

OIL AND GAS LEASE

THIS OIL AND GAS LEASE ("Lease") made and entered into this 2nd day of December, 2011 by and between, **Front Range Investment Holdings, LLC**, with an address of P.O. Box 23, Kirkland, Washington 98083, Lessor (whether one or more), and **Kerr-McGee Oil & Gas Onshore LP**, with an address of 1099 18th Street, Suite 1800, Denver, Colorado 80202, Lessee.

WITNESSETH:

That Lessor, for and in consideration of [REDACTED] 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, 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, underground telephone and other communication lines, building tanks, power houses, stations, 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 Weld, State of Colorado, and described as follows, to-wit:

Township 4 North, Range 68 West, 6th P.M.
Section 26: ALL

together with all submerged lands, accretions, and strips adjacent or contiguous thereto and owned or claimed by Lessor (the "Land"), 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 640.00 acres, whether there is more or less.

TO HAVE AND TO HOLD the same, subject to the provisions herein contained, for a term of three (3) years from this date (hereafter called "Primary Term") and as long thereafter as Leased Substances are being or may be produced from said Land, 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 the Leased 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 [REDACTED] of such production, payable to Lessor as hereinafter provided, less a proportionate part of ad valorem taxes, production severance and other excise taxes and applicable charges after such Leased Substances are in a marketable condition and have reached a recognized market for same, including transportation from such recognized market to a different recognized market, if any, 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; and, (b) for gas, gas condensate, gas distillate, casinghead gas, casinghead gasoline, coal bed methane gas and all other gases and their constituent parts, other minerals and all other substances covered hereby, the royalty shall be [REDACTED] of the wellhead value of the gas produced, calculated as the wellhead volume multiplied by the monthly spot gas price for gas delivered to pipelines for Colorado Interstate Gas Company—Rocky Mountains as published in the first-of-the-month edition of Inside F.E.R.C.'s Gas Market Report (the "CIG Index"), after deducting from Lessor's share a proportionate amount ad valorem taxes, production severance taxes and other excise taxes and applicable charges after such Leased Substances are in a marketable condition and have reached a recognized market for same, including transportation from such recognized market to a different recognized market, if any, regardless of the price received by Lessee or any of its affiliates. The CIG Index shall be applied to the total MMBtu produced under the Lease as determined at the first meter after the wellhead where both volume is measured and Btu content is sampled (the "measurement point"), and then allocated back to each well pro rata based upon the MMBtu's delivered from each well. In the event the CIG Index is no longer published, Lessee shall calculate royalty based on an equivalent pricing mechanism which reflects the spot gas price delivered to an interstate pipeline in the Denver-Julesburg Basin. Lessor shall not be entitled to any royalty on any Leased Substances used by Lessor on the Land, or on lands pooled therewith, or off the Land exclusively for production from the Land or for that portion of the Leased Substances used as fuel or lost due to shrinkage, flaring, venting, line loss or otherwise.

2. All royalty payments under this Lease shall be paid or tendered to Lessor or its successors by check by deposit in the U.S. Mail in a stamped envelope addressed to Lessor at the last address known to Lessee.

3. 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 with reasonable diligence 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 Land 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 and eighty (180) days from the date of such cessation, and this Lease shall remain in force and effect during the prosecution with reasonable diligence 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.

4. Notwithstanding anything herein set forth to the contrary, Lessee agrees to pay Lessor for any and all damages to Lessor's real or personal property located on the Land, including any structures or improvements thereon, caused by or in any manner arising from Lessee's operations, or the operations of Lessee's contractors, sub-contractors, or others at its direction or with its consent.

5. 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 Land 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 reforming 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. 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 Land for purposes of secondary recovery 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. If the Land 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.

