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Register of Deeds, Douglas County, NE
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Document Prepared by/Return to: Josh Kritenbrink 402-398-7618
Northern Natural Gas Company, 1111 South 103rd Street, Omaha, NE 68124-1000

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49301-96

ENCROACHMENT AGREEMENT

This instrument made and entered into this 18th day of July, 2005, by and between NORTHERN NATURAL GAS COMPANY, a Delaware corporation, (hereinafter referred to as "Northern"), with principal offices at 1111 South 103rd Street, Omaha, Nebraska 68124-1000, and CEDEVCO, INC., a Nebraska corporation (hereinafter referred to as "Owner").

WITNESSETH THAT:

WHEREAS, Northern is the holder of an easement granted by Lewis R. Rasmussen and Berniece A. Rasmussen, husband and wife, on the 17th day of January, 1962, covering the following described premises in Douglas County, Nebraska:

The South Half of the Northwest Quarter (S $\frac{1}{2}$ NW $\frac{1}{4}$) of Section 3, Township 15 North, Range 11 East; and

which easement was recorded the 21st day of March, 1962, in Book 378 of Miscellaneous Records at Page 27, and defined to an 86-foot wide strip by a Modification and Amendment of Easement Grant dated the 25th day of August, 2004, and recorded the 8th day of September, 2004, as Document Number 2004119510; and

Northern is the holder of another easement granted by Roy C. Pruess and Ruth M.C. Pruess, husband and wife, on the 10th day of January, 1962, covering the following described premises in Douglas County, Nebraska:

The West Half of the Northeast Quarter (W $\frac{1}{2}$ NE $\frac{1}{4}$) 79.55 acres in Section 3, Township 15 North, Range 11 East; and

which easement was recorded the 21st day of March, 1962, in Book 378 of Miscellaneous Records at Page 25, and defined to a 100-foot wide strip by a Modification and Amendment of Easement Grant dated the 27th day of March, 1980, and recorded the 26th day of August, 1981, in Book 658 of Miscellaneous Records at Page 231;

all in the Office of the Register of Deeds for Douglas County, Nebraska (hereinafter collectively referred to as "Easement"); and

WHEREAS, pursuant to the authority contained in said Easement, Northern has constructed and currently operates and maintains a 16-inch pipeline (NEB49301), along with the right to install additional facilities from time to time (hereinafter referred to as "Pipeline Facilities"), across and through the above described premises; and

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WHEREAS, Owner is the present owner of the following described real property, with Pipeline Facilities situated upon the following described land in Douglas County, Nebraska (hereinafter referred to as the "Owned Premises"):

Lot 92, Lot 93, Lots 96-106, inclusive, Lot 126, Lots 136-143, inclusive, and Lots 471-474, inclusive, all in Stone Ridge, being a Platting of part of the North Half (N½) of Section 3, Township 15 North, Range 11 East.

WHEREAS, Owner may choose to install sprinkler systems and fences in Lot 92, Lot 93, Lots 96-106, inclusive, Lot 126, Lots 136-143, inclusive, and Lots 471-474, inclusive, (hereinafter referred to as "Encroachment") upon and within a portion of the confines of Northern's Easement as depicted on Exhibit "A", with this written consent; and

WHEREAS, Owner has been advised by Northern that Northern is a natural gas transmission company and that Northern operates a high pressure underground natural gas pipeline through the Owned Premises; and

WHEREAS, Owner has requested permission from Northern to maintain, use, and enjoy the Encroachment upon a portion of Northern's Easement and in close proximity to Northern's Pipeline Facilities; and

WHEREAS, Northern is willing to grant such permission upon the terms and conditions set forth as follows.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions hereinafter set forth, the parties hereto agree as follows:

1. Northern hereby grants permission to Owner to maintain, operate and use upon the Owned Premises and in close proximity to Northern's Pipeline Facilities, the said Encroachment, subject to the following conditions:

A. That said fences are to be no closer than twenty-five feet (25') to Northern's existing 16-inch pipeline.

B. That Owner assumes all risks for damages, injuries, or loss to either property or persons, which may be incurred by Owner or its respective agents, invitees, or licensees present on or in the vicinity of the Easement and in any way associated with said Encroachment.

C. That the permission granted herein is limited exclusively to the proposed Encroachment within Northern's Easement. Owner shall not alter the grade or permit such alteration anywhere on the land upon which Northern has reserved its easement rights, without the prior express written consent of Northern.

D. That Owner shall at all times conduct all its activities on said Easement in such a manner as not to interfere with or impede the operation of Northern's Pipeline Facilities and activities in any manner whatsoever.

E. That Owner shall not plant any trees or shrubs within the confines of Northern's Easement without the prior express written consent of Northern.

