

## OIL AND GAS LEASE

THIS AGREEMENT made and entered into this 1<sup>st</sup> day of MAY, 2008 by and between MIRACLE OIL AND GAS LLC, a Colorado Limited Liability Company, with an address of 1218 West Ash, Suite A, Windsor, Colorado 80550, Lessor (whether one or more), and KERR-MCGEE OIL & GAS ONSHORE LP, a Delaware Limited Partnership, with an address of 1099 Eighteenth Street, ATTN: Wattenberg Land Dept., Denver, Colorado 80202, Lessee.

## WITNESSETH:

That Lessor, for and in consideration of Ten and no/100 Dollars (\$10.00) in hand paid, the receipt and sufficiency of which are hereby acknowledged, and the covenants and agreements hereinafter contained, does hereby grant, demise, lease and let unto the said Lessee, exclusively, its successors and assigns, the following described land for the purpose of carrying on geological, geophysical and other exploratory work, including core drilling and the investigating, exploring, prospecting, drilling, mining, operating for, producing and saving of oil, liquid hydrocarbons, gas, gas condensate, gas distillate, casinghead gas, casinghead gasoline, coal bed methane gas and all other gases and their constituent parts, other minerals and substances produced in connection with oil and gas operations hereunder, or as a by-product of oil and gas, (collectively and/or individually hereinafter referred to as "Leased Substances") and the exclusive right of injecting gas, air, waters, brine and other fluids and substances into the subsurface strata, together with all rights of way, easements and use of the surface as is necessary or convenient for such operations and for laying pipe lines, flow lines, and other underground lines to gather, remove or otherwise transport the Leased Substances, telephone and other communication lines, building tanks, power houses, stations, ponds, roadways and other fixtures or structures for producing, treating, storing and caring for such products, and any and all other rights and privileges necessary, incident to or convenient in the economical or efficient operation of said land, or lands pooled therewith or adjacent thereto, together with any reversionary rights therein or rights hereafter vested in Lessor, said tract of land being situated in the County of Larimer, State of Colorado, and described as follows, to-wit:

The South ½ of Section 12, Township 5 North, Range 68 West of the 6<sup>th</sup> P.M., less that portion in Highway 34 on the South side of said land (included in the leased out parcel is that portion contained in Deed recorded April 11, 1934, in Book 637 at Page 458, County of Larimer, State of Colorado

together with all submerged lands, accretions, and strips adjacent or contiguous thereto and owned or claimed by Lessor, which land shall, for the purpose of calculating the amount of any money payment permitted or required by the terms of this lease, be considered as containing exactly 316.55 acres, whether there is more or less.

TO HAVE AND TO HOLD the same, subject to the provisions herein contained, for a term of two (2) years from this date (hereafter called "Primary Term") and as long thereafter as Leased Substances are being or may be produced from said leased premises, in paying quantities, or operations for the drilling or production thereof are continued as hereinafter provided. This is a paid-up lease and Lessee shall have no obligation to make annual rental payments to Lessor over and above the consideration stated above and the production royalty payments described below.

In consideration of these premises, it is hereby mutually agreed as follows:

1. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be 19% of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be 19% of the net proceeds realized by Lessee (after deducting the taxes and costs set forth in subsection 1(c) hereof) from the sale thereof, provided the Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase arrangements entered into on the same or nearest preceding date as the date on which Lessee or its affiliate commences its purchases hereunder; and (c) in calculating royalties on production hereunder, Lessee may deduct Lessor's proportionate part of any ad valorem, production and excise taxes and all transportation and fuel charges on any interstate pipeline; but may not deduct any costs incurred by Lessee in treating (including without limitation, dehydrating and sweetening), processing, gathering, transporting, compressing, delivering and otherwise marketing such production, without regard as to any judicial determination as to when or where such gas may be deemed to be marketable. Lessor shall not be entitled to any royalty on any Leased Substances reasonably used by Lessor for its operations on or off the leased premises or for that portion of the Leased Substances used as fuel or lost due to shrinkage, flaring, venting, line loss or otherwise.

2. Notwithstanding any of the prior provisions of this lease to the contrary, Lessee shall have free use of the Leased Substances, water, gravel, and other materials from the leased premises, except domestic or irrigation water from Lessor's wells and tanks to the extent reasonably necessary, for all operations hereunder.

3. All royalty payments under this lease shall be paid or tendered to Lessor or its successors in currency, by check or by draft by deposit in the U.S. Mail in a stamped envelope addressed to Lessor at the last address known to Lessee, which shall constitute proper payment.

4. It is expressly agreed that if Lessee shall commence operations for the drilling of a well at any time while this lease is in force, this lease shall remain in force and its term shall continue for so long as such operations are prosecuted and, if production results therefrom, whether or not in paying quantities, then so long as such production may continue. If, after the expiration of the Primary Term of this lease, production on the leased premises shall cease from any cause, this lease shall not terminate provided Lessee resumes or commences operations for the drilling or reworking of a well within one hundred eighty (180) days from the date of such cessation, and this lease shall remain in force and effect during the prosecution of such operations, and if production results therefrom, then as long as such production continues or the well or wells are capable of producing, in paying quantities. If Lessee fails to resume or commence operations as heretofore provided, Lessee shall pay to Lessor, as minimum royalty, the sum of One Hundred Twenty-Five Dollars (\$125.00) per net mineral acre then covered by this lease for the right to defer operations for each such 180-day period. Such payment to be made to Lessor on or before the end of each 180-day period until such time as Lessee resumes or commences operations, and so long as such payment is made to Lessor this lease shall continue in full force and effect; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no minimum royalty shall be due until the end of the 180-day period of the cessation of all such operations or production, as the case may be. Lessee's failure to properly pay any minimum royalty as provided herein shall render Lessee liable for the amount due (plus costs of collection of same, including, without limitation, reasonable attorneys' fees), but shall not operate to terminate this lease. Lessee shall be deemed to have commenced operations by actual drilling or by any act necessary for and in preparation of actual drilling operations, including by way of example, but not limited to making application for required permits (whether required by local government or state or federal regulatory agencies), site survey and preparation, and the construction of access routes to the proposed well site (whether or not such routes are located on the leased premises). Operations shall also include all activities designed to obtain, enhance, deliver or market production from the leased premises, or lands pooled therewith, including by way of example, but not limited to reworking, deepening, plugging back, treating, stimulating, refitting, installing equipment, construction of facilities related to transporting, treating and marketing of Leased Substances, contracting for the marketing and sale of Leased Substances, and construction of water disposal facilities and removal of water. Notwithstanding the foregoing, the right of Lessee to continue this lease by payment of minimum royalties shall no longer apply if exercised for more than two 180-day periods within any two calendar years or for more than four 180-day periods within any four calendar years.

Where gas from a well or wells capable of producing gas only is not sold or used for a period of one year, Lessee shall pay or tender as royalty, One Hundred Dollars (\$100.00) per net mineral acre retained hereunder, payable annually on the anniversary date of this lease following the end of each such year during which such gas is not sold or used, and while said royalty is so paid or tendered this lease shall be held as producing. The right to shut-in a well capable of producing gas only shall not extend beyond three (3) years after expiration of the Primary Term.

5. Where required by Lessor in writing, Lessee shall bury all pipelines below ordinary plow depth in cultivated land and shall pay for damage caused by its operations to growing crops on said land. Lessee shall be under no obligation to pay for additional damage of any kind or nature caused by Lessee's operations on the leased premises or for operations on lands pooled therewith or adjacent thereto, and Lessor hereby waives any and all claims and releases Lessee for any such additional damage. Lessee shall have the right, but shall not be obligated, at any time, either before or after expiration of this lease, to remove all fixtures and other property placed by Lessee on the leased premises, including the right to draw and remove all casing. Lessee agrees, upon the completion of any test as a dry hole or upon the abandonment of any producing well, to restore the premises to their original contour as near as practicable and to remove all installations within a reasonable time.

6. Lessee, at its option is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the leased premises and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of the Leased Substances, whether one or more, or for the injection of fluids or other substances, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reformatting of any unit may be accomplished by Lessee executing and filing of record a declaration of such pooling, unitization or reformation, which declaration shall describe the unit. Notwithstanding the foregoing, the absence of a recorded declaration shall not affect the continued validity of this lease or creation of a unit by established operations and/or the payment of royalties on a unit basis, provided that such declaration is recorded within ninety (90) days after the effective date thereof. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations or a well shut in for want of market anywhere on a unit which includes all or part of this lease shall be treated as if it were production, drilling or reworking operations or a well shut in for want of a market under this lease. In lieu of the royalties elsewhere herein specified, Lessor shall receive on production from the unit so pooled royalties only on the portion of production

allocated to this lease. Such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the leased premises as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire while such plan or agreement remains in force and in effect. If the leased premises or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land, and the royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessee shall not be required to obtain Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency.

Notwithstanding the foregoing, the creation of any unit by such pooling shall be based upon and restricted to the following criteria: A unit for an oil well shall not exceed 80 acres plus a maximum acreage tolerance of 10%; and for a gas well shall not exceed 160 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment.

7. Notwithstanding anything to the contrary contained in this lease, after the expiration of the Primary Term hereof (i) production or drilling operations from a well or wells located on the lands covered by this lease and not pooled with other lands shall maintain this lease in force and effect only as to the drilling spacing unit associated with such well, and this lease shall be released as to all remaining portions of the lands covered hereby; (ii) production or drilling operations from a pooled unit or units established under the provisions of this lease shall maintain this lease in force and effect only as to the lands included within such pooled unit or units, and this lease shall be released as to all remaining portions of the lands covered hereby; and (iii) production from lands covered by this lease shall maintain this lease in force and effect only to a depth of 100 feet below the stratigraphic equivalent of the deepest well then producing in paying quantities from the lands covered by this lease, and this lease shall be released as to all remaining depths. Notwithstanding the foregoing, if Lessee has drilled and completed an oil well in the 800' Window as defined by Rule 318 A.a.2 of the rules of the Colorado Oil and Gas Conservation Commission as the only well in the SE/4 or the SW/4 of Section 12 above described, that well will retain this Lease as to the depths provided for in paragraph 7(iii) only to the extent necessary to produce Leased Substances from the wellbore of such well.

8. The rights of either party hereunder may be assigned or conveyed in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in the ownership of the land, royalties, however accomplished, shall operate or be construed so as to enlarge or increase the obligations or burdens of Lessee, or diminish its rights. Specifically, but not by way of limitation of the foregoing, Lessee shall not be required to offset wells on separate tracts into which the land covered by this lease may hereafter be divided, or to furnish separate measuring or receiving tanks. Notwithstanding any actual or constructive knowledge of or notice to Lessee, no change in the ownership of said land or the right to receive royalties hereunder, or any interest therein, however accomplished, shall be binding on Lessee until thirty (30) days after Lessee has been furnished with written notice thereof, together with the supporting information hereinafter referred to, by the party claiming as the result of such change in ownership or interest. Such notice shall be supported by original or certified copies of all recorded documents and other instruments or proceedings necessary in Lessee's opinion to establish the ownership of the claiming party.

9. No litigation shall be initiated by Lessor for damages, forfeiture or cancellation with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to substantially remedy the breach or default within such period. In the event any matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or cancelled in whole or in part unless and until Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to substantially do so. In the event any matter is litigated the prevailing party shall be entitled to recover or be awarded all reasonable attorney fees, costs and expenses.

10. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises. To the extent any royalties or other payment attributable to the mineral estate covered by this lease is payable to someone other than Lessor, or in the event of any improper payment of such royalties or other payment to Lessor, Lessee shall be entitled to recover from Lessor, in full, any such improper payment, without interest, provided that Lessee has made written claim for such repayment within two (2) years from the date of such improper payment. In the event any improper payment, or portion thereof, arises out of any misrepresentation or omission by Lessor, Lessor shall indemnify and hold Lessee harmless for and against any claim arising out of such improper payment, including any judgment, penalty, interest, attorney fees, expenses and costs incurred by Lessee in defending or settling any such claim. Any amounts owed by Lessor to Lessee under this provision may, once the amount has been lawfully established or agreed to by Lessor, in addition to other legal or equitable remedies, may be recovered by Lessee deducting same from any royalties or other payment thereafter due to Lessor.

11. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligations shall be proportionately reduced in accordance with the net acreage interest retained hereunder, provided however, that any rights granted to Lessee by this lease, including the rights-of-way and easements, and the right to penetrate any and all depths and formations underlying the lands described herein, shall continue to the extent necessary for the efficient and convenient operation of the interest retained by Lessee.

12. Lessee hereby warrants and agrees to defend title to the land above described, with respect to any claims arising by, through or under Lessor. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction, including restrictions on the drilling and production of wells, and regulation of the transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed, whether before or after the expiration of the primary term, by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any provisions or implied covenants of this lease when drilling, production or other operations are so prevented or delayed.

13. Lessee shall have the right at any time to redeem for Lessor, by payment, any mortgage, taxes or other liens on the above described land in the event of default of payment by Lessor and Lessee shall be subrogated to the rights of the holder thereof, and Lessor hereby agrees that any such payments made by Lessee for Lessor may, at Lessee's option, be deducted from any amounts of money which may become due or payable to Lessor under the terms of this lease.

14. Additional Provisions (Please use bold or capitalized type. If no additional provisions, please indicate by inserting NONE): Notwithstanding any provision contained herein to the contrary or rights granted to Lessee hereunder, Lessee's right to use, access or otherwise enter upon the leased premises shall be limited to the terms and conditions of a Surface Use Agreement to be entered into between the surface owner of the leased premises and Lessee that will provide for the compatible development of the surface estate and the oil and gas estate.

Initials: Lessor MOG Lessee JHC

15. This lease and all of its terms and conditions shall be binding upon Lessor and Lessee, their successors and assigns. Should any one or more of the parties above named as Lessor fail to execute this lease, it shall nevertheless be binding upon all Lessors whose signatures are affixed hereto. Notwithstanding anything contained herein to the contrary, it is expressly understood and agreed that any payment or payments made by Lessee to the owner of any interest subject to this lease shall be sufficient payment hereunder as to such interest notwithstanding the joinder herein of the spouse of any such party as a party Lessor for the purpose of waiving homestead, dower or inchoate rights of inheritance, if any. Should any provision of this lease or portion thereof be deemed unenforceable by a court of law, this lease shall remain in full force and effect as to all other provisions and parts thereof, and to the extent necessary this lease shall be modified to permit the enforcement of this lease in its entirety.

16. This lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, we sign this as of the day and year first above written.

KERR-MCGEE OIL & GAS ONSHORE LP,  
a Delaware Limited Partnership

MIRACLE OIL AND GAS LLC,  
a Colorado Limited Liability Company

By:   
Joseph E. Lorenz, Attorney-in-Fact

By:   
Gary Hoover, Manager

ACKNOWLEDGMENT

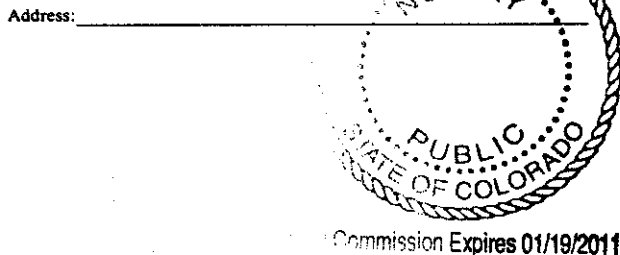
STATE OF Colorado )  
 )  
COUNTY OF Douglas ) ss.

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 1st day of May, 2008, personally appeared Joseph H. Lorenzo, Attorney-in-Fact for KERR-MCGEE OIL & GAS ONSHORE LP, a Delaware Limited Partnership, to me known to be the identical person described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission expires: \_\_\_\_\_

Judy L. Luna  
Notary Public



STATE OF COLORADO )  
 )  
COUNTY OF WELD ) ss.

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 29th day of April, 2008, personally appeared Gary Hoover as Manager of MIRACLE OIL AND GAS LLC, a Colorado Limited Liability Company, to me known to be the identical person described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My commission expires: 10/21/2009

Rital L. Williams  
Notary Public

Address: Gunnison, Colorado

