

OIL AND GAS LEASE

PRODUCERS 88 -PAID UP LEASE
Rev.5-60, No.2

THIS AGREEMENT, effective as of the 15th day of **February, 2010**, is by and between **Front Range Land & Livestock, LLC**, whose address is 1775 Sherman Street, Suite 2950, Denver, Colorado 80203, hereinafter called Lessor (whether one or more), and **K.P. Kauffman Company, Inc.**, whose address is 1675 Broadway, 28th Floor, Denver, Colorado 80202, hereinafter called Lessee:

WITNESSETH, That the Lessor, for and in consideration Ten and more (\$10.00) 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 Weld, State of Colorado described as follows, to-wit:

TRACT ONE: 77.250 acres of land, more or less, being all of the South Half of the Northwest Quarter (S/2NW/4) Section 17, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado, described in that certain Deed dated April 13, 1982, from Reuben Michel and Ellen Irene Michel, to Front Range Land & Livestock Co., and recorded at Book 966, Reception Number 1889565, Clerk & Recorder, Weld County, Colorado.

TRACT TWO: 240 acres of land, more or less, being the Northeast Quarter (NE/4) and the North Half of the Southeast Quarter (N/2SE/4) Section 17, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado, described in that certain Deed dated November 15, 1963, from Martin L. Bechtold, to Front Range Land & Livestock Co., and recorded at Book 496, Reception Number 1421502, Clerk & Recorder, Weld County, Colorado, LESS AND EXCEPT: 80 acres of land, more or less, in the North Half of the Northeast Quarter (N/2NE/4) held by production by Noble Energy Production, Inc.'s "Tigger K #17-02" well and Fountainhead Resources LTD's "Front Range #1-17" well; and further LESS AND EXCEPT: 40 acres of land, more or less, in the Northeast Quarter of the Southeast Quarter (NE/4SE/4) held by production by Noble Energy Production Inc.'s "Range K #17-9" well, LEAVING: 120 acres of land, more or less.

and containing 197.250 acres of land, more or less.

1. It is agreed that this lease shall remain in force for a term of **Three (3)** years from the effective date and as long thereafter as oil or gas 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 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 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 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 is produced from the leased premises or on acreage pooled therewith.

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 **Twenty Percent (20.0%)** part of all oil produced and saved from the leased premises.

2nd. To pay Lessor for the gross proceeds each year, payable quarterly, for the gas from each well where gas only is found, while the same is being used off the premises, and if used in the manufacture of gasoline a royalty of **Twenty Percent (20.0%)**, payable monthly at the prevailing market rate for gas.

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 **Twenty Percent (20.0%)** 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 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 said 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 Lessor's wells and/or ponds.

7. Lessee shall pay for damages caused by Lessee's operations

8. 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.

9. 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 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, and shall be limited to units not to exceed 160 acres +/- 10%, 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 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 number of surface acres covered by this lease and included in the unit bears to the total 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.

10. 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.

11. Lessor hereby 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.

12. Should anyone 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.

13. When drilling or other operations are delayed or interrupted by storm, flood or other act of God, fire, war, rebellion, insurrection, riot, strikes, differences with workmen, unavailability of material or equipment when ordered in a timely manner, failure of carriers to transport or furnish facilities for transportation, some order, requisition or necessity of the government or as a result of any cause whatsoever which could not reasonably be anticipated and which is beyond the control of the Lessee, the time of such unanticipated delay or interruption shall not be counted against Lessee, anything in this lease to the contrary notwithstanding. 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. If from such causes Lessee is prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, the time while Lessee is so prevented which is in excess of the normal period required to obtain customary permits and approvals shall not be counted against Lessee, and this lease shall be extended for a period of time equal to such excess period during which such Lessee is so prevented from conducting drilling or reworking operations on, or producing oil or gas from said land or land pooled therewith, notwithstanding any other provision hereof.

14. In the event Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, if in default, Lessee shall have sixty (60) days after receipt of such notice in which to commence the compliance with the obligations imposed by virtue of this instrument.

