

# OIL AND GAS LEASE

AGREEMENT, Made and entered into the 21<sup>st</sup> day of January, 2011, by and between

Glenn D. Markham and Patricia A. Markham, husband and wife AND Markham Family Farms, LLC, a Colorado limited liability company AND Majestic Turf Farms, LLC, a Colorado limited liability company AND Mindi D. Markham

whose address is 18285 CR 5, Berthoud, CO 80513, hereinafter called Lessor (whether one or more) and Apollo Operating, LLC, a Colorado limited liability company, whose address is 1538 Wazee St., Suite 200, Denver, CO 80202, hereinafter called Lessee:

WITNESSETH, that the Lessor, for and in consideration of -----Ten and More----- DOLLARS (\$10.00 & More,) 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 drilling, mining, exploring by geophysical and any other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, specifically including coalbed methane and any and all substances produced in association therewith from coal-bearing formations, with rights of way and easements for surveying and re-surveying, constructing, laying, repairing, replacing, upgrading and removing in whole or in part, pipelines and related equipment including, without limitation, gauges, metering and communication equipment and valve sets, and access over and across the lands described for said purposes, and erection of any structures thereon necessary to produce, save and take care of said products, all that certain tract of land situated in the County of Weld, State of Colorado, described as follows, to-wit ("Leased Premises")

Township 4 North, Range 68 West, 6<sup>th</sup> P.M.

Section 32: Lots "A" and "B" in Recorded Exemption No. 1061-32-4-RE-1663, recorded on January 26, 1995 at Reception No. 2424249, being a part of the SE 1/4 AND the SW 1/4 less and except a parcel of land described as follows: Beginning at the Northwest corner of the SW 1/4 of said Section 32; thence North 89 degrees 04' East a distance of 828.0 feet along the North line of said SW 1/4 of Section 32; thence South 4 degrees 57' West a distance of 550.6 feet; thence West a distance of 780.4 feet; thence North a distance of 535.0 feet along the West line of said Section 32 to the point of beginning AND less and except a tract of land described in a Special Warranty Deed dated August 9, 2005, recorded on August 10, 2005 at reception no. 3311614

and containing 250.997 acres, more or less.

Lessor also intends to include in this lease to Lessee, and by this reference hereby does lease to Lessee under the terms and consideration herein recited, any right, title and interest Lessor may have in and to any and all mineral rights on, in and under any and all streets, county roads, highways, railroad strips and/or any and all other easements and rights of way whatsoever, canals, ditches, and any other waterways laying across and/or adjacent and/or in any way appertaining to the lands hereinabove described, including, without limitation, any lands acquired previously or in the future by adverse possession, after acquired title to the lands hereinabove described, and by accretion through meander or waterways or any recession of shoreline whether specifically described hereinabove or not. Lessor further agrees to execute and deliver such other and additional instruments, notices, oil and gas leases, and other documents, and to do all such other and further acts and things, as may be reasonably necessary to more fully and effectively grant, lease, and assign to Lessee, the rights and interests, leased or intended to be leased hereby.

1. It is agreed that this lease shall remain in force for a term of Three (3) years and as long thereafter as oil or gas of whatsoever nature or kind, specifically including coalbed methane and any and all substances produced in association therewith from coal-bearing formations including, without limitation, water from coal-bearing formations, 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, gas, or any other substance provided for herein 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 ("drilling operations" shall include, without limitation, surface inspections conducted by Lessee or its agents, surveying and staking of well sites, construction of well pads and related access roads, and post construction well pad preparation), 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 one hundred eighty (180) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling or re-working of a subsequent well. If after discovery of oil or gas 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 one hundred eighty (180) days from date of cessation of production or from date of completion of dry hole. If oil, gas, or any other substance provided for herein 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, gas, or any other substance provided for herein is produced from the Leased Premises or on acreage pooled therewith.

