

SURFACE ACCESS AGREEMENT

This agreement is entered into and effective the twenty-seventh day of July, 1999, between Charles M. Cudo and Kanionette Cudo, 220 East Raven Avenue, Rangely, Colorado 81648 (owner) and Coastal Oil & Gas Corporation, Land Department, Coastal Tower, Nine Greenway Plaza, Houston, Texas 77046-0995 (Coastal).

WHEREAS, Owner is the owner of the surface of the following lands (the "Fee Lands") located in Rio Blanco County, Colorado:

Township 2 South, Range 103 West 6th P.M.

Section 23: S 1/2N/2SE/4, N/2S/2SE/4 (see attached map)

WHEREAS, Coastal is the current lessee under certain oil and gas leases which are located in the general vicinity of the Fee Lands, and on the Fee Lands. Coastal desires to obtain from owner access through and upon the Fee Lands to conduct a drilling program upon the properties covered by oil and gas leases held or later obtained by Coastal, ("Coastal leased lands").

WHEREAS, the parties desire to evidence their agreement with respect to certain matters related to such access.

NOW, THEREFORE, for and in consideration of the premises, the mutual promises of the parties set forth in this agreement and other good and valuable considerations, the receipt and sufficiency of which are acknowledged by both parties, it is agreed as follows:

1. Owner hereby grants to Coastal access for the conduct of drilling and daily production operations only, (pipelines will have separate agreements) upon the leased lands subject to the provisions of this agreement and as limited by the provisions of this agreement. The access herein granted to Coastal shall include the existing roads located on the Fee Lands, and additional roads across the Fee Lands for access to Coastal leased lands that cannot be reached by the existing roads. Coastal shall have the right to construct additional roads along routes approved by Owner, and as limited by this agreement. The crown of the roads used by Coastal hereunder shall be limited to twenty (20) feet in width. Such roads shall be maintained by Coastal. If Owner grants others the right to use the roads covered by this agreement, Owner will notify Coastal of such grant and require others granted such use to share in the cost of road maintenance and upkeep of any cattle guards and/or gates. The use of such roads shall be limited to Coastal and its authorized representatives, contractors and subcontractors and shall be limited to business purposes. Coastal shall be responsible for all persons authorized by Coastal to use such roads and shall be responsible for any damage, the proximate cause of which is occasioned by such use, whether damage occurs through the acts of Coastal, its personnel, agents, contractors, or subcontractors. No vehicle shall be permitted to travel in excess of twenty (20) miles per hour on such roads. Owner and its agents shall have the unrestricted rights to use such roads and the right to authorize other persons, firms, or entities to use such roads.

2. Coastal and Owner shall each have the right to assign their respective rights under

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this agreement.

3. Coastal agrees to defend, indemnify, and save Owner harmless from any and all claims and demands of whatsoever nature arising from or in any way connected with the operations or actions of Coastal, its personnel, agents, contractors, and subcontractors, except arising from Owner's gross negligence or willful misconduct.

4. As consideration for the agreement and during the entire term of this agreement Coastal agrees to following payment schedule:

- a. For each well drilled by Coastal, on lands other than the Fee lands, where access to said well is across the Fee lands, Coastal shall pay Owner a one time fee of
- b. For each well drilled by Coastal on the Fee Lands, Coastal shall pay Owner a thereafter. The subsequent annual fees shall be paid on or before January 31st of each calendar year so long as the well remains capable of producing leased substances.

5. Prior to commencement of each well by access across or upon the Fee Lands, Coastal shall notify Owner of the commencement of the well by a letter using substantially the same form as the form attached as Exhibit "A" to this agreement. The consideration to be paid Owner under terms of subparagraphs 4a and 4b above shall be paid upon Coastal's receipt of a copy of the letter executed on behalf of Owner in the manner shown on Exhibit "A". If Coastal abandons a well and ceases production therefrom, payment for such well shall stop as of the end of the calendar year in which such well was abandoned. Coastal shall notify Owner in writing that it has abandoned such well and ceased production therefrom. Coastal shall restore the location and access road thereto to as near its prior condition as is reasonable. Restoration of the access road pursuant to this agreement shall terminate Coastal's obligation to continue making payments. Notwithstanding the foregoing, if Coastal does not restore or rehabilitate the access road across the Fee Lands, then the payments under the terms of this agreement shall continue to be made, assuming said payments are being made on an annual basis.

6. If Coastal is found in default of any of the provisions of this agreement, Coastal shall have sixty (60) days to correct the problem and for so long thereafter as Coastal is engaged in reasonably adequate good faith efforts to cure the default.

7. If either party shall be required to commence legal proceedings against the other party to enforce the provisions of this agreement, the non-prevailing party agrees to pay all costs of such proceedings, including reasonable attorney's fees.

8. Any notice to be given hereunder may be given by mailing the same by registered

or certified mail, return receipt requested, addressed to the parties set forth in the initial paragraph of this agreement.

9. In addition to the other provisions of this agreement Coastal will be responsible for the following:

- a. Coastal will maintain roads in good shape, including but not limited to: grading roads in a timely manner and cleaning cattle guards.
- b. Coastal shall have the right at any time within one hundred eighty (180) days after expiration of the related oil and gas lease to remove all property and fixtures placed by Coastal on said land, including the right to draw and remove all casing. In the event Coastal should elect to abandon any well drilled on Fee Lands covered by this Agreement, Coastal shall give Owner the option of making a water well out of said well, in which event Coastal agrees to plug said well below the fresh water sands designated by Owner, and to leave any existing casing in said hole, provided, Owner shall pay to Coastal the reasonable salvage value of any casing left in the hole. Owner's election to make a water well out of the abandoned well is subject to approval of the Colorado Oil and Gas Commission and any other agency having jurisdiction. Owner shall be responsible for making necessary filings and obtaining any necessary permits and approvals for producing the water. Owner agrees to execute any necessary Colorado Oil and Gas Commission and other regulatory agency forms necessary to take over operations of any such well. Owner shall assume all risks and obligations attendant to Owner's ownership and use of said water well or wells.
- c. Coastal shall reclaim and re-seed all disturbed areas to as near as practical to their original condition prior to the disturbance.

10. All operations of Coastal shall be conducted in a manner so as not to unreasonably interfere with Owner's livestock operations. Coastal will use its best efforts to comply with the reasonable instructions of Owner to minimize interference with hunting operations.

11. Without limiting the generality of the foregoing provisions, Coastal, its agents, contractors, and subcontractors shall not do, or permit to be done, any of the following:

- a. No hunting, camping, or utilizing Owners cabin shall be permitted on the Fee Lands.
- b. Personnel shall not bring any dogs, horses, or other animals upon the Fee Lands.
- c. No firearms shall be brought upon the Fee Lands.

- d. No vehicles shall be driven off the designated roadway, and no vehicles, equipment, or materials shall be parked on the designated roadway.
- e. When Owner has notified Coastal that it wishes to have designated gates relocked during a specified period of time, the designated gates shall be relocked when used during the specified period, and Coastal will supply Owner with three (3) keys to Coastal's locks if Coastal places its own locks on Owner's gates;

12. Subject to the foregoing provisions, this agreement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors, and assigns of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Surface Access Agreement as of the day and year above written.

OWNER

COASTAL OIL & GAS CORPORATION

Charles M. Cudo
Charles M. Cudo

By: [Signature]
Title: LAND REPRESENTATIVE

Karionette Cudo
Karionette Cudo

COASTAL OIL & GAS CORPORATION
COASTAL TOWER
NINE GREENWAY PLAZA
HOUSTON, TEXAS 77046-0995

July 29, 1999

Charles M. Cudo
220 East Raven Avenue
Rangely, Colorado 81648

Gentlemen:

This letter provides notice of the intent of Coastal Oil & Gas Corporation (Coastal) to drill the following described well:

Well: LHDU #2184
Location: SW/4SE/4-Section 23-2S-103W
Rio Blanco County, Colorado


Coastal and Charles Cudo acknowledge that access to and surface use to drill the above described well shall be under the terms of the Surface Access Agreement dated July 29, 1999 between Charles Cudo and Kanionette Cudo and Coastal Oil & Gas Corporation.

Very truly yours,
Coastal Oil & Gas Corporation



Richard M. Altman
Land Representative

Acknowledged and accepted the 29th day of July, 1999.



Charles M. Cudo



Kanionette Cudo

COASTAL OIL & GAS CORPORATION
COASTAL TOWER
NINE GREENWAY PLAZA
HOUSTON, TEXAS 77046-0995

July 29, 1999

Charles M. Cudo
220 East Raven Avenue
Rangely, Colorado 81648

Gentlemen:

This letter provides notice of the intent of Coastal Oil & Gas Corporation (Coastal) to drill the following described well:

Well: LHDU #2183
Location: NE/4SE/4-Section 23-2S-103W
Rio Blanco County, Colorado

Coastal and Charles Cudo acknowledge that access to and surface use to drill the above described well shall be under the terms of the Surface Access Agreement dated July 29, 1999 between Charles Cudo and Kanionette Cudo and Coastal Oil & Gas Corporation.

Very truly yours,
Coastal Oil & Gas Corporation


Richard M. Altman
Land Representative

Acknowledged and accepted the 29th day of July, 1999.


Charles M. Cudo


Kanionette Cudo