2. Owner agrees to indemnify, protect, and hold Northern, its parent, affiliates, subsidiaries, and their directors, officers, employees, representatives, and agents harmless from and against any and all actions or causes of action, claims, demands, liabilities, loss, damage, injury, suit, proceeding, judgment, cost, or expense of whatever kind or nature, including but not limited to reasonable attorneys' fees, arising from or as a result of any incident, act, action, cause of action, negligence, transaction or omission of Owner in connection with, or incidental to the construction, operation, maintenance, or use of the said Encroachment within, upon or in the vicinity of the Easement Area, or from the operation, maintenance, use or presence of Northern's Pipeline Facilities upon or in the vicinity of the Encroachment except where such loss, cost, liability, or expense was proximately caused by the negligence of Northern or its employees. It is understood and agreed by the parties that under this Agreement, Owners shall be jointly and severally liable.

3. Owner agrees that protection of Northern's Pipeline Facilities will be maintained at all times.

4. Should Northern need to remove any of Owner's said Encroachment within its Easement in order to construct, maintain, operate, repair, remove, or resize Northern's existing or additional Pipeline Facilities, Owner or its respective heirs, successors, and assigns shall pay the cost of removing and replacing or reinstalling said Encroachment. In addition, all repair and maintenance work performed by Northern on its existing or additional Pipeline Facilities located on the Owned Premises shall be performed in a reasonable workmanlike manner and Northern shall restore the surface and grade of the Owned Premises where the work is performed, but shall not be liable for loss, damage, or replacement to Owner's said Encroachment or any associated equipment and facilities that exist within the Easement, and in this regard, Owner hereby releases Northern, its employees, agents, officers, and directors from any and all liability for any such loss or damage.

5. The Parties hereto understand that this Agreement in no way constitutes a waiver by Northern of its rights to enjoy its Easement unencumbered by the construction of said Encroachment within Northern's Easement.

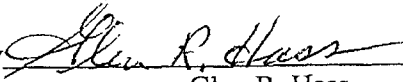
6. It is expressly agreed to by and between the parties hereto that if Owner is in violation of any terms or conditions set forth in this Agreement, Northern, at its option, may terminate this Agreement upon ten (10) days' notice to the Owner. In the event of such termination, Owner shall immediately remove any and all of said Encroachment which may be situated on the Easement, or if Owner fails to remove any and all of said Encroachment, Northern may, at its option, remove said Encroachment at the expense of Owner and without any liability whatsoever. It is further agreed that the failure by Northern to exercise such option as to any such violation shall not constitute a waiver of Northern's future right to exercise such option as to the same or any future violation.

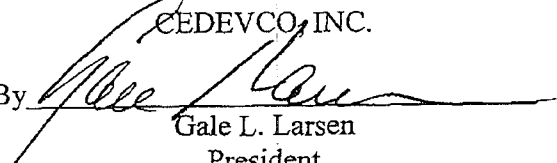
7. The provisions of the Easement, and all rights, powers, privileges, and duties, obligations, and liabilities created thereby, remain in full force and effect and are not affected hereby except to the extent and in the manner set forth above.

8. Owner agrees to indemnify, defend and hold Northern, its parent and affiliated companies, and the directors, officers and employees of any such corporate entities harmless from and against any liability, damage, claims, loss, cause of action, suit, proceeding, judgment, cost (including the cost or expense of environmental response, removal or remediation activities), fees or expense, including reasonable attorney's fees arising from: (1) non-compliance with any laws, regulations and orders applicable to the ownership or the operation and maintenance of the said Encroachment on the Owned Premises described herein, and (2) any incidents, acts, releases, negligence, transactions or omissions, or conditions on or affecting the Easement that would (i) contribute to or constitute a violation of any local, state or federal environmental rule, regulation, law or judicial order, (ii) result, in whole or in part, in any requirement to clean up or otherwise remedy or remediate a condition, (iii) give rise to any lien, liability, injunction, order, restriction, claim, expense, damage, fine or penalty, or (iv) adversely affect human health or the environment at or near the Easement.

This instrument and the covenants and agreements herein contained shall extend to and be binding upon the heirs, executors, administrators, successors, and assigns of the parties and the benefits of this Agreement shall run with the land.

IN WITNESS WHEREOF, the parties have executed this instrument the day and year first above written.

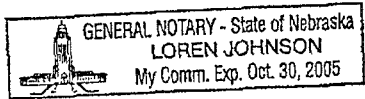
"NORTHERN"
NORTHERN NATURAL GAS COMPANY
By 
Glen R. Hass
Agent and Attorney in Fact

"OWNER"
CEDEVCO, INC.
By 
Gale L. Larsen
President

STATE OF Nebraska)
)SS
COUNTY OF Douglas)

The foregoing instrument was acknowledged before me this 18 day of July, 2005, by **Gale L. Larsen**, President, for Cedeveco, Inc., a Nebraska corporation, on behalf of the corporation.

(SEAL)

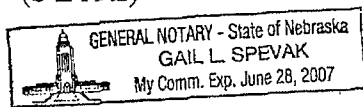


Loren Johnson
Notary Public
My Commission Expires 10-30-05

STATE OF NEBRASKA)
)SS
COUNTY OF DOUGLAS)

The foregoing instrument was acknowledged before me this 19th day of July, 2005, by **Glen R. Hass**, Agent and Attorney-in-Fact, for Northern Natural Gas Company, a Delaware corporation, on behalf of the corporation.

(SEAL)



Gail L. Spevak
Notary Public
My Commission Expires 6-28-07

