

If any term, provision or condition, or any part thereof, of this Guaranty shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Guaranty shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

IN WITNESS WHEREOF, this Guaranty has been executed and delivered to CFC by the undersigned Guarantor this 29th day of June, 1989

Cap Rock Electric Cooperative, Inc.

(SEAL)

By: Russell E. Jones
Title: Chairman of the Board

Attest: Alfred J. Schwartz
(Secretary)

002108

**Guarantor's Certificate as to Resolutions
of Board of Directors and Incumbency**


I, Alfred J. Schwartz, do hereby certify to National Rural Utilities Cooperative Finance Cooperation ("CFC") that (i) I am the Secretary of Cap Rock Electric Cooperative, Inc. (hereinafter called the "Guarantor"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Guarantor at a meeting held on June 29, 1999; (iii) the meeting was duly and regularly called and held in accordance with the bylaws of the Guarantor; (iv) a form of the CFC Guaranty was submitted to the meeting and was authorized by the board of directors to be executed; (v) none of the following resolutions has been rescinded or modified as of this date; (vi) the persons listed in the resolutions are duly qualified and acting officers or authorized representatives of the Guarantor, duly elected or appointed to the offices and authorized to represent the Guarantor in the capacities set forth opposite their respective names on the date of actual execution of the CFC Guaranty:

RESOLVED, that the Guarantor execute the CFC Guaranty and guaranty a loan in the aggregate principal amount of \$5,896,985.00 obtained by CAP ROCK COOPERATIVE FINANCE CORPORATION from National Rural Utilities Cooperative Finance Corporation ("CFC") upon terms and conditions set forth in the loan agreement presented to this meeting, bearing such interest as is provided in the note and loan agreement evidencing such loan, and providing for payment thereof within ten (10) years from the date of said agreement; and

RESOLVED, that each of the officers of the Guarantor listed below is hereby authorized in the name and on behalf of the Guarantor, to execute and deliver the CFC Guaranty under its corporate seal, which the Secretary or Assistant Secretary is directed to affix and attest, and to execute and deliver all such other documents and instruments which may be necessary or appropriate, to make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions.

<u>Title or Office</u>	<u>Name (typed or printed)</u>
<u>Chairman of the Board</u>	<u>Russell E. Jones</u>
<u>President/CEO</u>	<u>David W. Pruitt</u>
<u>Vice President/CFO</u>	<u>John D. Parker</u>

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the Guarantor on June 29, 1999


Secretary

(SEAL)

RESOLUTION

RESOLVED, that the Guarantor execute the CFC Guaranty and guaranty a loan in the aggregate principal amount of \$5,896,985.00 obtained by CAP ROCK COOPERATIVE FINANCE CORPORATION from National Rural Utilities Cooperative Finance Corporation ("CFC") upon terms and conditions set forth in the loan agreement presented to this meeting, bearing such interest as is provided in the note and loan agreement evidencing such loan, and providing for payment thereof within ten (10) years from the date of said agreement; and

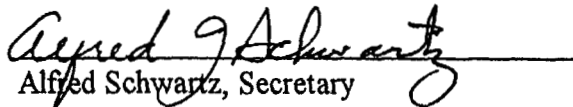
RESOLVED, that each of the officers of the Guarantor listed below is hereby authorized in the name and on behalf of the Guarantor, to execute and deliver the CFC Guaranty under its corporate seal, which the Secretary or Assistant Secretary is directed to affix and attest, and to execute and deliver all such other documents and instruments which may be necessary or appropriate, to make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions.

<u>Title or Office</u>	<u>Name</u>
Chairman of the Board	Russell E. Jones
President/CEO	David W. Pruitt
Vice President/CFO	John D. Parker

I, Alfred Schwartz, do hereby certify that I am the secretary of Cap Rock Electric Cooperative, Inc., and that the above is a correct copy of the original resolution entered in the Minute Book of the Cooperative, at the regular meeting of the Board of Directors of Cap Rock Electric Cooperative, Inc.

The foregoing resolution has not been amended, rescinded, or modified and is in full force and effect on the date hereof.

Witness by signature under the seal of Cap Rock Electric Cooperative, Inc. this 29th day of June, 1999.


Alfred Schwartz, Secretary

(SEAL)

**SOAH DOCKET NO. 473-04-3554
PUC DOCKET NO. 28813**

**CAP ROCK ENERGY CORPORATION'S RESPONSES TO
PIONEER NATURAL RESOURCES, USA, INC.'S
FIRST REQUESTS FOR INFORMATION**

Pioneer 1-35: (Atkins, Schedule LDA-2) Describe the date of origin, creation, structure, history, purpose, and management of Petra Energy, LLC. Identify the assets, liabilities, officers, managers, and employees of Petra Energy, LLC. Provide all supporting documents.

RESPONSE:

Petra Energy, LLC is a single-member limited liability company with Cap Rock Energy Corporation as its only member. It was created in December 2003. It has three managers, Joshua Miller, Celia Zinn, and Ronnie Lyon. It has two employees, Monte Miller and Joshua Miller. Petra Energy, LLC has one asset and that is a 99% ownership in Petra One Energy, L.P. It was formed for the purpose of tax planning and minimization and reduction of corporate taxes.

Please see attached documentation.

Prepared by: Ronald W. Lyon
Sponsored by: Lee D. Atkins

AGENDA
PETRA ENERGY LLC
ORGANIZATIONAL MEETING
101 CONVENTION CENTER DRIVE
SUITE 850
LAS VEGAS, NEVADA
December 30, 2003
2:00 p.m. (PST)

Attending: *Joshua Miller, Ronnie Lyon, Monte Miller*

Also Attending:

1. Nominations Of Chairman
2. Meeting Notice Waiver
3. Presentation Of Original Articles
4. Presentation Of Operating Agreement
5. Election Of Officers
6. Adoption Of Form Of Stock Certificate
7. Stock Subscription
8. Appointment Of Resident Agent
9. Authorization of Bank Account
 - Signature Authorization
 - Wire Transfer Authorization (if applicable)
10. Adoption Of Year-End
10. Authorization to Execute Contracts with Nevada Holding Services, Inc. (dba KeyState Corporate Management)
 - Domicile Services (Office Lease, Clerical & Administrative, Accounting)
12. Authorization to Execute Indemnification Agreements with Joshua C. Miller & Monte L. Miller
13. Other Business

002112

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SECRETARY OF STATE



LIMITED-LIABILITY COMPANY CHARTER

I, DEAN HELLER, the Nevada Secretary of State, do hereby certify that **PETRA ENERGY, LLC** did on **December 19, 2003**, file in this office the Articles of Organization for a Limited-Liability Company, that said Articles are now on file and of record in the office of the Nevada Secretary of State, and further, that said Articles contain the provisions required by the laws governing Limited-Liability Companies in the State of Nevada.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of State, at my office in Carson City, Nevada, on **December 22, 2003**.

A handwritten signature in cursive script that reads "Dean Heller".

DEAN HELLER
Secretary of State

By

A handwritten signature in cursive script that reads "J. McCaskey".

Certification Clerk



002113



DEAN HELLER
Secretary of State
206 North Carson Street
Carson City, Nevada 89701-4299
(775) 684 5708
Website: secretaryofstate.blz

Articles Of Organization
Limited-Liability Company
(PURSUANT TO NRS 86)

FILED # LLC 1985903

DEC 19 2003

IN THE OFFICE OF
DEAN HELLER, SECRETARY OF STATE

Important: Read attached instructions before completing form.

ABOVE SPACE IS FOR OFFICE USE ONLY

1. Name of Limited-Liability Company	Petra Energy, LLC
2. Resident Agent Name and Street Address: <small>(must be a Nevada address where process may be served.)</small>	The Nevada Agency and Trust Company #19177 Name 50 W. Liberty St., Suite 880 Reno NEVADA 89501 Physical Street Address City State Zip Code Additional Mailing Address City State Zip Code
3. Dissolution Date: <small>(OPTIONAL-see instructions)</small>	Latest date upon which the company is to dissolve (if existence is not perpetual): Perpetual
4. Management: <small>(check one)</small>	Company shall be managed by <input checked="" type="checkbox"/> Manager(s) OR <input type="checkbox"/> Members
5. Names Addresses of Manager(s) or Members: <small>(attach additional pages as necessary)</small>	Joshua C. Miller, Manager Name P.O. Box 50401 Henderson NV 89016 Address City State Zip Code Celia Zinn, Manager Name 500 West Wall, Suite 400 Midland TX 79701 Address City State Zip Code Ronald W. Lyon, Manager Name 115 S. Travis Sherman TX 75090 Address City State Zip Code
6. Names, Addresses and Signatures of Organizers <small>(if more than one organizer, attach additional page)</small>	Ronald W. Lyon Name Signature <u>Ronald W. Lyon</u> 115 S. Travis Street Sherman TX 75090 Address City State Zip Code
7. Certificate of Acceptance of Appointment of Resident Agent:	I hereby accept appointment as Resident Agent for the above named limited-liability company. <u>AMANDA CARDINALI</u> Authorized Signature of R.A. or On Behalf of R.A. Company Date DEC 19, 2003

AMANDA CARDINALI, PRESIDENT

This form must be accompanied by appropriate fees. See attached fee schedule.

PIONEER 1-35
Page 3 of 49

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STATE OF NEVADA
Secretary of State
I hereby certify that this is a true and
complete copy of the document as filed in
this office.

