

SURFACE USE AND DAMAGES AGREEMENT AND EASEMENT

THIS SURFACE USE AND DAMAGES AGREEMENT AND EASEMENT (“Agreement”) made and entered into this 7 day of March, 2013, by and **CHANDLER CREEK COMPANIES, a Colorado partnership, DANIEL L. SLANOVICH, and GUS J. SLANOVICH, whose address is P.O. Box 370286, Denver, Colorado** (collectively “Surface Owner”), and Incremental Oil and Gas (Florence) LLC, whose address is 1400 16th Street, Suite 400, Denver, Colorado 80202 (“Operator”). Surface Owner and Operator are also referred to herein individually as a “Party” and collectively as the “Parties.”

RECITALS:

WHEREAS, Surface Owner is the surface owner of certain lands located in Sections 7 and 18 Township 20 South, Range 69 West, 6th PM Fremont County, State of Colorado and further described as follows:

See SCHEDULE A attached hereto

(“Premises”); and

WHEREAS, Operator is the leasehold owner of certain Oil and Gas Lease(s), as set forth on Exhibit “A”, attached hereto and made a part hereof (the “Oil and Gas Lease(s)"); and,

WHEREAS, Operator wishes to use a portion of Surface Owner’s lands for Operator’s proposed oil and gas operations, in order to properly drill, complete, rework, or re-complete, equip, operate, maintain, produce, and plug and abandon any wells and thereafter restore the surface.

AGREEMENT

NOW, THEREFORE, for and in consideration of the sums set forth below, the mutual promises contained herein, the benefits derived by each Party hereunder and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Recitals. The recitals set forth above are hereby incorporated into and made a part of this Agreement.

2. Right-of-Way for Existing Roads. That in order for Operator to enter, drill, complete, produce, and operate oil and/or gas well(s) and well site production facilities on the Premises, it is necessary that it cross and use certain property of Surface Owner, as provided for under the Oil and Gas Lease(s), and the parties do hereby agree as to the damages, the right of entry and surface use thereof. For and in consideration of the hereinafter specified amounts, Surface Owner hereby grants to Operator the non-exclusive right for it, its agents, employees, and contractors, and their agents and employees, to enter upon the surface of the Premises and to use Surface Owner’s existing roads for access to Operator’s operations on the Premises.

3. Termination of Rights. Except as may otherwise be provided herein, this Agreement shall automatically terminate upon the termination of the Oil and Gas Lease(s) with respect to all or any portion of the premises.

4. Normal Damages. Operator shall pay Surface Owner the sums stated below as full settlement and satisfaction of all damages to the Premises as a result of, incident to or in connection with the usual and customary exploration, drilling, completion and production from wells to be located on the Premises. No payments shall be required under this section if Operator elects not to construct a well pad on the Premises.

a. Well Pads. Operator agrees to pay Surface Owner the sum of _____ per well pad, limited to an area not to exceed Four (4) acres in size, exclusive of access roads constructed on the Premises, regardless of the number of wells drilled from such pad, for use of the well pad area, preparation and use of mud, reserve and water pits, construction, installation and maintenance of production equipment and facilities such as electrical lines, flow lines, gas pipelines, separators, treaters, tank batteries and any other equipment or facilities necessary or convenient for the production, transportation, gathering and sale of oil and/or gas, including burial of plastic pit liner on location;

b. Cropland Locations. All crop damages, if any, will be paid according to prevailing local rates. If necessary, the Colorado Department of Agriculture will arbitrate for any conflict between surface owner’s damage claims and Operator’s proposed settlement;

c. New Access Roads. _____ per rod for right-of-way and surface damages from construction of new access roads located on the Premises; and
d. Pipelines. _____ per rod for right-of-way and surface damages for the installation of buried gas or oil pipelines that are not located in the same right-of-way as roads constructed per Article 4.b. above.

