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SURFACE DAMAGE AGREEMENT
For Oil & Gas Drilling and Production

THIS SURFACE DAMAGE AGREEMENT is made this 22th day of March 2000, by and between Mallard Operating Company, LLC, 1675 Carr Street, Suite 50-N, Lakewood, Colorado 80215, a Colorado limited liability company, ("MOC"), and J. Rex Lemert/Ag et al, in care of Ag Investment Services, Inc., P.O. Box 595, Garden City, Kansas 67846, ("Lemert/Ag/Ag"). MOC and Lemert/Ag are sometimes collectively referred to herein as the "Parties".

WHEREAS, MOC wishes to drill a well, the Farm Credit #31-2, located approximately 660' FNL and 1980' FEL in Section 31-T33S-R43W, Baca County, Colorado; and

WHEREAS, Ag Investment Services, Inc. has the authority to negotiate and approve matters relating to the surface lands noted above; and

WHEREAS, Lemert/Ag owns the surface lands at said location; and

WHEREAS, MOC and Lemert/Ag acknowledge that damage will result to the surface as a consequence of the drilling activity; and

WHEREAS, MOC and Lemert/Ag wish to enter into an agreement regarding the use of the surface lands.

NOW, THEREFORE, for and in consideration of the foregoing, the mutual promises and benefits contained herein, and Two Thousand Dollars (\$2000.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. MOC agrees to enter Lemert/Ag lands at a point mutually acceptable to the Parties.
2. MOC agrees to build a temporary road to access the location.
3. MOC agrees to restore the road and location as close as practical to the original state in the event of a dry hole.
4. MOC agrees in the event production is established to build the tank battery along County Road 43 utilizing as little land as is practical, and agrees;
 - (a) to bury all flow lines below plow depth,
 - (b) to bury all utility lines, if required, below plow depth,
 - (c) pay \$300.00 per year for the tank battery and wellhead location.
5. MOC agrees in the event of production that the well location and/or the tank battery will not be used as a permanent storage yard.
6. In the event of a dispute under this Agreement among any of the Parties, those Parties agree to undertake in good faith to resolve such dispute through mediation by a mutually acceptable, neutral third party. Each Party agrees to pay 50% of the cost, if any, of the mediation.

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7. The agreement shall be governed by the laws of the State of Colorado.
8. This Agreement constitutes the entire agreement between the Parties and no waiver, representation, modification or agreement, oral or otherwise, shall affect the subject matter hereof unless and until such waiver, representation or agreement is reduced to writing and executed by authorized representatives of the Parties.
9. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective heirs, devisees, personal representatives, successors and assigns. Provided, however, that this Agreement and the rights and obligations created hereunder shall not be assigned or delegated by any of the Parties without the prior written consent of the other Parties; any assignment or delegation made in violation of this provision shall be null and void and of no force or effect.
10. Until changed in writing by each individual Party, the name and address of record for each Party shall be:

Mallard Operating Company, LLC
1675 Carr Street, Suite 50-N
Lakewood, Colorado 80215
Attn: David A. Norby
1-303-237-7155

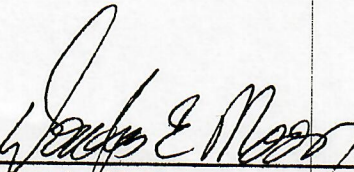
Ag Investment Services, Inc.
P.O. Box 595
Garden City, Kansas 67846
Attn: Doug Moon
1-316-272-0629

IN WITNESS WHEREOF, the Parties have executed this Agreement the date first written above.

Mallard Operating Company, LLC

By: 
David A. Norby - President, Mallard
Resources Company, Manager

Ag Investment Services, Inc. on behalf of
J. Rex Lemert et al

By: 
Douglas Moon