

OIL AND GAS LEASE

KATIE E. BARR, CLERK AND RECORDER
FREMONT COUNTY, CO

This Oil and Gas Lease ("Lease") is made this 17th day of June, 2011 by and between Daniel L. Slanovich, a single man, Gus J. Slanovich, a single man, and Chandler Creek Companies, a Colorado General Partnership whose mailing address is P.O. Box 370286, Denver, CO 80237-0286 ("Lessor"), (whether one or more) and Pine Ridge Oil & Gas, LLC with an office at 600 17th Street, Suite 800-S, Denver, Colorado 80202-5402 ("Lessee").

WITNESSETH, For and in Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, its successors and assigns, with the exclusive rights for the purposes of drilling (including but not limited to straight, directional or horizontal wells), mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, including the injection of water, brine and other substances into the subsurface, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Fremont County, State of Colorado, described to wit:

Township 19 south – range 69 west, 6th P. M.

Section 14: SESE
Section 18: SESW, W2SE
Section 19: W2NE
Section 20: NWSW, S2SW
Section 28: S2NESW, N2SESW, W2SWSE
Section 32: W2NWSE, NWSWSE, N224 ft. of the SWSWSE
Section 33: NWNENE, N2NWN, SENWNE

Township 20 South – Range 69 West, 6th P.M.

Section 4: W2NW
Section 5: W2E2, W2
Section 6: N2NW
Section 8: W2, SE
Section 17: W2NW, NWSW

Together with all lakes, streams, roads, easements, and rights-of-way which traverse or adjoin said lands owned or claimed by Lessor, or which may hereinafter be established to be owned by Lessor, and also in addition to the above described lands and rights, any and all strips or parcels of land other than those constituting regular governmental subdivisions, adjoining or contiguous to the above described land owned or claimed by Lessor, all of the above described lands being hereinafter referred to as (the "Premises") and containing 1,733.40 acres, more or less.

1. It is agreed that this Lease shall remain in full force for a term of Two (2) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than one hundred fifty (150) 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 on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within one hundred fifty (150) days from date of cessation of production or from date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith. If at the expiration of this Lease, Lessee has in use surface or subsurface easements granted to Lessee pursuant to the terms hereof, such easements shall survive the termination of this Lease for as long thereafter as so utilized by Lessee.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, 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 the Premises 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 obligations thereafter accruing as to the acreage surrendered.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, **seventeen and one half percent (17.5 %)** of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of **(17.5 %)** of the product sold or used. On product sold at the well, the royalty shall be **(17.5 %)** of the net proceeds realized from such sale. All royalties paid on gas sold or used off the Premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at the well, the royalty shall be **seventeen and one half percent (17.5 %)** of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of one hundred twenty (120) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted. In any event, this shut-in period shall not exceed TWO YEARS.

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

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

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

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

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

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the 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 the Premises 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 of 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 a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, 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, reworking or dewatering operations on 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,

reworking or dewatering 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 royalties on production from such unit 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 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, expressed 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 the 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 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 expressed 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

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, 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 named as Lessor herein 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.

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

Lessor:

Daniel L. Slanovich
Name: Daniel L. Slanovich, individually and as general Partner of
Chandler Creek Companies

Gus J. Slanovich
Name: Gus J. Slanovich, individually and as general
Partner of Chandler Creek Companies

(ACKNOWLEDGMENT)

STATE OF COLORADO)
COUNTY OF Arapahoe) ss.

The foregoing instrument was acknowledged before me this 24th day of June, 2011, by Daniel L. Slanovich, individually and, as general partner of Chandler Creek Properties, a Colorado general partnership, on behalf of said partnership.

My Commission Expires: My Commission
expires 8/13/2013

Attest:

Name: _____
Title: _____

[Signature]
Notary Public



STATE OF COLORADO)
COUNTY OF Arapahoe) ss.

The foregoing instrument was acknowledged before me this 24th day of June, 2011, by Gus J. Slanovich, individually and, as general partner of Chandler Creek Properties, a Colorado general partnership, on behalf of said partnership.