6. If at any time, either before or after the expiration of the primary term of this Lease, there is a well capable of producing oil or gas on the lands covered by this Lease, or on other lands with which lands covered by this Lease are pooled or unitized, but the well is shut-in, whether before or after production therefrom, and this Lease is not being maintained otherwise as provided herein, this Lease shall not terminate (unless released by lessee) and it shall nevertheless be considered that leased substances are being produced from lands covered by this Lease during all times while the well is so shut-in. Lessee shall use reasonable diligence to market the leased substances capable of being produced from such shut-in well, but shall be under no obligation to market the leased substances under terms, conditions or circumstances which, in lessee's judgment exercised in good faith, are unsatisfactory. When the lease is continued in force in this manner, lessee shall pay or tender to the lessor or lessor's successors or assigns, an amount equal to [REDACTED] per year. Such payments shall be made on or before the shut-in royalty payment date, as defined below, next occurring after the expiration of one hundred twenty (120) days from the date the well was shut-in, unless prior to such date leased substances from the well are sold or used or the lease is otherwise maintained as provided herein. In like manner, on or before each succeeding shut-in royalty payment date while such well remains shut-in, lessee shall make payment of shut-in royalty in the same amount and manner. The term "shut-in royalty payment date" shall mean the anniversary date of this Lease. Any shut-in royalty payment may be made by cash, draft or check, mailed or tendered on or before the shut-in royalty date. Lessee's failure to pay or tender, or properly pay or tender, any such sum shall render lessee liable for the amount due but shall not operate to terminate the lease. In the absence of production and notwithstanding the provisions of this paragraph 6, Shut-in Royalty payments shall not serve to extend this Lease more than two (2) consecutive years from the date the well was shut-in.

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7. This Lease may not be assigned by Lessee in whole or in part, without the prior written consent of Lessor and such consent shall not be unreasonably withheld. Lessor shall be deemed to consent to any assignment if Lessor has failed to respond within fourteen days (14) from receipt of written request. Consent shall not be required for any assignment into an affiliated company of Lessee, in the instance of merger, nor to assignment of non-operated interests in the Lease. The rights of the Lessor 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.

8. 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 60 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 the time set forth in) days 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.

9. If Lessor owns less than the full mineral estate in all or any part of the Land, the royalties payable hereunder for any well on any part of the Land or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the Land bears to the full mineral estate in such part of the Land.

10. Lessee may, at any time and from time to time, deliver to Lessor and 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. 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. If the analysis of the seismic survey condemns the oil & gas minerals, so that a reasonably prudent operator would deem drilling on the Lands as uneconomic, Lessee shall promptly terminate this Lease without obligation to drill the Initial Test Wells (without incurring the liquidated damages under Paragraph A on Exhibit A herein). If Lessee terminates this in whole or in part for reasons other than the above and does not drill the Initial Test Wells, then Lessee shall be liable for the liquidated damages under Paragraph A on Exhibit A herein.

11. 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. Other than with regard to provisions and covenants relating to compliance with laws and indemnification, 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. If Lessee claims an extension of the terms of this Lease based the occurrence of any event described in this paragraph 11, Lessee must notify Lessor upon commencement of the event and must diligently seek to resolve the event.

12. In the absence of any other condition which may extend this Lease beyond its Primary Term, Lessor hereby grants to Lessee, its successors and assigns, the right and option to extend the Primary Term of this Lease, as to part or all of the lands covered hereby, for an additional period of two (2) years by payment to Lessor of an additional bonus of the same amount per net mineral acre as paid for the initial bonus, payable on or before the expiration of the initial Primary Term. Should Lessee, its successors or assigns, exercise its option to extend the Primary Term of this Lease, then this Lease and all its provisions shall remain in full force and effect as to the lands to which the extended lease applies.

13. Additional provisions set forth on Exhibit A hereto and incorporated herein; in the event of a conflict, the provisions set forth on Exhibit A shall control.

14. 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.

15. 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.

