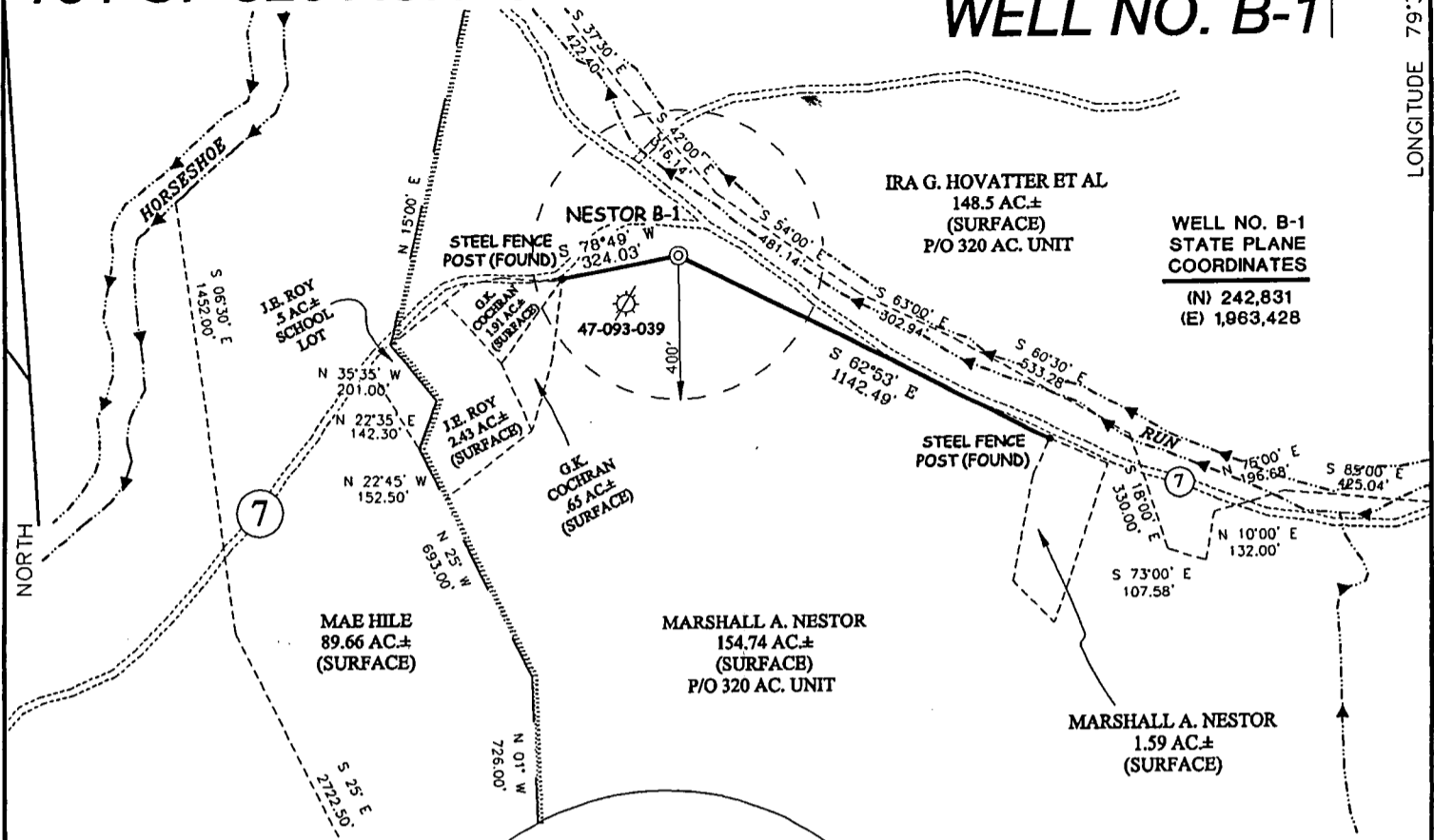


NESTOR UNIT 164 OF 320 ACRES±

WELL NO. B-1



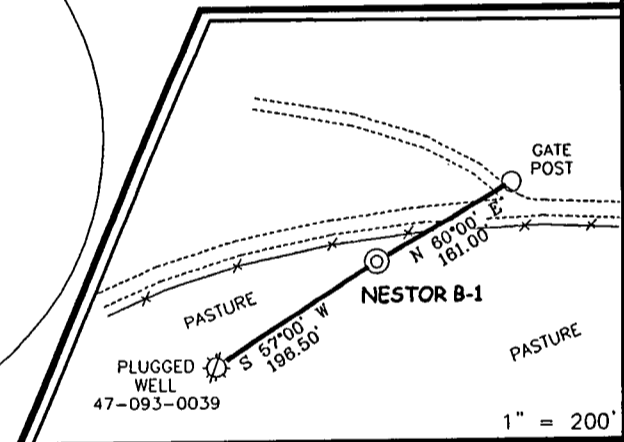
**WELL NO. B-1
STATE PLANE
COORDINATES**
(N) 242,831
(E) 1,963,428

LONGITUDE 79°37'30"
LAT. 39°09'59.9"

NOTES ON SURVEY

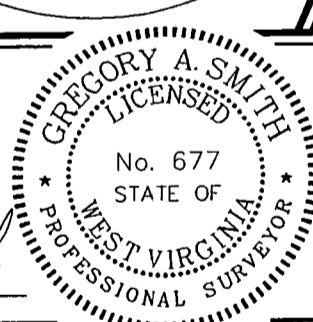
1. TIES TO WELLS AND CORNERS ARE BASED ON STATE PLANE GRID NORTH WV NORTH ZONE NAD '27.
2. TIES TO REFERENCES ARE BASED ON MAGNETIC NORTH 02/22/01.
3. LEASE BOUNDARY SHOWN HEREON TAKEN FROM A DEED DATED 10-18-41 AS RECORDED IN DEED BOOK 54 ON PAGE 90.
4. SURFACE OWNER AND ADJOINER INFORMATION TAKEN FROM THE ASSESSOR AND COUNTY CLERK RECORDS OF TUCKER COUNTY IN FEBRUARY, 2001.
5. WELL LAT./LONG. ESTABLISHED BY DGPS(SUBMETER MAPPING GRADE).

REFERENCES



I THE UNDERSIGNED, HEREBY CERTIFY THAT THIS PLAT IS CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF AND SHOWS ALL THE INFORMATION REQUIRED BY LAW AND THE REGULATIONS ISSUED AND PRESCRIBED BY THE DEPARTMENT OF ENERGY.

P.S. 677 *Gregory A. Smith*



(+) DENOTES LOCATION OF WELL ON UNITED STATES TOPOGRAPHIC MAPS.

DATE FEBRUARY 23, 2001
 OPERATORS WELL NO. NESTOR B-1
 API WELL NO. 47-93-00081
 STATE COUNTY PERMIT

MINIMUM DEGREE OF ACCURACY 1 / 200 FILE NO. 4647PB1 (99-25)
 PROVEN SOURCE OF ELEVATION JUNCTION OF ROADS ELEVATION 1647' SCALE 1" = 500'

STATE OF WEST VIRGINIA
 DIVISION OF ENVIRONMENTAL PROTECTION
 OFFICE OF OIL AND GAS



WELL TYPE : OIL GAS LIQUID INJECTION WASTE DISPOSAL IF "GAS" PRODUCTION STORAGE DEEP SHALLOW

LOCATION :
 ELEVATION 1650' WATERSHED HORSESHOE RUN
 DISTRICT ST. GEORGE COUNTY TUCKER QUADRANGLE ST. GEORGE 7.5'

SURFACE OWNER MARSHALL A. NESTOR ACREAGE 154.74
 ROYALTY OWNER MARSHALL A. NESTOR LEASE ACREAGE 164 OF 320 UNIT
 PROPOSED WORK :
 DRILL CONVERT DRILL DEEPER REDRILL FRACTURE OR STIMULATE PLUG OFF OLD FORMATION
 PERFORATE NEW FORMATION PLUG AND ABANDON CLEAN OUT AND REPLUG OTHER
 PHYSICAL CHANGE IN WELL (SPECIFY) _____ TARGET FORMATION ORISKANY
 ESTIMATED DEPTH 4200'

WELL OPERATOR MEGAENERGY OPERATING, INC. DESIGNATED AGENT CARRY RANSON
 ADDRESS 8501 E. DRY CREEK PLACE, ENGLEWOOD, CO 80112 ADDRESS 900 CORE ROAD PARKERSBURG, WV 26101

COUNTY NAME
PERMIT



west virginia department of environmental protection

Office of Oil and Gas
601 57th Street SE
Charleston, WV 25304
(304) 926-0450
(304) 926-0452 fax

Joe Manchin III, Governor
Stephanie R. Timmermeyer, Cabinet Secretary
www.wvdep.org

August 10, 2006

FINAL INSPECTION REPORT

WELL PERMIT RELEASED

MEGAENERGY OPERATING, INC.,

The FINAL INSPECTION REPORT for the permit, API Well Number: 47-9300081, issued to MEGAENERGY OPERATING, INC., and listed below has been received in this office, and reclamation requirements approved. The well designated by the permit number below has been released under reclamation and will remain under your bond.

JAMES MARTIN
Chief,
Office of Oil and Gas

Operator: MEGAENERGY OPERATING, INC.

