

PAD SITE AGREEMENT

THIS PAD SITE AGREEMENT is made and entered into as of October ____, 2008 and is by and between 3 H & S, LLC, a Colorado limited liability company, whose address is P.O. Box 336633, Greeley, Colorado 80634 ("3 H & S"), on the one hand, and Mineral Resources, Inc., a Colorado corporation with an address of P.O. Box 328, Greeley, Colorado 80632 ("Mineral Resources").

RECITALS

A. 3 H & S is the sole owner in and to the parcels of land located in Section 2, Township 5 North, Range 66 West, Weld County, Colorado that are within the area described in Exhibit "A" attached hereto and made a part hereof (the "Property"). 3 H & S and Mineral Resources agree that the Property contains approximately 11 acres, more or less.

B. Grantor's ownership includes the surface estate in and to the Property and the mineral estate in and to the property described in a separate Oil and Gas Lease in which 3H & S is the lessor and Mineral Resources is the lessee (here the "Leased Property").

C. Grantor represents that the 3 H & S owns the Property and that the Property is free and clear of liens and claims, except the current year taxes and assessments; subject to those matters which appear of record in the Clerk and Records Office, Weld County, Colorado, matters which may be revealed by survey and inspection and zoning, subdivision and other use regulation of the City of Greeley, Colorado.

D. Mineral Resources and Grantor have agreed upon the terms of this Agreement pursuant to which Mineral Resources may drill up to 40 oil and gas wells on the surface of the Property with bottom hole locations as provided in this Agreement.

E. In addition to this Agreement, Grantor and Mineral Resources will enter into an oil and gas lease covering the Property which lease shall be in the form of Exhibit B attached hereto and made a part hereof (the "Lease").

NOW, THEREFORE, in consideration of the premises, the payments made and to be made hereunder and under the Lease, the mutual covenants contained herein and for other good and valuable consideration, 3 H & S and Mineral Resources agree as follows:

1. The Recitals set forth above are incorporated in this Agreement as though fully restated in this Paragraph 1.

2. Upon the execution hereof, Mineral Resources may use the surface of the Property to drill, complete, operate, and maintain up to 40 oil and gas wells that have bottom hole locations under the Property and within 4,000 feet from the outer boundaries of the Property. The parties specifically agree that the wells drilled on the Property

pursuant to this Agreement may have bottom hole locations under lands other than the Property.

3. The wellheads, production facilities, water vaults and separators to be utilized by Mineral Resources in connection with the oil and gas wells that it may drill on the Property pursuant to this Agreement ("Equipment") will be located generally as depicted on Exhibit C attached hereto and made a part hereof.

a. 3 H & S and Mineral Resources recognize and agree that in order to construct the Equipment at the general location set forth on Exhibit C, Mineral Resources must comply with the following rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC") or obtain waivers and/or releases from the rules and regulation where waivers and/or releases are available:

Rule 603 a. (2) stating "A well shall be a minimum of one hundred fifty (150) feet from a surface property line. An exception may be granted by the Director if it is not feasible for the operator to meet this minimum distance requirement and a waiver is obtained from the offset surface owner(s). An exception request letter stating the reasons for the exception shall be submitted to the Director and accompanied by a signed waiver(s) from the offset surface owner(s). Such waiver shall be written and filed in the county clerk and recorder's office and with the Director.

Rule 604 a. (2) stating "Tanks shall be located at least two (2) diameters or three hundred fifty (350) feet, whichever is smaller, from the boundary of the property on which it is built. Where the property line is a public way the tanks shall be two thirds (2/3) of the diameter from the nearest side of the public way or easement."

Rule 603 a. (3) stating "At the time of installation, tanks shall be a minimum of two hundred (200) feet from residences, normally occupied buildings, or well defined normally occupied outside areas."

Rule 603 a. (5) stating "Tanks shall be a minimum of seventy-five (75) feet from a fired vessel or heater-treater."

Rule 603 a. (8) stating "Tanks shall be seventy-five (75) feet from a wellhead.

Rule 318 A. e. providing for surface locations for wells in the Greater Wattenberg Area.