15. Lessee, its successors and assigns, shall have the right at any time to surrender this lease, in whole or in part to Lessor or Lessor's heirs, representatives, successors and assigns by delivering or mailing a release thereof to the Lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon Lessee shall be relieved from all obligations, express or implied, of this agreement as to the acreage so surrendered, and thereafter the

rentals or advance annual royalties payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

Additional Provisions:

In the event any of the following provisions conflict with the terms of the paragraph Nos. 1 through 15 in the above Oil and Gas Lease, these additional provisions shall be controlling.

16. This is a non-development oil and gas lease. Notwithstanding anything to the contrary herein contained, Lessee, its agents, successors, and assigns shall not enter upon the surface of the leased premises or conduct any operations of whatsoever nature on said surface or utilize said surface in any manner whatsoever in connection with Lessee's exercise of its rights hereunder.

17. Lessee, its agents, servants, employees, contractors, invitee, and guests shall not hunt, fish, or trap on the lease premises and shall not bring onto the lease premises any type of gun, firearm, fishing, or any hunting apparatus.

18. Lessee shall drill at least two (2) wells on the leased premises in 2011 and at least one (1) well on the leased premises in 2012 for a total of at least three (3) wells drilled on the leased premises prior to the expiration of the primary term of this Lease.

19. Upon the expiration of the primary term, this Lease shall terminate with respect to all horizons lying one hundred (100) feet below the base of the deepest formation then producing under the terms of this Lease, or on lands unitized with the leased lands, and which is then capable of producing oil, gas or other hydrocarbon substances from the leased lands, or lands unitized therewith, in paying quantities.

20. Anything in this Lease to the contrary notwithstanding, actual drilling on, or production from, any unit or units (formed by private agreement or by and State or Federal governmental authority, or otherwise) embracing both lands herein leased and other land, shall maintain this Lease in force only as to the portion of Lessor's land included in such unit or units, whether or not said drilling or production is on or from the leased premises. This Lease may be maintained in force as to the remainder of the land in any manner specified in this Lease.

21. Lessor hereby acknowledges and agrees that Lessee has rights granted under existing oil and gas leases to enter onto adjacent lands now owned by Lessor located in the North half of the Southwest quarter, (N/2SW/4), Section 17, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado, and to allow Lessee to exercise these rights fully, including directionally drilling to bottom hole locations covered by the lease herein, subject to the terms of that certain Surface Use Agreement between Lessor and Lessee dated February 10, 2010 covering the N/2SW/4 of Section 17, Township 4 North, Range 66 West, 6th P.M.

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

Front Range Land & Livestock, LLC

By: Mark Schulein Manager

TAX ID: 84-1335618

ACKNOWLEDGMENT

STATE OF MONTANA }

COUNTY OF }

The foregoing instrument of writing was acknowledged before me on this 12th day of February, 2010 by Mark Schulein, Manager, for and on behalf of Front Range Land & Livestock, LLC, for the uses and purposes stated herein.

Notary Public in and for the State of Montana

Printed Name: Scott Buckner

Commission Expires: June 20, 2011

SCOTT M BUCKNER
NOTARY PUBLIC for the State of Montana
Residing at Livingston, Montana
My Commission Expires June 20, 2011

MEMORANDUM OF SURFACE USE AGREEMENT

This Memorandum of Surface Use Agreement is made and entered into this 10th day of February, 2010, by and between **Front Range Land and Livestock, LLC**, c/o Robert Schulten, a limited liability company ("Owner") with an address of 1776 Lincoln St., Suite 811, Denver, Colorado 80203, and **K.P. Kauffman Company, Inc.**, a California Corporation ("KPK") with an address of 1675 Broadway, Suite 2800, Denver, Colorado 80202. Owner and KPK may hereinafter be referred to as the "Parties".

Whereas, Owner owns the surface estate of the lands described below (the "Lands"), to wit:

Township 4 North, Range 66 West, 6th P.M.
Section 17: N/2SW/4
Weld County, Colorado

Whereas, KPK, an affiliate or an assignee has the right, under two oil and gas leases described in Exhibit B attached and made a part hereto (the "Leases"), to drill twelve (12) oil and gas wells described below (together with any additional wells as may be permitted under applicable rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC"), the "Well" or "Wells") on the Lands in those locations described on Exhibit A attached and made a part hereto.

