

OIL AND GAS LEASE

RECEPTION#: 832263,
01/29/2007 at 01:39:11 PM, 1 OF 3, R \$16.00

NORMA HATFIELD, CLERK AND RECORDER
FREMONT COUNTY, CO

This Oil and Gas Lease ("Lease") is made effective the 10th day of January, 2007, by and between Kerr-McGee Oil & Gas Onshore LP whose address is 1999 Broadway, Suite 3600, Denver, CO 80202 ("Lessor", whether one or more) and Comet Ridge USA, Inc. with an office at 600 17th Street, Suite 600-S, Denver, Colorado 80202-5402 ("Lessee").

WITNESSETH, For and in Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in County of Fremont, State of Colorado, described to wit:

SEE ATTACHED ADDENDUM WHICH BY THIS REFERENCE IS MADE A PART HEREOF

and containing ~~1.322000~~ 1.440 acres, more or less (the "Premises").

1. It is agreed that this Lease shall remain in full force for a term of three (3) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than one hundred twenty (120) 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 the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within one hundred twenty (120) days from date of cessation of production or from date of completion of a 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, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, 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 the Premises 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 obligations thereafter accruing as to the acreage surrendered.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons eighteen point seventy-five percent (18.75%) of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of eighteen point seventy-five percent (18.75%) of the product sold or used. On product sold at the well, the royalty shall be eighteen point seventy-five percent (18.75%) of the net proceeds realized from such sale. All royalties paid on gas sold or used off the premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at the well, the royalty shall be eighteen point seventy-five percent (18.75%) of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of one hundred twenty (120) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid 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 the Premises for Lessee's operations thereon, except water from the wells of Lessor.

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

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the 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 the Premises 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 Premises and as to any one or more of the formations thereunder, 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. 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, reworking or dewatering 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, reworking or dewatering 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 royalties on production from such unit 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 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 Premises 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 the Premises 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 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 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. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. 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, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more the parties named as Lessor herein 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.

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

Lessor(s): **KERR-McGEE OIL & GAS ONSHORE LP**

Signature(s)

David R. Dix

Taxpayer Identification Number

84-1178723

Name: David R. Dix

Title: Attorney-in-Fact

(ACKNOWLEDGMENT)

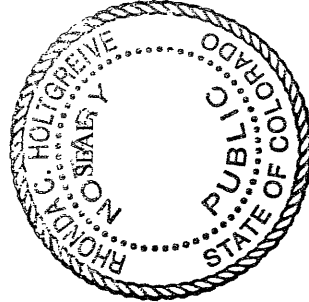
Acknowledgment in representative capacity:

State of Colorado)
County of Denver) ss.

This instrument was acknowledged before me on January 3, 2007 by David R. Dix
as Attorney on Fact of Kerr-McGee Oil & Gas Onshore LP on behalf of said company.

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

My Commission Expires: _____



Rhonda C. Holtgreave
Notary Public

My Commission Expires 03/07/2008

ADDENDUM

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEAS, EFFECTIVE JANUARY 10, 2007, BY AND BETWEEN THE KERR-MCGEE OIL & GAS ONSHORE LP, LESSOR, AND COMET RIDGE USA, INC., LESSEE

The lands covered by this Oil and Gas Lease ("Premises") are described as follows:

Township 20 South, Range 69 West

Section 4: NE/4NE/4, as to depths below the base of the Niobrara formation (40.00 acres)

Section 15: S/2SE/4 (80.00 acres)

Township 19 South, Range 69 West

Section 17: SE/4SW/4, S/2SE/4 (120.00)

Section 20: S/2NW/4 (80.00)

Section 20: NE/4SE/4, as to depths below the base of the Pierre Shale (40.00 acres)

Section 21: All (640.00 acres)

Section 22: S/2NW/4, SW/4 (240.00 acres)

Section 27: NW/4 (160.00 acres)

Section 29: NW/4SW/4, below 3100' (40.00 acres)

Comprising 1,440 acres, more or less
Fremont County, Colorado

Anything to the contrary in the lease to which this Addendum is attached ^{7/12} ~~is~~ ^{not} withstanding:

1. A shut-in gas well shall not extend the term of this lease longer than two years beyond the end of the primary term.
2. This lease shall terminate at the end of the primary term as to as all lands not then included within a producing or spacing unit prescribed by law or administrative authority on which is located a well producing or capable of producing oil and/or gas in commercial quantities or on which Lessee is engaged in drilling or reworking operations, and as to all depths below the deepest then producing formation associated with a production spacing unit. This lease shall not terminate so long as drilling or reworking operations are being diligently prosecuted with not more than 150 days elapsing between the completion of one well and the beginning of operations for drilling another well. In the absence of a prescribed drilling or spacing unit an oil well shall hold the standup eighty acre tract where such well is located and a gas well shall hold the quarter section where such well is located. If at any time the drilling of a well is commenced within less than 150 days after the completion of the prior well, Lessee shall receive a credit for the difference between the actual time period elapsing and the 150 day time period specified herein. Such credited time, if any, shall be cumulative and Lessee shall have the right to use such cumulative time in postponing the time for the commencement deadline of further wells. Lessee agrees that upon expiration of all or any part of this lease a release of those lands will be executed and recorded in the county records within sixty days from the expiration.
3. Lessee agrees to furnish Lessor with a well completion report within sixty days after the completion of any well drilled upon the Premises or on lands pooled therewith.
4. This lease shall not expire, terminate or be forfeited, in whole or in part, nor shall Lessee be liable for failure to comply with any express or implied covenants hereunder so long as compliance therewith is hindered, delayed, prevented or interrupted by force majeure. The term "force majeure" as used herein, shall mean all laws, orders, rules or regulations of any government body (either federal, state, county or municipal), fire, storm, flood, war, rebellion, riots, strikes, differences with workmen, acts of God, breakage or failure of machinery or equipment, inability to obtain material or equipment, including but not limited to drilling rigs, or the authority to use same, including but not limited to drilling permits (after effort in good faith), failure of transportation, or any other cause (whether similar or dissimilar) beyond the control of Lessee.
5. Lessee hereby acknowledges its understanding that within the Premises covered by this Lease, as described above, certain lands as to limited depths may be subject to existing oil and gas leases between Lessor or its predecessor in title and third parties. As to any portion of the Premises and existing wells situated thereon that are subject to such an existing lease, those wells, lands and depths shall be excluded from this Lease.

SIGNED FOR IDENTIFICATION:

KERR-MCGEE OIL & GAS ONSHORE LP

By:



Name: David R. Dix, Attorney-in-Fact