Operator's Well No: NESTOR B-1

Farm Name: NESTOR, MARSHALL A.

API Well Number: 47-9300081

Date Issued: 03/14/2001

Date Released: 08/10/2006

Promoting a healthy environment.

Category 3
Sampling Results
API No. 47-

Parameter	Predischarge		Discharge		Units
	Limit	Reported	Limits	Reported	
pH	6-10	_____	6-10	_____	S.U.
Settling Time	20	_____	N/A	N/A	Days
Fe	6	_____	6	_____	mg/l
D.O.	2.5	_____	2.5	_____	mg/l
Settleable Sol.	.5	_____	.5	_____	mg/l
Cl*	12,500	_____	12,500	_____	mg/l
Oil	Trace	_____	Trace	_____	Obs.
TOC**		_____	Monitor	_____	mg/l
Al***		_____	Monitor	_____	mg/l
TSS		_____	Monitor	_____	mg/l
Mn	Monitor	_____	Monitor	_____	mg/l
Volume		_____	Monitor	_____	Gals.
Flow		_____	Monitor	_____	Gals.
Grease & Oil		_____	Monitor	_____	mg/l
Disposal Area		_____	Monitor	_____	Acres

* Can be 25,000 with inspectors approval,
 (Inspector) _____ Date: _____
 ** Include a description of your aeration technique.
 *** Al is only reported if the pH is above 9.0

Category 4
Sampling Results
API No. 47- 093-00081

Parameter	Predischarge		Discharge		Units
	Limit	Reported	Limits	Reported	
pH	6-10	<u>10</u>	6-10	<u>9.40</u>	S.U.
Settling Time	1	<u>13</u>	N/A	N/A	Days
Fe	Monitor	<u>1</u>	Monitor	<u>0.09</u>	mg/l
D.O.	Monitor	<u>4</u>	Monitor	<u>4</u>	mg/l
Settleable Sol.	Monitor	<u>0.1</u>	Monitor	<u>0.1</u>	mg/l
Cl*	12,500	<u>15,000</u>	12,500	<u>13,996</u>	mg/l
Oil	Trace	<u>None</u>	Trace	<u>None</u>	Obs.
TOC		_____	Monitor	<u>32.2</u>	mg/l
TSS		_____	Monitor	<u>10</u>	mg/l
Oil & Grease		_____	Monitor	<u><8.23</u>	mg/l
Mn	Monitor	<u>0.3</u>	Monitor	<u>0.22</u>	mg/l
Volume		_____	Monitor	<u>143,616</u>	Gals.
Flow		_____	Monitor	<u>6383</u>	Gals.
Activated Carbon	.175	<u>0.14</u>	N/A	N/A	lb./bl
Date Site Reclaimed	N/A	_____	<u>10</u>	<u>10</u>	Days from Dis.
Disposal Area		_____	Monitor	<u>8</u>	Acres

* Can be 25,000 with inspectors approval,
 (Inspector) _____ Date: _____

NESTOR B-1 API #47-093-00081

**SANT
GEORGE**

**LEAD
MINE**

Discharge
Area



SMITH LAND SURVEYING
P.O. BOX 150 GLENVILLE, WV. 26351

TOPO SECTION OF ST. GEORGE 7.5'

FILE NO. 970 P DATE 5/10/01 SCALE 1" = 2000'

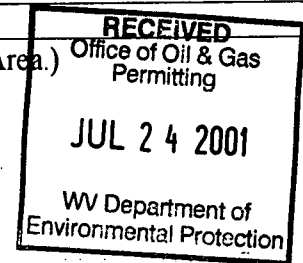
State of West Virginia
Department of Energy
Division of Oil and Gas
Discharge Monitoring Report
Oil and Gas General Permit

Reviewed ALB

Company Name: Mega Energy, Inc.
API 47-93-00081 County: Tucker District: St. George
Farm Name: Marshall A. Nestor Well No.: Nestor B-1

Discharge Dates/s From: (MMDDYY) 5/29/01, 5/30/01, 6/1/01 To: (MMDDYY) 5/29/01, 5/30/01, 6/1/01
Discharge Times: From 1:30 P.M., 9:00 A.M., 8:30 A.M. To 4:30 P.M., 5:00 P.M., 5:30 P.M.

Disposal Option Utilized: UIC (2): Permit No.
Centralized Facility (5): Permit No.
Reuse (4): Alternate Permit Number:
Offsite Disposal (3): Site Location:
Land Application (1): X (Include a topographical map of the Area.)
Other method (6): (Include an explanation)



* Fresh Water was hauled to dilute
Follow Instructions below to determine your treatment category.

Optional Pretreatment test: 35,500 Cl- mg/l 5 DO Mg/l

1. Do you have permission to use expedited treatment from the Director or his representatives? (Y/N) Y If yes who? Craig Duckworth, and place a four(4) on line 7. If not go to line 2
2. Was Frac Fluid or flowback put into the pit? (Y/N) If yes go to line 5 if not go to line 3
3. Do you have a chloride value pretreatment (see above)? (Y/N) If yes go to line 4 if not go to line 5
4. Is that chloride level less then 5000 mg/l? (Y/N) If yes then enter a one (1) on line 7
5. Do you have a pretreatment value for DO? (See above) (Y/N) If yes then go to line 6 if not enter a three (3) in line 7.
6. Is that DO greater then 2.5 mg/l? (Y/N) If yes then enter a two (2) on line 7 If not enter a three (3) on line 7.
7. 4 is the category of your pit. Use the Appropriate section.

Name of Principle Exec. Officer J. Scott Homafus
Title of Officer President
Date Completed: 6/14/01

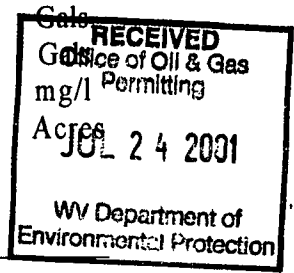
I certify under penalty of law that I have personally examined and am familiar with the information submitted on this document and all the attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

Signature of a Principle Exec. Officer or Authorized agent

[Signature] UICE President
Signature GREGORY TROPER

Category 3
Sampling Results
API No. 47-

Parameter	Predischarge		Discharge		Units
	Limit	Reported	Limits	Reported	
pH	6-10	_____	6-10	_____	S.U.
Settling Time	20	_____	N/A	N/A	Days
Fe	6	_____	6	_____	mg/l
D.O.	2.5	_____	2.5	_____	mg/l
Settleable Sol.	.5	_____	.5	_____	mg/l
Cl*	12,500	_____	12,500	_____	mg/l
Oil	Trace	_____	Trace	_____	Obs.
TOC**		_____	Monitor	_____	mg/l
Al***		_____	Monitor	_____	mg/l
TSS		_____	Monitor	_____	mg/l
Mn	Monitor	_____	Monitor	_____	mg/l
Volume		_____	Monitor	_____	Gals.
Flow		_____	Monitor	_____	Gals.
Grease & Oil		_____	Monitor	_____	mg/l
Disposal Area		_____	Monitor	_____	Acres



* Can be 25,000 with inspectors approval,

(Inspector) _____ Date: _____

** Include a description of your aeration technique.

*** Al is only reported if the pH is above 9.0

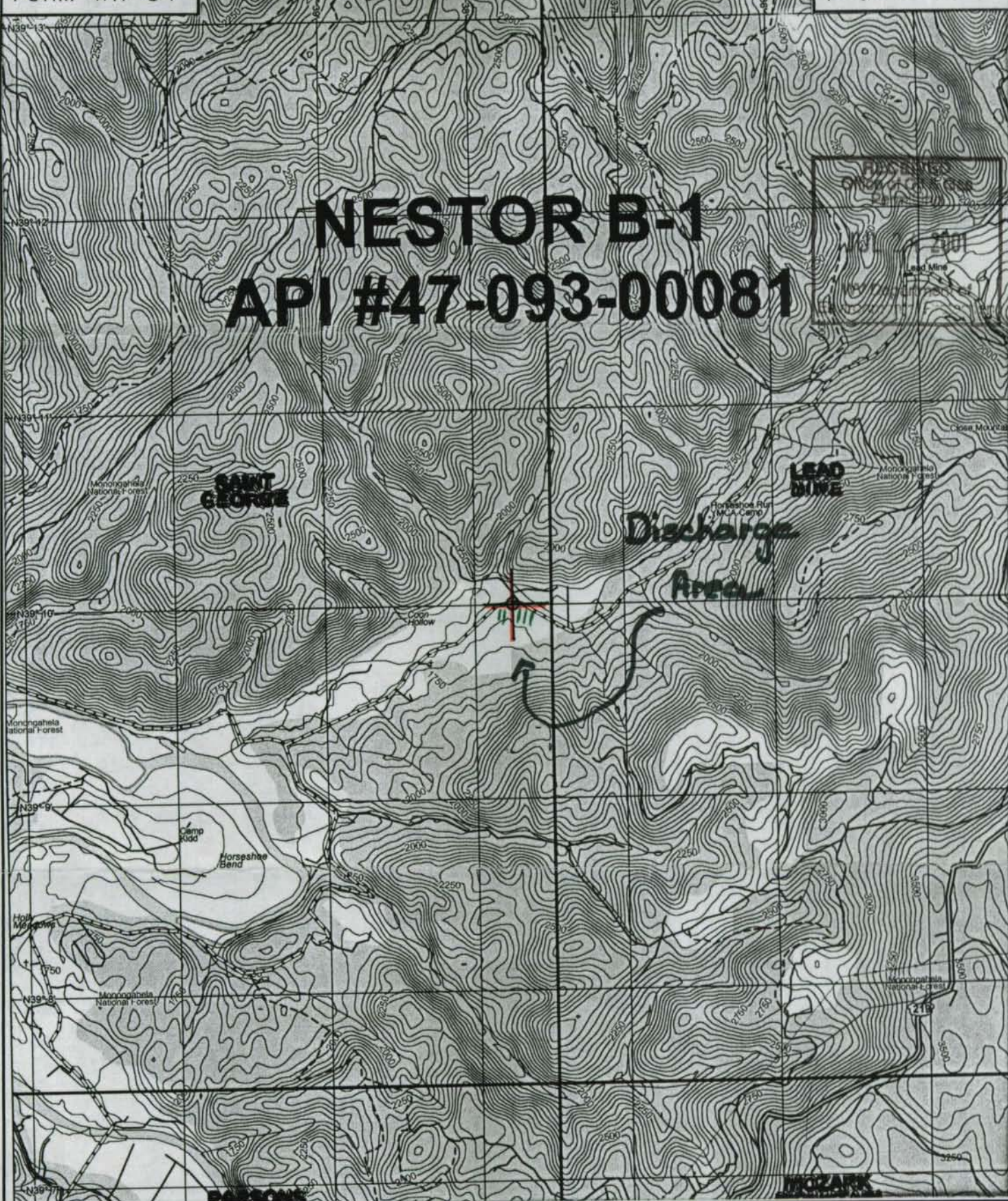
Category 4
Sampling Results
API No. 47- 93-00081