Front Range #12-17-22R	Front Range #11-17-8
Front Range #12-17-33	Front Range #11-17-25
Front Range #11-17-17	Front Range #11-17-11
Front Range #11-17-6	Front Range #11-17-10
Front Range #11-17-5	Front Range #11-17-20
Front Range #11-17-7	Front Range #11-17-23

Whereas, as of the date above the Parties entered into a Surface Use Agreement (the "Agreement") providing for the Parties' use of the Lands, including the following: the location of oil and gas facilities, including but not limited to well sites, pipelines and tank batteries, the location of access roads on the Lands, and the payment for damages to the surface of the Lands.

Now, therefore, this Memorandum of Surface Use Agreement is executed by the Parties and placed of record in Weld County, Colorado for the purpose of placing all persons on notice of the existence of the Agreement. A true and complete copy of the Agreement is available from KPK or Owner to any person with an interest in the above described land.

**FRONT RANGE LAND AND
LIVESTOCK, LLC**


Robert Schulten
Manager

MS

K.P. KAUFFMAN COMPANY, INC.


Kevin P. Kauffman, Chairman and CEO

ACKNOWLEDGEMENTS

STATE OF MONTANA)
) ss.
COUNTY OF Park)

On this 12th day of February 2010, before me personally appeared
Mark Schuelein, known to me as Manager of Front Range Land and
Livestock, LLC, and that he executed the within and foregoing instrument, and acknowledged the
said instrument to be the free and voluntary act and deed of said limited liability company, for the
uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day
and year first above written.

My Commission Expires: June 20, 2011

SCOTT M BUCKNER
NOTARY PUBLIC for the State of Montana
Residing at Livingston, Montana
My Commission Expires June 20, 2011

SEAL

Notary Public

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

On this 9th day of Feb, 2010, before me personally appeared Kevin
P. Kauffman, known to me to be the President and CEO of K.P. Kauffman Company, Inc., a
California Corporation, and that he executed the within and foregoing instrument, and
acknowledged the said instrument to be the free and voluntary act and deed of said
corporation, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the
day and year first above written.

My Commission Expires: 12/07/13

SEAL

Debra K. Rogers
Notary Public

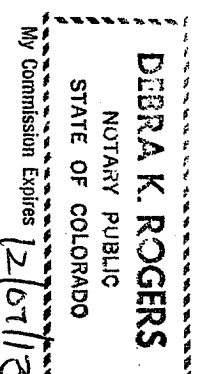
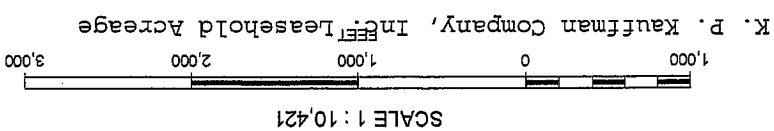


EXHIBIT A - ATTACHED AND MADE A PART OF THAT
 CERTAIN SURFACE USE AGREEMENT DATED FEBRUARY
 _____, 2010,
 BY AND BETWEEN FRONT RANGE LAND AND LIVESTOCK, LLC ("OWNER")
 AND THE K. P. KAUFFMAN COMPANY, INC. ("KPK")

Proposed directional well bore
 -----○
 Existing wells
 ○
 Permitted wells
 ●



K. P. Kaufman Company, Inc. Leasehold Acreage
 around Section 17, T4N, R66W, Weld County, Colorado
 Front Range Land and Livestock LLC acreage
 (two leases shown outlined by highlighted areas)
 Currently producing and proposed wells

Proposed locations NW pad site
 Front Range #12-17-22R
 Front Range #12-17-33
 Proposed locations SE pad site from north to south:

Front Range #11-17-17(5-spot)C-NB; Front Range #11-17-6 SENW (40-spot)
 Front Range #11-17-5 SWNW (40-spot); Front Range #11-17-7 SWNE(40-spot)
 Front Range #11-17-8 SENE (40-spot); Front Range #11-17-25 NENESW(318Ae)
 Front Range #11-17-11 NESW (40-spot); Front Range #11-17-10 NWSW (40-spot)
 Front Range #11-17-20 C-SE (5-spot); Front Range #11-17-23 SWNWSW (318Ae)
 Proposed 40-spot, 5-spot and 318Ae locations
 S. Glass
 Monday, January 18, 2010 2:39 PM

EXHIBIT B

Attached to and made a part of that certain Surface Use Agreement, dated 2/10,
2010, by and between Front Range Land & Livestock, LLC (the "Owner") and K.P.
Kauffman Company, Inc. ("KPK").

