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SURFACE USE AGREEMENT

This Agreement, entered into this 22nd day of August, 2003, between the parties, Steven K. Schlachter whose address is HC 86, Box 16, Holyoke, Colorado 80734 (SURFACE OWNER) and Lance Oil & Gas Company, Inc. whose address is 1099 18th Street, Suite 1200 Denver, CO 80202 (OPERATOR) provides that OPERATOR 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 follow:

Section 22, Township 9 North, Range 43 West, Phillips 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 adjacent lands. The following shall set out those terms and conditions under which OPERATOR may enter and conduct operations on SUBJECT LANDS.

1. No permanent roads will be constructed by OPERATOR, prior to consulting with SURFACE OWNER regarding the location of such roads.
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 this SURFACE USE AGREEMENT, OPERATOR will pay to SURFACE OWNER the following:

WELL SITE LOCATION

A one time payment of \$~~2,000.00~~ for irrigated crop lands and \$~~1,500.00~~ for dry crop land lands per drill site, before initiating construction of the location.

EXISTING ROAD USAGE

A payment of \$~~100~~ per rod per year for existing private road use. SURFACE OWNER agrees to grant, at OPERATORS request, easements across the SUBJECT LANDS as necessary for the use of existing roads.

NEW ROADS

A one time payment of \$~~100~~ per rod for the construction of any new road, payable upon completion of the road and a payment of \$~~100~~ per rod per year for road use thereafter. SURFACE OWNER agrees to grant, at OPERATORS request, easements across the SUBJECT LANDS as necessary for the construction, and use of new roads.

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.

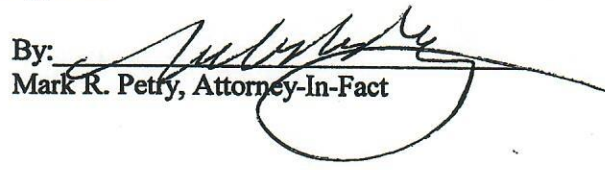
ACCEPTED AND AGREED to this 22nd day of August, 2003.

SURFACE OWNER(S):



BY Steven K. Schlachter

OPERATOR: Lance Oil & Gas Company, Inc.

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