

FIRST AMENDMENT TO DEVELOPMENT AGREEMENT

Heretofore, McKenzie Methane Corporation (hereinafter called "McKenzie") and Smith-Gordy Methane Company (hereinafter called "Participant") entered into that certain Development Agreement dated May 4, 1989, but effective as of March 17, 1989 (Additional Interest) (hereinafter called "the Development Agreement"), whereby Participant acquired from McKenzie certain undivided interests in Coal Seam Gas Leases and the right to participate with McKenzie in the development of Coal Seam Gas reserves in accordance with and subject to the terms of the Development Agreement, and reference is hereby made for all purposes to the Development Agreement.

1151 0003
RECORDED IN ABOVE
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17 JUNE 93 03:20:45 PM
W. HARDY MCCOLLUM
TUSCALOOSA COUNTY, ALABAMA

Section 1.23 of the Development Agreement describes the lands comprising the Program Area covered by the Development Agreement as being those lands depicted within the red lines on two maps prepared by McKenzie, one of which is entitled "Cahaba & Warrior Coal Fields, Shelby, Bibb, Jefferson, Tuscaloosa & Walker Counties, Alabama" and the other of which is entitled "San Juan Basin, La Plata and Archuleta Counties, Colorado" (copies of which have been signed for identification by and are in the possession of McKenzie and Participant), but excluding, in each case, the lands and areas shaded in yellow on each such map. Among the lands shaded in yellow on the map entitled "San Juan Basin, La Plata and Archuleta Counties, Colorado" are the following-described lands:

1. The West Half of Section 2, Township 33 North, Range 10 West, La Plata County, Colorado; and
2. All of Section 9, Township 32 North, Range 8 West, La Plata County, Colorado.

McKenzie and Participant consider it to be mutually desirable and advantageous that ~~the~~ ^{the #1993-18204} Development Agreement be

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SHELBY COUNTY JUDGE OF PROBATE
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SG 010418

amended to include the above-described lands as part of the Program Area.

NOW, THEREFORE, in consideration of the premises contained herein and the mutual benefits and obligations of McKenzie and Participant under the Development Agreement, as amended herein, McKenzie and Participant do hereby amend the Development Agreement so as to include the above-described lands as part of the Program Area covered by the Development Agreement, as amended herein. To effectuate the foregoing, McKenzie and Participant do hereby amend the maps entitled "San Juan Basin, La Plata and Archuleta Counties, Colorado" which have been signed for identification by them and are in their possession in such manner and to the same extent as if the above-described lands had never been shaded thereon in yellow.

1151 0004
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17 JUNE 93 03:21:00 PM
W. HARDY MCCOLLUM
TUSCALOOSA COUNTY, ALABAMA

For the same consideration recited above, McKenzie and Participant hereby stipulate and agree that the lands comprising the West Half of Section 2, Township 33 North, Range 10 West, La Plata County, Colorado, are situated in the San Juan Area and that the Southern Ute #4-2 (881051) Well heretofore drilled on such lands constitutes, for purposes of the Development Agreement, an Initial Well drilled during that portion of the initial Commitment Period in which Participant is obligated thereunder to participate. For like consideration, McKenzie and Participant hereby further stipulate and agree that the lands comprising all of Section 9, Township 32 North, Range 8 West, La Plata County, Colorado, are situated in the San Juan Area and that the Trail Canyon #1-9 Well heretofore drilled on such lands also constitutes, for purposes of the Development Agreement, an Initial Well drilled during that portion of the initial Commitment Period in which Participant is obligated thereunder to participate.

SG 010419

For the same consideration recited above and without waiving any rights or claims that McKenzie or Participant may have against the other, McKenzie and Participant hereby adopt, ratify and confirm the Development Agreement, as amended herein, and agree and declare that the Development Agreement is presently in full force and effect with respect to the Program Area in accordance with its terms, as herein amended. Terms defined in the Development Agreement and not otherwise defined herein shall have the same meanings herein as such terms have in the Development Agreement. The terms and provisions of this instrument shall extend to, be binding upon and inure to the use and benefit of the respective successors, legal representatives and assigns of McKenzie and Participant.

Dated this 5th day of September, 1989, but effective for all purposes as of March 17, 1989.