LEASE SCHEDULE

(1) The "Lorenz" Lease:

Lessor: Lorenz, Fred and Mary E. Lorenz

Lessee: Sulphur River Exploration, Inc.

Lease Date: 08/19/81

Recording: Book 946, Reception #1868889

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Schmidt, Monte Ray and Kay D. Schmidt

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/01/81

Recording: Book 947, Reception #1868950

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Schmidt, Clarence J., a/k/a Clarence Schmidt, Tylené Schmidt, husband and wife; et al

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/02/81

Recording: Book 948, Reception #1870309

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Schmidt, Sally Jo, formerly Sally Jo Opperman, a single woman

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/01/81

Recording: Book 949, Reception #1871243

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Hurt, Maxine and Lynn M. Hurt, her husband

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/01/81

Recording: Book 950, Reception #1872196

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Ward, Jan Schmidt, formerly Jan Schmidt, individually and

as the Guardian of Grant P. Schmidt, a minor

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/01/81

Recording: Book 964, Reception #1887168

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

(2) The "Front Range Land & Livestock" Lease

Lessor: Front Range Land & Livestock, LLC

Lessee: K.P. Kauffman Company, Inc.

Lease Date: 02/14/07

Recording: Reception #3460040

Legal Description: Weld County, T4N R66W, Sec. 17:S/2NW/4; S/2NE/4; and NW/4SE/4
All depths

SURFACE USE AGREEMENT

This Surface Use Agreement ("Agreement") is made and entered into this 10th day of February, 2010, by and between **Front Range Land and Livestock, LLC**, a limited liability company ("Owner") with an address of c/o Robert Schlein, 1775 Sherman Street, Suite 2950, Denver, Colorado 80203, and **K.P. Kauffman Company, Inc.**, a California Corporation ("KPK") with an address of 1675 Broadway, Suite 2800, Denver, Colorado 80202. Owner and KPK may be collectively referred to herein as the "Parties".

Whereas, KPK, an affiliate or an assignee has the right, under two oil and gas leases described in Exhibit B attached and made a part hereto (the "Leases"), to drill twelve (12) oil and gas wells described below and more fully depicted on Exhibit A attached and made a part hereto, which, together with any additional wells as may be permitted under applicable rules and regulations of the Colorado Oil and Gas Conservation Commission ("COGCC"), shall be known as the "Well" or "Wells":

Front Range #12-17-22R	Front Range #11-17-8
Front Range #12-17-33	Front Range #11-17-25
Front Range #11-17-17	Front Range #11-17-11
Front Range #11-17-6	Front Range #11-17-10
Front Range #11-17-5	Front Range #11-17-20
Front Range #11-17-7	Front Range #11-17-23

The Well or Wells described above shall be located on the lands described below and depicted on Exhibit A (the "Lands"), to wit:

Township 4 North, Range 66 West, 6th P.M.
Section 17: N/2SW/4
Weld County, Colorado

Whereas, Owner and KPK wish to memorialize their agreement concerning the Parties' use of the Lands, including the following: the location of oil and gas facilities, including but not limited to well sites, pipelines and tank batteries (together, the "Oil and Gas Facilities"); the location of access roads on the Lands (the "Access Roads"); and the payment for damages to the surface of the Lands.