Parameter	Predischarge		Discharge		Units
	Limit	Reported	Limits	Reported	
pH	6-10	<u>10</u>	6-10	<u>10.2</u>	S.U.
Settling Time	1	<u>7</u>	N/A	N/A	Days
Fe	Monitor	<u>3</u>	Monitor	<u>1.23</u>	mg/l
D.O.	Monitor	<u>4</u>	Monitor	<u>4</u>	mg/l
Settleable Sol.	Monitor	<u>0.1</u>	Monitor	<u>0.1</u>	mg/l
Cl*	12,500	<u>5000</u>	12,500	<u>3099</u>	mg/l
Oil	Trace	<u>None</u>	Trace	<u>None</u>	Obs.
TOC		_____	Monitor	<u>29.4</u>	mg/l
TSS		_____	Monitor	<u>14</u>	mg/l
Oil & Grease		_____	Monitor	<u><8.23</u>	mg/l
Mn	Monitor	<u>0.3</u>	Monitor	<u>0.18</u>	mg/l
Volume		_____	Monitor	<u>179,520</u>	Gals.
Flow		_____	Monitor	<u>8976</u>	Gals.
Activated Carbon	.175	<u>0.18</u>	N/A	N/A	lb./bl
Date Site Reclaimed	N/A	_____	<u>10</u>	10 Days from Dis.	
Disposal Area		_____	Monitor	<u>6</u>	Acres

* Can be 25,000 with inspectors approval,

(Inspector) _____ Date: _____

NESTOR B-1 API #47-093-00081



SMITH LAND SURVEYING
P.O. BOX 150 GLENVILLE, WV. 26351

TOPO SECTION OF ST. GEORGE 7.5'

FILE NO. 970 P DATE 6/14/01 SCALE 1" = 2000'

WR-35
Rev (5-01)

DATE: August 29, 2005
API #: 47-093-00081

State of West Virginia
Department of Environmental Protection
Office of Oil and Gas

Well Operator's Report of Well Work

Farm name: Nestor, Marshall A. Operator Well No.: Nestor B-1

LOCATION: Elevation: 1650' Quadrangle: Saint George 7.5'

District: Saint George County: Tucker
Latitude: 10 Feet South of 39 Deg. 10 Min. 0 Sec.
Longitude 1100 Feet West of -79 Deg. 37 Min. 30 Sec.

Company: MesaEnergy Operating, Inc.

	Casing & Tubing	Used in drilling	Left in well	Cement fill up Cu. Ft.
Address: <u>9685 E. Mineral Cir, Ste 270</u>	<u>20" csg</u>	<u>10.2'</u>	<u>10.2'</u>	
<u>Englewood, CO 80112</u>	<u>16" csg</u>	<u>35'</u>	<u>35'</u>	<u>Sanded in</u>
Agent: <u>Carry Ranson</u>	<u>11-3/4" H40</u>	<u>206'</u>	<u>206'</u>	<u>200 exs</u>
Inspector: <u>Craig Duckwarth</u>	<u>8-5/8" J55</u>	<u>1221.1'</u>	<u>1221.1'</u>	<u>280 exs</u>
Date Permit Issued: <u>3-14-2001</u>	<u>4-1/2" N80</u>	<u>4240'</u>	<u>4240'</u>	<u>280 exs</u>
Date Well Work Commenced: <u>3-12-2001</u>				
Date Well Work Completed: <u>5-11-2001</u>				
Verbal Plugging: <u>N/A</u>				
Date Permission granted on: <u>N/A</u>				
Rotary Rig: <u>SW Jack Rig #7</u>				
Total Depth (feet): <u>4304</u>				
Fresh Water Depth (ft.): <u>110</u>				
Salt Water Depth (ft.):				
Is coal being mined in area (N/Y)? <u>N</u>				
Coal Depths (ft.):				

OPEN FLOW DATA

Producing formation _____ Pay zone depth (ft) _____
Gas: Initial open flow _____ MCF/d Oil: Initial open flow _____ Bbl/d
Final open flow _____ MCF/d Final open flow _____ Bbl/d
Time of open flow between initial and final tests _____ Hours
Static rock Pressure 0 psig (surface pressure) after _____ Hours

Second producing formation _____ Pay zone depth (ft) _____
Gas: Initial open flow _____ MCF/d Oil: Initial open flow _____ Bbl/d
Final open flow _____ MCF/d Final open flow _____ Bbl/d
Time of open flow between initial and final tests _____ Hours
Static rock Pressure _____ psig (surface pressure) after _____ Hours

RECEIVED
Office of Oil & Gas
AUG 01 2005

WV Department of
Environmental Protection

NOTE: ON BACK OF THIS FORM PUT THE FOLLOWING: 1). DETAILS OF PERFORATED INTERVALS, FRACTURING OR STIMULATING, PHYSICAL CHANGE, ETC. 2). THE WELL LOG WHICH IS A SYSTEMATIC DETAILED GEOLOGICAL RECORD OF ALL FORMATIONS, INCLUDING COAL ENCOUNTERED BY THE WELLBORE.

Signed: _____
By: J. Scott Hornafius
Date: August 29, 2005

740 0081

Nestor B-1: 47-093-00081

Operator: MegaEnergy Operating, Inc.
County: Tucker, WV

KB Elevation: 1660'
GL Elevation: 1650'

T/Tully: 3150'
T/Omondaga: 3466'
T/Hunterville: 3496'
T/Oriahany: 3652'
T/Holderberg: 3802'

Final Rock Pressure: 0 psig, fluid level at 300'

Hunterville Chert

Perforated w/ 3-1/8" HSC, 3 SPF, 120° phased
3528' - 3548'
Pre frac rate - no measurable flow, 0 psi WHP
Frac Job - 11,760 gal X-linked gel pad with 2,000 lbs 80/100 mesh plus 22,000 gal X-linked gel with 57,600 lbs 20/40 mesh sand with 200 SCF/bbl N₂. Broke at 3500 psi. Treated at 26.5 BPM to 3150 psi.
Post frac job - Swabbed brine to 1800' - no gas to surface.

Oriahany

Perforated w/ 3-1/8" HC 4 SPF, 90° phased
3672' - 3676', 3738' - 3742', 3757' - 3770'
Pre frac job - no measurable flow
Acid/Frac Job - pumped 5040 gal 15% FE acid. Broke down at 2950 psi. Pumped 10,000 gal X-linked gel pad with 4500 lb 80/100 Mesh sand plus 52374 gal X-linked gel with 63,000 lb 20/40 mesh sand. Treated at 34 BPM @ 2200 psi. Swabbed to 3700' - no measurable flow.

Holderberg Limestone

Perforated w/ 3-1/8" HSC 4 SPF, 90° phased
4060' - 4064', 4067' - 4072', 4106' - 4110'
Pre acid job - no measurable flow, 0 psi overnight
Acid Job - pumped 7500 gal 15% FE acid. Broke down at 3900 psi, treated at 13.5 BPM at 2400 psi.
Post acid job - 2.5 MCPPD after scrubbing to 4150'. gas would not burn, probably carbon dioxide from acid.
Fluid level after 12 hours at 3000'; no measurable flow.