WITNESSES:

Laura McFarland

Jimmie Nelson

John D. Buchanan

Debbie O'Brien

Laura McFarland

Kevin Siffert

MCKENZIE METHANE CORPORATION

By: [Signature]
Name: Michael McKenzie
Title: President

SMITH-GORDY METHANE COMPANY

By: [Signature]
Name: Lester H. Smith
Title: Partner

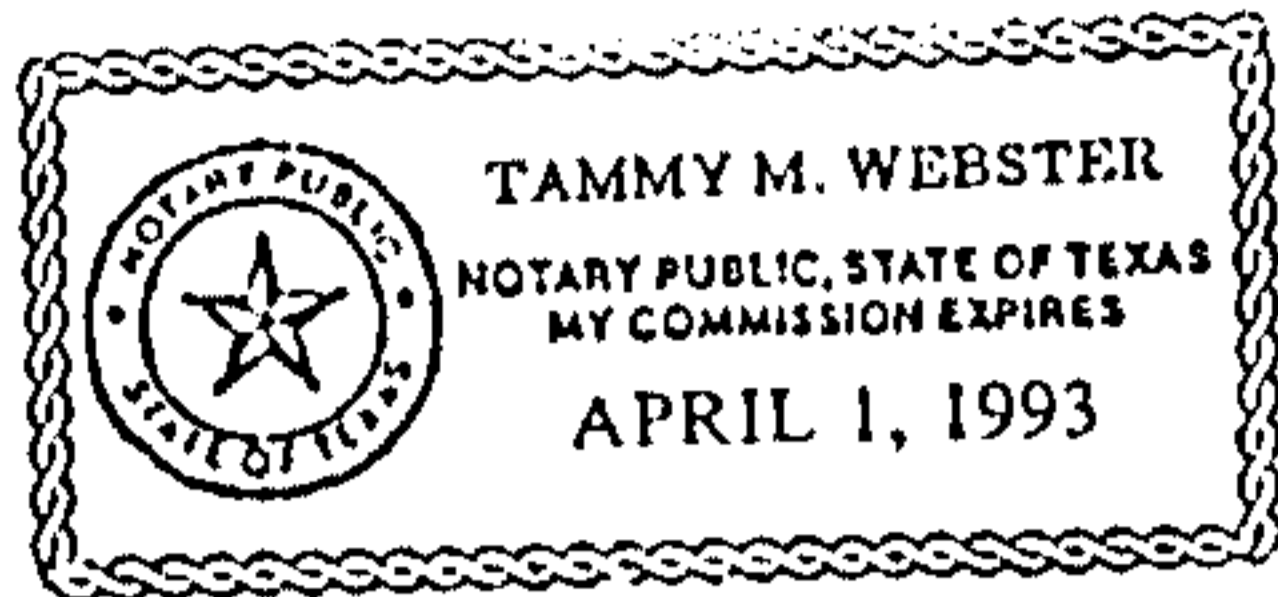
By: [Signature]
Name: Russell D. Gordy
Title: Partner

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W. HARDY MCCOLLUM
TUSCALOOSA COUNTY, ALABAMA

SG 010420

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me on September 13th, 1989, by MICHAEL MCKENZIE, President of MCKENZIE METHANE CORPORATION, a Texas corporation, on behalf of said corporation.



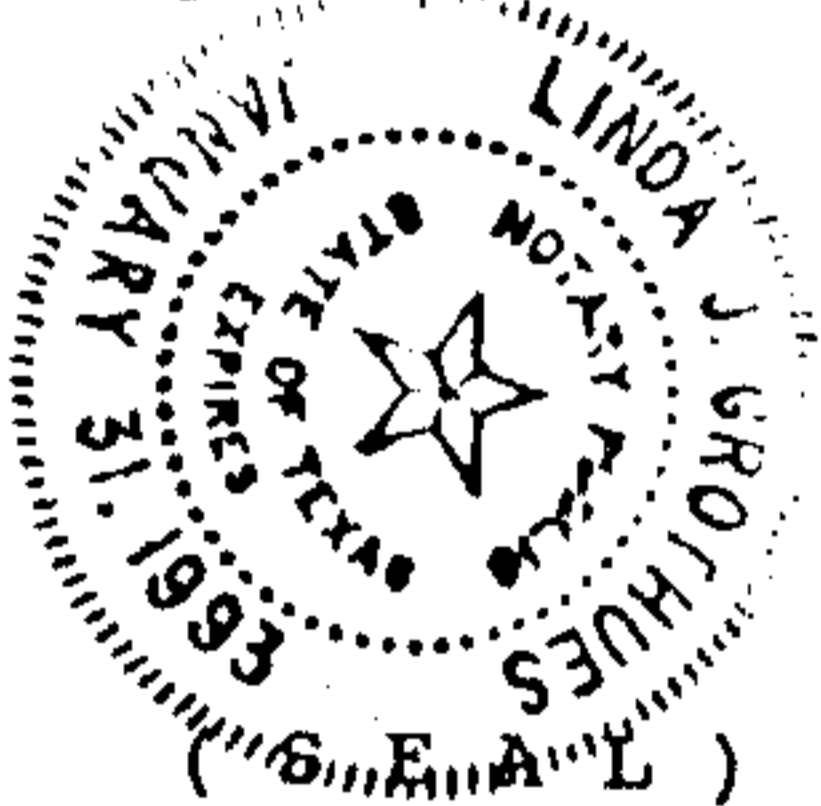
(S E A L)