5. Annual Payments. In the event one or more wells are completed as capable of producing oil and/or gas and a tank battery is set, then for each year that IOG has operations on the Premises, Operator shall pay Surface Owner an additional consideration as follows:

1. _____ per acre for use of each well pad including production equipment and tanks located on the Premises to be paid annually on the anniversary date of the completion of the first productive well on such well pad as such completion date is defined by the Colorado Oil and Gas Conservation Commission (the "COGCC"); and
2. _____ per acre annually on such anniversary date for the continuing use of Surface Owner's existing roads and any other roads constructed by Operator located on the Premises.

6. Unusual Damages. If the operations of Operator cause damage to real or personal property upon the Premises which is not associated with usual, convenient and customary operations, including but not limited to, damage to livestock, fences, culverts, cement ditches, and irrigation systems, Operator shall promptly repair such damage or pay reasonable compensation for same to Surface Owner.

7. Consultation. If requested by Surface Owner, Operator shall consult with Surface Owner or Surface Owner’s representative as to the location of the well pad, access roads, flow lines, tank batteries, gas sales lines, and other associated production facilities and to coordinate the movement of equipment into and out of the location. The design, construction and/or installation of the well site location, access roads, flow lines, tank batteries, gas sales lines, and other associated production facilities will be at the discretion of Operator. Surface Owner shall not unreasonably delay Operator’s activities as contemplated in this Agreement.