DEC 22 2003

By Dean Heller
Dean Heller
McCarley

PIONEER 1-35
Page 4 of 49

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LIMITED LIABILITY COMPANY AGREEMENT

OF

Petra Energy, LLC

Effective December 30, 2003

THE MEMBERSHIP INTERESTS REFERENCED IN THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY JURISDICTION. NO MEMBERSHIP INTEREST MAY BE SOLD OR OFFERED FOR SALE (WITHIN THE MEANING OF ANY SECURITIES LAW) UNLESS A REGISTRATION STATEMENT UNDER ALL APPLICABLE SECURITIES LAWS WITH RESPECT TO THE INTEREST IS THEN IN EFFECT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS IS THEN APPLICABLE TO THE INTEREST. A MEMBERSHIP INTEREST ALSO MAY NOT BE TRANSFERRED OR ENCUMBERED UNLESS THE APPLICABLE PROVISIONS OF THIS AGREEMENT ARE SATISFIED.

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002118

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**LIMITED LIABILITY COMPANY AGREEMENT
OF
PETRA ENERGY, LLC**

THIS LIMITED LIABILITY COMPANY AGREEMENT of Petra Energy, LLC (this "Agreement"), dated to be effective as of December 30, 2003, is adopted, executed and agreed to by Cap Rock Energy Corporation, a Texas corporation, as the sole Member:

RECITALS:

The Member desires to form a Nevada limited liability company in accordance with the following terms and conditions.

AGREEMENT:

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein set forth and intending to be legally bound, the parties hereto hereby enter into this Agreement pursuant to the provisions and upon the terms and conditions herein contained, and hereby agree as follows:

**Article I.
DEFINITIONS**

Section 1.01 Definitions. As used in this Agreement, the following terms have the following meanings:

"**Act**" means the Nevada Limited Liability Company Act (Nevada Revised Statutes Chapter 86 *et seq.*) and any successor statute, as amended from time to time.

"**Agreement**" has the meaning given that term in the introductory paragraph.

"**Bank**" has the meaning given that term in Section 5.04.

"**Capital Contribution**" means any contribution by the Member to the capital of the Company.

"**Certificate**" has the meaning given that term in Section 2.01.

"**Checking Account**" has the meaning given that term in Section 5.04.

"**Company**" means Petra Energy, LLC, a Nevada limited liability company.

"**Custodian**" has the meaning given that term in Section 5.04.

"**Custody Account**" has the meaning given that term in Section 5.04.

"**Custody Agreement**" has the meaning given that term in Section 5.04.

"Employee" has the meaning given that term in Section 5.04.

"Employment Contract" has the meaning given that term in Section 5.04.

"Griffin" has the meaning given that term in Section 5.04.

"Managers" has the meaning given that term in Section 5.01.

"Member" means Cap Rock Energy Corporation, a Texas corporation.

"Person" has the meaning given that term in Section 18-101(12) of the Act.

"Proceeding" has the meaning given that term in Section 6.01.

"Service Agreement" has the meaning given that term in Section 5.04.

"Sublease Contract" has the meaning given that term in Section 5.04.

Other terms defined herein have the meanings so given them.

Section 1.02 Construction. Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter. All references to Articles and Sections refer to articles and sections of this Agreement. Terms used with initial capital letters will have the meanings specified, applicable to both singular and plural forms, for all purposes of this Agreement. The word include (and any variation) is used in an illustrative sense rather than a limited sense. The word day means a calendar day.

Article II. ORGANIZATION

Section 2.01 Formation. The Company has been organized as a Nevada limited liability company by the filing of a Certificate of Formation (the "Certificate") under and pursuant to the Act.

Section 2.02 Name. The name of the Company is Petra Energy, LLC, and all Company business must be conducted in that name or such other names that comply with applicable law as the Member may select from time to time.

Section 2.03 Registered Office; Registered Agent; Principal Office in the United States; Other Offices. The registered office of the Company required by the Act to be maintained in the State of Nevada shall be the office of the initial registered agent named in the Certificate or such other office (which need not be a place of business of the Company) as the Managers may designate from time to time in the manner provided by law. The registered agent of the Company in the State of Nevada shall be the initial registered agent named in the Certificate or such other Person or Persons as the Managers may designate from time to time in the manner provided by law. The principal office of the Company in the United States shall be at such place as the Managers may designate from time to time, which need not be in the State of Nevada. The initial principal office of the Company shall be P.O. Box 50401 Henderson, Nevada 89016. The Company may have such other offices as the Managers may designate from time to time.

Section 2.04 Purpose. The purpose of the Company is to engage solely in the business of holding and maintaining intangible assets affiliated with the Member and the Company is authorized to conduct any lawful business, purpose or activity directly or indirectly related thereto. The Company's places of business shall be outside the State of Texas.

Section 2.05 Powers. The Company has all of the powers necessary or convenient to achieve its purposes and to further its business.

Section 2.06 Legal Title. Legal title to the assets of the Company will be taken and at all times held in the name of the Company.

Section 2.07 Qualifications. The Managers may take any and all actions deemed reasonably necessary by the Managers to qualify the Company in foreign jurisdictions.

Section 2.08 Mergers and Exchanges. With the consent of the Member, the Company may be a party to (a) a merger, or (b) an exchange or acquisition of the type described in Section 18-209 of the Act.

Section 2.09 Liability to Third Parties. The Member shall not be liable for the debts, obligations or liabilities of the Company, including under a judgment decree or order of a court.

Section 2.10 Resignation of the Member. The Member may resign from the Company prior to the dissolution and winding up of the Company.

Section 2.11 Transfer or Pledge by the Member. The Member may transfer or pledge its interest in the Company without restriction. The pledge or hypothecation of, or the granting of any security interest or other lien or encumbrance against, all or part of the Member's membership interest in the Company by the Member will not cause the withdrawal of the Member from the Company.

Section 2.12 Bankruptcy of the Member. The Member shall not cease to be a Member of the Company by virtue of the occurrence of any of the events listed in Section 18-304 of the Act.

Article III. CAPITAL CONTRIBUTIONS

Section 3.01 Initial Contributions. The Member is making a contribution to the Company of substantially all of its tangible and intangible assets, excluding, however, those assets set forth on Exhibit A attached hereto.

Section 3.02 Additional Contributions. The Member shall not be required to make any additional contributions to the capital of the Company. Without creating any rights in favor of any third party, the Member may, from time to time, make additional contributions of cash or property to the capital of the Company, have no obligation to do so.

Section 3.03 No Withdrawal of Contributions. The Member shall not be entitled to withdraw any part of the Member's capital account or to receive any distribution from the Company, except as specifically provided in this Agreement. There shall be no obligation to

Without limiting the generality of the foregoing, except as otherwise provided herein, the Managers shall have full power and authority to carry out the actions described in Section 5.04 hereto.

(d) Meetings. The Board of Managers shall hold an annual meeting for the purpose of organization and the transaction of any business, provided a quorum is present. Other regular meetings may be held at such times as may be determined from time to time by resolution of a majority of the Managers. Special meetings of the Board of Managers may be called by any Manager. Meetings of the Board of Managers may be held at the principal office of the Company, or at such place as shall be determined in the notice of such meeting. Notice of any special meeting, and, except as the Managers may otherwise determine by resolution, notice of any regular meeting, shall be mailed to each Manager at least three days before the day on which the meeting is to be held, or if sent by telecopy, or delivered personally or by telephone, not later than the day before the day on which the meeting is to be held. Any business may be transacted and any Company action may be taken at any regular or special meeting of the Board of Managers at which a quorum shall be present, whether such business or proposed action be stated in the notice of such meeting or not.

(e) Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Managers, or of any committee thereof, may be taken without a meeting if all members of the Board of Managers or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board of Managers or committee.

(f) Meetings Through Use of Communications Equipment. The Board of Managers, or any member of a committee designated by the Managers, shall, except as otherwise provided by law, the Certificate or this Agreement, have the power to participate in a meeting of the Board of Managers, or any committee, by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting.

(g) Committees of the Managers. The Managers may, by resolution passed by a majority of the whole Board of Managers, designate two or more of their number to constitute a committee of the Managers to hold office at the pleasure of the Board of Managers, which committee shall, during the intervals between meetings of the Members, have and exercise all of the powers of the Managers in the management of the business and affairs of the Company, subject only to such restrictions or limitations as the Managers may from time to time specify or as contained in this Agreement. Any member of a committee may be removed at any time, with or without cause, by a resolution of a majority of the whole Board of Managers. Any person ceasing to be a Manager shall *ipso facto* cease to be a member of a committee of the Managers. Any vacancy in a committee occurring from any cause whatsoever may be filled from among the Managers by a resolution of a majority of the whole Board of Managers. Any member of a committee may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein. The acceptance of a resignation shall not be necessary to make it effective unless so specified therein. Each committee shall conduct its meetings in the same manner, and subject to the same requirements, as is applicable to meetings of the entire Board of Managers.