My Commission Expires:

Tammy M. Webster
Tammy M. Webster
(Print Name)
Notary Public in and for
the State of T E X A S

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me on September 19, 1989, by LESTER H. SMITH, Partner of SMITH-GORDY METHANE COMPANY, a Texas joint venture, on behalf of said joint venture.

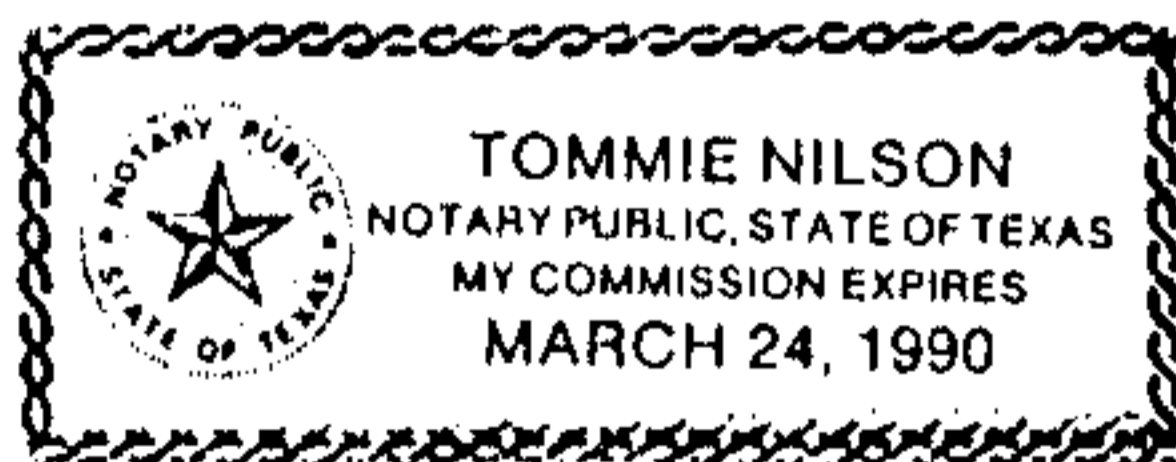


My Commission Expires:

Linda J. Grothues
LINDA J. GROTHUES
(Print Name)
Notary Public in and for
the State of T E X A S

STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me on September 18th, 1989, by RUSSELL D. GORDY, Partner of SMITH-GORDY METHANE COMPANY, a Texas joint venture, on behalf of said joint venture.



(S E A L)

My Commission Expires:

Tommie Nilson
Tommie Nilson
(Print Name)
Notary Public in and for
the State of T E X A S

1151 0006
RECORDED IN ABOVE
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17 JUNE 93 03:21:10 PM
W. HARDY MCCOLLUM
TUSCALOOSA COUNTY, ALABAMA
17 JUNE 93 03:21:25 PM 00029830 0083
MAR DEEDS TOT PAID: 14.00
11510003
REC RECORDING FEES 11.00
SOT 1ST SRCE TITLE 1.00
PJF P J FEES 2.00

SG 010421

Inst # 1993-18204

06/22/1993-18204
01:35 PM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
005 MCD 17.50

HARDY McCOLLUM, JUDGE OF PROBATE, DO HEREBY CERTIFY THAT
THE FOREGOING IS A FULL, TRUE AND CORRECT COPY OF THE
INSTRUMENT(S) HEREWITH SET OUT AS SAME APPEARS OF RECORD IN

Book BOOK, 1151 AT PAGE 3 IN SAID COURT.
WITNESS MY HAND AND SEAL THIS 22 DAY OF June, 1993

Hardy McCollum
JUDGE OF PROBATE,
MUSCALOOSA COUNTY, ALABAMA