Therefore, for and in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and KPK agree as follows:

1. No later than thirty (30) days prior to the commencement of drilling operations for each of the Wells, and on or before December 31 of every year thereafter so long as the Wells remain on the Lands and have not been plugged and abandoned in accordance with the rules of the COGCC, KPK shall pay Owner the sum of five hundred dollars (\$500.00) per Well, or a total of six thousand dollars (\$6,000.00) so long as all twelve Wells are drilled on the Lands (the "Annual Use Fee"). Such Annual Use Fee shall be prorated in the event a Well is plugged and abandoned during a year based on the number of days in such year such Well is producing, and shall constitute payment in full by KPK and its affiliates and assignees for the use of the Lands for the following purposes in accordance with the terms of this Agreement and for all normal damages resulting therefrom including, but not limited to, damages to growing crops and damages associated with the following activities: drilling, construction, completion, recompletion, reworking, re-entry, production, tank battery location, operation and maintenance of the Wells on

the Lands (together, the "Operation Activities"). Normal damages include, but are not limited to, reasonable and customary ingress, egress, rights-of-way, construction of all Access Roads, preparation and use of the drillsite area, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom. The normal damages described herein shall be limited to those damages resulting from the conduct of the Operation Activities in accordance with the terms of this Agreement, applicable law and good oilfield practice and shall hereinafter be referred to as "Normal Damages."

2. KPK acknowledges that the Lands are used by Owner as a private game preserve for migratory birds and other wildlife, and that the preservation of wetlands, natural vegetation and water quality in, on or under the Lands is essential to Owner's use of the Lands. If, by reason of KPK's negligence or breach of this Agreement, KPK causes damage to the Lands (other than Normal Damages) such damage shall be remediated, restored, or repaired, or the damaged property replaced, by KPK or KPK shall promptly pay Owner for such damage. Damages described herein include damage to personal property located on the Lands, damage to the surface of the Lands, including but not limited to structures, fences, culverts and cement ditches, damage to any stream, pond, wetland or other fresh water resource located thereon or thereunder, and damage to water quality or wildlife habitat, but excluding in every case Normal Damages. Nothing herein shall prevent Owner from seeking equitable relief in the event the actions of KPK or its contractors cause, or threaten to cause, irreparable injury or damage to the Lands or its use as a private game preserve or wildlife habitat.
3. Owner warrants that it is the owner of the entire surface subject to this Agreement and that no third party is entitled to object to this Agreement or entitled to the Annual Use Fee or payment for damages other than Normal Damages as described in Paragraph 2 above. Notwithstanding the foregoing, in the event Owner leases the surface of the Lands to a grazing or similar lessee, KPK agrees, in the event its operations directly result in injury or death to livestock owned by such lessee, to reimburse such lessee directly for the cost of veterinarian or similar care or loss in value of such livestock.
4. Owner, for itself and its successors and assigns, does hereby, in consideration of the Annual Use Fee, release, relinquish and discharge KPK, its affiliates, successors and assigns from all claims, demands, damages and causes of action that Owner may have by reason of the location and drilling of the Wells on the Lands and all Normal Damages or injury to the Lands caused by the Operation Activities, and Owner accepts the Annual Use Fee as full compensation therefore.
5. Owner hereby agrees that by its timely receipt of the Annual Use Fee, in the absence of any breach of this Agreement, KPK has fully complied with the applicable governmental regulations and statutes, if any, relating to the settlement of the damages contemplated herein and this Agreement together with any evidence of payment of the Annual Use Fee may be presented to the COGCC as proof of that fact.
6. In conducting the Operation Activities on the Lands, KPK shall:
 - A. Limit the size of the northwest pad site, depicted and described on Exhibit A as the "NW pad site", to no more than 300 feet by 350 feet during any drilling, completion, recompletion, workover, and all associated operations. KPK shall limit the size of the southeast pad side, depicted and described on Exhibit A as the "SE pad site", to an area of no more than 3 acres during any drilling, completion, recompletion, workover, and all

associated operations. KPK shall install temporary silt fences around each wellhead and all other areas where the surface has been disturbed during operations on the Wells, and take all other action as necessary to prevent erosion and the migration of silt, mud and chemicals into Owner's ponds, streams and wetlands. KPK shall cover each wellhead with an igloo or similar type of wellhead cover, and shall paint each igloo or similar cover to blend in with the existing landscape.

B. Pursuant to COGCC rules, line the pits for each Well, install temporary livestock fences around the pits for each Well, and install culverts where necessary. Upon the completion of drilling activities for each Well, KPK shall remove the pit liners, drilling mud and other waste products after the pits have been drained and are no longer in use. KPK shall separate the top soil at the time of excavation of the pits so that the top soil and subsurface soil may be placed back in proper order as nearly as possible. KPK shall promptly remove all drilling and frac fluids, mud and chemicals used in KPK's Operations.