[Remainder Left Intentionally Blank]

EXHIBIT "A"

Attached to and made a part of that certain Oil & Gas lease dated December 2nd, 2011 by and between Front Range Investment Holdings, LLC, as Lessor and Kerr-McGee Oil & Gas Onshore, LP, as Lessee

A. INITIAL TEST WELLS. Prior to the expiration of the Primary Term, Lessee shall commence operations to drill with reasonable diligence two horizontal test wells located on the Land or on lands pooled with the Land ("Initial Test Wells"). One such well shall be drilled to a depth sufficient, in Lessee's opinion, to test the Niobrara formation and the other well shall be drilled to a depth sufficient, in Lessee's opinion, to test the Codell formation. If Lessee fails to drill one or both of the wells by the expiration of the Primary Term, Lessee shall pay to Lessor as liquidated damages and not as a penalty, the sum of [REDACTED] for each well not drilled. If the analysis of the seismic survey condemns either Niobrara or Codell formation so that a reasonably prudent operator would deem drilling to such formation uneconomic, Lessee shall provide notice to Lessor of such survey result and shall have the right to drill the Initial Test Wells to the same formation to satisfy this provision and shall not incur any penalty under this provision. If the analysis of the seismic survey condemns both the Codell and the Niobrara formations, so that a reasonably prudent operator would deem drilling to either formation uneconomic, Lessee shall provide notice to Lessor of such survey result(s), and, subject to Lessee's obligation to terminate this Lease as set forth in paragraph 10, shall not be obligated to drill the Initial Test Wells and shall not incur a penalty under this provision.

B. RETENTION OF INTERESTS. If, at the expiration of the Primary Term, as the same may be extended pursuant to paragraph 12 hereof, Lessee has not drilled a total of four (4) horizontal wells on the Land, this Lease will terminate as to those portions of the Land that are not included in a horizontal wellbore spacing unit that has been designated pursuant to Rule 318 A (1) a. (4) (D) as may be amended. If, at the expiration of the Primary Term, as the same may be extended pursuant to paragraph 12 hereof, Lessee has drilled a total of four (4) horizontal wells on the Land, this paragraph will not be applicable.

C. SUCCESSORS AND ASSIGNS. Subject to paragraph 7, all the provisions of this Lease shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

D. BEST EFFORTS TO CONDUCT SEISMIC. Lessee agrees to use its best efforts as a reasonable and prudent operator would to conduct a seismic survey on the Lands herein and Section 23 Township 4 North, Range 68 West concurrently.

E. CONFIDENTIALITY. All terms and provisions of this Lease shall remain strictly confidential and shall not be disclosed by either party without prior written consent of the other party. Lessor and Lessee agree that a Memorandum of Lease shall be filed of record in Weld County, Colorado in lieu of recording this Lease.

F. AUDIT. Lessee agrees to provide Lessor, at Lessor's written request, no more frequently than the payment period provided for royalties under this Lease, information related to the volumes and prices of oil and gas produced and sold from the lands to which this Lease relates, for which Lessor is being paid for the most recent period and for any other previous periods within five (5) years from the date of production for which Lessee has not already provided such information. Lessee's records as to production, sales, prices and payments pursuant to this Lease shall be available to Lessor and its authorized agents at Lessee's Denver, Colorado office during Lessee's normal business hours. Lessor, at Lessor's sole cost and expense, shall have the right to audit the records, books and other accounting documentation relating to payment of all amounts due pursuant to this Lease after first giving written notice to Lessee of its desire to do so. Any such audit shall take place at times and locations convenient to Lessee and Lessee shall utilize reasonable efforts to accommodate Lessor's written requests for information relevant to such audit. All information provided hereunder shall remain strictly confidential and shall not be disclosed by Lessor without the prior written consent of Lessee. Further, Lessor's rights to information regarding the payment of royalties hereunder shall conform to those rights granted under the Payment of Proceeds Act, Colorado Revised Statutes, Title 34, Article 60, Section 118.5.

G. SURFACE OPERATIONS. Any and all surface operations shall be located in the East Half of the East Half of Section 26, and shall be limited to a maximum of four (4) drilling pads. Prior to the commencement of operations to drill any well(s) on the surface of the herein described lands, Lessee agrees to tender payment to Lessor in an amount equal to [REDACTED] for each horizontal well so commenced. Lessor and Lessee agree that this Lease shall not include rights for Lessee to construct or install any pipelines, roads, production facilities or any related appurtenances on the herein described Land which are associated with the transfer, transportation or processing of oil and/or gas that is not produced from the Land, or lands pooled and/or unitized therewith.