8. Waiver of COGCC Rule 305 and 306 Notices. Surface Owner hereby waives the twenty (20) day posting notice required by the Colorado Oil and Gas Conservation Commission ("COGCC") Rule 305 and the thirty (30) day advance notice required by the COGCC Rule 306 and agrees to execute a separate waiver for filing with the COGCC if requested by Operator as to wells drilled hereunder.
9. Notice to Tenants. With respect to notices required to be given under COGCC Rule 305, it shall be the responsibility of the Surface Owner to give notice of the proposed operation to the tenant farmer, lessee or other party that may own or have an interest in any crops or surface improvements that could be affected by such proposed operations. As a courtesy to Surface Owner and tenant(s), Operator will attempt to notify said third party prior to commencement of operations, but shall be under no obligation to do so.
10. Topsoil Reclamation. All topsoil removed during well pad preparation and reserve and water pits construction (but not including buried flow lines and gas pipeline installations, which will be accomplished by trenching, if less than 24 inches in width) shall be segregated and kept separate from subsoil. Prior to replacing topsoil, bentonite drilling mud and fluids remaining in pits as a result of drilling operations shall be removed and/or may be spread on the surface if so desired by Surface Owner. After subsoil has been replaced, topsoil shall be restored to its original location and condition as nearly as reasonably practical in the course of restoration activities. Operator shall replant natural grasses and take all reasonable steps necessary to assure there is no soil erosion directly resulting from Operator's activities.
11. Site Restoration. Operator shall restore the Premises to its original condition upon completion of a well, as nearly as reasonably practical. All unneeded surface equipment and materials associated with operations, such as concrete, plastic, pipe, cable, and similar waste materials and refuse, shall be removed and the pit liner buried. Weather permitting, reclamation and restoration operations shall be completed as soon as is reasonably feasible following completion of drilling and subsequent related operations or the plugging and abandonment of the last well on each well pad, as applicable.
12. Mud, Reserve and Water Pits. Operator agrees to use reasonable efforts to minimize the size of mud, reserve and water pits upon the Premises. Such pits shall be adequately fenced with such fencing to be maintained regularly.
13. Prohibitions. The possession of firearms, alcohol, and illegal drugs upon the Premises shall be prohibited. No hunting or fishing shall be allowed. Access to the Premises shall be limited to existing or newly constructed roads.
14. Gates and Livestock. If livestock are present, Operator's employees, contractors or representatives shall give due consideration to livestock on the Premises and shall close all gates after use or shall post a gate guard at any such gate that is opened for a period longer than that necessary to allow for immediate traffic to pass so as to prevent any livestock from passing through the gates. Operator shall be allowed to possess its own key or lock to all gates used to access well pads and related equipment and facilities.
15. Road and Well Pad Maintenance. At Operator's discretion, adequate road base material shall be applied to improve access roads and tank battery sites where necessary. Operator shall maintain roads utilized by Operator to minimize excessive dust and avoid erosion. Road markers shall be installed to assure effective road location identification. At the discretion of Operator, water bars, culverts and double ditching shall be used to protect the surface and shall be regularly maintained. Surface Owner hereby consents (Per COGCC Rule 907d.3.B.iii) to Operator being allowed to apply drilling fluids, including water based bentonitic drilling fluid, to the site and access road for maintenance and dust control.
16. Successor, Assigns and Agents. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their agents, successors, and assigns and may be executed in counterparts and/or on different dates, each of which shall be deemed to be an original for the purpose hereof.
17. Damages and Indemnity. Operator on behalf of it and all employees, contractors and representatives conducting work upon the Premises pursuant to this Agreement agrees that it will be fully and solely responsible to Surface Owner for damages and indemnity as follows:
 - a. Damages. Operator shall be responsible for all damages directly or proximately caused by its operations to persons, property, including but not limited to gates, bridges, roads, culverts, cattle guards, fences, dams, water bars, dikes, natural vegetation, grain and grain fields, pastures, hay meadows, stock watering facilities, livestock and all other improvements. Should any fences be destroyed or damaged, directly or proximately caused by the operations of Operator, they shall be repaired by Operator within forty-eight (48) hours of receiving notification from Surface Owner, or Surface Owner may conduct or contract for third parties to conduct such repairs and bill Operator for actual time and expenses incurred at a rate not to exceed \$50.00 per hour.
 - b. Indemnity. Operator agrees to indemnify and hold harmless Surface Owner and Surface Owner's agents and employees against any loss, liability, expense or damage incurred by third persons or damage to property arising out of or resulting from Operator's activities on the Premises, including violation of law, order, rule or regulation, except any such injury or death caused directly by Surface Owner's gross negligence or willful misconduct.
 - c. Insurance. Operator shall carry commercial general liability and comprehensive automobile insurance in amount and content sufficient to pay for all damages, losses, or injuries of any kind to persons or property or both, caused by its operations and shall make Surface Owner an additional insured on such policy or policies. Prior to entering the Premises, Operator shall furnish to Surface Owner copies of certificates from insurance carriers showing the date of expiration for each policy, inclusion of the Surface Owner as an additional insured and agreement of the carrier that policies will not be cancelled or changed until after at least twenty (20) days written notice to Surface Owner.
18. COGCC Rules and Regulations. Operator agrees to comply with all the COGCC rules and regulations regarding the activities proposed herein.
19. Interpretation. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Colorado, except to the extent that it shall be necessary to comply with federal laws, rules or regulations. No covenants or conditions not expressed in the Agreement shall effect or be effective to interpret, change or restrict this Agreement. No change or amendment of any of the provisions hereof shall be binding unless in writing executed by both Parties, nor shall any waiver be deemed effective unless executed in writing.
20. Additional Provisions.
 - a. Liens. Operator shall, at its sole cost, keep the property free and clear of liens and encumbrances resulting from its activities hereunder.
 - b. No Warranty. This Agreement extends to the rights of Surface Owner and is in no way a guarantee or warranty of Surface Owner's ownership interest.
 - c. Recordation. This Agreement shall not be placed of record without the written consent of the Parties. However, the Parties agree to execute a Memorandum of Agreement suitable for recording, and which may be recorded by either party, generally referring to this Agreement and describing in general or specific terms, the location of any site, facility, road or pipeline of Operator. In the event such Memorandum of Agreement is placed on record, Operator agrees to execute and deliver to Surface Owner, upon termination of its use of the Premises, a release

instrument, suitable for recording, to terminate the rights contained herein and under said Memorandum of Agreement. This Agreement shall be considered confidential in nature by the parties hereto.