My Commission Expires: My Commission
expires 8/13/2013

Attest:

Name: _____
Title: _____

[Signature]
Notary Public

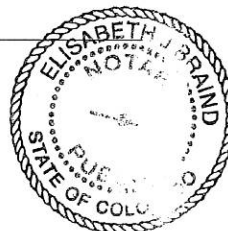


EXHIBIT "A" ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE,
DATED JUNE 17, 2011, BY AND BETWEEN DANIEL L. SLANOVICH, A SINGLE MAN, GUS J.
SLANOVICH, A SINGLE MAN, AND CHANDLER CREEK COMPANIES, A COLORADO GENERAL
PARTNERSHIP, LESSOR, AND PINE RIDGE OIL & GAS, LLC, A DELAWARE LIMITED LIABILITY
COMPANY, LESSEE

Notwithstanding anything to the contrary in the Lease to which this Addendum is attached:

1. Lessee agrees to defend, protect and indemnify and hold Lessor harmless from and against each and every claim, demand, cause of action, liability, cost, expense, damage or loss that may be asserted against or borne by Lessor arising from or on account of operations conducted by Lessee, its agents, contractors, employees, licensees or invitees, on the leased premises.
2. This lease shall terminate at the end of the primary term as to all lands not then included within a producing or spacing unit prescribed by law or administrative authority on which is located a well producing or capable of producing oil and/or gas in commercial quantities or on which Lessee is engaged in drilling or reworking operations. In the event no producing or spacing unit is prescribed by law or administrative authority, it shall be deemed to be an forty (40) acre tract surrounding the wellbore for a vertical oil well and an area including each forty (40) acre tract penetrated by the wellbore of a deviated or horizontally drilled oil well and to be a one hundred sixty (160) acre quarter section surrounding the wellbore for a vertical gas well and an area including each one hundred sixty (160) acre quarter section penetrated by the wellbore of a deviated or horizontally drilled gas well. The area to be retained around each producing or shut-in well shall be designated by the Lessee and a designation of unit shall be filed of record in office of the County Clerk, Fremont County, Colorado. Provided, however, this lease shall not terminate so long as drilling or reworking operations are being diligently prosecuted with not more than 150 days elapsing between the completion of one well and the beginning of operations for drilling another well.
3. This lease shall not expire, terminate or be forfeited, in whole or in part, nor shall Lessee be liable for failure to comply with any express or implied covenants hereunder so long as compliance therewith is hindered, delayed, prevented or interrupted by force majeure. The term "force majeure" as used herein, shall mean all laws, orders, rules or regulations of any government body (either federal, state, county or municipal), fire, storm, flood, war, rebellion, riots, strikes, differences with workmen, acts of God, breakage or failure of machinery or equipment, inability to obtain material or equipment at reasonable cost, including but not limited to drilling rigs, or the authority to use same, including but not limited to drilling permits (after effort in good faith), failure of transportation, or any other cause (whether similar or dissimilar) beyond the control of Lessee.
4. The Lessor does not warrant title to its interest in said lands, either expressly or by implication. The Lessee shall conduct at its own expense any examination of the Lessor's title and any title curative work shall be Lessee's sole cost and expense. Lessor agrees to cooperate with Lessee in all reasonable ways in the performance of curative work. The Lessee shall furnish to the Lessor, at no cost to the Lessor, copies of any title opinion or title curative work that the Lessee may undertake with respect to the said lands. Lessee shall furnish to Lessor, at no cost to Lessor, copies of all assignments made by Lessee.
5. Upon written request of Lessor, Lessee agrees to provide the following to Lessor at no expense:
 - a) All data concerning the drilling, testing, and completion of such wells, including all data concerning the formations encountered therein;
 - b) Current, monthly drilling reports indicating the depth and type of formation being encountered in the drilling of such wells, which report shall be delivered by mail to Lessor;
 - a) When filed, two (2) copies of official location plats, drilling permits, and each and every report filed with any state or federal regulatory agency;
 - b) Two (2) final and composite copies of all logs obtained from the wells, including electrical and radioactive surveys, not later than thirty (30) days after the same are run;
 - c) An accurate monthly report showing the production and the detailed disposition of the volumes of oil, gas, casinghead gas, and other hydrocarbons produced from the wells during the first sixty (60) days of production. This shall include a true copy of each potential test, gas oil ratio test, GPM test, and any other test conducted on the wells, including bottom hole pressure survey, and reservoir fluid analysis;
 - d) Immediately upon completion of any seismograph program in which Lessee has a non-confidential proprietary interest in the data acquired, duplicate copies of a plat showing actual

location of each shot hole and the dates occupied. Further, immediately upon termination (whether by surrender or by forfeiture) of this Lease as to any or all of the leased premises, Lessee shall deliver to Lessor copies of all basic data obtained from such seismograph surveys conducted by Lessee on such lease premises under the terms of this Lease. During the primary term hereof, Lessor shall consider and treat such information as being completely confidential and shall not divulge to any third party any of the information contained therein without first obtaining the consent of Lessee; and

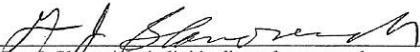
- e) Land survey and bore hole survey information which accurately locate by State Coordinate System any drill holes which penetrate coal seams.
6. Within one hundred twenty (120) days after the completion of a producing well, or the plugging of a dry hole or a well that has produced oil or gas, the Lessee shall remove all concrete bases, drilling supplies, or equipment and any production and storage facilities that are not needed for further production (unless Lessor waives this in writing) and all debris from the premises. Within the time period Lessee shall also fill all excavations that are not needed for further production and shall grade or terrace and plant, seed or sod the area sufficiently to bind the soil and prevent substantial erosion or sedimentation (to reclaim the premises to their original condition as nearly as reasonably possible)(unless Lessor waives this in writing).
7. Lessee shall pay to Lessor the sum of two thousand-five hundred dollars (\$2,500.00) for each drill site constructed on the leased premises where Lessor owns the surface. Lessor will be allowed access to the drill rig to inspect the land, the work done and in progress thereon, and production therefrom. Upon written request, Lessee shall furnish Lessor with monthly statements of the production run from said land during the proceeding calendar month. Lessor understands that entering on the lease premises for the purposes provided in this paragraph is done so at Lessor's sole risk, and Lessor indemnifies and holds Lessee harmless from any claims, demands, actions, or suits which may arise out of injuries or damages resulting from Lessor's access to and activities on the lease premises.
8. Lessee herein agrees that within thirty (30) days upon the termination, surrender or expiration of this lease or any portion thereof, the Lessee or its assigns will record in the office of the County Clerk of Fremont County, Colorado, a duly executed and acknowledged release of this lease., sufficient to release this lease of record, at the cost and expense of Lessee or assigns, and in the event of failure to do so, Lessee and his assigns shall be liable to Lessor for all damages resulting from such failure.
9. If Lessee has commenced the drilling of any well and has otherwise complied with all applicable provision of this lease, but encounters impenetrable substances or mechanical difficulties Lessee shall have the right to drill a substitute well in lieu of such well. Actual drilling operations of any substitute well must commence within ninety days (90), days after abandonment of the well for which it is a substitute, and otherwise be drilled in the same manner, and to the same equivalent depth as the well which has been abandoned.

SIGNED FOR IDENTIFICATION:

Lessor:



Name: Daniel L. Slanovich, individually and as general
Partner of Chandler Creek Companies



Name: Gus J. Slanovich, individually and as general
Partner of Chandler Creek Companies

MEMORANDUM OF OIL AND GAS SUBLEASE


THIS Memorandum of Oil and Gas Sublease (hereinafter called "Sublease") is entered into effective as of the 30th day of June, 2011, between PRIZE ENERGY RESOURCES, L.P., a Delaware limited partnership, whose address is 1700 Lincoln Street, Suite 1800, Denver, Colorado 80203, (hereinafter called "Sublessor") and PINE RIDGE OIL & GAS, LLC, a Delaware limited liability company, whose address is 600 17th Street, Suite 800-S, Denver, Colorado 80202 (hereinafter called "Sublessee").

