, hereinafter referred to as "Lessee".

WITNESSETH:

WHEREAS, Surface Owner represents that they are the owners in fee and in possession of the entire surface estate for the following described lands in Kiowa County, Colorado, to wit:

TOWNSHIP 17 SOUTH, RANGE 41 WEST

Section 31: SE4

WHEREAS, Lessee has or will acquire certain rights to the use of the surface of a portion or all of the above described lands under the terms of an Oil and Gas Lease dated September 6, 1987, from Leland J. Barnes, et ux, to Cities Service Oil and Gas Corporation and Oil and Gas Leases dated January 10, 1990 (effective March 22, 1990) from W. Jay Silliman, Eileen Roe, William E. and Betty Silliman, and Vyrle Hendricks, all to Amoco Production Company, which leases are recorded in the records of Kiowa County, Colorado, and said leases covering all or a portion of the mineral estate underlying such lands; and,

WHEREAS, the Surface Owner is generally aware of the nature of the operations which may be conducted under oil and gas leases covering the mineral estate of a portion of or all of the above described lands; and,

WHEREAS, the parties believe that it is in their mutual best interest to agree to the amount of damages to be assessed incident to the operations of Lessee on the premises in the exploration for, development and production of oil, gas and/or other leasehold substances under the terms of those certain Oil and Gas Leases now owned or which may be acquired by Lessee covering portions of the mineral estate of the above described lands and other lands; and,

WHEREAS, the parties believe that a reasonable estimate can be made of the damages which will result from the exploration, development and production operations contemplated by such Oil and Gas Leases.

NOW, THEREFORE, in consideration of the mutual promises and obligations imposed by this Agreement, the advantages to be derived by the parties, together with the payment by Lessee to Surface Owner of Ten Dollars (\$10.00), and other good and valuable consideration being hereby acknowledged, the parties agree as follows:

1. Lessee has the right of ingress and egress and to the use of those portions of the above described lands which it requires for oil and gas exploration, development and production operations, including tank batteries and other production facilities and the transportation of produced substances from the leasehold, and also the right to construct and use roads and pipelines across portions of the subject lands. Lessee shall pay Surface Owner as liquidated damages the following sums as full settlement and satisfaction of all detriment, injuries, and damages growing out of, incident to, or in connection with the usual and customary exploration, drilling, and production operations contemplated by the Oil and Gas Leases covering the above described lands, unless otherwise specifically provided herein:

\$ 3,000.00 for each wellsite (Leede Exploration, operator) located on the above described land, together with any lands used for road purposes, production facilities, pipelines or other necessary facilities in connection with the wellsites.

2. Lessee is responsible for acquiring all necessary permits, licenses, fees, etc. incident to its operations on the subject lands.

3. In the event that any well hereunder is plugged and abandoned, Lessee agrees that Lessee will, within a reasonable time, restore Surface Owner's surface estate as near as practical to its original condition. It is understood and agreed that Surface Owner may elect in writing, prior to cessation of operations of Lessee, to have any road constructed under the terms of this Agreement remain upon the property, in which event, Lessee agrees to leave such road or roads in reasonable condition.

See EXHIBIT "A", containing additional Paragraphs 3(a), 3(b) and 3(c), attached hereto and made a part hereof for all purposes.

4. In the event Surface Owner considers that Lessee has not complied with all its obligations hereunder, both express and implied, Surface owner shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Surface Owner. The service of said notice shall be precedent to the bringing of any action by Surface Owner on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on Lessee. In the event of litigation, the prevailing party's reasonable attorney's fees will be paid by the opposing party.

5. This Agreement shall remain in full force and effect from date hereof and for so long thereafter as Lessee's oil and gas operations affecting the subject lands are in effect.

6. When the word "Lessee" is used in this Agreement, it shall also mean the successors and assigns of Leede Exploration, including, but not limited to its employees and officers, agents, affiliates, contractors, subcontractors, and/or purchasers.

7. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties.

SURFACE OWNER:

Floyd E. Barnes
FLOYD E. BARNES

Wynona M. Barnes
WYNONA M. BARNES

Acknowledgement

STATE OF COLORADO
COUNTY OF ~~KTOWA~~ PROWERS

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 7th day of November, 1991, personally appeared Floyd E. Barnes and Wynona M. Barnes, to me known to be the identical persons described in and who executed the within and foregoing instrument of writing and acknowledged to me that they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

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

My Commission Expires:
9-15-95

Mary L. Millyard
Notary Public
Address: 316 S Main, Box 1154
Lamas, Co 81052

EXHIBIT "A"

Attached to and made a part of Surface Damage Agreement dated November 4, 1991, covering the SE $\frac{1}{4}$ of Section 31, 17S-41W, Kiowa County, Colorado, between Floyd E. Barnes, et ux Wynona M. Barnes, and Leede Exploration.

3(a). If Lessee establishes production on the described lands, then Lessee shall install a cattle guard at the fence crossing of Lessee's access to the premises.

3(b). Surface Owner anticipates having cattle on the described lands sometime after May 1, 1992. Lessee hereby agrees to fill in or fence any exposed slush pits before said date to prevent injury to cattle.

3(c). During drilling operations, Lessee agrees to use its best efforts not to blade the pasture land within the fenced boundaries for an access to the drillsite. In the event any well is completed as a dry hole, then Lessee will subsoil or deep chisel this said access across the pasture land after completion of its operations. Surface Owner acknowledges that if conditions warrant, a temporary access road may be constructed across the pasture land to the drillsite for drilling operations. In the event production is established on the described premises, Lessee, at its discretion, may improve or construct an access road on the lands for its operations.

SIGNED FOR IDENTIFICATION

Floyd E. Barnes
Floyd E. Barnes

Wynona M. Barnes
Wynona M. Barnes

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