

SURFACE USE AGREEMENT

This Agreement, entered into this 10th day of March, 2004, between the parties Mary Fulscher whose address is 584 County Road 55, Amherst, CO 80721 (SURFACE OWNER) and Lance Oil & Gas Company, Inc. whose address is 1099 18th Street, Suite 1200 Denver, CO 80202 (OPERATOR) provides that OPERATOR and all OPERATOR'S agents and contractors will be allowed to enter onto and conduct surveying, drilling, completion, construction of pipelines, production operations, reworking operations and all additional operations associated therewith on SURFACE OWNERS property (SUBJECT LANDS) and other neighboring lands.

SUBJECT LANDS are described as follows:

Township 9 North, Range 43 West, 6th P.M.
Section 16: N2, SE

Sedgwick County, Colorado

OPERATOR has indicated that it owns, or is attempting to secure, drilling rights under the SUBJECT LANDS and desires to conduct operations to drill, complete, and produce oil and gas wells on the SUBJECT LANDS or neighboring lands. The following shall set out those terms and conditions under which OPERATOR may enter and conduct operations for so long as oil and/or gas is being produced or capable of being produced from any well drilled on the SUBJECT LANDS or other neighboring lands and whatever additional time is needed to complete surface remediation to COGCC standards on SUBJECT LANDS and other neighboring lands.

1. No permanent roads will be constructed by OPERATOR unless determined to be absolutely necessary and mutually agreed upon between SURFACE OWNER and OPERATOR.
2. No recreational use of SUBJECT LANDS by OPERATOR is allowed.
3. Possession of firearms on SUBJECT LANDS by OPERATOR is prohibited.
4. Production well locations shall utilize no more than 3 acres of land while drilling and no more than 1 acres for permanent facilities.
5. As compensation for the above-described access, OPERATOR will pay to SURFACE OWNER the following:

WELL SITE LOCATION

A one time payment of [REDACTED] per drill site, before initiating construction of the location.

PIPELINE RIGHT OF WAY PAYMENT

A payment of \$15.00 per rod for a 3rd party, non-lease gas pipeline right-of-way, payable upon completion of pipeline and SURFACE OWNER agrees to grant, at OPERATORS request, easements across the SUBJECT LANDS as necessary for the construction, installation, operation, replacement and maintenance of said lines.

6. Upon completion of drilling activities and production and exploration of the OPERATORS Oil and Gas lease(s), including plugging and abandoning of said wells, on the SUBJECT LANDS or other neighboring lands, OPERATOR shall turn all roads and other types of rights-of-ways or sites as near as practical, to the original condition, unless otherwise provided or agreed. All disturbed areas caused by Operators activities shall be reseeded, unless otherwise provided or agreed. Cattle guards shall be removed and fences restored to as near as practical to the original condition, unless otherwise provided or agreed. OPERATOR shall remove and dispose of all trash and drilling fluids and control noxious weeds in disturbed areas. OPERATOR shall also take reasonable steps to mitigate the effects of its activities including surface remediation to COGCC standards
7. Payments herein provided are acknowledged by SURFACE OWNER as sufficient and in full for damages, caused or created by reason of the responsible and customary entry, rights-of-way, drilling operations, additional operations associated therewith, and subsequent operation of said well site. OPERATOR shall use all reasonable steps to mitigate any damage caused by the drilling of the wells, including, but not limited to damage done to any existing streams.
8. All existing access roads used by OPERATOR under this Agreement shall be maintained by OPERATOR in as good a condition as, or better than, existed prior to OPERATORS entry upon said lands. New access roads shall be maintained by OPERATOR in usable condition.
9. OPERATOR shall be responsible for noxious weed control within the right-of-way on stated access.
10. OPERATOR agrees to defend, indemnify and hold SURFACE OWNER harmless from any and all claims, demands, or judgements connected directly with OPERATOR'S operations on the SUBJECT LANDS.

11. In the event of a default by the OPERATOR in payment of any of the sums herein above, OWNER shall notify OPERATOR, in writing, and OPERATOR shall have sixty days after the date of notification within which to cure such default and make the required payment. Waiver of any default shall not be deemed a waiver of subsequent defaults, but notice thereof shall be given by the SURFACE OWNER to OPERATOR as herein provided. In the event the OPERATOR does not cure the default within the time specified, the rights of the OPERATOR hereunder shall be suspended including the right of ingress and egress, until such default has been cured, and SURFACE OWNER shall not be liable for any loss or damage to OPERATOR occasioned by the SURFACE OWNERS enforcement of this provision.
12. If SURFACE OWNER owns less than 100% interest in the surface described herein or SUBJECT LANDS to this agreement the compensation described in paragraph above shall be proportionately reduced accordingly.
13. SURFACE OWNER agrees that OPERATOR may file in the county records a "Memorandum of Surface Use Agreement" to provide evidence of existence of this agreement.

This agreement may be executed in multiple counterparts, and each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute, for all purposes, one agreement.

This agreement shall be binding upon the parties hereto, their heirs, administrators, successors and assigns, effective as of this date set forth above.

ACCEPTED AND AGREED to this 18th day of March, 2004.

SURFACE OWNER(S):

Mary Filscher
Mary Filscher

SSN _____

OPERATOR:

Lance Oil & Gas Company, Inc.

By: Mark R. Petry KK
Mark R. Petry, Attorney-In-Fact

OWNER ACKNOWLEDGMENT

STATE OF COLORADO)
) ss.
COUNTY OF PHILLIPS)

The foregoing instrument was acknowledged before me this 18 day of
March, 2004, by
Mary Fulscher

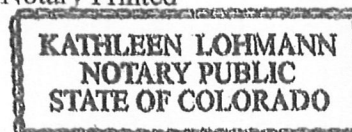
My Commission Expires: Nov 8, 2006 PEGGY JO WOOLF
Name of Notary Printed

OPERATOR ACKNOWLEDGMENT

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 8th day of
April, 2004, by Mark R. Petry, Attorney-In-Fact for Lance Oil & Gas Company,
Inc., a Delaware corporation on behalf of the corporation.

My Commission Expires: 9-22-04 Kathleen Lohmann
Name of Notary Printed



My Commission Expires Sept. 22, 2004