IN WITNESS WHEREOF, the parties have set their hands effective as of the day and year first above written.

OPERATOR

INCREMENTAL OIL AND GAS (FLORENCE) LLC



Sharon Regan-Williams

Vice President Land & Business Development

Date: 12 Mar 2013

SURFACE OWNER

CHANDLER CREEK COMPANIES



By: GUS J. SLANOVICH

Date: 3-11-2013

Title: GENERAL PARTNER



Daniel L. Slanovich

Date: 3-11-2013



Gus J. Slanovich

Date: 3-11-2013

SCHEDULE A

Order Number: 99011394

LEGAL DESCRIPTION

A TRACT OF LAND IN SECTION 7 AND 23, TOWNSHIP 20 SOUTH, RANGE 69 WEST OF THE 6TH P.M., FREMONT COUNTY, COLORADO, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTH 1/4 CORNER OF SAID SECTION 7, THENCE ON THE FOLLOWING 36 COURSES;

1. SOUTH 89-46-32 WEST, ON THE NORTH LINE OF SAID SECTION 7, 1027.07 FEET TO A POINT ON THE EASTERLY BOUNDARY LINE OF A STRIP OF LAND DESCRIBED ON BOOK 522 AT PAGE 545 OF THE FREMONT COUNTY, COLORADO RECORDS, (THE NEXT 24 COURSES SHALL BE ON SAID EASTLINE LINE)

2. SOUTH 50-00-23 EAST, 1295.36 FEET

3. CURVE RIGHT, CENTRAL ANGLE 5-19-00, RADIUS 813.78 FEET, LENGTH 75.52 FEET, THE CHORD OF WHICH BEARS SOUTH 47-28-53 EAST TO INTERSECT THE NORTH-SOUTH CENTERLINE OF SAID SECTION 7

4. NORTH 01-29-17 WEST, ON SAID LINE, 32.94 FEET

5. CURVE RIGHT, CENTRAL ANGLE 11-13-55, RADIUS 838.78 FEET, LENGTH 164.23 FEET, THE CHORD OF WHICH BEARS SOUTH 40-59-16 EAST

6. SOUTH 35-22-19 EAST, 826.68 FEET

7. SOUTH 54-27-41 WEST, 25.00 FEET

8. CURVE RIGHT, CENTRAL ANGLE 45-56-34, RADIUS 623.96 FEET, LENGTH 504.96 FEET, THE CHORD OF WHICH BEARS SOUTH 10-09-02 EAST

9. SOUTH 11-04-15 WEST, 1741.10 FEET

10. CURVE LEFT, CENTRAL ANGLE 9-07-00, RADIUS 1049.93 FEET, LENGTH 298.54 FEET, THE CHORD OF WHICH BEARS SOUTH 06-30-45 WEST

11. SOUTH 01-57-15 WEST, 634.90 FEET

12. CURVE RIGHT, CENTRAL ANGLE 32-40-00, RADIUS 813.78 FEET, LENGTH 170.28 FEET, THE CHORD OF WHICH BEARS SOUTH 18-47-15 WEST

13. SOUTH 35-37-15 WEST, 589.00 FEET

14. CURVE RIGHT, CENTRAL ANGLE 13-39-00, RADIUS 814.06 FEET, LENGTH 151.57 FEET, THE CHORD OF WHICH BEARS SOUTH 42-11-45 WEST

15. SOUTH 49-06-15 WEST, 525.46 FEET (THE NEXT 21 COURSES SHALL BE ON THE NORTHERLY BOUNDARY LINE OF LOCKE MOUNTAIN RANCH FEELING RE)