C. Construct tank batteries in the approximate locations depicted on Exhibit A in the event any of the Wells are producing oil and gas. All tank batteries and other surface facilities for the wells to be located on the NW pad site shown on Exhibit A shall be located within said the NW pad site; provided, however, that prior to the installation of the tank batteries for such wells, KPK shall consult with Owner as to the location of the tank batteries and will install said batteries, if Owner so requests, outside of the NW pad site at a mutually agreeable location adjacent to the existing tank battery for the Lorenz 1-D well, which battery is adjacent to Highway 60. The tank battery locations and other surface facilities associated with the Wells to be drilled in the SE pad site shall be limited to an area within the SE pad site described in subparagraph 6.A above and on Exhibit A. Any additional tanks or separators will be located as close to the existing tanks and separators as COGCC rules allow. KPK shall construct a berm around each tank battery location and shall construct a permanent 6 foot high slatted chain link fence around each tank battery location, which fence shall be painted to blend in with the existing landscape.

D. Limit Access Roads depicted on Exhibit A to 30 feet in width during drilling, completion, recompletion and workover operations. The permanent Access Roads to the Wells and tank battery locations shall be limited to 20 feet in width. KPK shall use only those existing Access Roads described on Exhibit A, except as otherwise specifically provided for in this paragraph. KPK shall use the Access Roads in a reasonable and timely manner in its operation and maintenance of the Wells on the Lands. The Parties agree to re-negotiate the location of Access Roads in the future to reasonably accommodate future commercial or residential development. Should KPK be requested to relocate any Access Road as a result of future development, KPK shall not unreasonably withhold its consent to such relocation, and such relocation will be at the future developer's sole cost and expense. All Access Roads shall be graded and graveled by KPK as necessary to prevent rutting and erosion. KPK acknowledges that it is a party to an existing Access Agreement with a third party, which agreement permits KPK to use that portion of the access road lying immediately south of the Lands, as depicted on Exhibit A. KPK shall indemnify and hold Owner harmless from all liability resulting from the use and/or improvement of that portion of the access road located outside of the Lands by KPK, its agents, contractors or employees.

E. Use reasonable efforts to keep the Wells and tank battery sites free of weeds and debris. Pursuant to COGCC rules, KPK shall not use any herbicides on the Lands. No later than

90 days after completion of KPK's operations on each wellsite, or as otherwise agreed upon by KPK and the tenant manager of the Lands, whose contact information is provided in Paragraph 9 below (the "Tenant Manager"), KPK shall re-seed the area around each wellsite with a grass seed mix as specified by the Tenant Manager.

F. Install 16 foot wide gates and cattle guards at the locations indicated on Exhibit A. KPK shall keep all gates locked when not in use. KPK shall be provided keys for all locked gates on the Lands.

G. Bury all flowlines at least 4 feet below the surface. KPK shall promptly reseed all disturbed areas with native grasses and provide Owner with an accurate survey showing the location of all flowlines and other underground facilities. Should KPK be requested to relocate any flowline as a result of future development, KPK shall not unreasonably withhold its consent to such relocation, and such relocation will be at the future developer's sole cost and expense.

H. Pursuant to COGCC rules, not dump any materials on the Lands nor store any materials on the Lands except those needed for immediate use during the conduct of the Operation Activities. KPK shall not engage in any hunting or fishing on the Lands, except with the prior written approval of Owner, and shall not bring or keep any dogs, guns, bows, or fishing equipment on the Lands. KPK's use of the Lands is limited to oil and gas operations only. KPK shall not use the water source on the Lands for any purpose.