(h) Officers. The Managers may, from time to time, designate one or more persons to be officers of the Company. No officer need be a resident of the State of Nevada, a Member or a Manager. Any officers so designated shall have such authority and perform such duties as the Managers may, from time to time, delegate to them. The Board of Managers may assign titles to particular officers. Unless the Managers decide otherwise, if the title is one commonly used for officers of a business corporation formed under the General Corporation Law of the State of Nevada, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to any restrictions on such authority imposed by the Managers. Any number of offices may be held by the same person. Each officer shall hold office until his successor shall be duly designated and qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Board of Managers. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any officer may be removed as such, either with or without cause, by the Board of Managers whenever in their judgment the best interests of the Company will be served thereby. Any vacancy occurring in any office of the Company (other than Manager) may be filled by the Board of Managers.

Section 5.02 Selection, Removal and Resignation of Managers. The Member shall select the Managers of the Company. The initial Managers of the Company shall be Ronald Lyon, Celia Zinn and Joshua Miller. The Member may remove a Manager at any time, with or without cause, upon delivery to such Manager at the principal office of the Company of written notice of such removal. Further, a Manager may resign upon delivery to the Member at the principal office of the Company of written notice of such resignation.

Section 5.03 Compensation. The Managers shall receive such compensation for their duties as a Manager as the Member shall determine in its sole discretion.

Section 5.04 Authority of Board of Managers. Except as otherwise provided in this Agreement, the Board of Managers or their delegates shall have authority to act on behalf of the Company with respect to all matters, including, but not limited to:

(i) maintaining accounts and records of the Company, preparing and accepting correspondence and filing legal documents, answering telephones, handling any mail of the Company, interfacing with the Company's attorneys and accountants, paying any of the Company's invoices, safekeeping any Company records, completing and filing informational returns and business license applications, and performing other duties as are reasonably assigned;

(ii) procuring all consents, books of account or other documents which may be required by the laws of Nevada or any state in which the Company may do business or which may be necessary or appropriate in connection with the business of the Company;

(iii) paying all charges and expenses incident to, or arising out of, the formation of the Company, and reimbursing any person who has made any disbursements therefore;

(iv) . opening a checking account (the "Checking Account") with a banking institution in the state of Nevada and executing on behalf of the Company an agreement with said banking institution governing such Checking Account;

(v) executing check and/or withdrawal orders against the Checking Account and effecting wire transfers from the Checking Account for purposes of making distributions to the Member pursuant to Section 4.02 of this Agreement;

(vi) executing check and/or withdrawal orders against the Checking Account for purposes of paying expenses of the Company;

(vii) paying any withholding, unemployment, or other taxes imposed upon the Company;

(viii) entering into any written contracts on an arms' length basis on behalf of the Company;

(ix) Executing the Services Agreement with Nevada Holding Services, Inc. attached hereto as Exhibit B;

(x) executing the Indemnification Agreements attached hereto as Exhibit C for the indemnification of Joshua Miller and Monte Miller by the Company; and

(xi) taking any other action on behalf of the Company.

Notwithstanding anything to the contrary in this Agreement, including the provisions set forth immediately preceding this sentence, the consent of the Member is required for (a) the sale of any of the Company's assets; (b) the creation of an encumbrance on any of the Company's assets; (c) any action that would subject the Company to a liability in excess of \$25,000; or (d) any transfer of cash or other Company assets of \$25,000 or more from the Company to anyone other than the Member.

Section 5.05 Meetings of Members. Meetings of Members shall be held at the principal office of the Company or at such other place either within or without the State of Nevada as specified from time to time by the Managers and stated in the notice of such meeting. Such notices of meetings shall be mailed to each Member at least three days before the day on which the meeting is to be held, or if sent by telecopy, or delivered personally or by telephone, not later than the day before the meeting is to be held. Any action taken at any meeting of the Members may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of membership interests in the Company having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all members entitled to vote thereon were present and voted. At all meetings of Members all matters, except as otherwise provided herein, shall be determined by the affirmative vote of a Majority-In-Interest of the Members entitled to vote on the subject matter. Voting at meetings of Members need not be by written ballot.

Section 5.06 Matters Requiring the Consent of Member. An affirmative vote by the Member shall be required to approve or disapprove any of the following:

- (a) the merger or consolidation of the Company;
- (b) the entering into of any contract by the Company other than those contracts that are terminable at will by the Company without a penalty greater than \$25,000; or
- (c) the taking or refraining from taking of any action by or on behalf of the Company that would:
 - (i) enlarge the obligations of any Member, including requiring any additional contribution, assessment or payment by a Member, without the consent of such Member;
 - (ii) adversely affect the Federal or state income tax treatment to be afforded the Member or adversely affect the liabilities of the Member;
 - (iii) adversely affect the rights afforded the Member pursuant to this Agreement; or
 - (iv) cause the Company to become an entity other than a Nevada limited liability company.

Section 5.07 Admission of New Members. Additional Members may be admitted to the Company at any time upon the affirmative vote or consent of the existing Member. No such admission shall be effective until the party to be admitted has executed a joinder agreement to this Agreement.

Article VI. INDEMNIFICATION

Section 6.01 Right to Indemnification. Subject to the limitations and conditions as provided in this Section 6.01, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative (a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that such person is or was a member of the Company or while such member of the Company is or was serving at the request of the Company as a member, manager, director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, shall be indemnified by the Company to the fullest extent permitted by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including attorneys' fees) actually incurred by such person in connection with such Proceeding, and

indemnification under this Section 6.01 shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. The rights granted pursuant to this Section 6.01 shall be deemed contract rights, and no amendment, modification or repeal of this Section 6.01 shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification, or repeal. It is expressly acknowledged that the indemnification provided in this Section 6.01 could involve indemnification for negligence or under theories of strict liability; provided, however, that no Person shall be indemnified from any liability for fraud, bad faith, willful misconduct or gross negligence.

Section 6.02 Advance Payment. The right to indemnification conferred in this Article VI shall include the right to be paid or reimbursed by the Company the reasonable expenses incurred by a Person of the type entitled to be indemnified under Section 6.01 who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding, shall be made only upon delivery to the Company of a written affirmation by the Person of his good faith belief that he has met the standard of conduct necessary for indemnification under this Article VI and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article VI or otherwise.

Section 6.03 Indemnification of Officers, Employees and Agents. The Company shall indemnify and advance expenses to an officer of the Company to the extent required to do so by the Act or other applicable law. The Company, by adoption of a resolution of the Member, may indemnify and advance expenses to an officer, employee or agent of the Company to the same extent and subject to the same conditions under which it may indemnify and advance expenses to the Member under this Article VI; and the Company may indemnify and advance expenses to persons who are not or were not members, officers, employees, or agents of the Company but who are or were serving at the request of the Company as a member, manager, director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise against any liability asserted against such person and incurred by such person in such a capacity or arising out of its status as such a person to the same extent that the Company may indemnify and advance expenses to the Member under this Article VI.

Section 6.04 Appearance as a Witness. Notwithstanding any other provision of this Article VI, the Company may pay or reimburse expenses incurred by a Person in connection with his appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

Section 6.05 Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VI shall not be exclusive of any other right which the Managers, the Member or other Person indemnified pursuant to this Article VI may have or hereafter acquire under any law (common or statutory), provision of the Certificate or this Agreement, agreement, vote of the Member or otherwise.

Section 6.06 Insurance. The Company may purchase and maintain insurance, at its expense, to protect itself and any Person who is or was serving as a Manager, officer, employee or agent of the Company or is or was serving at the request of the Company as a member, manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under this Article VI.

Section 6.07 Notification. To the extent required by law, any indemnification of or advance of expenses to a Person in accordance with this Article VI shall be duly recorded in the official documentation of the Company within the 12-month period immediately following the date of the indemnification or advance.

Section 6.08 Savings Clause. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless the Manager or the Member or any other Person indemnified pursuant to this Article VI as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the fullest extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the fullest extent permitted by applicable law.

Article VII. TAXES AND BOOKS

Section 7.01 Single-Member Limited Liability Company for Tax Purposes. The Company shall be treated as a disregarded entity for purposes of United States federal income tax laws, and neither the Member nor the Managers will take any position or make any election, in a tax return or otherwise, inconsistent herewith. In furtherance of the foregoing, the Company will file its results of operations as part of the Member's income tax return for each year for United States federal income tax purposes.

Section 7.02 Maintenance of Books and Records. The Company shall keep accurate books and records of accounts. The accounting year of the Company shall end as of December 31st of each year. The Member shall be permitted access to all books and records of the Company at the principal office of the Company during business hours.

Article VIII. DISSOLUTION, LIQUIDATION AND TERMINATION

Section 8.01 Dissolution. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

- (i) The written consent of the Member;
- (ii) Upon the occurrence of an event that terminates the continued membership of the Member unless the personal representative of the Member

agrees in writing within 90 days of the occurrence of the event to continue the Company and to the admission of the personal representative of such Member or its nominee or designee to the Company as a Member, effective as of the occurrence of the event that terminated the continued membership of the Member;

(iii) The filing of articles of dissolution of the Company under Section 86.541 of the Act.

Section 8.02 Liquidation and Termination. On dissolution of the Company, the Managers or the survivors of them shall act as liquidating trustees. The liquidating trustee shall proceed diligently to wind up the affairs of the Company in accordance with Section 86.541 of the Act and make final distributions to the Member. The costs of liquidation shall be borne as a Company expense. Until final distribution, the liquidating trustee shall continue to operate the Company assets with all of the power and authority of the Managers.

Section 8.03 Deficit Capital Accounts. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, the Member shall not be responsible for any deficit in any capital account attributed to the Member, and upon dissolution of the Company any such deficit shall not be an asset of the Company and the Member shall not be obligated to contribute such amount to the Company to bring the balance of the Member's capital account to zero.