Sublessor, for and in consideration of the payment by Sublessee of the sum of One and No/100 Dollar (\$1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, has granted, demised, leased and let and does by these presents grant, demise, lease and let unto the said Sublessee for the sole and only purpose of exploring, mining, drilling and operating for the production of oil, gas, casinghead gas and all other gaseous or liquid hydrocarbon substances and all other mineral substances produced in association therewith, under certain tracts of land in the County of Fremont, State of Colorado, more particularly described in attached Exhibit "A".

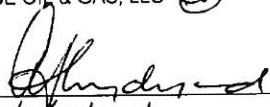
This Sublease is made for the term and upon and subject to each and all the terms, provisions, covenants and conditions set forth in the certain Oil and Gas Sublease of even date herewith between the parties hereto covering the land described on the attached Exhibit "A", and said Oil and Gas Sublease is hereby incorporated herein with the same force and effect as though herein set forth at length.

IN WITNESS WHEREOF, said parties have caused this lease to be duly executed as of the date first hereinabove written.

SUBLESSOR: PRIZE ENERGY RESOURCES, L.P.
By: Prize Operating Company,
sole general partner

By: 
Name: Stephen P. Bell
Title: Senior Vice President

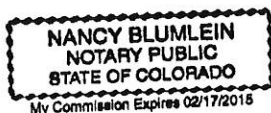
SUBLESSEE: PINE RIDGE OIL & GAS, LLC (L)

By: 
Name: Andy Lydyard
Title: CEO

STATE OF COLORADO

COUNTY OF DENVER

The foregoing instrument was acknowledged before me this 29th day of June, 2011, by Stephen P. Bell, as Senior Vice President, of PRIZE OPERATING COMPANY, a Delaware corporation, the sole general partner of PRIZE ENERGY RESOURCES, L.P., a Delaware limited partnership, on behalf of said corporation, acting as General Partner on behalf of PRIZE ENERGY RESOURCES, L.P.

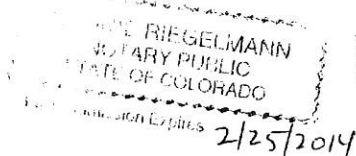


Nancy Blumlein
Notary Public - State of Colorado
My commission expires: 2-17-2015

STATE OF COLORADO

COUNTY OF DENVER

The foregoing instrument was acknowledged before me this 28th day of June, 2011, by Andy Lydyard, as CEO of PINE RIDGE OIL & GAS, LLC, a Delaware limited liability company, on behalf of said company.



Corrie Riegelmann
Notary Public - State of Colorado
My commission expires: 2/25/2014

EXHIBIT 'A'

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS SUBLEASE BY
AND BETWEEN PRIZE ENERGY RESOURCES, L.P. AND PINE RIDGE OIL & GAS, LLC.

FREMONT COUNTY, COLORADO

Section-Township-Range	Description	Acres
18-19S-69W	NW/4	160.00
18-19S-69W	N/2SW/4	76.92
18-19S-69W	SE/4SE/4	40.00
19-19S-69W	E/2NE/4	80.00
19-19S-69W	SE/4NW/4	40.00
19-19S-69W	SE/4SW/4	40.00
30-19S-69W	SW/4NW/4	40.00
30-19S-69W	SW/4SW/4	38.40
30-19S-69W	NW/4SW/4	38.40
31-19S-69W	NW/4NW/4	37.88
31-19S-69W	SW/4SW/4, less R/W	33.04
31-19S-69W	SW/4SW/4 R/W	6.28
31-19S-69W	SW/4NW/4, NW/4SW/4	80.00
7-20S-69W	N/2, SE/4	491.40
36-19S-70W	NE/4NE/4, less R/W	36.39
36-19S-70W	SW/4SE/4	40.00
36-19S-70W	SE/4SE/4	40.00
36-19S-70W	N/2SE/4, SE/4NE/4	120.00
1-20S-70W	S/2NE/4, SE/4	240.00
Total Acres, more or less =		1,678.71

End of Exhibit 'A'