I. Agree to a drilling period of February 16 to September 29 of any given year. KPK shall not commence any drilling, workover, recompletion or completion operations on any Well after September 1 or before February 16 of any given year; provided, however, that KPK shall retain the right to access its oil and gas facilities on the Lands after September 30 and prior to February 16 of any given year for routine operations and maintenance of production equipment and in the event of a fire, windstorm, environmental damage, failure of pipes or tanks, or in the event of other emergency. KPK shall be provided access for routine operations and maintenance at regular, specified intervals with the prior written or verbal consent of Owner's Tenant Manager, which approval shall not be unreasonably withheld. Owner shall indemnify KPK and its contractors and its and their officers, agents, and employees from any and all liability resulting from any injury to or death of such persons suffered while on the Lands during such periods of routine maintenance to the extent only that such injury or death is the direct result of the negligence or intentional misconduct of Owner, its agents, managers, members or guests. In the event of an emergency on the Lands requiring the immediate attention of KPK, KPK shall have the right to enter the Lands to access its oil and gas facilities without receiving prior approval from Owner's Tenant Manager. Except as provided in the preceding sentence, such access shall be at KPK's sole risk and KPK shall use its reasonable efforts to notify Owner's Tenant Manager of KPK's presence on the Lands and the reasons therefore prior to entry or as soon as possible thereafter. KPK shall remove all drilling and completion equipment from the Lands by September 30 of any given year.

J. Conduct all operations on the Lands in accordance with good oil field practice and the rules of the COGCC and applicable local, state and federal statutes, rules and regulations (hereinafter collectively referred to as "Laws") including, without limitation, all laws providing for job safety or the protection of the environment, and shall indemnify and hold Owner, its Tenant Manager and its officers, agents, contractors, employees, members and guests harmless from any and all loss, damage, personal injury, liability and

expense, including, without limitation, costs of environmental remediation as well as reasonable attorneys fees and other expenses of litigation, mediation or arbitration, resulting from the breach of the terms of this Agreement or the violation of any of the Laws by KPK, its agents, contractors or employees, on the Lands.

K. Upon the abandonment of all of the Wells located on any padsite, KPK shall promptly remove all surface facilities therefrom and shall flush and flood all fiberglass pipelines and, upon written request, KPK shall remove all steel pipelines and other facilities as directed by Owner and restore the surface of the pad site to a reasonably restored condition.

7. Attached hereto and made a part of this Agreement as Exhibit A is a map of the locations of the proposed oil and gas facilities, tank battery locations, Access Roads and gates agreed to by the Parties and described in paragraphs 6.A, 6.C, 6.D and 6.F above. Except as otherwise provided in paragraph 6C above with respect to the location of tank batteries serving those wells to be drilled on the NW pad site, Owner and KPK agree that all flowlines, easements, Access Roads, Well locations and tank battery locations will be located in the locations depicted on Exhibit A. Prior to the construction of each pad site shown on exhibit A, KPK shall meet with Owner's Tenant Manager to stake the corners of each pad site at a location acceptable to the Tenant Manager in order to insure that each such site is located away from areas containing cattails or marsh lands. KPK shall promptly upon the installation of its facilities provide Owner with an as-built survey showing the exact location of all surface and subsurface facilities on the Lands. All underground flowlines shall be suitably staked.

8. KPK shall provide 14 days prior written notice to Owner of any drilling, reworking, or frac operations on the Lands.

9. Except as otherwise specifically provided herein, any notice or communication required or permitted by this Agreement shall be given in writing either by (a) personal delivery; (b) expedited delivery service with proof of delivery; (c) United States mail, postage prepaid, and registered or certified mail with return receipt requested; or (d) prepaid telecopy or fax, the receipt of which shall be acknowledged, addressed as follows:

To KPK:

K.P. Kauffman Company, Inc.
1675 Broadway, Suite 2800
Denver, CO 80206

Attn: Kelsey Wasylenky, Esq. & Jason Lilley, CPL

(303)825-4822 (phone)
(303)925-4825 (fax)

To Owner:

Robert Schulein
1775 Sherman Street, Suite 2950
Denver, CO 80203

(303) 839-5495 (phone)

To Tenant Manager:

William Kutosky
21698 S.H. 60
Plateville, CO 80651

720-878-5350 (cell)
303-289-0926 (office)
970-737-2276 (home)
WKutosky@gmail.com

10. A Memorandum of this Agreement shall be recorded in the books and records of the Office of the Clerk and Recorder for the County in which the Property is located.

11. This Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of Owner and to the successors and assigns of KPK, and may be executed in counterparts. This Agreement shall be a covenant running with the land for so long as any one of the two Leases remains in effect. This Agreement shall not alter or amend the terms of the Leases. KPK shall, upon the termination of the Agreement, properly execute, acknowledge and record in the records of Weld County a Release of this Agreement and provide a copy of such recorded document to Owner.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be made effective as of the day and year first written above.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

FRONT RANGE LAND AND
LIVESTOCK, LLC



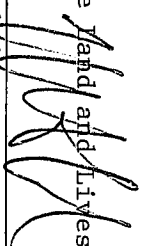
Mark Schublein
Manager

K.P. KAUFFMAN COMPANY, INC.




Kevin P. Kaufman, Chairman and CEO

Front Range Land and Livestock, LLC

By 

Mark Schublein, Manager

K.P. Kaufman Company, Inc.

By 

Kevin P. Kaufman, Chairman and CEO

EXHIBIT A - ATTACHED AND MADE A PART OF THAT
 CERTAIN SURFACE USE AGREEMENT DATED FEBRUARY
 _____, 2010,
 BY AND BETWEEN FRONT RANGE LAND AND LIVESTOCK, LLC ("OWNER")
 AND THE K. P. KAUFFMAN COMPANY, INC. ("KPK")

Proposed directional well bore
 surface to bottom hole locations
 Existing wells
 Permitted wells



SCALE 1:10,421
 0 1,000 2,000 3,000
 K. P. Kaufman Company, Inc. Leasehold Acreage

around Section 17, T4N, R66W, Weld County, Colorado
 Front Range Land and Livestock LLC acreage
 (two leases shown outlined by highlighted areas)
 Currently producing and proposed wells

Proposed locations NW pad site
 Front Range #12-17-22R
 Front Range #12-17-33
 Proposed locations SE pad site from north to south:

Front Range #11-17-17(5-spot)C-NE; Front Range #11-17-6 SENW (40-spot)
 Front Range #11-17-5 SWNW (40-spot); Front Range #11-17-7 SWNE(40-spot)
 Front Range #11-17-8 SENE (40-spot); Front Range #11-17-25 NENESW(318Ae)
 Front Range #11-17-11 NESW (40-spot); Front Range #11-17-10 NWSE (40-spot)
 Front Range #11-17-20 C-SE (5-spot); Front Range #11-17-23 SWNWSE (318Ae)
 Proposed 40-spot, 5-spot and 318Ae locations
 S. Glass
 Monday, January 18, 2010 2:39 PM

EXHIBIT B

Attached to and made a part of that certain Surface Use Agreement, dated February 10, 2010, by and between Front Range Land & Livestock, LLC (the "Owner") and K.P. Kauffman Company, Inc. ("KPK").

LEASE SCHEDULE

(1) The "Lorenz" Lease:

Lessor: Lorenz, Fred and Mary E. Lorenz

Lessee: Sulphur River Exploration, Inc.

Lease Date: 08/19/81

Recording: Book 946, Reception #1868889

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Schmidt, Monte Ray and Kay D. Schmidt

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/01/81

Recording: Book 947, Reception #1868950

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Schmidt, Clarence J., a/k/a Clarence Schmidt, Tyleno Schmidt, husband and wife; et al
Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/02/81

Recording: Book 948, Reception #1870309

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Schmidt, Sally Jo, formerly Sally Jo Opperman, a single woman

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/01/81

Recording: Book 949, Reception #1871243

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Hurt, Maxine and Lynn M. Hurt, her husband

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/01/81

Recording: Book 950, Reception #1872196

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

Lessor: Ward, Jan Schmidt, formerly Jan Schmidt, individually and
as the Guardian of Grant P. Schmidt, a minor

Lessee: Sulphur River Exploration, Inc.

Lease Date: 09/01/81

Recording: Book 964, Reception #1887168

Legal Description: Weld County, T4N R66W, Sec. 17: NW/4SW/4; NE/4SW/4 All depths

(2) The "Front Range Land & Livestock" Lease

Lessor: Front Range Land & Livestock, LLC

Lessee: K.P. Kauffman Company, Inc.

Lease Date: 02/14/07

Recording: Reception #3460040

Legal Description: Weld County, T4N R66W, Sec. 17:S/2NW/4; S/2NE/4; and NW/4SE/4
All depths