Other rules that are applicable to the operations contemplated by this Agreement, including set back requirements in high density areas under the COGCC rules and regulations of the City of Greeley, Colorado.

b. If Mineral Resources is not able to locate the Equipment at the locations depicted on Exhibit C in compliance with the COGCC rules described above and such

other rules as may be applicable, Mineral Resources may utilize the surface of the Property as may be reasonably necessary to accomplish the purposes of this Agreement; being the drilling, completion, operation, and maintenance of up to 40 oil and gas wells that have bottom hole locations under the Property or within 4,000 feet from the outer boundaries of the Property.

4. 3 H & S and Mineral Resources agree that the Property may be used by Mineral Resources for the drilling, completion, operation and maintenance of up to 40 oil and gas wells that have bottom hole locations under the Property and within 4,000 feet from the outer boundaries of the Property and that those terms mean all operations that may be reasonably necessary, useful or convenient for the production of oil and gas from the surface of the Property including and not being limited to fracing and refracing the wells, working and reworking the wells and the redrilling of the wells, the recompletion of the wells and the deepening of the wells.

5. In consideration of this Agreement, Mineral Resources agrees to pay 3 H & S the following payments:

a. A one time payment of \$6,000.00 per well, which payment is compensation for a well and well facilities easement granted by 3H&S, for each well that is drilled on the Property. The payment will be made by Mineral Resources to 3 H & S, who represents that there are no other persons or entities entitled to any portion of the payments to be made on a well by well basis to 3 H & S, prior to the commencement of the wells on a well-by-well basis. It is agreed that Mineral Resources shall, at the time of mutual execution of this Agreement, pay to 3 H & S the sum of \$54,000 as an advance on any amounts due under the terms of this paragraph 5.a. As a result of the \$54,000 advance easement payment, Mineral Resources will not pay 3 H&S the \$6,000.00 provided for in this paragraph 5.a. for the first nine wells on the Property.

b. Mineral Resources agree and intend to drill and complete five wells in the NE1/4 of Section 2 as a first priority and as soon as possible. Mineral Resources agrees to diligently engage and work on the related preparation processes to include title research and documentation, leasing, permitting, and financing; and Mineral Resources specifically agrees to drill and complete all five wells collectively and at one time once the preparation processes are complete.

c. An overriding royalty of 2% of 8/8ths of the net proceeds actually received by Mineral Resources from time to time from the production of oil, gas and associated hydrocarbons from each well; after deducting 2% of the cost and expenses of gathering, transporting and processing of gas to the extent necessary to deliver to a pipeline or pipeline carrier marketable gas incurred and paid by Mineral Resources. The overriding royalty described in this Section 5.c. is payable only with respect to property in which the production is allocated other than to the Leased Property. In the event that a bottom hole location is such that production is allocated, in part, to the Leased Property and, in part, to property other than the leased property, the overriding royalty provided in

this Section 5.c. shall be proportionately reduced and be payable only on that area not included within the Leased Property.

- d. After Payout Mineral Resources shall pay 3H &S 2% of 8/8th of the Net Profits Interest from production of each well drilled and with a wellhead on the Property. The net profits interest shall be payable on a well by well basis and not on a total project basis.

"Payout" means recovery from production proceeds by Mineral resources, after royalty payments paid for landowner royalties and all overriding royalty interests paid in connection with any well, the actual costs incurred and paid for drilling, completing, reworking, recompleting, refracturing, operating the wells and interest charges incurred in connection with the wells and paid by Mineral Resources.

"Net Profits Interest" means actual recovery by Mineral Resources from production proceeds, after royalty payments paid to lessors and all overriding royalty interests paid in connection with any well, all applicable taxes, the actual costs incurred and paid for drilling, completing, reworking, recompleting, refracturing, operating expenses incurred in connection with each well, and interest charges incurred in connection with the wells and paid by Mineral Resources, but not including overhead or general administrative expenses incurred by Mineral Resources.

- e. The payments provided for in this paragraph 5 are separate and in addition to the payments of royalties provided for in the Oil and Gas Lease. Notwithstanding any provision of paragraphs 5.c and d. to the contrary, the overriding royalty interest and the net profits interest will not be payable to Grantor or its individual members with respect to any oil and gas lease of which Grantor or its individual members or managers is the lessor if the lease reserves a landowner's royalty of 20%, or more.

