

PRODUCERS 88-PAID UP
Rev. 5-60, No. 2-9pt.-Amended

OIL AND GAS LEASE

THIS AGREEMENT, dated the 1st day of February, 2012, is made and entered into by and between Tailholt Resources, LLC, a Colorado limited company, whose address is 3003 Harmony Road, Suite 400, Fort Collins, Colorado 80528, hereinafter called Lessor (whether one or more) and Grizzly Petroleum Company, LLC, whose address is 1700 Broadway, Suite 650, Denver, CO 80290, hereinafter called Lessee.

WITNESSETH, That the Lessor, for and in consideration of . . . cash in hand paid, the receipt of which is hereby acknowledged, and the covenants and agreements hereinafter contained, has granted, demised, leased and let, and by these presents does grant, demise, lease and let exclusively unto the said Lessee, the land hereinafter described, with the exclusive right for the purpose of drilling, mining, exploring by geophysical and other methods, and operating for and producing therefrom oil and all gas of whatsoever nature or kind, 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:

TOWNSHIP 6 NORTH, RANGE 67 WEST, 6th P.M.

Section 11: Parcel #1: Lot B of Corrected Recorded Exemption No. 0807-11-2-RE 3694 according to that certain map or plat thereof as recorded September 29, 2004 under Reception No. 3223254.

Parcel #2: Lot C of Corrected Recorded Exemption No. 0807-11-2-RE 3694 according to that certain map or plat thereof September 29, 2004 under Reception No. 3223254.

Parcel #3: Lot D of Corrected Recorded Exemption No. 0807-11-2-RE 3694 (including BE) according to that certain map or plat thereof September 29, 2004 under Reception No. 3223254.

Parcel #4: Lot B of Recorded Exemption No. 0807-11-3-RE 3615 according to that certain map or plat thereof as recorded October 23, 2003 under Reception No. 3119803, EXCEPTING THEREFROM Tract B of Hidden Valley Farm Subdivision First Filing, according to that certain map or plat thereof recorded October 24, 2007 under Reception No. 3513226.

Containing 323.004 acres, more or less.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY ALL SURFACE OPERATIONS CONDUCTED UNDER THIS OIL AND GAS LEASE SHALL BE SUBJECT TO A SURFACE USE AGREEMENT DATED THE SAME.

1. 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 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.

In the event a well or wells is drilled and completed on the lands, or on the lands pooled therewith, for the purpose of developing coalbed gas, the word "operations" shall mean, in addition to those matters covered in the preceding paragraph, (1) operations of said wells to remove water or other substances from the coalbed, or to dispose of such water or other substances, even though such operations do not result in the production of hydrocarbons in paying quantities, or (2) shutting-in or otherwise discontinuing production from said wells to allow for surface or underground mining affecting the drillsite or wellbore.

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 one-fifth (1/5) part of all oil produced and saved from the leased premises.

2nd To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, one-fifth (1/5) of the net proceeds derived from such sale or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-fifth (1/5) of such gas and casinghead gas, Lessor's interest, in either case, to bear one-fifth (1/5) of the cost of compressing, dehydrating and otherwise treating such gas or casinghead gas to render it marketable or usable and one-fifth (1/5) of the cost of gathering and transporting such gas and casinghead gas from the mouth of the well to the point of sale or use.

3rd To pay Lessor for gas produced from any oil well and used off the premises or in the manufacture of gasoline or any other product, a royalty of one-fifth (1/5) 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 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 Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

Lessee shall have the right to use, free of cost, gas, oil and water produced on said land for Lessee's operation thereon.

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 said premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations on said land.

10. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

11. The rights of Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's Interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of said land shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this lease is assigned, no leasehold owner shall be liable for any act or omission or any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or utilize 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 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 number of surface acres in such unit.

13. When operations or production are delayed or interrupted by lack of water, labor or material, or by fire, storm, flood, war, rebellion, insurrection, riot, strike, differences with workmen, or failure of carriers to furnish transport or furnish facilities for transportation or lack of market in the field for the minerals produced, or as a result of any cause whatsoever beyond the control of Lessee, the time of such delay or interruption shall not be counted against Lessee and this lease shall remain in force during such delay or interruption and ninety (90) days thereafter, anything in this lease to the contrary notwithstanding.

14. 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 Lessor, for itself and its 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.

15. Should any one or more of the parties hereinabove named as Lessor fail to execute this lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor," as used in this lease, shall mean any one or more or all of the parties who execute this lease as Lessor. All the provisions of this lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

16. Lessee agrees to indemnify and hold Lessor harmless from any and all claims, damages and causes of action arising out of and caused by Lessee's operations on the Land, including, without limitation, any complaints, claims and legal actions that may originate from the surface owner.

17. At Lessee's option the primary term of this lease may be extended from Three (3) years to an additional Two (2) years by paying or tendering to Lessor on or before the expiration of said primary term, an amount equal to One Hundred Percent (100%) of the bonus consideration originally paid for this lease per net mineral acre for the land then covered hereby, said amount to be paid or tendered to Lessor on or before the anniversary date of this lease.

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

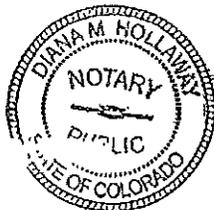
By: *Stanley K. Everitt*
Stanley K. Everitt, as Manager

STATE OF COLORADO)
COUNTY OF WELD Larimer)§

ACKNOWLEDGMENT—INDIVIDUAL

The foregoing instrument was acknowledged before me this 3rd day of February, 2012, by Stanley K. Everitt as the Manager of Tallholt Resources, LLC

WITNESS my hand and official seal.



Diana M. Hollaway
Notary Public:
My commission expires: 1-11-13

After recording return to: Great Western Oil & Gas Company
Attn: Royce Allen
1700 Broadway, Suite 650
Denver, CO 80290