PHID @ 4320'
TD @ 4364'

2 1/2" conductor @ 10.2'
16" conductor @ 35'.
Sanded in 17" Hole

11-3/4" 400 H-40 cas @ 206'. Cas'd w/200 sx Class A to surface.
15" Hole

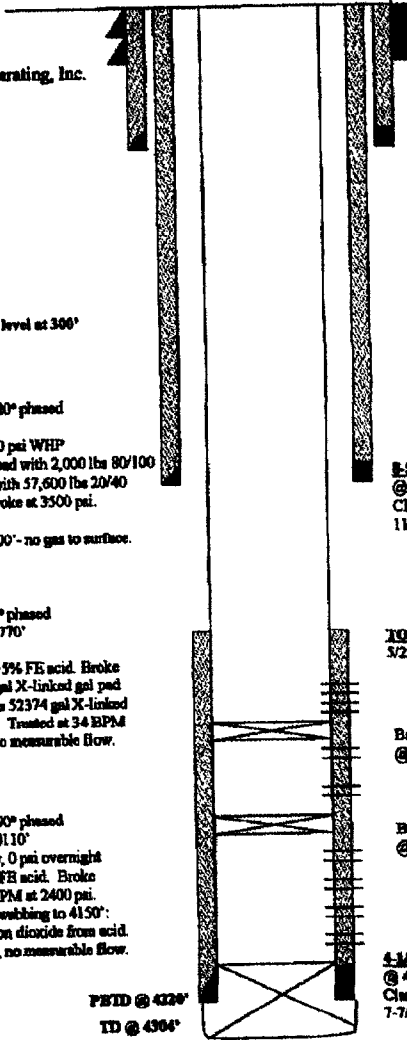
8-5/8" 240 J-55 cas @ 1221.1'. Cas'd w/280 sx Class A to surface.
11" Hole

TOC @ 2842' from CBL run 5/2/01

Baker NC-1 Solid Bridge Plug @ 3600'

Baker NC-1 Solid Bridge Plug @ 4040' KBM

4-1/2" 11-60 N-90 cas @ 4240'. Cas'd w/280 sx Class A.
7-7/8" Hole



STATE OF WEST VIRGINIA
DIVISION OF ENVIRONMENTAL PROTECTION
OFFICE OF OIL AND GAS

WELL WORK PERMIT

New Well

This permit, API Well Number: 47-9300081, issued to MEGAENERGY OPERATING, INC., is evidence of permission granted to perform the specified well work at the location described on the attached pages and located on the attached plat, subject to the provisions of Chapter 22 of the West Virginia Code of 1931, as amended, and all rules and regulations promulgated thereunder, and to all conditions and provisions outlined in the pages attached hereto. Notification shall be given by the operator to the Oil and Gas Inspector at least 24 hours prior to the construction of roads, locations, and/or pits for any permitted work. In addition, the well operator shall notify the same inspector 24 hours before any actual well work is commenced and prior to running and cementing casing. Spills or emergency discharges must be promptly reported by the operator to 1-800-654-3312 and to the Oil and Gas inspector.

Please be advised that form WR-35, well operators report of well work, is to be submitted to this office within 90 days of completion of drilling, as should form WR-34 Discharge Monitoring Report within 30 days of discharge of pits, if applicable.

Failure to abide by all statutory and regulatory provisions governing all duties and operations hereunder may result in suspension or revocation of this permit and, in addition, may result in civil and/or criminal penalties being imposed upon the operators.

This permit will expire in two (2) years from the issue date.

If there are any questions, please feel free to contact me or Mr. Al Blankenship at 304-558-6342.



JOHN JOHNSTON

Chief,

Office of Oil and Gas

Operator's Well No: NESTOR B-1

Farm Name: NESTOR, MARSHALL A.

API Well Number: 47-9300081

Permit Type: New Well

Date Issued: 03/14/2001

State of West Virginia
Bureau of Environment
OIL AND GAS CONSERVATION COMMISSION

1356 Hansford Street
Charleston, West Virginia 25301
Telephone: 558-6076
Fax: (304)558-6047

Barry K. Lay, Chairman
Michael W. Sinicropi, Member
Denny P. Harton, Member
John H. Johnston, Ex-Officio
Michael O. Callaghan, Ex-Officio

Bob Wise, Governor

March 14, 2001

Division of Environmental Protection
Office of Oil and Gas
Charleston, West Virginia 25301

Re: Application for Deep Well - Permit #47-093-00081

COMPANY: MegaEnergy Operating, Inc.

FARM: Nestor #B-1

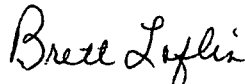
COUNTY: Tucker DISTRICT: St. George QUAD: St. George

The application for the above company is Approved for Oriskany.

Applicant has complied with the provisions of Chapter 22C-9, of the Code of West Virginia, nineteen hundred and thirty-one (1931), as amended, Oil and Gas Conservation Commission as follows:

- 1.) Provided a certified copy of duly acknowledged and recorded consent and easement form from all surface owner; yes
- 2.) Provided a tabulation of all deep wells within one mile of the proposed location, including the API number of the deep well, well name, and the name and address of operator and; none
- 3.) Provided a plat showing that the proposed location is a distance of 650 feet from the nearest unit boundary and showing the following wells drilled to or capable of producing from the objective formation within 3,000 feet of the proposed location.

Sincerely,



Brett Loflin
Program Manager

1) Date: February 28, 2001
2) Operator's well number
Nestor No. B-1
3) API Well No: 47 - 93 - 0008
State County Permit

STATE OF WEST VIRGINIA - BUREAU OF ENVIRONMENT
DIVISION OF ENVIRONMENTAL PROTECTION, OFFICE OF OIL AND GAS

NOTICE AND APPLICATION FOR A WELL WORK PERMIT

- 4) Surface Owner(s) to be served: 5) (a) Coal Operator:
- (a) Name Marshall A. Nestor Name N/A
 Address Rt. 1 Box 51 Address _____
Moatsville, WV 26405
- (b) Name _____ (b) Coal Owner(s) with Declaration
 Address _____ Name N/A
 Address _____
- (c) Name _____ Name _____
 Address _____ Address _____
- 6) Inspector Mr. Craig Duckworth (c) Coal Lessee with Declaration
 Address Box 107, Davisson Route Name N/A
Gassaway, WV 26624 Address _____
 Telephone (304)- 543-5342

TO THE PERSON(S) NAMED ABOVE TAKE NOTICE THAT:

 Included is the lease or leases or other continuing contract or contracts by which I hold the right to extract oil and gas OR
XX Included is the information required by Chapter 22, Article 6, Section 8(d) of the Code of West Virginia (see page 2)

I certify that as required under Chapter 22-6 of the West Virginia Code I have served copies of this notice and application, a location plat, and accompanying documents pages 1 through 7 on the above named parties, by:

- XX Personal Service (Affidavit attached)
 _____ Certified Mail (Postmarked postal receipt attached)
 _____ Publication (Notice of Publication attached)

INSTRUCTIONS TO SURFACE OWNERS NAMED ABOVE

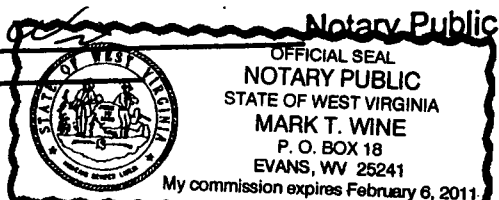
(Continued on Reverse)

The well operator named below is applying for a permit from the State to do oil or gas well work. (Note: If the surface tract is owned by more than three persons, then these materials were served on you because your name appeared on the Sheriff's tax ticket on the land or because you actually occupy the surface tract. In either case, you may be the only owner who will actually receive these materials.) See Chapter 22 of the West Virginia Code. Well work permits are valid for 24 months.

Well Operator MegaEnergy Operating, Inc.
 By: [Signature]
 Its: Designated Agent CARRY S. RANSON
 Address 900 Core Road
Parkersburg, WV 26101
 Telephone (304) 428-1165

Subscribed and sworn before me this 6th day of MAR, 2001

My commission expires 2-6-11



Instructions to Surface Owners (cont.)

If you do not own any interest in the surface tract, please forward these materials to the true owner immediately if you know who it is. Also, please notify the well operator and the Office of Oil and Gas

NOTE: YOU ARE NOT REQUIRED TO FILE ANY COMMENT.

WHERE TO FILE COMMENTS AND OBTAIN ADDITIONAL INFORMATION:

Chief, Office of Oil and Gas
Division of Environmental Protection
#10 McJunkin Road
Nitro, West Virginia 25143
(304)-759-0514

OR)District Oil and Gas Inspector
(Name and address listed on obverse side of this notice)

Time limits and methods for filing comments. The law requires these materials to be served on or before the date the operator files his Application. You have **FIFTEEN (15) DAYS** after the filing date to file your comments. Comments must be filed in person or received in the mail by the Chief's office by the time stated above. You may call the Chief's office to be sure of the date. Check with your postmaster to ensure adequate delivery time or to arrange special expedited handling. If you have been contacted by the well operator and you have signed a "voluntary statement of no objection to the planned work described in these materials, then the permit may be issued at any time.

Comments must be in writing. Your comments must include your name, address, and telephone number (if you have a telephone), the well operator's name and well number, and the approximate location of the proposed well site including district and county from the application. You may add other documents, such as sketches, maps or photographs to support your comments.

The Chief has the power to deny or condition a well work permit based on comments on the following grounds:

- 1) The proposed well work will constitute a hazard to the safety of persons
- 2) The soil erosion and sediment control plan is not adequate or effective;
- 3) Damage would occur to publicly owned lands or resources;
- 4) The proposed well work fails to protect fresh water sources or supplies;
- 5) The applicant has committed a substantial violation of a previous permit or a substantial violation of one or more of the rules promulgated under Chapter 22, and has failed to abate or seek review of the violation..."

If you want a copy of the permit as it is issued or a copy of the order denying the permit, you should request a copy from the Chief.

List of Water testing Laboratories. The Office maintains a list of water testing laboratories which you can hire to test your water to establish water quality prior to and after drilling. Contact the Chief to obtain a copy.

VOLUNTARY STATEMENT OF NO OBJECTION

I hereby state that I have read the instructions to surface owners and the that I have received copies of a Notice and Application for a Well Work Permit on Form WW-2A, and attachments consisting of pages 1 through ___ including a work order on Form WW-2B, a survey plat, and a soil and erosion plan, all for proposed well work on my surface land as described therein.

I further state that I have no objection to the planned work described in these materials, and I have no objection to a permit being issued based on those materials.

(For execution by natural person)

[Signature] Date 3-2-01
(Signature)

(For execution by corporation, etc.)

Name _____
By _____
Its _____ Date _____
Date _____
(Signature)

OIL & GAS LEASE

THIS AGREEMENT, made this 24th day of March, 19 2000, by and between Marshall A. Nestor and Libby M. Nestor, His wife

hereinafter referred to as "Lessor" (whether singular or plural) and MegaEnergy, Inc., a Colorado Corporation, 8501 E. Dry Creek Place, Englewood, CO 80112, hereinafter referred to as "Lessee"; 93-00081

1. That for and in consideration of the sum of TEN DOLLARS (\$10.00), cash in hand paid, the receipt of which is hereby acknowledged, and the further consideration of the covenants and agreements herein contained, Lessor does hereby Grant, Demise, Lease, and Let exclusively unto the said Lessee, its successors and assigns, the land hereinafter described, with the exclusive right for the purpose of drilling, mining, exploring by geophysical and other methods, and operating for and producing therefrom oil, gas, coalbed methane gas, casinghead gas, casinghead gasoline, and all associated hydrocarbons, and for the purpose of storing any kind of gas as provided in Paragraph 14 hereof, together with the right to construct, replace, repair and maintain pipelines, telephone and electric lines, tanks, compressor and meter house stations, gasoline plants, cathodic protection devices, ponds, roadways, and fixtures for producing, treating, maintaining and caring for such products and the exclusive right to inject air, gas, water, brine and other fluids from any source into the subsurface strata and any and all other rights and privileges necessary, incident to, or convenient for the economical operation of said land, alone or conjointly with neighboring land, for the production, saving, storing and taking care of oil, gas and the injection of air, gas, water, brine and other fluids into the subsurface strata. The land leased hereby is all that certain tract of land situated in the

Township/District of St. George, County of Tucker, State of West Virginia, on the waters of _____, and bounded, now or formerly as follows:

On the North by Gerald Nestor; On the East by Sarah J. Dillon; On the South by Coastal Lumber; On the West by Terry L. Hile; and containing 154.74 acres, more or less, hereinafter called the "leased premises", and being the same land conveyed to Lessor by Gerald & Opal M. Nester by deed dated 12/17/85 and recorded in Book 114 at Page 18 in the records of said County. Tax Map 225, Parcel 12

2. TERM: Subject to the other provisions herein contained, this lease shall be for a term of 10 years from this date (called "primary term") and as long thereafter as oil or gas is produced from said leased premises or land with which said leased premises is pooled hereunder, or drilling operations are continuously prosecuted, or said land is used for gas storage purposes or substance injection purposes. If, after the expiration of the primary term of this lease, production from the above described land should cease and said land is not then being used for gas storage purposes, this lease shall not terminate if Lessee is then prosecuting drilling operations, or, within ninety (90) days after any such cessation of production commences reworking or drilling operations. This lease shall remain in force so long as such operations are continuously prosecuted and, if production results therefrom, then as long thereafter as oil or gas is produced from the above described land or said land is used for gas storage purposes as provided in Paragraph 14 hereof.

3. ROYALTIES AND RENTALS: Lessee covenants and agrees as follows:
A. Oil Production Royalty - To pay the Lessor, as a royalty for all oil and the constituents thereof produced and saved from any well or wells drilled on the lease premises, and amount equal to one-eighth (1/8th) of the price received by the Lessee from the sale of such oil in the tanks, pipelines, or other facilities, to which the Lessee may connect its wells.
B. Gas Production Royalty - To pay Lessor as royalty for all gas and the constituents thereof, (except stored gas and gas produced from any storage horizon), including all liquid, solid or gaseous substances produced and saved from any sand or sands and/or formations on the leased premises, an amount equal to one-eighth (1/8th) of the price received by the Lessee from the sale of such gas and the constituents thereof at the well head.
C. Delay Rental Payment - To pay or tender to Lessor as delay rental at the rate of Three Dollars (\$3.00) Dollars per net acre, \$3.00 annually, within ninety (90) days of execution of this lease, and continuing thereafter until a well capable of yielding production royalty to Lessor as provided above is drilled on the leased premises or on any unit or pool involving the lease premises. Any delay rental paid for time beyond the date that well capable of yielding production royalty to Lessor is drilled on the leased premises shall be credited on production royalty due from the well. If any producing well subsequently ceases to produce or is determined by the Lessee unprofitable to operate for the production of oil or gas, the Lessee may continue to hold said land under the terms hereof for the remainder of the primary term of the lease by resuming payment of delay rental, with said rental to commence ninety (90) days after completion of the plugging of the well or ninety (90) days after termination of production from the same, whichever first occurs. In no event shall this lease terminate or become void for non-payment of delay rentals, unless the Lessee shall refuse or neglect to pay or perform the same for sixty (60) days after having received written notice by certified mail, return receipt requested, from the Lessor of his intention to declare such default.
D. Injection Rental - To pay Lessor an annual rental of Three Hundred Dollars (\$300.00) per well located on the leased premises which is used to inject air, gas, water, brine and other fluids. Said rental payments shall be made on an annual basis for so long as substances are being injected, and will cease upon plugging and abandonment of the well.
E. Shut-in Royalty - If the Lessee drills a well (except gas storage wells), capable of production upon the leased premises and for any reason does not turn the same into pipelines within one (1) year, then the Lessee shall pay a shut-in royalty to the Lessor. The shut-in royalty, in such events, shall be equal to One Hundred Dollars (\$100.00) per year for each well that is shut-in, and shall continue until such time as production is resumed. In no event shall this lease terminate or become void for nonpayment of shut-in royalty, unless the Lessee shall refuse or neglect to pay or perform the same for sixty (60) days after having received written notice by certified mail, return receipt requested, from the Lessor of his intention to declare such default.
F. Deferral - Lessee may defer payment of any sum due Lessor, or to any payee hereunder, until the total sum due to Lessor or to such payee shall equal Fifty Dollars (\$50.00), whereupon payment shall promptly be made. In any event, monies due shall be disbursed by December 31 for that calendar year.

4. PAYMENTS: All payments under this lease may be made in cash or by check or draft payable to the order of Marshall A. Nestor, Rt. 1 Box 51, Moatsville, WV 26405. If six or more parties become entitled to payments hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.

5. OUTSTANDING INTERESTS: The rentals, royalties and payments herein specified are intended to be paid for a 100% ownership of the oil and gas. If Lessor owns less than a 100% interest of the oil and gas, the rental, royalty and other payments shall be reduced to equal the interest actually owned by the Lessor (i.e., if Lessor owns only a 50% interest in the oil and gas, then the rental, royalty and other payments shall automatically be reduced to 50% of the amounts herein specified).

6. FREE GAS: If Lessor owns the surface overlying the gas herein leased, then Lessor hereby excepts and reserves from one well on said land producing gas an amount of gas not to exceed two hundred thousand (200,000) cubic feet per year for Lessor's own use for heat and light in one (1) dwelling house on said land at Lessor's own risk. Lessor shall be entitled to receive the free gas when and as long as Lessee may elect to produce or operate well on the aforesaid leased premises. Prior to connection, any authorized party receiving free gas shall execute a House Gas Connection Agreement to be furnished by Lessee. Lessor shall lay the necessary lines and make connections at Lessor's expense at such point on the lease premises as may be designated by the Lessee, and shall be measured by meter furnished by the Lessee. The regulation of such gas will be by regulator, furnished by Lessor and approved by Lessee, being placed at the well head or other designated point of connection as designated by Lessee. Gas shall be used at Lessor's own risk. Lessee shall not be liable to the Lessor for any interruption or insufficient supply of such gas. If more than two hundred thousand (200,000) cubic feet per year is used, the excess shall be paid for by Lessor at the same rate at which Lessee sells other gas produced from the well at the wellhead. In case of default in payment for gas used in excess of said two hundred thousand (200,000) cubic feet, Lessee is hereby authorized to terminate the free gas connection or deduct the amount thereof from any royalty or other payments that are then due or may later become due under the terms of this lease. If Lessor does not own the surface, then Lessee may furnish free gas to the surface owner at its election, but, in such event, Lessor shall not be compensated for usage by the Lessee or the surface owner. Lessee reserves the right to cease providing gas to the Lessor or Surface Owner under the terms of this lease and any other agreements if, by virtue of the provision of gas to the Lessor or Surface Owner, Lessee is found to be engaging in public utility operations subject to the jurisdiction of local, state and/or federal regulatory agencies.

7. SEISMIC: Lessor grants to Lessee and Lessee's geophysical agents the right and permission to conduct seismic operations across the lands described herein and which are subject to this oil and gas lease. Lessee and Lessee's geophysical agents are hereby granted, for both personnel and equipment, access to the lands for the purpose of conducting the seismic operations including, but not limited to, surveying, and the acquisition of seismic data. Lessee agrees to protect Lessor from any and all claims and damages that may result from the seismic operations conducted hereunder. Lessee and Lessee's geophysical agent will conduct seismic operations in such a manner as to leave the surface of the land in as near the original condition as reasonably possible. Lessee shall pay for any extraordinary damages after the completion of the seismic operations.

8. DRY HOLE: If at any time during the primary term of this lease and prior to the discovery of oil or gas on the leased premises, Lessee shall complete the drilling of a dry hole, or if at any time during the primary term of this lease, all of the wells on the leased premises shall cease to be capable of producing oil or gas, then beginning with the next ensuing rental payment date, Lessee shall resume and be liable during the remainder of said primary term for the payments of rentals, in the manner and amount herein provided, until Lessee shall at its option either commence reworking operations or operations for the drilling of an additional well on said leased premises, or surrender this lease.

464 22

Certificate of Consent and Easement

We, the undersigned, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, being all the owners of the surface of that certain lot, tract, or parcel of land located in St. George District, Tucker County, West Virginia, shown on the attached plat or survey, hereby consent and grant an easement, pursuant to West Virginia Code, Section 22C-9-7 (b) (4) and Operating Rule 4.4 of the Rules and Regulations of the West Virginia Oil and Gas Conservation Commission, to MEGAENERGY INC., its successors or assigns, for the drilling and operation of a deep well for the production of oil or gas at the location shown on the attached plat or survey.

Executed this 2 day of March 2001.

Marshall A. Nestor
Libby M. Nestor

Acknowledgement

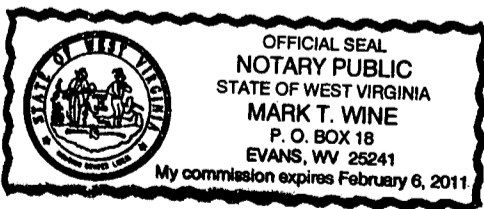
STATE OF West Virginia)
COUNTY OF Tucker)

SS:

Before me a Notary Public in and for said county and state appeared the above named Marshall A. Nestor and Libby M. Nestor, his wife who acknowledged to me that they did execute the foregoing instrument and that the same is their free act and deed for the purposes therein set forth.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal at this 2 day of March, 2001.

My Commission Expires: 2-6-11



Mark T. Wine
Notary Public

This instrument prepared by: **Land & Resource Management, Inc**
900 Core Road,
Parkersburg, WV 26101

93-00081

FORM WW2-B1

West Virginia Division of Environmental Protection
Office of Oil and Gas

NOTICE TO SURFACE OWNERS

The well operator named below is preparing to file for a permit from the state to drill a new well. Before a well work permit can be filed with the Chief of the Office of Oil and Gas, the well operator is required to have given notice of the right to request water well or spring analytical testing. This notice shall be given to the owners or occupants of land which have a water well or spring being utilized for human consumption, domestic animals, or other general use and which is located within 1000 feet of the proposed well site.

With this form, the operator is giving you notice of your right to request analytical testing. The operator is required to sample and analyze the water wells or springs of all owners or occupants who request it. Therefore if you wish to have your water well or spring tested, contact the operator named below.

All sampling shall be completed prior to drilling. Within thirty (30) days of the receipt of such sample analyses the operator shall submit the results to the Chief of the Office of Oil and Gas and to the owners or occupants who may have requested them.

If no water well or spring is located within 1000 feet, the Chief may require the operator to sample and analyze water from a water well or spring within 2000 feet of the proposed well site.

Be advised, you have the right to sample and analyze any water supply at your own expense.

The laboratory used by the operator to analyze the samples will be approved by the Chief. The operator named below has decided to use the following laboratory to analyze the water samples:

XX Contractor Name Smith Land Surveying, Inc.-Environmental Division
 Well operator's private laboratory

Well Operator MegaEnergy Operating, Inc.
Address 8501 E. Dry Creek Place
Englewood, CO 80112

Telephone (720) 482-9235

FOR OPERATOR'S USE ONLY: Below, or on an attached page, list those persons which were given this notice. Place an asterisk beside the one(s) that contacted you and requested sampling and analyses. If there were no requests made, indicate by underlining which one you have selected to sample and analyze. If there are no water well or springs within 1000 feet of the proposed site please indicate such.

Nestor No. B-1

NOTE: There appears to be no potable water sources within 1,000', therefore there will be no tests run.

 X There appears to be 4 potable water sources within 1,000', therefore tests will be offered and samples taken as required.

STATE OF WEST VIRGINIA
DIVISION OF ENVIRONMENTAL PROTECTION, OFFICE OF OIL AND GAS
CONSTRUCTION AND RECLAMATION PLAN AND SITE REGISTRATION APPLICATION FORM
GENERAL PERMIT FOR OIL AND GAS PIT WASTE DISCHARGE

Operator Name MegaEnergy Operating, Inc. OP Code _____

Watershed Horseshoe Run Quadrangle St. George 7.5'

Elevation 1650' County Tucker District St. George

Description of anticipated Pit Waste: Drill Water, Frac Blow Back & Various Formation Cuttings.

Will a synthetic liner be used in the pit? Yes, If Impervious Material is not available on site.

Proposed Disposal Method For Treated Pit Wastes:

- Land Application
- Underground Injection (UIC Permit Number _____)
- Reuse (at API Number _____)
- Off Site Disposal (Supply form WW-9 for disposal location)
- Other (Explain _____)

Proposed Work For Which Pit Will Be Used:

- Drilling
- Workover
- Other (Explain _____)
- Swabbing
- Plugging

I certify that I understand and agree to the terms and conditions of the GENERAL WATER POLLUTION PERMIT issued on June 14, 1994, by the Office of Oil and Gas of the West Virginia Division of Environmental Protection. I understand that the provisions of the permit are enforceable by law. Violations of any term or condition of the general permit and/or other applicable law or regulation can lead to enforcement action.

I certify under penalty of law that I have personally examined and am familiar with the information submitted on this application form and all attachments thereto and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine or imprisonment.

Company Official Signature [Signature]

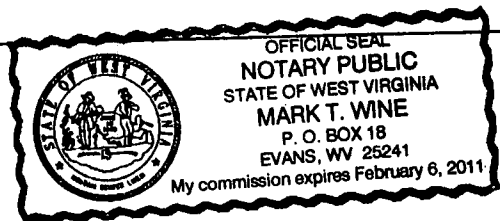
Company Official (Typed Name) Mr. Carry Ranson

Company Official Title Designated Agent


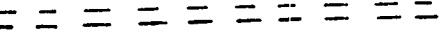
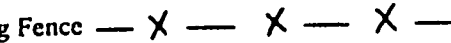

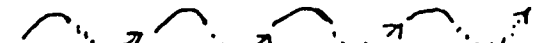
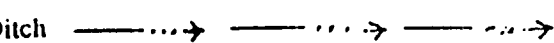
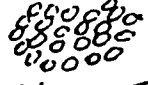




Subscribed and sworn before me this 6th day of MARCH, 2001

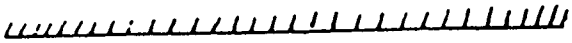
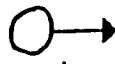

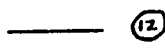
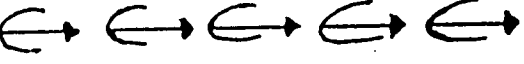

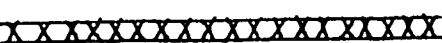


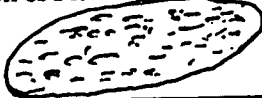
Mark T. Wine Notary Public

My commission expires 2-6-11



LEGEND

- Property Boundary 
- Road 
- Existing Fence 
- Planned Fence 
- Stream 
- Open Ditch 
- Rock 
- North 
- Buildings 
- Water wells 
- Drill site 

- Diversion 
- Spring 
- Wet Spot 
- Drain Pipe with size in inches 
- Waterway 
- Cross Drain 
- Artificial Filter Strip 
- Pit: cut walls 
- Pit: compacted fill walls 
- Area for Land Application of Pit Waste 

Proposed Revegetation Treatment: Acres Disturbed _____ Prevegetation pH _____

Lime 3 Tons/acre or to correct to pH 6.5

Fertilizer (10-20-20 or equivalent) 1/3 TON lbs/acre (500 lbs minimum)

Mulch HAY 2 Tons/acre

Seed Mixtures

Seed Type	Area I	lbs/acre
KY-31		40
ALSIKE CLOVER		5
ANNUAL RYE		15

Seed Type	Area II	lbs/acre
ORCHARD GRASS		15
ALSIKE CLOVER		5

Attach:
Drawing(s) of road, location, pit and proposed area for land application.

Photocopied section of involved 7.5' topographic sheet.

Plan Approved by: Craig Duckworth

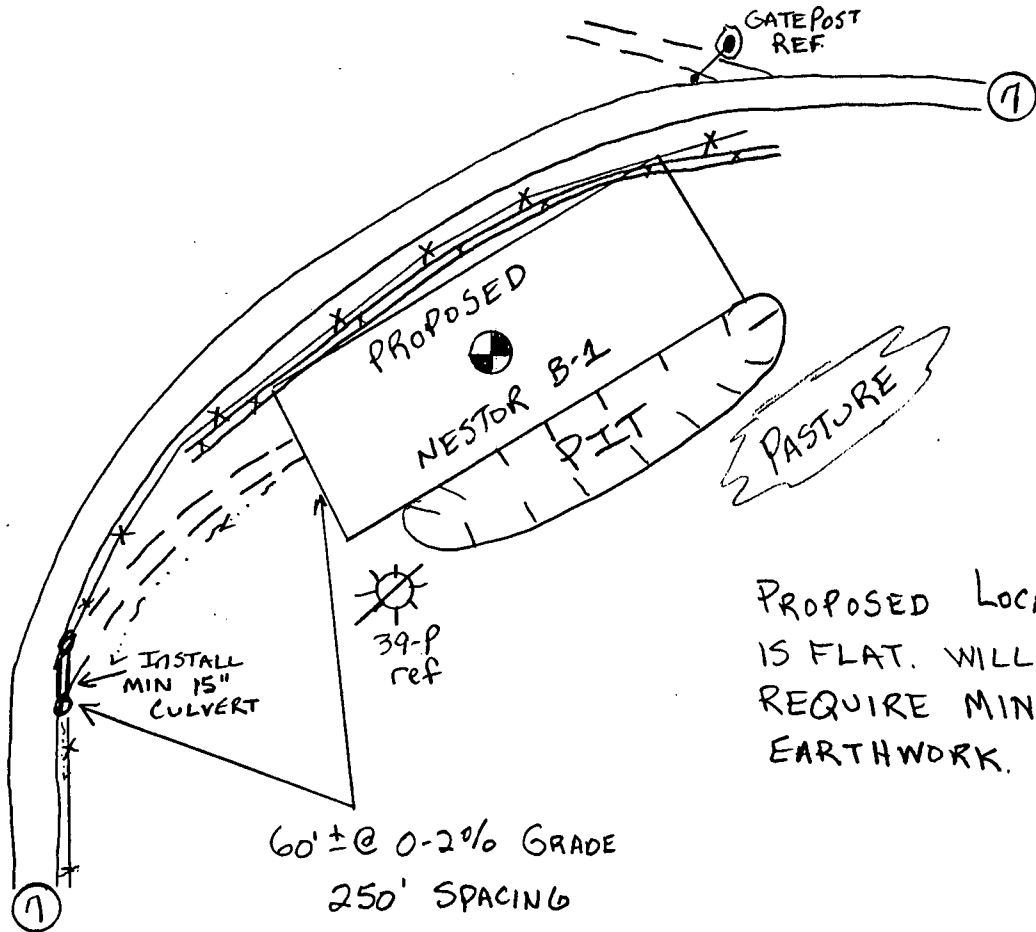
Title: Dil + Gas Inspector

Date: 3-1-01

Field Reviewed? Yes No

NESTOR UNIT WELL NO. B-1

93-00081



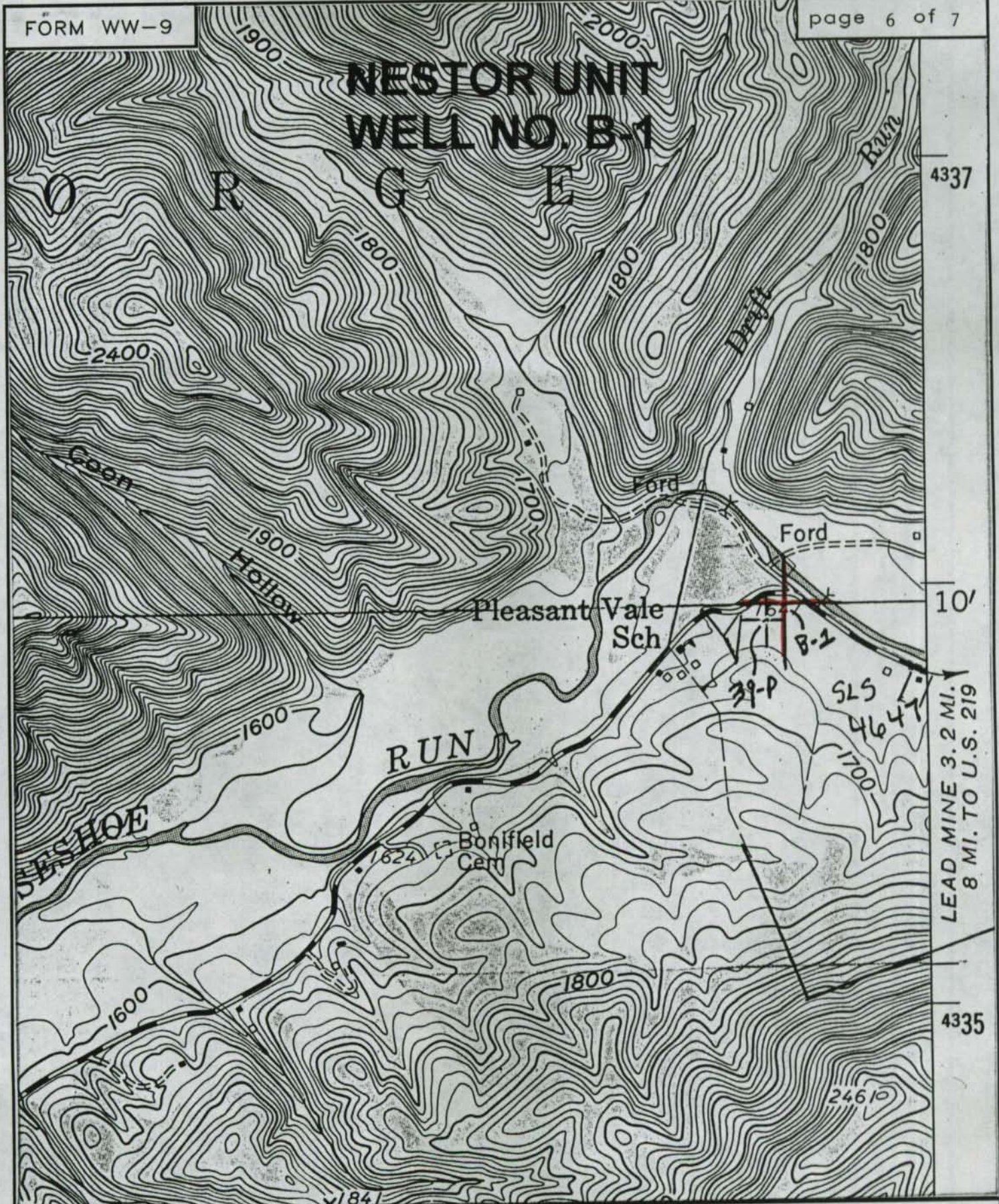
PROPOSED LOCATION
IS FLAT. WILL
REQUIRE MINIMAL
EARTHWORK.

Craig Duckworth 3-1-01

SLS SMITH LAND SURVEYING, INC.
P.O. BOX 150, GLENVILLE, WV 26351

Phone (304) 462-5656 or 462-5634
DRAWN BY DDH DATE 2-23-01 FILE NO. 4647

NESTOR UNIT WELL NO. B-1



4337

10'

LEAD MINE 3.2 MI.
8 MI. TO U.S. 219

4335



SMITH LAND SURVEYING
P.O. BOX 150 GLENVILLE, WV. 26351

TOPO SECTION OF St. George 7.5'

FILE NO. 4647

DATE 2/23/01 SCALE 1"=1000'

COAL OPERATOR, OWNER, OR LESSEE WAIVER

93-00081

Operator's Well Number _____

INSTRUCTIONS TO COAL OPERATOR, OWNER, OR LESSEE

To the coal operator, owner, or lessee named on page WW2-A. You are hereby notified that any objection you wish to make or are required to make by Code 22-6-15, 16 or 17, must be filed with the Chief of the Office of Oil and Gas within fifteen (15) days after the receipt of this application by the Office.

WAIVER

The undersigned coal operator _____ / owner _____ / lessee _____ / of the coal under this well location has examined this proposed well location. If a mine map exists which covers the area of well location, the well location has been added to the mine map. The undersigned has no objection to the work proposed to be done at this location, provided, the well operator has complied with all applicable requirements of the West Virginia Code and the governing regulations.

Marshall A. Smith
Signature

Date 3-2-01

Name
By
Its

Date

Signature

Date

93-00087

SUBROGATION: Lessor agrees that Lessee shall have the right at any time to pay and discharge any and all taxes, mortgages or other liens and encumbrances on the leased premises for Lessor, either before or after maturity and be subrogated to the right of this holder thereof and to deduct amounts so paid from royalties, other payments payable or which become payable to Lessor and/or assigns under this lease.

TRANSFERS/DISPUTES: In the event this lease or any rights hereunder are transferred by Lessor, or Lessor's heirs, personal representatives or assigns, Lessor agrees to furnish Lessee a certified copy of the recorded instrument by which such transfer was accomplished, together with a memorandum of the mailing address of such transferee. All rental or royalty then or thereafter due may be withheld and retained by Lessee, without responsibility of interest, until such covenant is satisfied by Lessor. No changes of ownership, or right to receive rentals or royalties, shall be binding on Lessee until sixty (60) days after Lessee has been furnished such notification by Lessor or Lessor's successor.

