

WELLBORE POOLING AGREEMENT; DAMAGE RELEASE AND  
RATIFICATION OF OIL AND GAS LEASE  
Surface to The Base of The Shannon Formation  
Township 1 North, Range 67 West, 6<sup>th</sup> PM  
Weld County, Colorado  
Section 9: SE/4

WHEREAS, K.P. Kauffman Company, Inc. (KPK) owns oil and gas working interests in the lands above described under the oil and gas leases described in Exhibit "A" attached hereto; and

WHEREAS, KPK and others have previously drilled and are producing oil and gas from wells drilled vertically on said lands into the Sussex Formation, and, in some cases, into the Shannon Formation; and

WHEREAS, without disturbing the allocation of production from the vertical wells, KPK now wishes to drill one, and perhaps two, horizontal wells in the quarter-section above described into the Sussex, and perhaps the Shannon, Formations, so as to produce additional oil and gas in those formations which, KPK believes, cannot be efficiently and economically produced from the existing vertical wells, such wells to have a horizontal component extending between two of the 400 foot drilling windows prescribed by Rule 318A of the rules of the Colorado Oil and Gas Conservation Commission; and

WHEREAS, protection of correlative rights requires that production from the horizontal wells be allocated to all owners of production within the quarter-section above-described;

NOW THEREFORE, in consideration of the sum of Ten Dollars and other good and valuable considerations, receipt and adequacy of which is acknowledged, each of the signatories hereto, being the owners of minerals, working interests, royalty interests, overriding royalty interests and other burdens on production of oil and gas from all or parts of the quarter-section above-described, do hereby agree that their interests in oil and gas production, as well as their surface access rights for purposes of oil and gas prospecting, exploration and operations, as to the horizontal well or wells to be drilled pursuant to this agreement, and limited to depths from the surface to the base of the Shannon Formation, be pooled so that each such owner shall receive from production from said horizontal wells, the proportion of such production or proceeds as its net acre interest bears to the total number of acres in the

quarter-section above described, but only to the extent that such production is sold.

Nothing herein shall affect or change the allocation of production from the existing vertical wells. In consideration of receiving a share in production from the horizontal wells, the owners of interests in production from those wells waive and release any claims they might have as a result of interference by the horizontal wells with production from the existing vertical wells and also waive and release any claims they might have for trespass or damages or pollution of water as a result of the prospecting, drilling, completion, stimulation, artificial fracturing or production of the horizontal wells. Nothing herein shall constitute a cross-conveyance of interests. The signatories ratify and confirm the oil and gas lease or leases described in Exhibit A which cover their interests and acknowledge that those leases are in full force and effect; and each signatory grants an oil and gas lease to KPK similar to the lease described in Exhibit A which covers his, her or its interest.

If KPK is in doubt as to the acreage of any tract or of the quarter-section above described, KPK may have an acreage survey prepared by a surveyor licensed in Colorado and all signatories agree that production may be allocated based on that survey. Payments for production may be suspended until completion of that survey as well as for any reason provided for by statute.

This agreement shall be effective January 1, 2011 at 7:00 am, MST regardless of the date of signature or recording. It may be executed in counterparts and shall be effective as to all interest owners who sign even if some do not; provided, however, that KPK agrees to suspend payments of proceeds of production from the horizontal well(s) to non-signatories pending approval by the Colorado Oil and Gas Conservation Commission of a wellbore spacing unit for the horizontal well(s) and forced pooling of those interests.

If there are any rights of way on the above-described lands which were in use or constructed prior to patent of said lands which would qualify as General Right of Way Act (Act of March 3, 1891, R S 2477, 43 USC 946 et seq) rights of way, as for ditches, canals, reservoirs, etc., or for railroads constructed under pre-1876 acts, KPK may suspend payment of proceeds of production attributable to the tracts occupied by such rights of way pending an agreement with the Bureau of Land Management for payment of compensatory royalty to the United States under the Right of Way Leasing Act of 1930 (Act of May 21, 1930, 30 USC 301-306, See 43 CFR Subpart 3109)

This agreement shall continue in effect unless it is terminated by KPK, which may do so unilaterally for any reason, or until both of the horizontal wells provided for herein have been plugged and abandoned. In either case, KPK will record a notice of termination in the Weld County, Colorado records.

This Agreement may be executed in counterparts, each counterpart to be binding on the signatory or signatories whether or not executed by all other interest owners.

IN WITNESS WHEREOF, each interest owner has hereunto set his, her or its hand effective January 1, 2011.

Working Interest Owners:

K.P. KAUFFMAN COMPANY, INC.

By\_\_\_\_\_

Oil and Gas Owners:

NRC CO 1, LLC

By\_\_\_\_\_

ACKNOWLEDGEMENT

STATE OF \_\_\_\_\_ (Individual)

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_.

Witness my hand and official seal:

(Seal)

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ (Company, Corporation, Attorney in Fact  
or LLC)

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by  
\_\_\_\_\_ as \_\_\_\_\_ of  
\_\_\_\_\_.

Witness my hand and official seal:

(Seal)

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

## EXHIBIT A

### Oil and Gas Lease:

Dated:	February 6, 1970
Recorded:	March 31, 1970 at Reception Number 1544576
Lessor:	Rocky Mountain Fuel Company
Lessee:	T. S. Pace
Lands Described:	E/2NW/4;SW/4NW/4;SE/4; NE/4SW/4