

1151 at 8  
1151 at 3

THIRD AMENDMENT TO DEVELOPMENT AGREEMENT

Reference is hereby made for all purposes to that certain Development Agreement (hereinafter called "the Development Agreement") dated May 4, 1989, but effective as of March 17, 1989 (Additional Interest), by and between McKenzie Methane Corporation (hereinafter called "McKenzie") and Smith-Gordy Methane Company (hereinafter called "Participant"), as amended by that certain First Amendment to Development Agreement dated September 5, 1989, but effective for all purposes as of March 17, 1989, by and between McKenzie and Participant, and as amended by that certain Second Amendment to Development Agreement dated November 3, 1989, but effective for all purposes as of March 17, 1989, by and between McKenzie and Participant, 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, as amended.

McKenzie and Participant consider it to be mutually desirable and advantageous that the Development Agreement, as heretofore amended, be further amended in the particulars hereinafter set forth.

NOW, THEREFORE, in consideration of the premises contained herein and the mutual benefits and obligations of McKenzie and Participant under the Development Agreement, as heretofore amended and as amended herein, McKenzie and Participant do hereby amend the Development Agreement, as heretofore amended, as follows:

1. Those lands described in Exhibit "A" attached hereto and made a part hereof for all purposes, said lands being among the lands not outlined in red on the map 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), are

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SHELBY COUNTY JUDGE OF PROBATE  
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W. HARDY MCCOLLUM  
TUSCALOOSA COUNTY, ALABAMA

hereby included as part of the Program Area covered by the Development Agreement as heretofore and herein amended, and 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 lands described in said Exhibit "A" had been originally outlined thereon in red.

2. Section 3.01 of the Development Agreement, as heretofore amended, is hereby amended to delete from said Section 3.01 any reference to the Rice Lease and the Smelley Lease so that (a) the phrase "(less and except the Rice Lease and the Smelley Lease)" wherever it appears in said Section 3.01 shall be and is hereby deleted therefrom in its entirety, and (b) the last two sentences of said Section 3.01 which read as follows:

With respect to Turnkey Costs for Initial Wells to be drilled on the Rice Lease and the Smelley Lease during a Subsequent Program, such Turnkey Costs shall be agreed upon by McKenzie and Participant in writing prior to December 7, 1989. If McKenzie and Participant cannot so agree by said date, the Rice Lease, the Smelley Lease and the lands covered thereby shall be deemed to be deleted from the Program Area and Participants [sic] shall forfeit any rights to the Rice Lease, the Smelley Lease and the lands covered thereby, and McKenzie and Participants [sic] shall promptly execute an appropriate instrument evidencing the foregoing.

are hereby deleted from said Section 3.01 in their entirety.

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 heretofore and herein amended, 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 heretofore and herein amended. Terms defined in the Development Agreement or in either of the prior amendments thereto and not otherwise defined herein shall have the same meanings herein as such terms have in the Development Agreement and in either of such amendments. 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 7th day of August, 1990, but effective for all purposes as of March 17, 1989, except with respect to those Coal Seam Gas Leases acquired by or the contractual rights to receive an assignment of which were acquired by McKenzie subsequent to March 17, 1989, the effective date hereof shall be the date McKenzie acquired such Coal Seam Gas Leases or such contractual rights with respect thereto.

Witnesses:

Rosey Swales

Deedee Odom

MCKENZIE METHANE CORPORATION

By:   
Michael McKenzie, President

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TUSCALOOSA COUNTY, ALABAMA

SMITH-GORDY METHANE COMPANY

Karen Williams

By:   
Lester H. Smith, Partner

John D. Buhman

Karen Williams

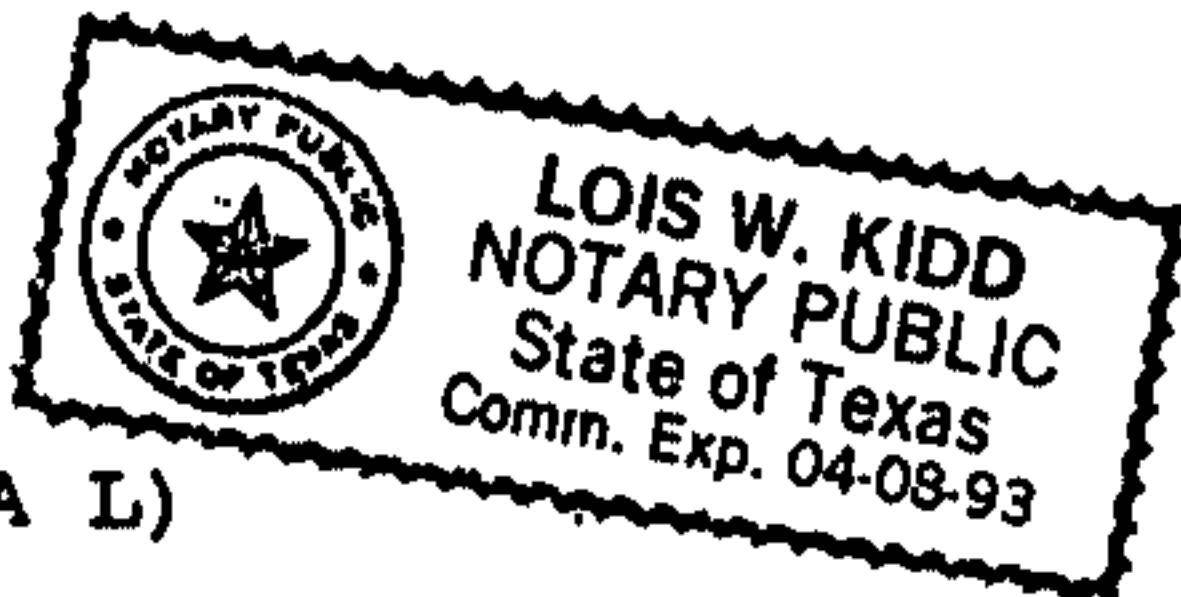
By:   
Russell D. Gordy, Partner

John D. Buhman



THE STATE OF TEXAS §  
COUNTY OF HARRIS §

This instrument was acknowledged before me on August 27<sup>th</sup>, 1990, by MICHAEL MCKENZIE, President of MCKENZIE METHANE CORPORATION, a Texas corporation, on behalf of said corporation.



(S E A L)

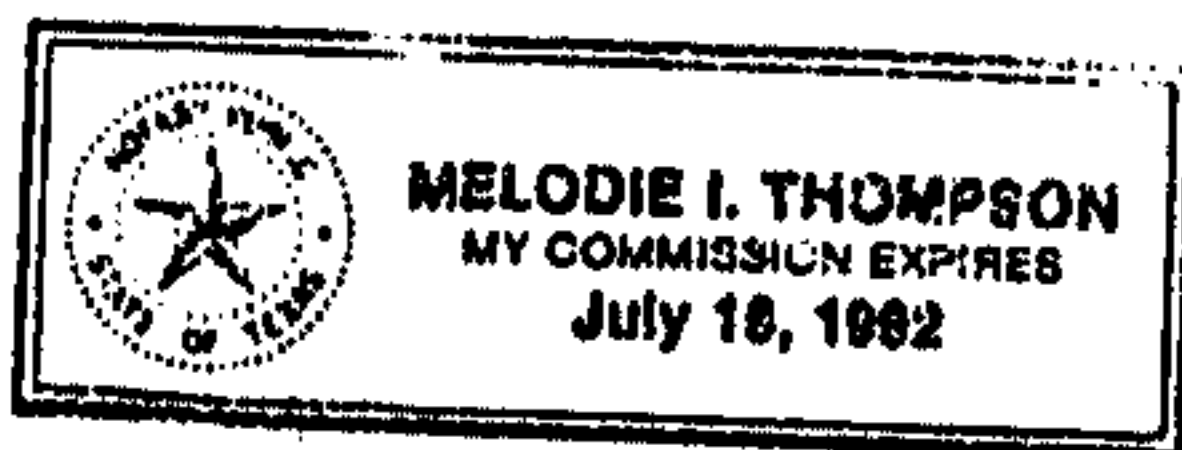
My Commission Expires:

Lois W. Kidd  
NOTARY PUBLIC IN AND FOR  
THE STATE OF TEXAS

(Printed Name of Notary)

THE STATE OF TEXAS §  
COUNTY OF HARRIS §

This instrument was acknowledged before me on August 31, 1990, by LESTER H. SMITH, Partner of SMITH-GORDY METHANE COMPANY, a Texas joint venture, on behalf of said joint venture.



(S E A L)

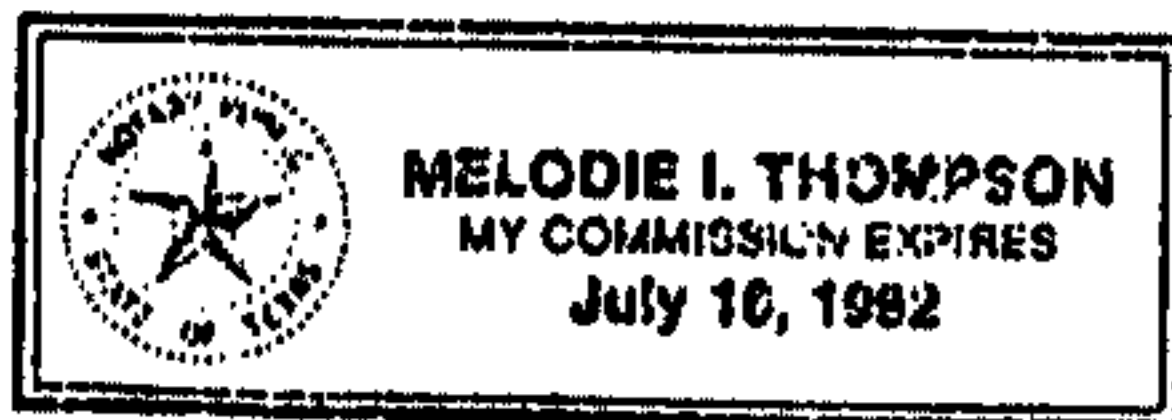
My Commission Expires:

Melodie I. Thompson  
NOTARY PUBLIC IN AND FOR  
THE STATE OF TEXAS

(Printed Name of Notary)

THE STATE OF TEXAS §  
COUNTY OF HARRIS §

This instrument was acknowledged before me on August 31, 1990, 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:

Melodie I. Thompson  
NOTARY PUBLIC IN AND FOR  
THE STATE OF TEXAS

(Printed Name of Notary)

1151 0038  
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17 JUNE 93 03:28:40 PM  
HARRIS COUNTY CLERK'S OFFICE

EXHIBIT "A"

Attached to and made a part of  
that certain Third Amendment to Development Agreement  
dated August 7, 1990, by and between  
McKenzie Methane Corporation and  
Smith-Gordy Methane Company

The lands situated in the San Juan Area that have been added to the Program Area by the Third Amendment to Development Agreement to which this Exhibit "A" is attached are all situated in Township 34 North, Range 10 West, in La Plata County, Colorado, and are more particularly described as follows:

- a. The South Half (S/2) of Section 23;
- b. The South Half (S/2) of Section 24;
- c. All of Section 25;
- d. The East Half (E/2) of Section 26, the East Half of the Northwest Quarter (E/2 of NW/4) of said Section, the Southwest Quarter of the Northwest Quarter (SW/4 of NW/4) of said Section, the North Half of the Southwest Quarter (N/2 of SW/4) of said Section, and the Southwest Quarter of the Southwest Quarter (SW/4 of SW/4) of said Section;
- e. The Southeast Quarter of the Northeast Quarter (SE/4 of NE/4) of Section 34; and
- f. The East Half (E/2) of Section 35, the South Half of the Southwest Quarter (S/2 of SW/4) of said Section, and the Southwest Quarter of the Northwest Quarter (SW/4 of NW/4) of said Section.

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TUSCALOOSA COUNTY, ALABAMA

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MAR DEEDS TOT PAID: 18.00  
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REC RECORDING FEES 13.50  
BOT 1ST SRCE TITLE 1.00  
BOT 1ST SRCE TITLE 0389 1.50  
PJF P J FEES 2.00

Inst # 1993-18206

06/22/1993-18206  
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SHELBY COUNTY JUDGE OF PROBATE  
006 MCD 19.00

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 1151 AT PAGE 35 IN SAID COURT.  
WESS MY HAND AND SEAL THIS 22 DAY OF June 1993

Hardy McCollum  
JUDGE OF PROBATE,  
MUSCALOOSA COUNTY, ALABAMA