In the event a well or wells are 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 sentence, (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; (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore, or (3) any bona fide effort to restore production that is considered "usual and customary" in the industry. These procedures and events are explicitly considered "operations" and will perpetuate this lease as herein provided.

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 or strata surrendered.

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

1st. To pay, as royalty, or deliver to the credit of Lessor, free of cost, except for severance and other applicable federal, state, or local taxes, in the pipeline to which Lessee may connect wells on said land, the equal one-sixth (1/6) 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, one-sixth (1/6) 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, of one-sixth (1/6) of such gas and casinghead gas, Lessor's interest, in either case, to bear one-sixth (1/6) of the cost of compressing, dehydrating, processing, and otherwise treating such gas or casinghead gas to render it marketable or usable and one-sixth (1/6) of the cost of gathering and 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 one-sixth (1/6) 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 One Dollar (\$1.00) 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 ninety (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(s) owns 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 to 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, except water from the water wells of Lessor.

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

8. No well shall be drilled nearer than 200 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 on the Leased Premises; the preceding clause shall ONLY apply in the event Lessor owns the surface estate of the Leased Premises.

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 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 land described herein 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 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 and will be effective from the date of first production. In lieu thereof, the forming or reforming of any unit or pooled area shall be deemed automatically accomplished if the state governing body which has the authority to establish drilling and production units therein has designated such in any rule, regulation, or order, or such unit or pooled area has been described in any application for permit to drill or other document filed by Lessee with said governing body and will be effective from the date of first production. 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 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 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 for 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. In the event any sections, clause, sentence, or part of this lease be adjudged by any court or competent jurisdiction to be unconstitutional or invalid this lease shall not be terminated as a whole, or any part thereof other than that part so declared to be unconstitutional or invalid.

14. This lease shall not be terminated in whole or in part, nor Lessee held liable in damages, because of a temporary cessation of production or of drilling operations due to breakdown of equipment or due to the repairing of a well or wells, or because of failure to comply with any of the express or implied provisions of this lease if such failure is the result of the exercise of governmental authority, war, lack of market, act of God, strike, fire, explosion, flood, or any other cause or force majeure reasonably beyond the control of Lessee. If Lessee shall be prevented during the last six (6) months of the primary term hereof, or during any extension hereof under paragraph 1, from drilling a well hereunder by the order of any constituted authority having jurisdiction thereover, or if Lessee should be unable during said period to drill a well hereunder due to equipment necessary in the drilling thereof not being available on account of any cause beyond the control of Lessee, the primary term of this lease shall continue until six (6) months after said order is suspended and/or said equipment is available.

15. If Lessee is allegedly in default of any of the terms of this lease it shall not be deemed to automatically terminate as to the whole or any part. Lessor shall give Lessee written notice of such alleged default by certified mail and Lessee shall have 30 business days in which to investigate and/or cure any such alleged default.

16. 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.

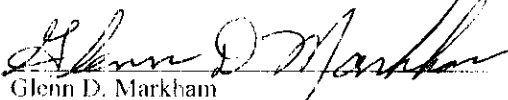
17. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee, and this lease shall cover and bind all interest of the Lessor which may be acquired subsequent to the date of this lease which Lessor may hereafter acquire by way of reversion or otherwise.

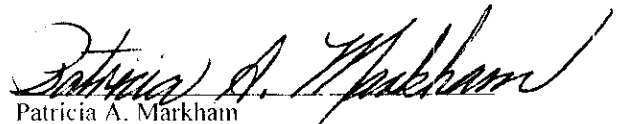
18. Lessor acknowledges the right to use of the surface estate of the Leased Premises by Lessee as herein described is expressly granted to Lessee, its successor, and assigns; therefore Lessor further acknowledges Lessee's use of the surface estate of the Leased Premises as granted herein to Lessee shall construe "reasonable accommodation" by Lessee, its successor, and assigns with respect to Colorado Revised Statute 34-60-127.