Section 8.04 Certificate of Cancellation. On completion of the distribution of Company assets as provided herein, the Company is terminated, and the Manager (or such other Person or Persons as the Act may require or permit) shall file a Certificate of Cancellation with the Secretary of State of Nevada and take such other actions as may be necessary to terminate the Company.

Article IX. GENERAL PROVISIONS

Section 9.01 Entire Agreement; Supersedure. This Agreement constitutes the entire agreement of the Member relating to the Company and supersedes all prior contracts or agreements with respect to the internal governance of the Company, whether oral or written.

Section 9.02 Effect of Waiver or Consent. A waiver or consent, express or implied, to or of any breach or default by any Person in the performance by that Person of its obligations with respect to the Company is not a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Company. Failure on the part of a Person to complain of any act of any Person or to declare any Person in default with respect to the Company, irrespective of how long that failure continues, does not constitute a waiver by that Person of its rights with respect to that default until the applicable statute of limitations period has run.

Section 9.03 Amendment or Modification. This Agreement may be amended or modified from time to time only by a written instrument adopted by the Member.

Section 9.04 Binding Effect. This Agreement is binding on, and inures to the benefit of, the Member and its heirs, legal representatives, successors, and assigns.

Section 9.05 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by law.


Section 9.06 Headings. Article and Section titles have been inserted for convenience of reference only, and they are not intended to affect the meaning or interpretation of this Agreement.

Section 9.07 Governing Law. THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF NEVADA, EXCLUDING ANY CONFLICT OF LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of this Agreement and (a) any provision of the Certificate, or (b) any mandatory provision of the Act, the applicable provision of this Agreement shall control except to the extent required by the Act.

Section 9.08 Counterpart Execution. This Agreement may be executed by facsimile, and such facsimile signature shall constitute an original signature.

IN WITNESS WHEREOF, the Member has executed this Limited Liability Company Agreement on this the 30th day of December, 2003, to be effective as of the date first set forth above.

Cap Rock Energy Corporation,
Sole Member

By: 
Name: Ronald Lyon.
Title: Vice President and Secretary

002130

EXHIBIT A

EXCLUDED ASSETS

NONE

002131

EXHIBIT B
SERVICE AGREEMENT

002132

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NEVADA HOLDING SERVICES, INC. SERVICE AGREEMENT

THIS AGREEMENT is made as of December 20, 2003 between NEVADA HOLDING SERVICES, INC. ("NHS"), a Nevada corporation, and PETRA ENERGY, LLC, a Nevada limited liability company ("Customer").

In consideration of the mutual covenants and agreements contained herein and intending to be legally bound, the parties agree as follows:

1. Customer represents and warrants that it is a limited liability company duly organized and validly existing under the laws of its state of organization and that it has full power and authority to enter into this Agreement. NHS represents and warrants that it is a corporation duly organized and validly existing under the laws of its state of incorporation and that it has full power and authority to enter into this Agreement.

2. NHS hereby agrees to provide or arrange for the following:

- Shared office space within the State of Nevada (see Exhibit A attached hereto for the location of the office space and the other terms of the Sublease)
- Nevada director(s)
- Nevada officer/employee to oversee, complete or arrange for the following:
 - Clerical and secretarial support
 - Fully operational office with regular business hours
 - Telephone number and listing published in the telephone directory, including yellow page listing, and directory assistance (all direct costs billed to Customer)
 - Mail processing
 - Maintenance and storage of corporate records and files
 - Preparation and filing of quarterly Nevada business license tax
 - Maintenance of operating account checkbook (bill paying, check signing, reconciliation, etc.)
 - Prepare agendas for Board of Directors' meetings once date is scheduled by Customer
 - Officer attendance at Board of Directors' meeting (via telephone if meeting is held outside Las Vegas, Nevada)
 - Oversee completion of minutes by paralegal (if required)
 - Interface with Customer's attorney (if required)
 - Oversee contracts with other vendors
 - Arrange for stationery and business cards
 - Arrange for accounting services, including maintenance of journals and ledger, origination of entries, preparation of monthly trial balances and/or financial statements

- Arrange for annual audit or procedures review (if required)
- Arrange for preparation of payroll and payroll tax returns

3. Use of conference facilities must be scheduled with NHS in advance of the anticipated use. Access to and use of all on-site NHS facilities and services shall be during regular business days (Monday through Friday), between the hours of 9:00 A.M. and 4:30 P.M., local time, unless other arrangements are agreed upon between the parties in advance of the anticipated access or use.

4. Customer agrees to pay NHS as compensation for its services hereunder an initial fee in the amount of \$500.00 for establishment of the office and an annual fee based upon the current rates charged by NHS from time to time for accounts of similar size and character, in each case, payable in the manner set forth in NHS's fee schedule attached (see Exhibit B). In the event Customer requests NHS to render any service not set forth in Section 2 of this Agreement, NHS shall, if NHS chooses to perform such service (which is within NHS's sole and absolute discretion), be entitled to additional compensation. The parties agree to negotiate such additional compensation prior to NHS providing such service. NHS shall have the right to terminate this Agreement at any time upon notice to Customer for nonpayment of fees, and such termination shall not affect any other rights or remedies of NHS under this Agreement. Customer shall have the right to terminate this Agreement if NHS breaches this Agreement and has not cured such breach within fifteen (15) days of receiving written notice from Customer.

5. NHS expressly reserves the right to move the physical office location at its sole and absolute discretion. However, in such an event, NHS will continue to provide office facilities and services as herein agreed to Customer, subject to the terms of this Agreement. Customer agrees to pay and be solely responsible for any and all costs involved in relocation of the office that are the specific expenses of Customer (such as moving Customer's furniture and equipment or relocating Customer's telephone, etc.) or such other similar expenses.

6. NHS shall use reasonable care in providing the services it renders under this Agreement and in maintaining and protecting the confidentiality of the books and records of Customer. NHS further agrees; upon written request, to return all of the books and records of Customer to Customer upon the termination of this Agreement.

7. Customer shall indemnify and hold harmless, to the fullest extent authorized or allowed by the laws of the State of Nevada, NHS and each of its officers, directors, employees and agents from any claim, cause of action, demand or liability arising from the performance of services, which NHS renders under this Agreement, unless NHS's conduct is finally adjudged by a court of competent jurisdiction to have involved intentional misconduct, fraud or a knowing violation of law and such conduct was material to the cause of action.

8. NHS WILL NOT BE LIABLE FOR ANY CLAIM OR ANY SPECIAL, EXEMPLARY, PUNITIVE, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION LOST PROFITS OR LOST SAVINGS), WHETHER BASED IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, THAT IS IN ANY WAY CONNECTED WITH (I) ANY SERVICES PROVIDED UNDER THIS AGREEMENT OR (II) THE PERFORMANCE OR NON PERFORMANCE BY NHS, EVEN IF NHS HAS BEEN ADVISED OF THE POSSIBILITY OF DAMAGES TO SUCH PARTIES OR ANY OTHER PARTY, EXCEPT THAT NHS WILL BE LIABLE FOR INTENTIONAL MISCONDUCT, FRAUD OR A KNOWING VIOLATION OF LAW.

9. NHS shall have no liability for any losses arising out of delays in performing the services which it renders under this Agreement which result from events beyond its control, including without limitation, interruption of the business of NHS due to acts of God, acts of governmental authority, acts of war, riots, civil commotion, insurrections, labor difficulties (including, but not limited to strikes and other work stoppages), or any action of any courier or utility, mechanical or other malfunction, or electronic interruption.

10. Customer fully understands and acknowledges that NHS is not rendering professional legal or accounting services and that NHS has not made any such representation to Customer. All services performed by NHS are submitted and performed with the understanding that NHS is not engaged in rendering legal or accounting services. NHS shall have no liability of any type or kind whatsoever to Customer, or to any other person, relating to any federal or state franchise, income or other taxes of Customer. NHS has made no

representations, either express or implied, to Customer or any other person regarding any tax matters, and Customer has retained tax counsel and has independently considered and evaluated such tax matters as part of its decision to enter into this Agreement.

11. Subject to the provisions of Paragraph 4 hereof, this Agreement will remain in effect for a period from December 20, 2003 to December 31, 2004 (the "Term"). This Agreement may be terminated by Customer with 90 days written notice to NHS; however, the Customer will be responsible to pay the remainder of the annual fees through the Term of this Agreement to NHS. In addition, if Customer terminates without cause within fifteen (15) months of the Effective Date, Customer agrees to pay a termination fee of \$500.00 to NHS. Thereafter, on each anniversary date of the Effective Date, the Agreement shall be extended, for one-year periods, unless either party gives written notice to the other party of its intention to terminate, on or before 90 days prior to the anniversary date of the Effective Date.

12. NHS and Customer agree that should any provision of this Agreement be declared invalid or unenforceable under any law, rule, or regulation of any governmental authority, the validity or enforceability of any other provision of this Agreement will not be affected. This Agreement shall be construed and enforced as if such void, invalid or unenforceable paragraph or provision were not contained in this Agreement to the fullest extent possible consistent with expressing the intent of this Agreement.

13. In the event of any action or proceeding brought by either party against the other under this Agreement, the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable.

14. This Agreement may be assigned by NHS upon not less than 90 days prior written notice to Customer.

15. This Agreement constitutes the entire agreement and understanding between Customer and NHS and supersedes any prior agreement or understanding relating to the subject matter of this Agreement. This Agreement shall be amended only by written instrument or agreement signed by NHS and Customer.

16. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

17. All matters pertaining to this contract, its validity, construction, administration, and all matters concerning all rights and interests created hereunder, shall be governed and determined by the laws of the State of Nevada, without regard for such state's principles concerning conflicts of laws or rules providing for strict construction against the drafter. Any claim, dispute or controversy arising out of this Agreement, the interpretation, validity or enforceability of this Agreement or the alleged breach thereof shall be finally and exclusively resolved by arbitration under the Rules of Arbitration of the American Arbitration Association in Nevada. All costs and expenses of arbitration, including without limitation reasonable attorneys' fees and disbursements, shall be paid by the party who shall not have prevailed in the arbitration.

18. Customer hereby expressly represents, warrants and vows to NHS that Customer's use of NHS's services herein contracted for by Customer will at all times be in compliance with all Nevada and federal regulations, laws and statutes. Customer expressly warrants that it has executed this document in its true and legal name.

19. Any waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Agreement. Any waiver must be in writing.

20. This Agreement may be executed at different times and in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21. Any notice required or permitted to be made or given by either party hereto pursuant to this Agreement shall be in writing, shall be sufficiently made or given when received and shall be sent by such party to the other party by certified or registered mail, return receipt requested, commercial courier, personal delivery, or a similar reliable delivery method, postage or other delivery charges prepaid, at the addresses indicated below or to such other addresses as the parties may designate hereafter by notice.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

PETRA ENERGY, LLC

NEVADA HOLDING SERVICES, INC.

By: _____

By: _____

Print Name: Ronald W. Lyon

Print Name: Monte L. Miller

Title: Manager

Title: Chief Executive Officer

Date: December 30, 2003

Date: December 30, 2003

Office: Suite 850
101 Convention Center Drive
Las Vegas, NV 89109

Office: Suite 850
101 Convention Center Drive
Las Vegas, NV 89109

Mail: P.O. Box 50401
Henderson, NV 89016

Mail: P.O. Box 50102
Henderson, NV 89016

EXHIBIT A

SUBLEASE

This Sublease is entered into as of **December 20, 2003** by and between **NEVADA HOLDING SERVICES, INC. (NHS)** ("Sublessor"), a corporation organized under the laws of Nevada, whose address is P.O. Box 50102, Henderson, Nevada 89016, and **PETRA ENERGY, LLC** ("Sublessee") whose address is 101 Convention Center Drive, Suite 850, Las Vegas, Nevada 89109.

WHEREAS, NHS is a corporation which leases office space at 101 Convention Center Drive, Suite 850, Las Vegas, Nevada ("Building") and desires to sublease a portion of said space; and

WHEREAS, **PETRA ENERGY, LLC** is a Limited Liability Company which desires to sublease a portion of office space in the Building from NHS.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

PREMISES. Sublessor, in consideration of the lease payments provided in this Sublease, leases to Sublessee, the premises described in Exhibit 1, (attached hereto and incorporated into this Sublease) (the "Premises") located at 101 Convention Center Drive, Suite 850, Las Vegas, Nevada.

TERM. This sublease shall be deemed to have commenced as of **December 20, 2003**, and shall continue for a period of two (2) years from **December 20, 2003 to December 31, 2005**. This sublease may be terminated by the Sublessee with 90 days written notice; however, the Sublessee will be responsible for the remainder of the lease payments. Thereafter, on each anniversary date, the Sublease shall be extended, for one year periods, unless either party gives written notice of its intention to terminate, 90 days prior to the anniversary date. Should the sublease be terminated during any one year extension, the Sublessee will be responsible for the lease payments through the end of that period.

LEASE PAYMENTS. As consideration and compensation to Sublessor for the sublease and the performance of services, Sublessee agrees to pay to Sublessor the amount of Three Thousand Five Hundred Dollars (\$3,500.00) per year (see Exhibit B under Recurrent Fees, "Shared Office"). The lease payments due under this Sublease shall be paid annually, in advance, and will be due within 30 days of execution of this Agreement. Subsequent lease payments will be due on the 20th of the month preceding the annual anniversary date. Lease payments shall be made to the Sublessor at P. O. Box 50102, Henderson, Nevada 89016.

POSSESSION. Sublessee shall be entitled to possession on the first day of the term of this Sublease, and shall yield possession to Sublessor on the last day of the term of this Sublease, unless otherwise agreed to by both parties in writing.

USE OF PREMISES. Sublessor hereby subleases to Sublessee on a non-exclusive basis those certain premises within the Building, more particularly described in Exhibit 1 attached hereto, together with access to and use of the common areas in and adjacent to the offices of NHS for the purpose of ingress and egress and non-exclusive use of light, water, air conditioning, heat, electricity and other utility benefits on the premises of NHS required for the transaction, provided however, that Sublessor shall not be liable to Sublessee for any interruption or stoppage of utility benefits however caused.

OTHER SERVICES. In addition to the services provided by Sublessor under the preceding paragraphs, Sublessor agrees to provide and furnish to Sublessee the services set forth in Exhibit 1 hereto, which Sublessee may require from time to time in connection with its business.

The premises and services provided under this Sublease are only available if Sublessor is providing administrative services and employee(s) to Sublessee.

PROPERTY INSURANCE. Sublessor and Sublessee shall each be responsible to maintain appropriate insurance for their respective interests in the Premises and property located on the Premises.

DEFAULTS. Sublessee shall be in default of this Sublease, if Sublessee fails to fulfill any lease obligation or term by which Sublessee is bound. Subject to any governing provisions of law to the contrary, if Sublessee fails to cure any financial obligation within 30 day(s) after written notice of such default is provided by Sublessor to Sublessee, Sublessor may take possession of the Premises without further notice, and without prejudicing Sublessor's rights to damages. In the alternative, Sublessor may elect to cure any default and the cost of such action shall be added to Sublessee's financial obligations under this Sublease. Sublessee shall pay all costs, damages, and expenses suffered by Sublessor by reason of Sublessee's defaults.

NOTICE. Notice under this Sublease shall not be deemed valid unless given or served in writing and forwarded by mail, postage prepaid, addressed as follows:

Sublessor:

NEVADA HOLDING SERVICES, INC.
Attn.: Monte L. Miller, Chief Executive Officer

Office: 101 Convention Center Drive, Suite 850
Las Vegas, Nevada 89109

Mail: P. O. Box 50102
Henderson, Nevada 89016

Sublessee:

PETRA ENERGY, LLC
Attn.: Ronald W. Lyon, Manager

Office: 101 Convention Center Drive, Suite 850
Las Vegas, Nevada 89109

Mail: P. O. Box 50401
Henderson, Nevada 89016

Such addresses may be changed from time to time by either party by providing notice as set forth above.

ENTIRE AGREEMENT/AMENDMENT. This Sublease contains the entire agreement of the parties and there are no other promises or conditions in any other Agreement whether oral or written. This Sublease may be modified or amended in writing, if the writing is signed by both parties to this Sublease.

SEVERABILITY. If any portion of this Sublease shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Sublease is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

CUMULATIVE RIGHTS. The rights of the parties under this Sublease are cumulative, and shall not be construed as exclusive unless otherwise required by law.

GOVERNING LAW. This Sublease shall be construed in accordance with the laws of the state of Nevada.

Sublessor:

NEVADA HOLDING SERVICES, INC.

By Monte L. Miller

Title: Chief Executive Officer

Date: December 30, 2003

Sublessee:

PETRA ENERGY, LLC

By Ronald W. Lyon

Title: Manager

Date: December 30, 2003

EXHIBIT 1

SHARED OFFICE

PREMISES:

<u>Office Location</u>	<u>Amount of Space</u>
101 Convention Center Drive Suite 850 Las Vegas, Nevada 89109	120 sq. ft. undivided

And undivided use of:

Board room
Lobby
Equipment room
Operations room and other common areas

EQUIPMENT (use of) :

- 1.) Telefax machine.
- 2.) Copy machine.
- 3.) Telephone number and listing (all direct costs billed directly to Customer).

SERVICES:

- 1.) Cleaning and maintenance.
- 2.) Business property/equipment and general liability insurance on undivided area.

EXHIBIT B

NEVADA HOLDING SERVICES, INC.

**Fee Schedule
SHARED OFFICE
PETRA ENERGY, LLC**

One-time Set-up Fees:

- | | |
|---|----------|
| • Establishment of Nevada Office: | \$500.00 |
| • Financial Accounting: | \$500.00 |
| • Termination Fee
(Fee will be charged only if services are terminated within 15 months) | \$500.00 |

Recurrent Fees:

- | | <u>Annual Fee</u> |
|--------------------------------------|--------------------------|
| • Clerical & Administrative Services | \$4,500.00 |
| • Salary of Employee/Manager | \$1,000.00 |
| • Financial Accounting | \$1,800.00 |
| • Shared Office Space | <u>\$3,500.00</u> |

Total Annual Cost: \$10,800.00

- Financial Accounting: Hourly rate (\$75.00 per hour) with minimum annual fee of \$1,800.00. Includes maintenance of journals and ledger, origination of entries, preparation of monthly trial balances and/or financial statements
- Accounting and Legal Services, billed directly to your Holding Company.
- Expenses such as office supplies, postage and telephone charges are billed directly to the holding company.
- Payroll taxes in addition to the salary.