Lessee shall use reasonable efforts to keep the size of the drill pads to 10 acres per pad. Lessor agrees to waive any COGCC setback requirements, other than with respect to buildings or improvements existing (or permitted for construction) at the time of well-permitting.

Lessee and its contractors to exercise reasonable efforts to minimize surface impact.

All pipelines and utilities shall be buried at least 48" and shall run along roadways, but outside of rights-of-way to the extent either exist at the time of installation. Lessor may, at Lessor's expense, relocate any Lessee pipelines to mutually acceptable locations (as reasonably determined between the parties).

To the extent as reasonably practicable, Lessee to limit use of the surface to such activities necessary to development and production of oil and gas from the leased property and lands pooled therewith.

Lessee to be responsible for, and shall cause its contractors and agents to be responsible for, any damage to any improvements to the Land (including proportionate wear and tear on roads based on volume and character of use), such obligation to include reimbursing Lessor for any costs or expenses incurred by Lessor and its assigns in repairing or restoring any such damage or maintaining such roads.

H. ARBITRATION; REASONABLENESS. Resolution of any breach of this Lease, or disputes concerning surface use and/or damage, shall be submitted to binding, expedited arbitration in the County of Denver, Colorado. The losing party in any arbitration shall pay the arbitration costs, and the legal fees reasonably and actually incurred by the other party. Whenever this Lease shall provide that a consent or approval shall not be unreasonably withheld, any such response to request for such consent or approval shall also not be unreasonably delayed or conditioned; questions of reasonableness may be submitted to arbitration in accordance with the terms of this paragraph. In the event the arbitrator shall find that either party acted unreasonably in withholding such consent or approval, such consent or approval shall be deemed granted. The term "reasonable" shall be relative to the Colorado oil & gas industry, operating in a similar manner and scale to Lessee's operation (or proposed operation, as reasonably demonstrated by Lessee), on real estate properties with residential, commercial, and retail uses (or proposed uses, as reasonably demonstrated by Lessor). This provision shall survive the expiration or earlier termination of this Lease.

I. INDEMNIFICATION. Each party shall be and remain responsible for all liability for losses, claims, damages, demands, suits, causes of action, fines, penalties, expenses and liabilities, including without limitation attorneys' fees and other costs associated therewith (all of the aforesaid herein referred to collectively as "Claims"), arising out of or connected with each such party's ownership or operations, including each such parties' employees, agents, contractors, sub-contractors or other invitees on the Land, no matter when asserted, subject to applicable statutes of limitations. Each such responsible party shall release, defend, indemnify and hold harmless the other party (and such indemnified party's officers, directors, members, managers and employees) against all such Claims that arise from the indemnifying party's negligence. This provision does not, and shall not be construed to, create any rights in persons or entities not a party to this Lease, nor does it create any separate rights in parties to this Lease other than the right to be indemnified for Claims as provided herein. Notwithstanding anything to the contrary above, an indemnifying party may not enter into any settlement or other disposition of a Claim that impacts the indemnified party without the indemnified party's prior written approval, not unreasonably withheld; similarly, entry into a settlement or other disposition of a liability by an indemnified party without the prior written approval of the indemnifying party (not to be unreasonably withheld) voids any obligation of the indemnifying party to indemnify. This provision shall survive the expiration or earlier termination of this Lease.

J. NOTICES. Any notice or other communication required or permitted under this Lease shall be addressed to each of the following:

If to Operator:

Kerr-McGee Oil & Gas Onshore, LP
1099 18th Street, Suite 1800
Denver, CO 80202
Attn: Wattenberg Land Manager

If to Owner:

Front Range Investment Holdings, LLC
c/o Los Arboles Management
P.O. Box 654
Kirkland, WA 98083
Attention: Commercial Property Manager

and with copy to:

