

**520**

**PAID-UP  
OIL and GAS LEASE**

THIS LEASE AGREEMENT is made and entered into effective the 6 of May, 2010, by and between 392 Ventures, LLC whose mailing address is P.O. Box 99, Windsor, CO 80550 hereinafter called Lessor (whether one or more) and RBF Minerals, LLC, whose mailing address is 7251 W. 20<sup>th</sup> Street, D-1, Greeley, CO 80634, hereinafter called Lessee:

**WITNESSETH:**

1. **Lessor**, in consideration of Ten and More Dollars (\$10.00 & More) in hand paid, receipt, of which is hereby acknowledged, and of the royalties hereon provided and of the agreements of the Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of exploring for, developing, producing, transporting and marketing oil, gas and other hydrocarbon substances covered hereby on the leased premises as hereinafter described, or lands pooled or unitized herewith, in primary and/or enhanced recovery. Subject to the surface use provisions herein and any SUA (as defined herein) entered into between the parties, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discovery, produce, store, treat and/or transport production.

The lands covered hereby, hereinafter called "leased premises", located in the County of **Weld**, of the State of **Colorado** are described as follows:

**Parcel I**

A parcel of land located in the N1/2 of Section 22, Township 6 North, Range 67 West of the 6<sup>th</sup> P.M., Town of Windsor, County of Weld, State of Colorado and being more particularly described as follows:

Commencing at the center ¼ corner of said Section 22 and assuming the South line of the Northeast ¼ of said Section 22 to bear South 89 degrees, 17' 29" West with all bearings herein relative thereto;

Thence North 00 degrees 11' 03" West along the West line of said Northeast ¼ a distance of 807.01 feet to a point on the Northerly right-of-way of Great Western Railroad, said point being the Point of Beginning; Thence North 71 degrees 18' 14" West along said right-of-way a distance of 1578.29 feet;

Thence North 03 degrees 24' 26" West a distance of 417.91 feet; Thence South 66 degrees 20' 30" West a distance of 117.96 feet to a point on a curve, said curve being non-tangent to the aforesaid line, said point being on the Southerly right-of-way of Colorado and Southern Railroad; Thence along said right-of-way the following two courses: Thence along the arc of a curve which is concave to the Southeast a distance of 303.56 feet, whose radius is 921.60, whose delta is 18 degrees 52' 20" and whose long chord bears North 41 degrees 03' 28" East a distance of 302.19 feet to a Point of Tangency; Thence North 51 degrees 19' 38" East a distance of 651.41 feet; Thence South 58 degrees 42' 32" East a distance of 379.61 feet; Thence South 71 degrees 30' 24" East a distance of 621.67 feet to a point on the East line of the Northwest ¼ of said Section 22;

Thence South 00 degrees 11' 03" East along said line a distance of 392.62 feet; Thence South 25 degrees 50' 13" East a distance of 956.74 feet to a point on the Northerly right-of-way of Colorado and Southern Railroad; Thence North 71 degrees 18' 14" West along said right-of-way a distance of 437.74 feet to the Point of Beginning, County of Weld, State of Colorado.

**Parcel II**

A parcel of land located in the N1/2 of Section 22, Township 6 North, Range 67 West of the 6<sup>th</sup> P.M., Town of Windsor, County of Weld, State of Colorado and being more particularly described as follows:

  
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Commencing at the N1/4 of said Section 22 as monumented with a number 6 rebar with a 3/4 inch aluminum, set by Chuck B. Jones, LS 22098, and assuming the North line of said NE1/4 to bear North 89 degrees 22' 24" East and with all bearings herein relative thereto:

Thence South 00 degrees 13' 15" East along the West line of said NE1/4 a distance of 47.70 feet to the South Right-of-Way (ROW) of Colorado State Highway #392, said point being the Point of Beginning;

Thence North 89 degrees 09' 54" East along said South line a distance of 80.01 feet; Thence South 00 degrees 11' 03" East a distance of 1237.95 feet to the Easterly line of Tract A, Windsor Tech Business Center II Subdivision First Filing, as described in Weld County Records under Reception No. 2815785; Thence North 25 degrees 50' 13" West along said line a distance of 184.79 feet to said West line of said NE1/4; Thence North 00 degrees 11' 03" West along said West line a distance of 1070.46 feet to the Point of Beginning, County of Weld, State of Colorado.

and containing **53.723** acres more or less (including any interests therein which Lessor may hereinafter acquire by reversion, prescription or otherwise). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. Lessor agrees to execute at lessee's request, any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. **Terms of Lease.** It is agreed that this lease shall remain in force for a term of three (3) years from this date and as long thereafter as oil or gas of whatsoever nature or kind in paying quantities 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 Lessee is conducting operations for drilling or reworking on said land or shall have completed a dry hole thereon within one hundred twenty (120) days prior to the end of the primary term or, if, after the expiration of the primary term, production on said land shall cease from any cause, this lease nevertheless shall continue in force so long as operations for drilling or reworking on any existing or succeeding well are being conducted with no cessation of more than sixty (60) consecutive days and, if such operations result in production, so long thereafter as oil or gas is produced from said land. 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.

3. **Paid-Up Lease.** This is a paid-up lease with no bonus payment due.

4. **Royalty Payment.** Royalties on oil, gas and other 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 seventeen percent (17%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, less a proportionate part of ad valorem taxes and production, severance or other excise taxes and the costs incurred by Lessee in delivering, treating or otherwise marketing such oil and other liquid hydrocarbons, 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; (b) for gas (including casinghead gas) and other substances covered hereby, the royalty shall be seventeen percent (17%) of the proceeds realized by Lessee from the sale thereof less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to sell such production to itself or an affiliate at the prevailing wellhead market price paid for production of similar quality 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) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if after the primary term one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee for a period of 60 consecutive days, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease if Lessee has paid an annual shut-in royalty of \$5.00 per acre, such payment to be made to Lessor or to Lessor's credit in or to its successors on or before the end of said 60 day period and thereafter on or before each anniversary of the end of said 60 day period during which the well or wells are shut-in or production therefrom is not being sold by Lessee up to a maximum of two (2) consecutive years, provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 60 day period next following the cessation of such operations or production, as the case may be. Lessee may pay or tender any shut-in royalty at any time in advance of its due date to the Lessor then known to Lessee as provided in Paragraph (10) and such payment or tender shall bind all person then or thereafter claiming any part of such shut-in royalty. Lessee's failure to properly pay shut-in royalty shall operate to terminate this lease.

5. **Pooling.** Lessee shall have the right but not the obligation to pool any part of the leased premises or interest therein with any other lands or interest, as to any or all depths or zones, and as to any or all substances, covered by this lease, either prior to commencement, or during drilling or recompletion activities, or any completion of the well and may be retroactive to a prior date at Lessee's option, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit, and stating the effective date of pooling. The unit formed by such pooling for an oil well (other than a "horizontal well" and/or a "horizontal completion") shall not exceed 320 acres plus a maximum acreage tolerance of 10% and for a gas well or a "horizontal well" and/or "horizontal completion" shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil or gas well or a "horizontal well" and/or a "horizontal completion" to conform to any well spacing or density pattern that may be prescribed or permitted by the governmental authority having jurisdiction to do so. For purposes of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority having jurisdiction. If no definition is so prescribed, "oil well" means a well with an initial gas/oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas/oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal production conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal well" and/or "horizontal completion" shall be as defined by applicable law or the appropriate governmental authority having jurisdiction. In the absence of such a definition, a "horizontal well" and/or a "horizontal completion" shall be defined as an oil and/or gas well in which the well bore is intentionally deviated from a true vertical direction and extended to a distance of at least one hundred (100) feet of horizontal displacement. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if production, drilling or reworking operation were on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears the total gross acreage in the unit, but only to the extent such proportion of the unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring

right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision, which may be retroactive to a prior date at Lessee's option. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion on which royalties are payable hereunder shall thereafter be adjusted accordingly. Lessor shall formally express Lessor's consent to any pooling agreement or operation adopted by Lessee and approved or needed for approval by any governmental authority having jurisdiction to do so by executing the same upon request of Lessee. In absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date terminated. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. **Unitization.** Lessee shall have the right but not the obligation to commit all or any part of the leased premises or interests therein to one or more unit plans or agreements for the cooperative development or operation of one or more oil and/or gas reservoirs or portions thereof, if in lessee's judgment such plan or agreement will prevent waste and protect correlative rights, and if such plan or agreement is approved by the federal, state or local governmental authority having jurisdiction. When such a commitment is made, this lease shall be subject to the terms and conditions of the unit plan or agreement, including any formula prescribed therein for the allocation of production, and Lessor shall formally express Lessor's consent to any cooperative or unit plan of development, or operation adopted by Lessee and approved or needed for approval by any governmental agency by executing the same upon request of Lessee.

7. **Surface Operations.** Lessee shall bury its pipelines and flow lines at least 36 inches below the surface on all lands. No well shall be located less than 300 feet from any house or barn now on the leased premises or other lands of Lessor used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for actual damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter. Lessee may use free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. Lessee shall have the right free of cost to drill and maintain one or more water wells for Lessee's use hereunder. Lessee shall comply with all applicable laws, rules and regulations with respect to the use of oil, gas and water.

8. **[Intentionally Deleted]**

9. **Proportionate Reductions.** If Lessor owns less than the full mineral estate in all or any part of the leased premises, payment of royalties and shut-in royalties hereunder shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

10. **Ownership Changes.** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to royalties or shut-in royalties hereunder, Lessee may pay or tender such royalties or shut-in royalties to the credit of decedent or decedent's estate. If at any time two or more persons are entitled to royalties or shut-in royalties hereunder, Lessee may pay or tender such royalties or shut-in royalties to such persons or to their credit, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part, Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender royalties and shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

11. **Release of Lease.** Lessee may, at any time and from time to time, deliver to Lessor or 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, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases less than all of the interest or area covered hereby, Lessee's obligation to pay or tender royalties and shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

12. **Regulation and Delay.** 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 price or transportation of oil, gas and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or order, or by inability to obtain necessary permits, equipment, services, materials, water, electricity, fuel, access or easements, or by fire or flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputed, or by inability to obtain satisfactory market for production or failure of purchasers or carriers to take or transport such production, or if Lessee is engaged in activity for the design, acquisition, construction, repair or reconstruction of transportation and/or processing facilities or by any other cause not reasonably within Lessee's control, this lease shall not be terminated because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

13. **Breach or Default.** No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of thirty (30) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default within such period. In the event the matter is litigated and there is a final judicial determination that Lessee fails to remedy such a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so during such period, Lessee may terminate this lease at Lessee's sole discretion at any time thereafter.

14. **Warranty of Title.** Lessor hereby warrants and agrees to defend title conveyed to lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder in the event Lessee is made aware of any claim inconsistent with Lessor's title. Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

15. **Option.** Notwithstanding any provision of this lease to the contrary, Lessee is hereby granted the exclusive option, as set forth in an unrecorded Option Agreement by and between Lessor and Lessee, to be exercised at any time prior to the date on which this lease or any portion thereof would expire in accordance with its terms and provisions, of extending this lease for an additional period of three (3) years as to all or any portion of the acreage described herein. The only action required by Lessee to exercise this option being payment for all or any portion of the acreage to Lessor or to Lessor's credit of an additional per net mineral acre consideration, which payment shall cover the entire additional three (3) year extended primary term. Should this option be exercised as herein provided, it shall be considered for all purposes as though the lease originally provided for a primary term of six (6) years. If this lease is extended as to only a position of the acreage then covered hereby, Lessee shall designate such portion by a recordable instrument. Notwithstanding anything to the contrary contained herein, after the expiration of the primary term of this lease, Lessee's right to continue this lease beyond the primary term by payment of shut-in royalties shall not be for a term of more than two (2) consecutive years of being shut-in.

16. **Preferential Right.** If during the term of this lease (but not more than 20 years after the date hereof), Lessor receives a bona fide offer from any party to purchase a new lease covering all or any of the lands or substances covered herein, and if Lessor is willing to accept such offer, then Lessor shall promptly notify Lessee in writing of the name and address of the offeror, and of all the 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. Promptly thereafter, Lessee shall furnish to Lessor the new lease, for execution, together 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, than 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 obligation hereunder.

17. **No Surface Operations – Nondisturbance.** Notwithstanding any language contained herein to the contrary, no surface rights are being granted under this lease, and Lessee hereby shall not have any rights to use the surface of the leased premises. Accordingly, Lessee shall not (i) conduct any surface operations whatsoever upon the land, (ii) place any personal property, fixtures or equipment upon the land, or (iii) enter upon the land for any reason or for any amount of time; however, this limitation shall not affect the right of Lessee or its successors and assigns to utilize the subsurface of the land or engage in directional or horizontal drilling activity which comes under the land and/or from pooling in accordance with this lease, as long as said drilling activity is at a depth so as to not interfere with or in any way affect the present or future use of the surface of the land for residential or any other use, and in no event may the mining or drilling activity penetrate the land at a depth of less than 500 feet below the surface, unless written consent is obtained from Lessor. Further, Lessor and Lessee agree that drilling activities for the operations upon this lease will be conducted from Lessee's oil and gas leases or other properties located North of Highway 392 in Section 15.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties herein above named as Lessor.

LESSOR (WHETHER ONE OR MORE):  
392 Ventures, LLC:

By: Christopher D. Ruff   
His Manager

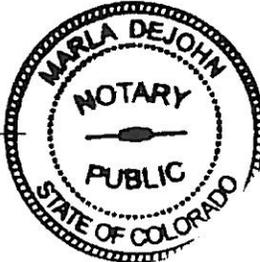
  
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ACKNOWLEDGMENT  
(LLC)

STATE OF Colorado )  
COUNTY OF Weld ) ;ss

On this 10 day of May, 2010 before me, the undersigned Notary Public in and for said county and state personally appeared Christopher D. Ruff, known to me to be the person(s) whose names are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as he/she/their free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal as of the date hereinabove stated.

My Commission Expires 5/31/2011



Marla DeJohn  
Notary Public

LESSEE:  
RBF Minerals, LLC:

By: *Richard J. Bartels*  
Its *manager*

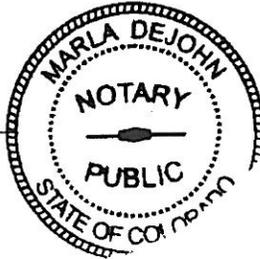
ACKNOWLEDGMENT  
(Partnership)

STATE OF *Colorado*,  
COUNTY OF *Weld*, ss

On this *10* day of *May* *2010*, before me, the undersigned Notary Public in and for said county and state personally appeared *Richard J. Bartels*, known to me to be the person(s) whose names are subscribed to the foregoing instrument, and acknowledged that the same was executed and delivered as he/she/their free and voluntary act for the purposes therein set forth. In witness whereof I hereunto set my hand and official seal as of the date hereinabove stated.

*Marla DeJohn*  
Notary Public

My Commission Expires *5/31/2011*



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