Billing/Payment:

- Initial fees for set up, clerical & administrative, shared office space and accounting services are due within 30 days of execution of this Agreement.
- Subsequent fees for clerical & administrative services, shared office space and accounting services will be billed annually and payable in advance on the 20th of the month preceding the annual anniversary date.
- Annual salary for employee and director is billed quarterly and payable in advance, on the 20th of the month preceding each quarter.
- Out-of-pocket expenses are billed monthly and payable on the 20th of each month.
- Nevada Holding Services, Inc. (NHS) fees and reimbursement of out of pocket expenses shall be paid through an Electronic Funds Transfer (EFT) transaction or such other payment method as required by NHS. Notwithstanding any second signature requirement, NHS' annual and periodic fees shall be paid by EFT without secondary authorization. Thus, NHS is hereby authorized to collect all amounts due from the Client's bank account.

Active Asset Services Fee:

- Will depend on type of assets. Such additional services and related compensation to be agreed to prior to rendering such services.

Investment Management or Advisory Fees

- Will depend on market value, type of assets and our level of responsibility. Such additional services and related compensation to be agreed to prior to rendering such services.

EXHIBIT C
INDEMNIFICATION AGREEMENTS

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made this 20th day of December, 2003, between Petra Energy, LLC, a Nevada limited-liability company (the "Company"), and Joshua C. Miller, an individual ("Indemnitee").

RECITALS

WHEREAS, Indemnitee has been asked to serve or is serving as an officer or manager of the Company, and in such capacity is performing a valuable service for the Company.

WHEREAS, the Company has adopted an operating agreement (the "Operating Agreement") providing for the indemnification of the officers, managers, employees and agents of the Company to the maximum extent authorized by Nevada Revised Statutes §§86.371 and 86.411 to 86.471 (collectively, the "State Statute").

WHEREAS, such Operating Agreement and the State Statute specifically provide that they are not exclusive, and thereby contemplate that agreements may be entered into between the Company and its officers and managers with respect to indemnification of such officers and managers.

WHEREAS, Indemnitee is willing to serve, continue to serve and to take on additional service for and on behalf of the Company on the condition that Indemnitee is indemnified to the fullest extent permitted by the laws of the State of Nevada.

WHEREAS, it is intended that Indemnitee shall be paid promptly by the Company all amounts necessary to effectuate in full the indemnity provided in this Agreement.

WHEREAS, to induce Indemnitee to serve and to continue to serve as an officer or manager of the Company, the Company has determined and agreed to enter into this Agreement with Indemnitee.

NOW, THEREFORE, in consideration of Indemnitee's continued service as an officer or manager of the Company after the date hereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Indemnitee hereby agree as follows:

AGREEMENT

1. Indemnification of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by the provisions of the State Statute, or any successor statute or amendment thereof, or any other statutory provisions authorizing or permitting such indemnification that is adopted after the date of this Agreement.

2. Maintenance of Insurance and Self Insurance.

(a) The Company represents that it presently has in force and effect policies of errors and omissions liability insurance ("E&O Insurance"). Subject only to the provisions within

this Section 2, the Company agrees that so long as Indemnatee continues to serve as an officer or manager of the Company, or continues at the request of the Company to serve as an officer, director, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and thereafter for as long as Indemnatee shall be subject to any possible claim whether threatened, pending or completed in an action, suit proceeding whether civil, criminal, administrative or investigative, by reason of the fact that Indemnatee was or is an officer or manager of the Company (or served in any of the other capacities listed herein), the Company shall use its best efforts to purchase and maintain in effect for the benefit of Indemnatee one or more valid, binding and enforceable policy or policies of E&O Insurance providing, in all respects, coverage both in scope and amount which is comparable to what is presently provided.

(b) The Company shall not be required to maintain said policy or policies of E&O Insurance if such insurance is not available at commercially reasonable prices or if, in the reasonable business judgment of a majority of the managers of the Company, either (i) the premium cost for such insurance is substantially disproportionate to the amount of coverage or (ii) the coverage provided by such insurance is so limited by exclusions that there is insufficient benefit to warrant the cost of maintaining such insurance.

(c) In the event the Company does not purchase and maintain in effect said policy or policies of E&O Insurance pursuant to the provisions of Subsection 2(b), or limits in any way the coverages provided thereunder either in scope or amount, or such policies or coverages provided thereunder become unavailable in whole or in part for any reason whatsoever, the Company agrees to hold harmless and indemnify Indemnatee to the full extent of the coverage which would have otherwise been provided for the benefit of Indemnatee had such insurance policies specified in Subsection 2(a) been maintained.

(d) The Company, in its discretion, in lieu of maintaining said policy or policies of E&O Insurance described in Subsection 2(a), or in addition to said policy or policies of insurance, may make such other financial arrangements on behalf of Indemnatee or any liability asserted against Indemnatee and liability and expenses incurred by Indemnatee in his or her capacity as an officer, manager, employee or agent arising out of or in connection with Indemnatee's status as an officer, manager, employee or agent of the Company, whether or not the Company has the authority to indemnify Indemnatee against such liability and expenses. Other financial arrangements contemplated by this Subsection 2(d) include, but are not limited to, the following:

- (1) Creation of a trust fund;
- (2) Establishment of a program of self insurance;
- (3) Granting a security interest or other lien on any assets of the Company to secure its obligation of indemnification; and
- (4) Establishment of a letter of credit, guaranty or surety.

3. **Additional Indemnity.** Subject only to the exclusions set forth in Section 4 of this Agreement, the Company hereby further agrees to hold harmless, indemnify and defend Indemnatee:

(a) Against any and all expenses (including fees for attorneys, accountants, private investigators, court and transcript costs, fees and expenses of witnesses, travel expenses and

all other like disbursements or expenses reasonably incurred by or for Indemnitee), judgments damages, fines, penalties, and amounts paid in settlement (including all interest assessments and other charges paid or payable in connection with or in respect of such judgment, fines, penalties, or amounts paid in settlement) actually and reasonably incurred by or for Indemnitee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Company) to which Indemnitee is or was at any time becomes an officer, manager, employee or agent of the Company, or is or was serving or at any time serves at the request of the Company as an officer, director, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise; and

(b) Otherwise to the fullest extent as may be provided to Indemnitee by the Company under the non-exclusivity provisions of the Operating Agreement of the Company and the State Statute.

4. Limitations on Additional Indemnity. No indemnity pursuant to Section 3 of this Agreement shall be paid by the Company in the event:

(a) Payment is actually made to Indemnitee under a valid and collectible insurance policy or policies, except with respect to any excess beyond the amount of payment under such insurance policy or policies. Notwithstanding the availability of such insurance policy or policies, Indemnitee also may claim indemnification from the Company pursuant to this Agreement by assigning to the Company any claims under such insurance policy or policies to the extent Indemnitee is paid by the Company.

(b) Indemnitee is indemnified by the Company otherwise than pursuant to this Agreement.

(c) Judgment is rendered against Indemnitee for the payment of distributions to members of the Company in violation of the provisions of Nevada Revised Statute § 86.343, as amended.

(d) Judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or other similar provisions of any federal, state or local statutory law.

(e) Indemnitee's conduct giving rise to the claim for indemnification is finally adjudged by a court of competent jurisdiction to have involved intentional misconduct, fraud or a knowing violation of the law and such conduct was material to the cause of action.

(f) Judgment is rendered against Indemnitee by a court of competent jurisdiction, after exhaustion of all appeals therefrom, and the court in which the suit is brought or another court of competent jurisdiction determines upon application that Indemnitee is not fairly and reasonably entitled to be indemnified against such expenses as the court deems proper.

(g) Except as otherwise provided in this Agreement, Indemnitee initiates or maintains a suit or other proceeding against the Company or its officers, managers, employees or other agents, unless (i) such indemnification is expressly required to be made by Nevada law; (ii) the

suit or other proceeding was expressly authorized by a majority of the managers of the Company in writing or (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under Nevada law.

5. Continuation of Indemnity. All agreements and obligations of the Company contained in this Agreement shall continue during the period Indemnitee is an officer, manager, employee or agent of the Company (or is or was serving at the request of the Company as an officer, director, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Indemnitee was an officer or manager of the Company or serving in any other capacity referred to in this Agreement.

6. Advancement of Expenses. In the event Indemnitee incurs costs or expenses in connection with the defense of any civil, criminal, administrative or investigative action, suit or proceeding (including any costs or expenses incurred for any appeal therefore), the Company agrees to pay such costs or expenses as they are incurred and in advance of the final disposition of the action, suit or proceeding within 30 calendar days of submission of bills or vouchers for such costs or expenses upon receipt of an undertaking by or on behalf of Indemnitee to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the Company. Indemnitee agrees to reimburse the Company for all amounts paid by the Company in defending any civil, criminal, administrative, investigative action, suit or proceeding against Indemnitee, including amounts paid in settlement, in the event and only to the extent that it is ultimately determined by a court of competent jurisdiction that Indemnitee is not entitled to be indemnified by the Company for such expenses under the provisions of the State Statute, Operating Agreement, this Agreement or otherwise.

7. Presumptions and Effect on Certain Proceedings. Upon making a request for indemnification, Indemnitee shall be presumed to be entitled to indemnification under this Agreement. The termination of any action, suit or proceeding by judgment, order, settlement, arbitration award, conviction or on a plea of nolo contendere or its equivalent shall not affect this presumption except as may be provided in Section 4 of this Agreement.

8. Notification and Defense of Claim. Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee shall, if a claim with respect thereto is to be made against the Company under this Agreement, notify the Company of the commencement of the same; but the failure by Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Indemnitee notifies the Company of the commencement thereof:

(a) The Company shall be entitled to participate therein at its own expense; and

(b) Except as otherwise provided below, to the extent that it may wish, the Company, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense of the action, suit or proceeding, the Company will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of

investigation or as otherwise provided below. Indemnitee shall have the right to employ its own counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense shall be at the sole expense of Indemnitee unless (i) the employment of counsel by Indemnitee has been authorized in writing by the Company; (ii) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of the defense of such action; or (iii) the Company shall not in fact have employed counsel to assume the defense of such action, suit or proceeding. In each such instance set forth in clauses (i)-(iii) above, the fees and expenses of Indemnitee's counsel shall be at the expense of the Company. Notwithstanding the foregoing, the Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Indemnitee shall have made the conclusion provided in clause (ii) above.

(c) The Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action or claim affected without the Company's prior express written consent. The Company shall not settle any action or claim in any manner that would impose any penalty or limitation on Indemnitee without Indemnitee's prior express written consent. Neither the Company nor Indemnitee will unreasonably withhold their consent to any proposed settlement.

9. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on the Company hereby in order to induce Indemnitee to serve and to continue to serve as an officer or manager of the Company, and acknowledges that Indemnitee is relying on this Agreement in continuing in such capacity.

(b) In the event Indemnitee is required to bring any action to enforce his or her rights or to collect moneys due under this Agreement and is successful in such action, the Company shall reimburse Indemnitee for all of Indemnitee's reasonable fees and expenses in bringing and pursuing such action.

10. No Employment Rights. Nothing in this Agreement is intended to confer on Indemnitee any right to interfere with or otherwise restrict in any way the rights of the Company or of Indemnitee, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without cause, except as may be provided otherwise in an agreement between the Company and Indemnitee.

11. Severability. Each of the provisions of this Agreement are separate and distinct and independent of one another, so that if any provision of this Agreement shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not effect the validity or enforceability of the other provisions of this Agreement.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all rights of recovery of Indemnitee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including without limitation, the execution of such documents necessary to enable the Company to effectively bring suit to enforce such rights.

13. Governing Law and Forum Selection. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Nevada without resort to conflict of laws principles. Any action or proceeding that is filed with respect to this Agreement shall be filed in a court in Clark County, Nevada, which court shall have the sole and exclusive jurisdiction over such matter.

14. Binding Effect; Amendment. This Agreement shall be binding on the parties, their successors and assigns, and shall inure to the benefit of Indemnatee, his or her heirs, personal representatives and assigns, and to the benefit of the Company, its successors and assigns. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

15. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed and addressed to the following addresses:

If to Indemnatee:

Joshua C. Miller, Manager
P.O. Box 50401
Henderson, Nevada 89016

If to the Company:

Petra Energy, LLC
P.O. Box 50401
Henderson, Nevada 89016
Attention: Ronald W. Lyon

A party may change their address by delivering notice of such changed address in the manner set forth in this Section 15.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

"Indemnitee"

the "Company"

PETRA ENERGY, LLC
a Nevada limited-liability company

Joshua C. Miller, an individual
Date: December 30, 2003

By: Ronald W. Lyon
Its: Manager
Date: December 30, 2003

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made this 20th day of December, 2003, between Petra Energy, LLC, a Nevada limited-liability company (the "Company"), and Monte L. Miller, an individual ("Indemnitee").

RECITALS

WHEREAS, Indemnitee has been asked to serve or is serving as an officer or manager of the Company, and in such capacity is performing a valuable service for the Company.

WHEREAS, the Company has adopted an operating agreement (the "Operating Agreement") providing for the indemnification of the officers, managers, employees and agents of the Company to the maximum extent authorized by Nevada Revised Statutes §§86.371 and 86.411 to 86.471 (collectively, the "State Statute").

WHEREAS, such Operating Agreement and the State Statute specifically provide that they are not exclusive, and thereby contemplate that agreements may be entered into between the Company and its officers and managers with respect to indemnification of such officers and managers.

WHEREAS, Indemnitee is willing to serve, continue to serve and to take on additional service for and on behalf of the Company on the condition that Indemnitee is indemnified to the fullest extent permitted by the laws of the State of Nevada.

WHEREAS, it is intended that Indemnitee shall be paid promptly by the Company all amounts necessary to effectuate in full the indemnity provided in this Agreement.

WHEREAS, to induce Indemnitee to serve and to continue to serve as an officer or manager of the Company, the Company has determined and agreed to enter into this Agreement with Indemnitee.

NOW, THEREFORE, in consideration of Indemnitee's continued service as an officer or manager of the Company after the date hereof, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Indemnitee hereby agree as follows:

AGREEMENT

1. Indemnification of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent authorized or permitted by the provisions of the State Statute, or any successor statute or amendment thereof, or any other statutory provisions authorizing or permitting such indemnification that is adopted after the date of this Agreement.

2. Maintenance of Insurance and Self Insurance.

(a) The Company represents that it presently has in force and effect policies of errors and omissions liability insurance ("E&O Insurance"). Subject only to the provisions within

this Section 2, the Company agrees that so long as Indemnatee continues to serve as an officer or manager of the Company, or continues at the request of the Company to serve as an officer, director, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and thereafter for as long as Indemnatee shall be subject to any possible claim whether threatened, pending or completed in an action, suit proceeding whether civil, criminal, administrative or investigative, by reason of the fact that Indemnatee was or is an officer or manager of the Company (or served in any of the other capacities listed herein), the Company shall use its best efforts to purchase and maintain in effect for the benefit of Indemnatee one or more valid, binding and enforceable policy or policies of E&O Insurance providing, in all respects, coverage both in scope and amount which is comparable to what is presently provided.

(b) The Company shall not be required to maintain said policy or policies of E&O Insurance if such insurance is not available at commercially reasonable prices or if, in the reasonable business judgment of a majority of the managers of the Company, either (i) the premium cost for such insurance is substantially disproportionate to the amount of coverage or (ii) the coverage provided by such insurance is so limited by exclusions that there is insufficient benefit to warrant the cost of maintaining such insurance.

(c) In the event the Company does not purchase and maintain in effect said policy or policies of E&O Insurance pursuant to the provisions of Subsection 2(b), or limits in any way the coverages provided thereunder either in scope or amount, or such policies or coverages provided thereunder become unavailable in whole or in part for any reason whatsoever, the Company agrees to hold harmless and indemnify Indemnatee to the full extent of the coverage which would have otherwise been provided for the benefit of Indemnatee had such insurance policies specified in Subsection 2(a) been maintained.

(d) The Company, in its discretion, in lieu of maintaining said policy or policies of E&O Insurance described in Subsection 2(a), or in addition to said policy or policies of insurance, may make such other financial arrangements on behalf of Indemnatee or any liability asserted against Indemnatee and liability and expenses incurred by Indemnatee in his or her capacity as an officer, manager, employee or agent arising out of or in connection with Indemnatee's status as an officer, manager, employee or agent of the Company, whether or not the Company has the authority to indemnify Indemnatee against such liability and expenses. Other financial arrangements contemplated by this Subsection 2(d) include, but are not limited to, the following:

- (1) Creation of a trust fund;
- (2) Establishment of a program of self insurance;
- (3) Granting a security interest or other lien on any assets of the Company to secure its obligation of indemnification; and
- (4) Establishment of a letter of credit, guaranty or surety.

3. Additional Indemnity. Subject only to the exclusions set forth in Section 4 of this Agreement, the Company hereby further agrees to hold harmless, indemnify and defend Indemnatee:

(a) Against any and all expenses (including fees for attorneys, accountants, private investigators, court and transcript costs, fees and expenses of witnesses, travel expenses and

all other like disbursements or expenses reasonably incurred by or for Indemnitee), judgments damages, fines, penalties, and amounts paid in settlement (including all interest assessments and other charges paid or payable in connection with or in respect of such judgment, fines, penalties, or amounts paid in settlement) actually and reasonably incurred by or for Indemnitee in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including an action by or in the right of the Company) to which Indemnitee is or was at any time becomes an officer, manager, employee or agent of the Company, or is or was serving or at any time serves at the request of the Company as an officer, director, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise; and

(b) Otherwise to the fullest extent as may be provided to Indemnitee by the Company under the non-exclusivity provisions of the Operating Agreement of the Company and the State Statute.

4. Limitations on Additional Indemnity. No indemnity pursuant to Section 3 of this Agreement shall be paid by the Company in the event:

(a) Payment is actually made to Indemnitee under a valid and collectible insurance policy or policies, except with respect to any excess beyond the amount of payment under such insurance policy or policies. Notwithstanding the availability of such insurance policy or policies, Indemnitee also may claim indemnification from the Company pursuant to this Agreement by assigning to the Company any claims under such insurance policy or policies to the extent Indemnitee is paid by the Company.

(b) Indemnitee is indemnified by the Company otherwise than pursuant to this Agreement.