16. SOUTH 49-13-20 WEST, 227.91 FEET

Continued on next page

Continuation of Schedule A - Legal Description

Order Number: 9901324

17. NORTH 69-03-17 EAST, 537.52 FEET
18. SOUTH 77-32-07 WEST, 197.10 FEET
19. SOUTH 50-31-39 EAST, 142.62 FEET
20. SOUTH 11-46-41 EAST, 126.59 FEET
21. SOUTH 19-57-43 WEST, 247.34 FEET
22. SOUTH 35-50-34 WEST, 223.77 FEET
23. SOUTH 29-12-59 WEST, 102.23 FEET
24. SOUTH 34-31-47 EAST, 10.77 FEET
25. NORTH 71-34-06 EAST, 71.40 FEET
26. NORTH 60-56-14 EAST, 292.13 FEET
27. NORTH 43-54-13 EAST, 197.77 FEET
28. NORTH 31-40-37 EAST, 295.50 FEET
29. NORTH 42-44-08 EAST, 204.75 FEET
30. NORTH 32-52-47 EAST, 404.89 FEET
31. NORTH 17-59-12 EAST, 76.58 FEET
32. NORTH 23-37-10 EAST, 227.40 FEET
33. NORTH 11-35-10 EAST, 172.63 FEET
34. NORTH 45-18-11 EAST, 503.42 FEET
35. NORTH 61-09-00 EAST, 209.89 FEET
36. NORTH 30-49-12 EAST, 1017.60 FEET TO INTERSECT THE EAST LINE OF SAID SECTION 7
37. NORTH 04-11-01 WEST, ON SAID EAST LINE, 3081.86 FEET TO THE NONNORWICH CORNER THEREOF
38. NORTH 89-48-31 WEST, ON THE NORTH LINE OF SAID SECTION 7, 2495.06 FEET TO THE POINT OF BEGINNING.

Exhibit A to Lease Agreement
between Prize Energy Resources, LP and Pine Ridge Oil & Gas LLC
dated March 11, 2011
and Prize Energy Resources, LP and Pine Ridge Oil & Gas LLC
dated June 30, 2011

LEASE CONTRACT NO. _____

---oOo---

Between

PRIZE ENERGY RESOURCES, LP

And

PINE RIDGE OIL & GAS LLC

---oOo---

AGREEMENT

Oil and Gas Sublease
1,678.71 Acres of Land
Fremont County, Colorado
Dated June 30, 2011

OIL AND GAS SUBLEASE

THIS Oil and Gas Sublease (hereinafter called "Sublease") is entered into effective the 30th day of June, 2011, between PRIZE ENERGY RESOURCES, L.P. a Delaware limited partnership, (hereinafter called "Sublessor"), whose address is 1700 Lincoln Street, Suite 1800, Denver, Colorado 80203 (whether one or more) and PINE RIDGE OIL & GAS, L.L.C. (hereinafter called "Sublessee"), whose address is 600 17th Street, Suite 800-S, Denver, CO 80202.

1. Sublessor, for and in consideration of the payment by Sublessee of the sum of _____, and other good and valuable consideration, the receipt of which is hereby acknowledged, and of the observance and performance of the covenants, stipulations, conditions and agreements hereafter contained on the part of Sublessee to be paid, kept and performed, has granted, demised, leased and let and does by these presents grant, demise, lease and let unto the said Sublessee for the sole and only purpose of exploring, mining, drilling and operating for the production of oil, gas, casinghead gas and all other gaseous or liquid hydrocarbon substances and all other mineral substances produced in association therewith, including helium and CO₂ (hereinafter sometimes referred to as "leased substances") and laying pipelines, building tanks, power stations and structures thereon to produce, save, take care of, treat and transport all of said products in, on or under certain tracts of land in the County of Fremont, State of Colorado, more particularly described in attached Exhibit "A" ("leased lands") for a primary term of thirty-six (36) months from the date of this Sublease and for as long thereafter as any of the leased substances is produced in paying quantities from the leased lands. For the consideration hereinabove recited, this Sublease shall remain in full force and effect during the primary term, without any additional payment (except any royalties that may become due) to Sublessor, and without Sublessee being required to conduct any operations on the leased lands.

Notwithstanding any provision hereof to the contrary, this Sublease does not cover or include coal, uranium, geothermal steam, water (except insofar as required in Sublessee's operations upon the leased lands), potash or other mineral substances except those specifically described in the preceding paragraph.

