

OIL, GAS, and COALBED METHANE LEASE

AGREEMENT, Made and entered into the 4th day of August 2010, by and between Helen G. Hagerman, a man of lawful age dealing in his sole and separate property, whose post office address is 205 North Murray Blvd, Lot 180, Colorado Springs, Colorado, 80916, hereinafter called Lessor (whether one or more) and Buck Peak, LLC a Colorado limited liability company, whose post office address is 621 17th Street Suite #1345, Denver, Colorado 80293, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration of Ten and More DOLLARS cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, with rights of way and easements for laying pipe lines, and erection of structures thereon to produce, save and take care of said products, all that certain tract of land situated in the County of Moffat State of Colorado, described as follows, to-wit:

Township 6 North, Range 90 West, 6th P.M.
Section 30: Lots 6, 9, 10, 11, 14 and 19

and containing 245.29 acres, more or less. This lease shall specifically include coalbed gas and occluded gas from coal seams.

1. It is agreed that this lease shall remain in force for a term of Five (5) years from January 19, 2011 and as long thereafter as oil or gas or coalbed methane of whatsoever nature or kind is produced from said leased premises or on acreage pooled therewith, or drilling operations are continued as hereinafter provided. If, at the expiration of the primary term of this lease, oil or gas or coalbed methane is not being produced on the leased premises or on acreage pooled therewith but Lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas or coalbed methane on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if Lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas or coalbed methane shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas or coalbed methane is produced from the leased premises or on acreage pooled therewith. For purposes of the preceding sentence, a completed coalbed methane well which is being dewatered shall be deemed capable of producing gas. In the event a well or wells is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered in the preceding paragraph, (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

2. This is a PAID-UP LEASE. In consideration of the down cash payment, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said Lessee covenants and agrees:

- 1st To deliver to the credit of Lessor, free of cost, in the pipe line to which Lessee may connect wells on said land, the equal Fifteen or (15%) Percent part of all oil produced and saved from the leased premises.
- 2nd To pay lessor on gas and casinghead gas produced from said land (1) when sold by lessee, Fifteen or (15%) Percent of the net proceeds derived from such sale or (2) when used by lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, Fifteen or (15%) Percent of such gas and casinghead gas, lessor's interest, in either case, to bear fifteen or (15%) Percent of the cost of transporting such gas and casinghead gas from the mouth of the well to the point of sale or use.
- 3rd To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product a royalty of Fifteen or (15%) Percent of the proceeds, at the mouth of the well, payable monthly at the prevailing market rate.

4. Where gas from a well capable of producing gas is not sold or used, Lessee may pay or tender as royalty to the royalty owners Five Dollars (\$5.00) per year per year per net royalty acre retained hereunder, such payment or tender to be made on or before the anniversary date of this lease next ensuing after the expiration of 90 days from the date such well is shut in and thereafter on or before the anniversary date of this lease during the period such well is shut in. If such payment or tender is made, it will be considered that gas is being produced within the meaning of this lease.

5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid the Lessor only in the proportion which Lessor's interest bears the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon. Lessor shall have the right to gas free of cost from any well on the lands covered herein for use in the principal dwelling house on said lands at the date of this lease. Lessor shall be fully responsible for conditioning the gas for domestic use and the safety and maintenance of connecting lines.

7. When requested by Lessor, Lessee shall bury Lessee's pipe line below plow depth.

8. No well shall be drilled nearer than 400 feet to the house or barn, now on said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission or any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as recurring right, either before or after production, as to all or any part of the land described herein and as to anyone 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 oil and gas, or separately for the production of either, 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 reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. 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 re-working operations or a well shut in for want of a market anywhere on a unit which includes all or a 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, including shut-in gas royalties, Lessor shall receive' on production from the unit so pooled royalties only on the portion of such 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 above described lands 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 during the life of such plan or agreement. In the event that said above described lands 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. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or if such failure is the result of, any such Law, Order, Rule or Regulation.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described, and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment, any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the premises described herein, insofar as said right of dower and homestead may in any way affect the purposes for which this lease is made, as recited herein.

15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

16. If, at the expiration of the primary term of this top lease, no operations regarding the extension of this lease past the primary term have occurred (as defined in paragraph #1 on the front page of this lease), then Lessee has the express option to extend this lease for an additional three (3) years from the expiration of the primary term by payment to Lessor of an amount equal or greater to the original bonus. Said option to extend must be exercised by Lessee on or before the expiration of the primary term.

17. Lessor and Lessee acknowledge that the lands described in this Lease are presently subject to an Oil and Gas Lease dated January 19, 2006, recorded as Entry #L00019506, of the Records of Moffat County, Colorado, from Pete Pleasant, as Lessor, to Timberlake Management Corporation, as Lessee (the "Effective Lease"). The primary term of the Effective Lease expires on January 18, 2011. Lessor covenants and agrees not to extend, renew, amend, or modify the Effective Lease. If the Effective Lease is extended beyond its primary term by drilling operations, reworking operations, or production from the lands covered by the Effective Lease, or on land with which the Effective Lease has been pooled, this Lease shall not become effective and Lessee shall be relieved of all obligations provided for in this Lease. If the Effective Lease terminates at the end of its primary term, this Lease shall immediately become effective upon the Effective Lease's termination. Lessor warrants there are no other leases or top leases on any of the lease premises and agrees that no other top leases covering all or any part of the lease premises will be executed by Lessor.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

Signature
Lessor

Helen G. Hagerman
Helen G. Hagerman

Taxpayer Identification or SS No. _____

STATE OF Colorado §
COUNTY OF EL PASO

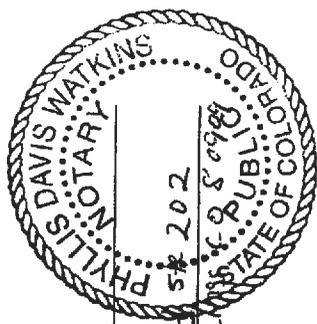
Oklahoma, Kansas, New Mexico, Wyoming, Montana, Colorado, Utah,
Nebraska, North Dakota, South Dakota
ACKNOWLEDGMENT INDIVIDUAL

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 23 day of August, 2010, personally appeared Helen G. Hagerman, 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 she duly executed the same as her, 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 12-3-12

Phyllis Davis Watkins
Notary Public



Address: 3604 Galley Rd
Colorado Springs

My Commission Expires 12/03/2012



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Elaine Sullivan
Moffat County Clerk