(c) Judgment is rendered against Indemnitee for the payment of distributions to members of the Company in violation of the provisions of Nevada Revised Statute § 86.343, as amended.

(d) Judgment is rendered against Indemnitee for an accounting of profits made from the purchase or sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, or other similar provisions of any federal, state or local statutory law.

(e) Indemnitee's conduct giving rise to the claim for indemnification is finally adjudged by a court of competent jurisdiction to have involved intentional misconduct, fraud or a knowing violation of the law and such conduct was material to the cause of action.

(f) Judgment is rendered against Indemnitee by a court of competent jurisdiction, after exhaustion of all appeals therefrom, and the court in which the suit is brought or another court of competent jurisdiction determines upon application that Indemnitee is not fairly and reasonably entitled to be indemnified against such expenses as the court deems proper.

(g) Except as otherwise provided in this Agreement, Indemnitee initiates or maintains a suit or other proceeding against the Company or its officers, managers, employees or other agents, unless (i) such indemnification is expressly required to be made by Nevada law; (ii) the

suit or other proceeding was expressly authorized by a majority of the managers of the Company in writing or (iii) such indemnification is provided by the Company, in its sole discretion, pursuant to the powers vested in the Company under Nevada law.

5. Continuation of Indemnity. All agreements and obligations of the Company contained in this Agreement shall continue during the period Indemnitee is an officer, manager, employee or agent of the Company (or is or was serving at the request of the Company as an officer, director, manager, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) and shall continue thereafter so long as Indemnitee shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that Indemnitee was an officer or manager of the Company or serving in any other capacity referred to in this Agreement.

6. Advancement of Expenses. In the event Indemnitee incurs costs or expenses in connection with the defense of any civil, criminal, administrative or investigative action, suit or proceeding (including any costs or expenses incurred for any appeal therefore), the Company agrees to pay such costs or expenses as they are incurred and in advance of the final disposition of the action, suit or proceeding within 30 calendar days of submission of bills or vouchers for such costs or expenses upon receipt of an undertaking by or on behalf of Indemnitee to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the Company. Indemnitee agrees to reimburse the Company for all amounts paid by the Company in defending any civil, criminal, administrative, investigative action, suit or proceeding against Indemnitee, including amounts paid in settlement, in the event and only to the extent that it is ultimately determined by a court of competent jurisdiction that Indemnitee is not entitled to be indemnified by the Company for such expenses under the provisions of the State Statute, Operating Agreement, this Agreement or otherwise.

7. Presumptions and Effect on Certain Proceedings. Upon making a request for indemnification, Indemnitee shall be presumed to be entitled to indemnification under this Agreement. The termination of any action, suit or proceeding by judgment, order, settlement, arbitration award, conviction or on a plea of nolo contendere or its equivalent shall not affect this presumption except as may be provided in Section 4 of this Agreement.

8. Notification and Defense of Claim. Promptly after receipt by Indemnitee of notice of the commencement of any action, suit or proceeding, Indemnitee shall, if a claim with respect thereto is to be made against the Company under this Agreement, notify the Company of the commencement of the same; but the failure by Indemnitee to notify the Company will not relieve the Company from any liability which it may have to Indemnitee otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Indemnitee notifies the Company of the commencement thereof:

(a) The Company shall be entitled to participate therein at its own expense; and

(b) Except as otherwise provided below, to the extent that it may wish, the Company, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof with counsel reasonably satisfactory to Indemnitee. After notice from the Company to Indemnitee of its election to assume the defense of the action, suit or proceeding, the Company will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of

investigation or as otherwise provided below. Indemnatee shall have the right to employ its own counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from the Company of its assumption of the defense shall be at the sole expense of Indemnatee unless (i) the employment of counsel by Indemnatee has been authorized in writing by the Company; (ii) Indemnatee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnatee in the conduct of the defense of such action; or (iii) the Company shall not in fact have employed counsel to assume the defense of such action, suit or proceeding. In each such instance set forth in clauses (i)-(iii) above, the fees and expenses of Indemnatee's counsel shall be at the expense of the Company. Notwithstanding the foregoing, the Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which Indemnatee shall have made the conclusion provided in clause (ii) above.

(c) The Company shall not be liable to indemnify Indemnatee under this Agreement for any amounts paid in settlement of any action or claim affected without the Company's prior express written consent. The Company shall not settle any action or claim in any manner that would impose any penalty or limitation on Indemnatee without Indemnatee's prior express written consent. Neither the Company nor Indemnatee will unreasonably withhold their consent to any proposed settlement.

9. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on the Company hereby in order to induce Indemnatee to serve and to continue to serve as an officer or manager of the Company, and acknowledges that Indemnatee is relying on this Agreement in continuing in such capacity.

(b) In the event Indemnatee is required to bring any action to enforce his or her rights or to collect moneys due under this Agreement and is successful in such action, the Company shall reimburse Indemnatee for all of Indemnatee's reasonable fees and expenses in bringing and pursuing such action.

10. No Employment Rights. Nothing in this Agreement is intended to confer on Indemnatee any right to interfere with or otherwise restrict in any way the rights of the Company or of Indemnatee, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without cause, except as may be provided otherwise in an agreement between the Company and Indemnatee.

11. Severability. Each of the provisions of this Agreement are separate and distinct and independent of one another, so that if any provision of this Agreement shall be held to be invalid or unenforceable for any reason, such invalidity or unenforceability shall not effect the validity or enforceability of the other provisions of this Agreement.

12. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all rights of recovery of Indemnatee, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including without limitation, the execution of such documents necessary to enable the Company to effectively bring suit to enforce such rights.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

"Indemnatee"

the "Company"

PETRA ENERGY, LLC
a Nevada limited-liability company

Monte L. Miller, an individual
Date: December 30, 2003

By: Ronald W. Lyon
Its: Manager
Date: December 30, 2003

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**MINUTES OF ORAGANIZATIONAL MEETING OF THE BOARD OF
MANAGERS**

**OF
PETRA ENERGY, LLC
A Nevada Limited Liability Company**

December 30, 2003

The Organization Meeting of Petra Energy LLC was duly called and held on December 30, 2003 at 2:00 p.m. PST at 101 Convention Center Drive, Suite 850, Las Vegas, Nevada 89109. The following managers were present: Joshua Miller and Ronnie Lyon. These being two of the three managers named in the Articles of Organization, a quorum was present.

The meeting was called to order by Joshua Miller and Mr. Miller was elected chairman of the meeting and Ronnie Lyon was elected secretary of the meeting.

A Waiver of Notice of the meeting was presented and such waiver is attached to these minutes as Attachment "1".

The following resolutions were considered and unanimously adopted by the managers:

Certificate of Formation.

RESOLVED, that the Original Articles of Organization and the Certificate of Formation that was submitted to, and reviewed by, the Managers of the Company and that has been filed in the office of the Secretary of State of the State of Nevada on December 19, 2003, is approved, accepted, ratified, and adopted as the Company's Certificate of Formation.

RESOLVED FURTHER, that any Manager of the Company shall insert the Certificate of Formation as filed with the Nevada Secretary of State in the minute book of the Company.

1. Operating Agreement.

RESOLVED, that the Operating Agreement for the regulation and management of the affairs of the Company that was submitted to, reviewed by, and executed by the Managers is approved and adopted for and as the Operating Agreement of the Company, and any Manager of the Company shall insert a copy of the Operating Agreement in the minute book of the Company.

2. Minute Book.

RESOLVED, that (a) the minute book presented to the Managers of the Company is approved and adopted, and the action of the Secretary in inserting in it the Certificate of Formation and the Operating Agreement is ratified and approved, and (b) any Manager of the Company shall authenticate the minute book, to retain custody of it, and to insert therein minutes of any meeting and of other proceedings (or written waivers and consents to any

manager, member or other action) of the Managers or Members of the Company and other appropriate records of the Company.

3. Issuance of Membership Interests.

RESOLVED, that the Company issue the membership interests to the members in the percentages and for the consideration set forth below opposite their respective names:

<u>Name</u>	<u>Consideration</u>	<u>Percentage</u>
Cap Rock Energy Corporation	\$1,000.00	100%

RESOLVED FURTHER, that following the issuance of such membership interest, such membership interest shall be duly issued, validly outstanding, fully paid and nonassessable.

4. Appointment of Resident Agent.

RESOLVED, that the Company appoints The Nevada Agency and Trust Company, 50 W. Liberty Street, Bank of America Plaza, Suite 880, Reno NV 89501 as its resident agent.

5. Banking and Borrowing.

RESOLVED, that the Company establish such banking depository arrangements as from time to time become necessary, desirable or appropriate, including arrangements with respect to establishing and maintaining checking accounts, and that the signature of any two Managers of the Company at the bottom of the form of certificate of resolutions customarily required by any such banking institution authorizing such arrangements shall constitute and be construed as a unanimous written consent to the adoption of such resolutions by the Managers of the Company under the provisions of the Act, and that the Secretary of the Company is hereby authorized to certify to such resolutions so signed by such Managers of the Company in such form as said banking institution may customarily require, and such resolutions so certified shall be deemed to be copied in the minute book as if set forth therein in full. The Managers are authorized to execute the banking resolutions with Bank of America presented at the meeting.

6. Annual Meeting of Members.

RESOLVED, that in the event that the Company shall have more than one Member in the future, then an annual meeting of the Members of the Company shall be held during each calendar year on such date and at such time as shall be designated from time to time by the Managers.