Sublessee acknowledges that Sublessor is a successor lessee pursuant to that certain Oil and Gas Lease (the "Lease") dated September 15, 1988, by and between Santa Fe Pacific Mining, Inc., as Lessor, and Santa Fe Energy Company, as Lessee, recorded at Book 908, Page 262 of the records of Fremont County, Colorado, both covering the leased lands, among other lands, and that the rights of Sublessee under this Sublease are limited by the rights acquired by Sublessor pursuant to the Lease, and nothing contained in this Sublease is intended to imply that Sublessee has any greater rights than those granted Sublessor in the Lease.

2. The royalties reserved by Sublessor, inclusive of the royalty due to the Lessor under the Lease, and which shall be paid by Sublessee free of cost to Sublessor are:

(i) On oil, including condensate, distillate and all other liquid hydrocarbons, twenty percent (20%) of that produced and saved from or attributable to said leased lands, the same to be delivered at the wells or to the credit of Sublessor in the pipelines or tanks to which the wells may be connected. Sublessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing in the field where produced on the date of purchase;

(ii) On gas, including casinghead gas and all other gaseous or vaporous substances produced from or attributable to said leased lands and sold or used off the said land the market value at the well of twenty percent (20%) of the gas so sold or used, provided that when Sublessee shall sell gas at the wells, Sublessor's royalty thereon shall be twenty percent (20%) of the amount realized from such sale. In the event Sublessee shall itself use gas produced from the leased lands in the manufacture of gasoline or other products therefrom, or the residue thereof, the royalty to Sublessor shall be twenty percent (20%) of the market value at the well of the gas so used. As used in this paragraph, the term "market value" shall not be less than the maximum lawful price for the gas after giving effect to applicable regulatory orders and/or price adjustments specified in gas purchase agreements and regulatory orders. In the event Sublessee

compresses, treats, purifies or dehydrates or transports gas off the leased lands to a point of sale, Sublessee in computing royalty may deduct from the amount otherwise payable to Sublessor reasonable charges for each of the functions performed. Sublessee shall have free use of all leased substances from the lands for its operations on the leased lands without payment of any royalty to Sublessor;

(iii) As royalty on all other leased substances produced and marketed from the leased lands twenty percent (20%) of the proceeds received by Sublessee from the sale thereof after deducting the processing costs, except that royalty on sulphur shall be _____ per long ton marketed;

(iv) The royalties due Sublessor pursuant to (i), (ii) & (iii) shall be computed and paid on the basis of the maximum prices for which Sublessee may sell such oil, gas and all other fluid hydrocarbon substances under applicable law;

(v) At any time when this sublease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut-in, either before or after production there from then on or before ninety (90) days after said well is shut-in, and thereafter at annual intervals, Sublessee may pay or tender an advance shut-in royalty in the amount of ten dollars (\$10.00) per acre, inclusive of the shut-in royalty, if any, due to the Lessor under the Lease, and so long as said shut-in royalty is paid or tendered this Sublease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased lands in paying quantities. The payment or tender of shut-in royalty may be made by check to Prize Energy Resources, L.P., whose address is 1700 Lincoln St., #1800, Denver, CO 80203, on or before the due date. Any timely payment or tender of shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this Sublease in the same manner as though a proper payment had been made; provided, however, Sublessee shall correct such error within thirty (30) days after Sublessee has received written notice thereof by certified mail from Sublessor together with such instruments as are necessary to enable Sublessee to make proper payment. Sublessee's failure to make a bona fide attempt at payment or tender of shut-in royalty shall result in termination of this Sublease.

If the leased lands are pooled or combined with other lands, then the royalty payable hereunder shall be based on the percentage of the pooled or combined lands comprised by the leased lands. If Sublessor owns less than the full royalty, then the royalty shall be reduced in proportion to the actual interest owned by Sublessor.

3. