

SURFACE USE AGREEMENT

This Surface Use Agreement is made and entered into by and among *Three Valleys West, LLC*, a Colorado limited liability company whose address is 1415 Main Street Canon City, CO 81212 hereinafter referred to as "TVW"; *Tres Valles West Owners Association*, a Colorado non-profit corporation whose address is 1415 Main Street Canon City, CO 81212, hereinafter referred to as the "Association"; and *Rocky Mountain Gas Supply LLC*, a New Mexico limited liability company whose address is P O Box 2105, Roswell, New Mexico 88202-2105, hereinafter referred to as "RMGS", or the "Operator".

WHEREAS, TVW, the Association and RMGS desire to enter into this Surface Use Agreement covering those portions of the following lands located within the Tres Valles West Planned Unit Development, Huerfano County, Colorado, hereinafter referred to as the "Lands";

Township 29 South, Range 69 West, 6th PM

Section 3: Lots 1,2,3,4, S/2N/2, N/2S/2, S/2SW/4, SW/4SE/4
Section 4: Lots 1,2,3,4, S/2N/2, N/2S/2, S/2SE/4
Section 5: Lot 1, S/2NE/4, SE/4NW/4, NE/4SE/4, SW/4SW/4
Section 8: NW/4, W/2NE/4
Section 10: NE/4, E/2NW/4

Township 28 South, Range 69 West, 6th PM

Section 32: E/2SE/4, SE/4NE/4
Section 33: All
Section 34: W/2SW/4, SE/4SW/4

Containing 2,760.69 acres, more or less; and

WHEREAS, RMGS owns and/or holds certain oil and gas leases upon all or part of the lands, with the oil and gas leasehold estates created thereby, being hereinafter collectively referred to as the "Leases"; and

WHEREAS, TVW is the developer of the lands and the owner of unsold property and lots within the lands, and the Association is an association of the owners of the lots within the lands; and

WHEREAS, RMGS is the operator designated by the working interest owners of the Leases, with authority under certain Operating Agreements to drill wells on the Lands and conduct related oil and gas development operations for and on behalf of the owners of said Leases;

WHEREAS, the Leases grant the right as to the lands covered by the Leases to explore for, drill for and produce oil, gas and associated hydrocarbons and to install, operate and maintain all equipment and facilities necessary for such purposes and to perform all other operations with respect to oil and gas development for the purposes of transporting, storing, possessing and marketing production, and/or necessary or desirable for any methods of secondary, tertiary or other enhanced recovery, together with the right of ingress and egress necessary or desirable to accomplish any or all of the foregoing on the lands covered by the Leases, and such activities are collectively referred to in this Agreement as "Oil and Gas Operations"; and

WHEREAS, RMGS is the operator of the Harry Willis No. 1, the Harry Willis No. 2, the Harry Willis No.3 and the Harry Willis No. 7-4 oil and gas wells located upon the lands; and

WHEREAS, TVW, the Association and RMGS desire to enter into this Agreement for the purpose of specifying the terms and conditions by which RMGS shall have access to and use the surface estate of the Lands in conducting Oil and Gas Operations under the terms of existing Leases, as provided below.

NOW THEREFORE, for adequate consideration, the receipt and sufficiency of which are hereby acknowledged, RMGS shall have access to and use of the surface estate of the Lands for Oil and Gas Operations under the following terms and conditions:

DEVELOPMENT PLAN:

1. Each future oil and gas well ("well") to be drilled upon the lands in Section 4 shall be surface located upon the existing well pads for the Harry Willis #1, #2, #3, #7-4 and #8 wells located in Section 4, Township 29 South, Range 69 West, 6th PM, Huerfano County, Colorado. RMGS shall be entitled to expand the size of such well pads as may be reasonably necessary to accommodate additional drilling and production facilities and equipment. Wellheads for each well shall be no closer than 150 feet from the boundary line of any of the 80 Lots ("the lots") identified on the plats of Tres Valles West First Filing, Map No. 156, Pocket 3, Folder 2, Reception No. 280471 of the records of Huerfano County, Colorado, and Tres Valles West Second Filing, Map No. 166, Pocket 3, Folder 3, Reception No. 281668 of the records of Huerfano County, Colorado (the "Plats"). It is agreed that the existing well pads are located upon those portions of the lands known as the "common area" which is outside the boundaries of the Lots; and it is understood that RMGS will or may deviate and/or directionally drill wells from the said surface locations which will bottom at locations within or without the said Section 4 and potentially under the Lots. RMGS will place no well pads nor drill any surface locations in (1) all of Section 33, Township 28 South, Range 69 West, 6th P.M., (2) the Sw/4 of Section 34, Township 28 South, Range 69 West, 6th P.M., or (3) the Nw/4 of Section 3 Township 29 South, Range 69 West, 6th P.M.. As to the remaining lands in Section 3, Township 29 South, Range 69 West, 6th P.M. where there are no previously existing well pads, RMGS shall be entitled to create not more than 2 well pads in each quarter section where the lands are located. All wells to be located upon the lands in Section 3 shall be drilled from said pads. Drillsite Pads for all future new wells drilled outside of Section 4, shall be no closer than 150 feet from the boundary line of any of the lots, and the well pads will be located upon those portions of these lands known as the common area.
2. In Order No. 520-1, executed December 16, 1999, the Colorado Oil and Gas Commission ruled that one hundred and sixty acre drilling and spacing units shall be established for the production of oil and gas from the Dakota and Entrada formations for an area that includes the Lands. COGC General Field Rules establish 40-acre spacing for shallow depths, i.e. zones and horizons above the Dakota formation. RMGS presently projects the drilling of 2 deep wells upon the lands. The first such well is projected to be the Harry Willis #4 located in the SW/4 of Section 33, Township 28 South, Range 69 West. The surface location for this well will be on the pad of the existing Harry Willis #7-4 well (NW/4NE/4 of Section 4, Township 29 South, Range 69 West) with deviation drilling to bottom the hole in the SW/4 of Section 33. A second deep well location is projected to be in the SE/4 of Section 4, Township 29 South, Range 69 West. The surface location for this well will be located in the southeast quarter of Section 4, outside of the Tres Valles West Planned Unit Development.
3. RMGS anticipates potential additional work or re-work operations upon the Harry Willis #1 and #3 wells as anticipated deep well production moves toward actual production in a pipeline system. Such work or re-work will be of a limited time duration.

SURFACE DAMAGES:

4. Operator will pay TVW a one time sum of \$5,000.00 for each usage of each surface site for the drilling of future wells as agreed damages for Operator's operations. Operator shall pay such sum prior to commencement of heavy equipment operations at each well site. Operator agrees to utilize the smallest pad size needed to perform oil and gas operations. Operator, in pad size selection, will not be required to compromise production or drilling facilities, the safety of employees or the ability to perform quality work.

The consideration paid by Operator pursuant to this paragraph shall not cover actual damages to cattle or other ranch animals, fences, gates, culverts, buildings or other structures or personal property located on the Lands, and Operator shall be required to repair, replace or pay for any damage to property or injury to persons resulting from Operator's Oil and Gas Operations; provided, however, the payments made by Operator pursuant to this paragraph shall be full compensation for use of the applicable Well Site for usual and customary oil and gas exploration, drilling, completion, reworking, equipping, production and related operations.

ACCESS, EXISTING ROADS AND RIGHTS OF WAY:

5. Operator shall be allowed to access the ranch from Highway 160 through the main gate. Operator shall be allowed to access Harry Willis #1 and #2 by building a road in an easterly direction, off of the TVW road, south of Lots #3 and #4 and north of Highway 160. The exact location of this road shall ^{BE} determined by TVW. Operator will pay TVW \$16.50 per rod for the right-of-way and usage of the entrance road.
6. Within a reasonable time after completion of the construction of the new entrance road to the Harry Willis #1 and #2 wells, Operator will reclaim, restore and re-seed the portion of the existing access road which crosses Lot 4, except as to any portion thereof that TVW may not desire to have reclaimed. Operator will not use that portion of the road TVW elects to not have reclaimed. Reclamation will be performed in accordance with the applicable regulations and standards of the Soil Conservation Services of the area.
7. Operator shall also have the right to use existing roadways on the Lands for Oil and Gas Operations. Operator agrees whenever possible to utilize any existing roadways. Further, Operator's employees and contractors will stay on designated roadways unless emergency conditions require departure from the existing roadways.
 - A. Vehicular access to and from each Well Site shall be accomplished along the existing roads within the Lands (except for the additional minimum disturbance roads described below). Operator shall maintain those portions of existing roads used by Operator in as good or better condition than the condition of such roads as of the date of this Agreement during well drilling and completion operations. Thereafter, Operator shall repair any damages to existing roads caused by its heavy equipment. Operator shall not impede or obstruct the use of the existing roads within the Lands.
 - B. Operator will construct minimum disturbance roads ("Access Roads") within the Common Area connecting Well Sites to existing roads. The route of an Access Road to a Well Site shall be determined following the consultation guidelines of COGCC Rule 306. Operator shall build the Access Roads along routes designated by TVW provided that the route is provided in a timely manner at the consultation, and provided that it does not add unreasonable cost and expense. Access roads will not be built across lots. In the event commercial production is established from a Well, Operator will upgrade the surface of the Access Road to the Well Site for such Well to an all-weather roadway with appropriate culverts and other structures as necessary for adequate drainage. The roadways will be of sufficient quality as to accommodate all vehicular traffic and equipment required during

the drilling, completion and equipping of the Wells and the restoration of the Well Site areas.

- C. Operator shall make improvements to the portions of existing roads on the Lands used by Operator that may be required to keep such portions of the roads in safe and passable condition during the drilling and completion of Wells, including without limitation, replacing any bridge abutments that were not designed to handle the load associated with the equipment used in connection with Operator's operations and installing culverts as necessary.
- D. Operator will pay TVW or its designee an annual road usage fee of \$2,500.00 for the general use of presently existing roads. This fee will be payable on or before January 1, 2003 and thereafter for each year on or before January 1st until Operator ceases any and all operations upon the lands.
8. In the event production is established from a Well, a pipeline for delivery of production from the Well and electric or other utility lines serving the Well may be constructed on the Lands. Utility, electric and pipelines will be buried. The routes of pipelines or segments of pipelines and utility lines serving productive wells shall be determined by Operator following due consideration of any comments of the Directors regarding such routes received by Operator during consultations pursuant to COGCC Rule 306.
9. Operator will pay to TVW \$16.50 per rod for all pipeline right-of-way damages.
10. Operator shall use its best efforts to utilize common rights-of-way and trenches in order to minimize surface impacts.
11. All disturbed areas affected by drilling or subsequent operations, except areas reasonably needed for production operations, shall be reclaimed as early and as nearly as practicable to their original condition, including the removal of all debris and waste materials. Operator shall minimize, to the extent possible, any water production in connection with its drilling activities at the Well Sites. In the event water is produced, Operator agrees to contain such water or physically remove the water from the Lands as reasonably agreed to by TVW and/or the Association. Well Sites shall be kept clean and waste materials cleaned up so they are not blown by wind or allowed to flow over onto other portions of the Lands. Reclamation will be performed in accordance with the applicable time lines and standards of the Soil Conservation Services and the Colorado Oil and Gas Commission.
12. All Access Roads to plugged Wells shall be closed, graded and re-contoured. As applicable, compaction alleviation, restoration and re-vegetation of Well Sites and Access Roads shall be performed to the Soil Conservation and COGCC standards as established for interim reclamation.
13. All reclamation work shall be completed within six months of plugging a Well, unless surface access is prohibited by adverse weather conditions.
14. Operator will use the US Soil Conservation published data for all seeding mixtures used to reclaim disturbed areas.

COMPRESSION:

15. Operator will not install compression equipment for compression of produced gas upon the Lands.

PITS AND FACILITIES:

16. Operator agrees to use steel pits in the conduct of deep drilling operations; and to remove such pits and the contents thereof from the Lands when drilling operations and/or re-work operations are

complete. Pits for cuttings will be well maintained and removed and filled upon completion of drilling.

GENERAL OIL & GAS ACTIVITIES:

17. Operator shall conduct all operations on the Lands as a prudent operator and in a manner which will minimize, insofar as shall be reasonably practicable, the impact of such operations on the Lands. In the conduct of all operations, Operator shall comply with all federal, state and local rules and regulations, environmental and otherwise, which apply to all operations, including without limitation, all regulations imposed by the Colorado Oil & Gas Conservation Commission ("COGCC") and the bonds required by the Huerfano County, Colorado Commissioners.

NOTICES:

18. The notices of oil and gas operations to be given by Operator to the surface owner pursuant to COGCC Rule 305 or any similar rule or rules amending or replacing such rule shall be given to the Directors. The consultations between Operator and the surface owner required by COGCC Rule 306 or any similar rule or rules amending or replacing such rule shall be with a Director or Directors. Unless otherwise notified in writing, notices and other communications shall be given by mail, fax or in person in care of

LAND PROPERTIES, INC.
Attn: Steve Faber
1415 West Main Street
Canon City, Colorado 81212
Telephone 719 275 5225
Telefax 719 275 5227

Unless TVW and the Association are otherwise notified in writing, any communication to RMGS shall be made as follows:

ROCKY MOUNTAIN GAS SUPPLY LLC
Attn: John G. Worrall III
P O Box 2105
Roswell, New Mexico 88202-2105
Telephone 505 622 5893
Telefax 505 622 6671
e-mail: jgw@zianet.com

MISCELLANEOUS:

19. No alcohol, drugs or firearms of any sort shall be in the possession of employees or contractors of Operator while on the Lands.
20. No hunting or fishing by employees or contractors of Operator shall be permitted while on the Lands.
21. TVW and the Association agree, if necessary, to provide RMGS access through other gates to the property for use of existing roads on the property for the conduct of Oil and Gas Operations subject to this Agreement; and TVW and the Association shall cooperate with RMGS to allow the access reasonably required for the conduct of such Oil and Gas Operations.
22. Nothing contained in this Agreement shall diminish TVW and/or the Association's rights to use the Lands, including the Access Roads, for any reasonable purpose; provided, however, TVW and the Association will cooperate with Operator or Operator's agents and contractors in obtaining access to the Well Sites and Operator's facilities for the conduct of Oil and Gas Operations.
23. If any party shall default in the performance of the covenants and agreements hereunder, the aggrieved party shall have the right to specific performance of the contractual terms and agreement. In addition to the foregoing, all of the other rights, remedies and privileges under the laws of the State of Colorado, together with the right to collect all damages attributable to any default, shall be allowed to the aggrieved party in enforcing any of the terms and conditions of this agreement. Should any proceeding be brought to enforce this agreement, the prevailing party shall be entitled to recover its reasonable attorneys fees incurred in its enforcement efforts.
24. TVW and the undersigned Directors do hereby represent and warrant to RMGS that the undersigned Directors are the duly appointed and acting directors of the Association, with full right, power and authority pursuant to the Covenants to enter into this Agreement on behalf of the Association.
25. Upon execution of this Agreement, this Agreement or a Memorandum of this Agreement shall be recorded in the real estate records of Huerfano County, Colorado.
26. This Agreement supplements and is in addition to Prior Access Documents with respect to past and future operations. The parties reserve all claims and positions regarding the validity, invalidity or effect of the consent regarding drilling operations dated April 16, 1997, recorded on August 16, 1999 at Reception No. 340580 of the records of Huerfano County, Colorado.
27. This Agreement shall inure to the benefit of, and be binding upon, the heirs, successors, personal representatives and assigns of the parties. Its covenants shall run with the land and shall bind the parties to this Agreement and their respective heirs, successors, personal representatives and assigns forever. This Agreement shall be governed by and construed according to the laws of Colorado. It may be executed in any number of counterparts, each of which shall be deemed an original instrument, but all counterparts shall, together, constitute the single agreement of the parties. This Agreement contains the entire understanding of the parties with regard to the subject matter hereof, and replaces and supersedes in their entirety any negotiations or prior discussions, agreements and understandings relating to such subject matter. This Agreement may be changed only by a writing executed by all parties. The rights of any party hereunder may be waived only by a writing signed by such party. The failure of a party to enforce any of the provisions of, or any of its rights under, this Agreement shall not be considered a waiver of such provisions or rights with respect to subsequent events or in any manner affect the validity or enforceability of this Agreement.

EXECUTED to be effective the 1st day of July, 2003.

ROCKY MOUNTAIN GAS SUPPLY LLC

By [Signature]
John G. Worrall III, President

THREE VALLEYS WEST LLC
By Land Properties, Inc., its Manager

By [Signature]
Name RANDY LANOSGA JR
Title MANAGER

TRES VALLES WEST OWNERS
ASSOCIATION

By [Signature]
By [Signature]
By _____

STATE OF NEW MEXICO)
) ss
COUNTY OF CHAVES)

Before me the undersigned authority on this day personally appeared John G. Worrall III, President of ROCKY MOUNTAIN GAS SUPPLY LLC, a New Mexico limited liability company, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 17 day of JUNE, 2003.

My commission expires:

4/16/2006

[Signature]
Notary Public

STATE OF COLORADO)
COUNTY OF EL PASO) ss

Before me the undersigned authority on this day personally appeared Randy Lawson JR of LAND PROPERTIES, INC. as Manager of THREE VALLEYS WEST LLC, a Colorado limited liability company, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 24th day of June, 2003.

My commission expires:
MY COMMISSION EXPIRES
09/27/2003

Kristyn L. Buck
Notary Public

STATE OF COLORADO)
COUNTY OF Las Animas) ss

Before me the undersigned authority on this day personally appeared Anna M. Payne of TRES VALLES WEST OWNERS ASSOCIATION, a Colorado non-profit corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same as her free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 7th day of July, 2003.

My commission expires:
Oct 29, 2006

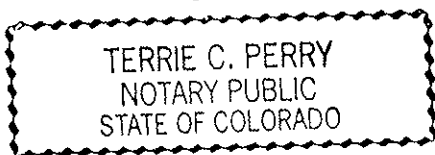
Carrie Campbell
Notary Public

STATE OF COLORADO)
COUNTY OF Denver) ss

Before me the undersigned authority on this day personally appeared John B. Frederick of TRES VALLES WEST OWNERS ASSOCIATION, a Colorado non-profit corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that she executed the same as her free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this 10th day of July, 2003.

My commission expires:



Terrie C. Perry
Notary Public

STATE OF COLORADO)
) ss
COUNTY OF _____)

Before me the undersigned authority on this day personally appeared _____ of TRES VALLES WEST OWNERS ASSOCIATION, a Colorado non-profit corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same as his free act and deed for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 2003.

My commission expires:

Notary Public