Lessee shall have the right to withhold and retain all sums payable hereunder which are subject to controversy or dispute until the final settlement of such controversy or dispute. Lessee shall then distribute the withheld and retained sums to those lawfully entitled thereto. Lessee shall not be held accountable for interest on said sums withheld or retained during these periods.

RESOURCES: Lessee shall have the right to use, free of royalty or any other charge, gas, oil, and water from the leased premises for drilling and production operations on the leased premises. Said rights shall include, but are not limited to injection, compression, dehydration, distillation, pumping, and heat.

DWELLINGS: No well shall be drilled nearer than two hundred (200) feet to any dwelling house now on the lease premises without written consent.

POOLING: Lessee shall have the right to pool or unitize the leased acreage, or any part or parts thereof, with other tracts so as to form a drilling unit or pool. Operations upon the pooled acreage for all purposes except royalty or free gas shall be deemed to have occurred upon the leased premises. Lessor shall receive as royalties for minerals produced and marketed from the pooled area an amount equal to the proportion that Lessor's acreage placed in the pooled area bears to the total acreage in the pooled area.

STORAGE: Lessee shall have the exclusive right to employ any stratum or strata underlying said leased premises (except any stratum bearing potable water or orbable coal) for the storage of any kind of gas, from whatever source obtained, and may for this purpose reopen and restore to operation any and all abandoned wells on the premises which may have penetrated such stratum or strata, or may drill new wells, thereon for the purpose of introducing and storing any kind of gas or any such stratum or strata and recovering the same therefrom. It is agreed and understood that a well need not be drilled on said leased premises to permit the storage of gas. Lessee shall be the sole judge as to whether gas is being stored within the leased premises and Lessee's determination in respect thereto shall be final and conclusive. As full compensation for the storage rights herein granted and in lieu of all delay rental or royalty due or to become due on the production or removal of stored gas from leased premises, Lessee agrees to pay Lessor an annual rental of Three Hundred Dollars (\$300.00) or the same sum as the delay rental, whichever is greater, commencing with the date of first utilization of any such stratum or strata for gas storage purpose and for as long thereafter as any such stratum or strata is so utilized, such annual rental to be paid within three months after the commencement of each annual period of utilization for storage purposes. Lessee agrees to give Lessor written notice of the use of the leased premises for gas storage purposes and of the use of any well drilled thereon for gas storage purposes. In the event any stratum or strata utilized for gas storage purposes contains an economically recoverable reserve of native gas, Lessee agrees to compensate Lessor for Lessor's royalty on such gas at the prevailing well head market price in the vicinity at the time Lessee gives notice of uses of the leased premises for gas storage purposes for gas of comparable quality, the volume of such gas to be based on an estimate of such reserves by accepted geological methods. Should Lessee fail or make default in any of the covenants, conditions or obligations of lease, express or implied, relating to gas storage rights, such failure or default shall not defeat or affect this lease insofar as it covers such other rights and, in like manner, should Lessee fail or make default in any of the covenants, conditions or obligations of Lessee, express or implied, relating to such other rights, such failure or default shall not defeat or affect this lease insofar as it covers the rights granted in this Paragraph 14.

FORFEITURE: This lease shall not be forfeited or terminated for failure of Lessee to perform in whole or in part any of its express or implied covenants, conditions or obligations until it shall have been first judicially determined that such failure exists, and Lessee shall have been given a reasonable time after such final determination within which to comply with any such covenants, conditions or obligations.

WARRANTY OF TITLE: Lessor hereby generally warrants and agrees to defend its title to the leased premises, and covenants that Lessee shall have quiet enjoyment of the leased premises.

FORCE MAJEURE: In the event Lessee is rendered unable, in whole or in part, to carry out its obligations under this agreement, other than to make payments of amounts due hereunder, its obligation so far as they are affected by such FORCE MAJEURE shall be suspended during the continuance of any inability so caused. The term "FORCE MAJEURE" as used herein shall be Acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, wars, blockades, riots, epidemics, lightning, earthquakes, flood, or other severe weather conditions, fire, explosions, accidents or repairs to machinery or pipes, delays of carriers, inability to obtain materials or rights of way on reasonable terms, acts of public authorities, or any other cause, whether or not of the same kind as enumerated herein, not within the control of the Lessee and which by the exercise of due diligence Lessee is unable to overcome.

SURRENDER: Lessee at anytime may surrender this lease as to all or any part or parts of the leased premises by recording an appropriate instrument of surrender in the proper county and thereupon, this lease, and the rights and obligations of the parties hereunder, shall terminate as to the part or parts so surrendered. Upon such surrender as to any part or parts of the leased premises, the rentals specified above shall be proportionately reduced on a surface acreage basis, and Lessee shall have reasonable and convenient easements for pipelines, electric and communications pole lines, roadways, and other facilities through and over the portions of the leased premises surrendered for the purpose of continuing operations on the portions of the leased premises retained.

ENVIRONMENTAL INDEMNIFICATION: Lessee agrees to indemnify and hold Lessor harmless from and against all claims, damages and liabilities arising out of any violation of any federal, state or local environmental statute attributable to operations conducted on the leased premises by Lessor or other parties.

APPLICATION OF LAWS: All express or implied covenants of this lease shall be subject to all applicable Federal and State laws, executive orders, rules or regulations, and this lease shall not be terminated in whole or in part, nor shall Lessee be held liable in damages, for failure to comply therewith if compliance is prevented by, or if such failure is the result of, any such law, order, rule or regulation.

ENTIRE CONTRACT: This lease states the entire contract between the parties, and no representation or promise, verbal or written, on behalf of either party shall be binding unless contained herein. This contract shall be binding upon each of the parties who shall execute the same regardless of whether or not all of the parties named as Lessor shall execute it.

WITNESS WHEREOF, the parties have signed, sealed and delivered this instrument as of the day, month and year first above written.

Marshall A. Nestor
Libby M. Nestor

236-115615
234-82-7553

STATE OF W. Va
COUNTY OF BARKER

SS:

Before me a Notary Public in and for said county and state appeared the above named MARSHALL A. NESTOR AND LIBBY M. NESTOR, his wife who acknowledged to me that they did execute the foregoing instrument and that the same is their free act and deed for the purposes therein set forth.

In Testimony Whereof, I have hereunto set my hand and affixed my official seal at this 24th day of MARCH, 2002.

Commission Expires 9-10-2000
Notary Public [Signature]

ADDENDUM TO OIL AND GAS LEASE

THIS ADDENDUM is attached hereto and made a part of that certain Oil and Gas Lease dated March 24, 2000, by and between Marshall A. Nestor and Libby M. Nestor, His wife as Lessor, and **MegaEnergy, Inc.**, a Colorado Corporation 8501 E. Dry Creek Place, Englewood, CO 80112, as Lessee.

In addition to the terms found therein the parties hereto agree to the following:

22. Lessor and Lessee to mutually agree on location of well site, access road, pipelines or any above ground appurtenances. Such approval not to be unreasonably withheld.
23. In the event any activity carried on by Lessee pursuant to the lease disturbs, or damages a fresh water source or well on the leased premises, Lessee shall, at Its sole cost, use its best efforts to repair or correct any such damage.
24. Any fence, or portion thereof, which is removed for access to the leased premises will be replaced by a fence of like quality; or, for any permanent access, a gate will be installed at a point of entry at a reasonable time.
25. The surface of the leased premises will be restored, as nearly as possible to the condition that existed prior to commencement of drilling operations.
26. The Lessee agrees to indemnify and hold harmless the Lessor from all claims, damages, liabilities, causes of action or demand for personal injury or property damage arising from Lessee's operation of the herein leased premises.
27. In the event of a conflict between the lease form and the provisions found therein, and the provisions of this Addendum, the provisions of this addendum shall prevail and be binding on the parties hereto.

9-01-00

API # TUCKER
Operator: Mesa
Well #/Name: YB-1
Reviewed By: JB

CHECK LIST FOR FILING A PERMIT

I.

New Drill

Deep Approval

- WW-2B
- WW-2B signed off by inspector
- WW-2A
- Surface Owner Waiver C & E
- Coal Owner/Lessee/Operator Waiver
- WW-2A (1) including page and book and royalty percentage Bringing in lease
- WW-2B (1) (If there are sources to be tested - we need names, addresses and location on topo listed as water testing) JB
- WW-9 (page 1 and 2)
- 3/1/01 Inspector Signature on WW-9
- Reclamation Plan
- Mylar Plat
- Topography Map of the proposed location
- Certified Mail Receipts or affidavit of personal service Waiver
- Bond *
- A check for \$450.00
- Workers Comp/Employ. OK

II. Re-Work, Frac and Drill Deeper Permits

- WW-2B
- WW-2B signed off by inspector
- WW-2A
- Surface Owner Waiver
- Coal Owner/Lessee/Operator Waiver
- WW-2A (1) including book and page and royalty percentage.
- WW-9 (page 1 and 2)
- Inspector Signature on WW-9
- Reclamation Plan
- Mylar Plat
- Topography Map of location for the well and pit
- Certified Mail Receipts or affidavit of person service
- Completion/Well Records of previous work
- Bond
- A check for \$350.00 if no pit \$250.00
- Workers Comp/Employ. OK