6. This Agreement shall remain in full force and effect for a term of five (5) years from the date of execution hereof and so long as any of the wells drilled on the Property is producing oil and/or gas and associated hydrocarbons in "paying quantities." For the purposes of this Agreement, "paying quantities" means on a well-by-well basis, proceeds from production exceed the lease operating expenses on a month to month basis and that no well shall be considered not to be producing in paying quantities unless and until lease operating expenses exceed revenues for a period of six consecutive months of actual production. The parties recognize and agree that the term of this Agreement is separate and distinct from the term of the Lease.

7. Mineral Resources covenants and agrees to pay all of the costs and expenses attributable to the oil and gas wells that are drilled on the Property pursuant to

the terms of this Agreement to include and not being limited to the design, construction, surveying, leveling, demolition and construction, topsoil removal storage and restoration, road construction and maintenance, fencing, weed control and any other costs and expenses related or incurred in connection with the development, construction, operation and maintenance of the Property for the purposes of this Agreement and the wells to be drilled pursuant to this Agreement. The parties agree that the property must be graded pursuant to the grading plan approved by the City of Greeley. 3H&S shall be responsible for grading the property and granting any contracts for the performance of the work, and Mineral Resources shall pay the first \$110,000.00 of the grading and dirt work expense and 3H&S shall pay the amount exceeding \$110,000.00. It is acknowledged that the grading completed shall be such as to accommodate drilling and well pad sites for the wells and facilities sites necessary for drilling, completion and production of the wells until such time as production terminates.

a. With respect to fencing, Mineral Resources agrees at its expense to segregate those portions of the Property that are actually used in the oil and gas operations contemplated by this Agreement from the remainder of the Property and the neighboring properties. Mineral Resources will comply with the fencing requirements, if any, of the City of Greeley, Colorado or any other governmental agency with jurisdiction of the Mineral Resources oil and gas operations on the Property and as reasonably requested by 3H & S.

b. Mineral Resources covenants and agrees to keep the Property free and clear of mechanics liens and other liens in the favor of vendors to Mineral Resources except for statutory liens that are customary in the oil and gas industry and that Mineral Resources deems necessary or convenient for its oil and gas operations at the Property.

8. Mineral Resources may assign all or any portion of this Agreement at any time and from time to time provided that no such assignment shall enlarge, amend or modify the obligations or duties of the parties to this Agreement.

9. Mineral Resources will conduct its operations on the Property, including the plugging and abandonment of the wells drilled on the Property pursuant to this Agreement in compliance with the applicable rules and regulations of the COGCC and the City of Greeley, Colorado, and this covenant of Mineral Resources shall create a private right of action in 3 H & S or 3 H & S's successors and assigns to enforce the rules and regulations of the COGCC and the City of Greeley, Colorado.

10. With the prior written consent of Mineral Resources, which consent may be withheld by Mineral Resources in the exercise of its reasonable discretion, 3 H & S may install and maintain, at its own expense and expense, ground cover, landscaping and watering systems ("Landscaping") within the Property provided that the Landscaping will not interfere with Mineral Resource's operations. 3H & S shall have the right to possess and use that part of the Property not necessary for Mineral Resources oil and gas operations.

11. This Agreement constitutes written consent of 3 H & S for Mineral Resources to conduct the oil and gas operations contemplated by this Agreement on the Property, as it deems necessary or convenient to the development of the oil and gas wells contemplated by this Agreement pursuant to the terms and conditions contained herein. This Agreement also constitutes 3 H & S's written acknowledgment that Mineral Resources has provided an appropriate Notice of Drilling in accordance with Rules 305.b (1) and 305.c of the COGCC and has properly engaged in Drilling Consultation with 3 H & S in accordance with COGCC Rule 306.a (1). This Agreement also constitutes 3 H & S's acknowledgment that Mineral Resources has complied with the well location requirements of COGCC Rule 318 A or that 3 H & S has waived any provisions of such rule that is inconsistent with or conflicts with the well locations selected by Mineral Resources pursuant to this Agreement; provided however Mineral Resources shall not conduct any operations which will impact or impede the sale and building of residential structures on the subdivided lots adjacent to and surrounding a part of the Property.

12. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been fully given, made and received only when personally delivered, received via facsimile that has been confirmed electronically, delivered by Federal Express or other nationally recognized courier service, or three (3) days after having been deposited in the United States mail, postage prepaid, return receipt requested. All notices requests, demands and other communications required or permitted hereunder shall be addressed as set forth below:

IF TO 3 H & S:
P.O. Box 336633
Greeley, Colorado 80634
TELEPHONE:
MOBILE:
FAX:
EMAIL:

IF TO MINERAL RESOURCES
Mineral Resources, Inc.
P.O. Box 328
Greeley, CO 80632
ATTN: Logan Richardson
TELEPHONE: 970-352-9446
FAX: 800-850-9334

13. This Agreement and all of the covenants herein shall be covenants running with the land.

14. 3 H & S and Mineral Resources agree that Mineral Resources may record an original of this Agreement or a Memorandum thereof in the real property records of Weld County, Colorado.

15. This Agreement contains the entire understanding between the parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

16. This Agreement will be binding upon and inure to the benefit of the parties hereto and their heirs, personal representatives, successors and assigns.

17. If any provision of this Agreement or the application hereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of this Agreement nor the application of such provision to any other person or circumstances shall be affected thereby, but rather the same shall be enforced to the greatest extent permitted by applicable law.

18. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of Colorado, excluding any conflict of laws, rule or principle that might refer the governance or the construction hereof to another jurisdiction.

MINERAL RESOURCES, INC.

3 H & S, LLC:

By: _____

Arlo Richardson
President

By: _____

Manager

By: _____

Manager

STATE OF COLORADO)

) ss.

COUNTY OF WELD)

The foregoing instrument was acknowledged before me this 31st day of October 2008, by Arlo Richardson as President of Mineral Resources, Inc., a Colorado corporation, on behalf of said corporation.

[SEAL]



My Commission expires: July 9, 2011

Shawn Phillips
Notary Public

[illegible]

The foregoing instrument was acknowledged before me this 31st day of October 2008, by John W. Savignano and Carl Hill as Managers of 3 H & S, LLC, a Colorado limited liability company, as his free and voluntary act.

[SEAL]

My commission expires: 7.20.8, 2010

Zoe Ann Hawick
Notary Public



15. This Agreement contains the entire understanding between the parties hereto with respect to the transactions contemplated herein and such understanding shall not be modified except in writing signed by or on behalf of the parties hereto.

16. This Agreement will be binding upon and inure to the benefit of the parties hereto and their heirs, personal representatives, successors and assigns.

17. If any provision of this Agreement or the application hereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of this Agreement nor the application of such provision to any other person or circumstances shall be affected thereby, but rather the same shall be enforced to the greatest extent permitted by applicable law.

18. This Agreement and the transactions contemplated hereby shall be construed in accordance with, and governed by, the laws of the State of Colorado, excluding any conflict of laws, rule or principle that might refer the governance or the construction hereof to another jurisdiction.

MINERAL RESOURCES, INC.

By: _____
Arlo Richardson
President

3 H & S, LLC

By: _____
Manager

By: _____
Manager

STATE OF COLORADO)
) ss.
COUNTY OF WELD)

The foregoing instrument was acknowledged before me this ____ day of October 2008, by Arlo Richardson as President of Mineral Resources, Inc., a Colorado corporation, on behalf of said corporation.

[SEAL]

My commission expires:

Notary Public

STATE OF COLORADO)
) ss.
COUNTY OF Denver

The foregoing instrument was acknowledged before me this 28th day of October 2008, by John W. Savignano and Carl Hill as Managers of 3 H & S, LLC, a Colorado limited liability company, as his free and voluntary act.

[SEAL]

My commission expires: 11/7/11

[Signature]
Notary Public

11/7/11

EXHIBIT A
Pad Site Agreement

Block 10:

A Parcel of land located in the Northeast Quarter of Section 2, Township 5 North, Range 66 West of the 6th Principal Meridian, Weld County, Colorado known as Block 10, Best-Way Park and shown as such on the plat titled Best-Way Park Subdivision recorded at the Weld County Clerk and Recorder's office as Reception #_____ containing 11.0 acres more or less.