

Cholla Resources, Inc.

1641 California St., Suite 300

Denver, CO 80202

(303) 623-4565

November 17, 1993

Dan W. Witcher and Anita C. Witcher
P.O. Box 1065
Elkhart, KS 67950

RE: Letter Agreement
Witcher #1-29 Well
NE/4 SW/4 Section 29-T34S-R42W
Baca County, Colorado

Dear Mr. and Mrs. Witcher:

This letter is entered into to set forth the agreement between you, as owners of the surface, and Cholla Resources, Inc. ("Cholla") as the operator of the Witcher #1-29 Well to be located in the NE/4SW/4 of Section 29-T34S-R42W, Baca County, Colorado.

You own the surface of 13,472 acres, more or less, in Townships 34 and 35 South, Ranges 42 and 43 West, 6th P.M., Baca County, Colorado, more particularly described on Exhibit "A" attached hereto and made a part hereof. In consideration for total and complete access to the surface damages for each and every well drilled on these lands by Cholla, its successors and assigns, Cholla agrees to carry you to casing point on each well drilled on these lands to the extent of an undivided five percent (5%) working interest. At casing point, you will have twenty-four hours from verbal notification by a Cholla representative in which to elect to participate for your five percent (5%) share in the attempt to complete the well as a producer of oil and/or gas. If you elect to participate, you will be obligated to pay your five percent (5%) share of all costs from casing point forward, including, but not limited to, completion and operating costs if the well is a producer or plugging and abandonment and surface restoration if the well is a dry hole. After casing point, all operations will be conducted in accordance with the terms and provisions of the Operating Agreement attached hereto as Exhibit "B".

Once the well is completed or plugged and abandoned, you will be assigned your five percent (5%) share of the acreage earned by Cholla under the terms of the Farmout Agreement dated October 1, 1993, between Cholla and Axem Energy Co. and a like interest in all oil and gas leases owned by Cholla in the prospect area. The "prospect area" is defined as Section 20, 21, 22, 28, 29, 30, 31, and 32, T34S-R42W, Baca County, Colorado. A copy of the Axem agreement is enclosed for your reference.

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If the well is completed as a producer of oil and/or gas, you will receive your five percent (5%) share of revenue from the well, less your share of the landowner royalty and overriding royalties burdening the drillsite lease. On the Witcher #1-29 well, those burdens total 20.75%. As a result, your revenue interest in the well will be $5\% \times 79.25\% = 3.9625\%$.

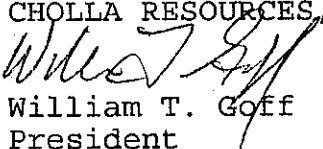
You agree that by Cholla paying your five percent (5%) of costs to casing point, Cholla will have fulfilled its complete obligation to you for surface damages for the Witcher #1-29 well and will have earned full, complete and continuous access over and across your lands for all future operations. On all subsequent wells drilled on your surface, Cholla agrees to carry you to the extent of a five percent (5%) interest to casing point in lieu of the cash payment of surface damages for the well location.

For all wells drilled in the Contract Area as described on Exhibit "A" to the Operating Agreement attached hereto but not on your surface, you will have the right to participate for your five percent (5%), working interest in the drilling, completion or plugging and abandonment of the well by paying your five percent (5%) share of all costs associated with said well. All such operations will be subject to the terms and provisions of the Operating Agreement attached hereto.

For all wells drilled on your surface, Cholla agrees to fence each wellsite and re-seed all areas disturbed by the drilling and completion operations and not needed for producing operations. Cholla also agrees to consult with Dan Witcher on the location and size of all access roads for producing operations.


If the above correctly sets forth the agreement between us, please so acknowledge this agreement in the space provided below and return one copy to Cholla for its files.

Sincerely,
CHOLLA RESOURCES, INC.


William T. Goff
President

Enclosures

ACKNOWLEDGED, ACCEPTED AND AGREED TO THIS 30th DAY OF NOVEMBER, 1993.


Dan W. Witcher


Anita C. Witcher

EXHIBIT "A"

Attached to and made a part of that certain Letter agreement dated November 17, 1993 by and between Dan W. Witcher and Anita C. Witcher and Cholla Resources, Inc.

TOWNSHIP 34 SOUTH, RANGE 42 WEST OF THE 6TH P.M.

Section 19: W1/2 also known as Lots 5, 6, 7, 8, and E1/2W1/2
Section 23: SE1/4SW1/4, S1/2E1/4
Section 26: N1/2NE1/4, NE1/4NW1/4, S1/2NW1/4
Section 28: SW1/4SW1/4
Section 29: Lots 3, 5, 6, 8, 10, 13, 16, 33, and N1/2NW1/4
Section 30: Lots 5, 6, 7, 8, 9, 11, 17, 19, and 21 and N1/2NE1/4, E1/2NW1/4, NE1/4SW1/4
Section 32: Lots 1, 18, 20, 21, and 34
Section 33: S1/2SE1/4
Section 34: S1/2
Section 35: W1/2

Also the following tracts, as shown by U.S. Government Survey plats approved by the Surveyor-General on November 6, 1909, located completely in

TOWNSHIP 34 SOUTH, RANGE 42 WEST OF THE 6TH P.M.

Tract #45 located in Sections 14, 15, 22, and 23
Tract #47 located in Section 21
Tract #48 located in Sections 21 and 28
Tract #49 located in Sections 16, 21, and 22
Tract #50 located in Sections 15, 16, 21, and 22
Tract #51 located in Sections 21 and 22
Tract #52 located in Section 22
Tract #53 located in Sections 22 and 23
Tract #54 located in Sections 22 and 23
Tract #55 located in Sections 13, 14, 23, and 24
Tract #60 located in Sections 21 and 28
Tract #61 located in Sections 28 and 29
Tract #62 located in Sections 29 and 30
Tract #63 located in Sections 29 and 30
Tract #64 located in Sections 30, 31, and 32
Tract #65 located in Sections 31 and 32
Tract #66 located in Sections 29, 30, 31, and 32
Tract #67 located in Section 32
Tract #70 located in Sections 10, 11, 14, and 15

Also the following tracts, as shown on the aforesaid U.S. Government Survey plats located in

TOWNSHIPS 34 AND 35 SOUTH, RANGE 42 WEST OF THE 6TH P.M.

Tract #37 located in Section 31, Township 34 South, Range 42 West and in Section 6, Township 35 South, Range 42 West
Tract #71 located in Section 32, Township 34 South, Range 42 West and in Section 5, Township 35 South, Range 42 West
Tract #73 located in Sections 31 and 32, Township 34 South, Range 42 West and in Sections 5 and 6, Township 35 South, Range 42 West

TOWNSHIP 35 SOUTH, RANGE 42 WEST OF THE 6TH P.M.

Section 2: All
Section 3: All
Section 4: All
Section 5: Lots 1, 2, 16, 18, 19, 24, and 27 and SE1/4NE1/4, SE1/4
Section 6: Lots 9, 10, 11, 42, and 44
Section 7: Lots 6, 7, 8, 9, 17, and 19 and E1/2NE1/4, E1/2SW1/4, SE1/4
Section 8: All
Section 9: W1/2, NE1/4, N1/2SE1/4, Lots 1 and 3
Section 10: Lots 1, 3, 5, and N1/2, N1/2S1/2, SE1/4SE1/4
Section 11: NE1/4
Section 15: Lots 5, 6, 9, 16, and E1/2NE1/4
Section 6: Lot 11

TOWNSHIP 35 SOUTH, RANGE 42 WEST OF THE 6TH P.M.

Tract #39 located in Section 6
Tract #51 located in Sections 6 and 7
Tract #72 located in Section 5
Tract #74 located in Sections 5 and 6

TOWNSHIP 34 SOUTH, RANGE 43 WEST OF THE 6TH P.M.

Section 25: NE1/4

TOWNSHIP 35 SOUTH, RANGE 43 WEST OF THE 6TH P.M.

Section 1: Lots 2, 3, 4, 9, 10, 13, 14, 16, 18, 21, and
SE1/4NW1/4, N1/2S1/2

Section 2: S1/2S1/2

Section 11: Lots 3, 5, 8, and North 21.84 acres of Lot 1, and
N1/2N1/2

Section 12: Lots 16, 18, 19, 28, 30, and E1/2SE1/4

Also the following tracts as shown on the aforesaid U.S. Government Survey plats located in

TOWNSHIP 35 SOUTH, RANGE 43 WEST OF THE 6TH P.M.

Tract #47 located in Sections 11 and 12

Tract #48 located in Sections 1 and 12

Tract #49 located in Section 12

Also Tract #38 as shown on the aforesaid Government Survey plats, located in Section 31, Township 34 South, Range 42 West and in Section 6, Township 35 South, Range 42 West, and in Section 36, Township 34 South, Range 43 West, and in Section 1, Township 35 South, Range 43 West of the 6TH P.M.

Also that part of Tract #40 as shown on the aforesaid U.S. Government Survey plats located in Section 35, Township 34 South, Range 43 West of the 6TH P.M. and in Sections 1 and 2, Township 35 South, Range 43 West of the 6TH P.M.

Also Tract #50 as shown on the aforesaid U.S. Government Survey plats, located in Sections 6 and 7, Township 35 South, Range 42 West of the 6TH P.M. and in Sections 1 and 12, Township 35 South, Range 43 West of the 6TH P.M.

END OF EXHIBIT "A"