19. For the consideration herein recited, if during the term of this lease (but not more than 10 years after the date hereof) Lessor receives a bona fide offer from any party to purchase a new oil, gas, or other hydrocarbon lease covering all or any part of the lands or substances covered hereby, and if Lessor is willing to accept such offer, then Lessor shall notify Lessee with in thirty days in writing of the name and address of the offeror, and of all pertinent terms and conditions of the offer, including any lease bonus offered. Lessee shall have a period of 30 days after receipt of such notice to exercise a preferential right to purchase a new lease from Lessor in accordance with the terms and conditions of the offer, by giving Lessor written notice of such exercise. Within 30 days thereafter, Lessee shall furnish to Lessor the new lease for execution, along with a time draft for the lease bonus conditioned upon execution and delivery of the lease by Lessor and approval of title by Lessee, all in accordance with the terms of said draft. Whether or not Lessee exercises its preferential right hereunder, then as long as this lease remains in effect any new lease from Lessor shall be subordinate to this lease and shall not be construed as replacing or adding to Lessee's obligations hereunder.

20. For the consideration herein recited, Lessor hereby grants to Lessee the exclusive right and option to extend the primary term of this lease as to all or any part of the Leased Premises for two (2) additional years by mailing to Lessor at the address listed on this lease, on or before the end of this primary term, a bonus consideration equal to one hundred percent (100%) of the bonus consideration originally paid for this lease, which payment shall represent payment in full of consideration for this extension.

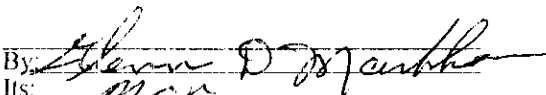
IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

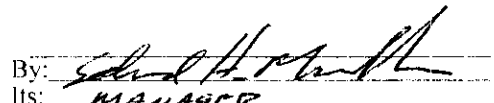
  
Glenn D. Markham

  
Patricia A. Markham

Markham Family Farms, LLC, a Colorado  
limited liability company

Majestic Turf Farms, LLC, a Colorado  
limited liability company

By:   
Its: mgr

By:   
Its: MANAGER

  
Mindi D. Markham

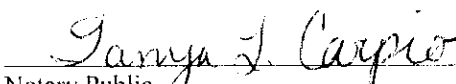
STATE OF Colorado }  
COUNTY OF Weld } ss

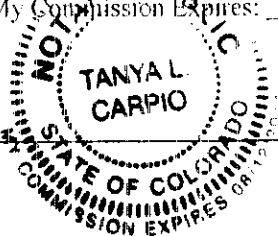
ACKNOWLEDGMENT—INDIVIDUAL

The foregoing instrument was acknowledged before me this 21 day of January 2011 by Glenn D. Markham and Patricia A. Markham.

WITNESS hand and official seal.

My Commission Expires: 8/12/14

  
Notary Public



STATE OF Colorado }  
COUNTY OF Weld } ss

ACKNOWLEDGMENT--COMPANY

The foregoing instrument was acknowledged before me this 21 day of January 2011 by Glenn D. Markham as Manager of Markham Family Farms, LLC, a Colorado limited liability company.

WITNESS hand and official seal.  
My Commission Expires: 8/12/14

Tanya L. Carpio  
Notary Public

STATE OF Colorado }  
COUNTY OF Weld } ss

ACKNOWLEDGMENT--COMPANY

The foregoing instrument was acknowledged before me this 21 day of January 2011 by Edmund Markham as Manager of Majestic Turf Farms, LLC, a Colorado limited liability company.

WITNESS hand and official seal.  
My Commission Expires: 8/12/14

Tanya L. Carpio  
Notary Public

STATE OF Colorado }  
COUNTY OF Weld } ss

ACKNOWLEDGMENT--INDIVIDUAL

The foregoing instrument was acknowledged before me this 21 day of January 2011 by Mindi D. Markham.

WITNESS hand and official seal.

My Commission Expires: 8/12/14

Tanya L. Carpio  
Notary Public

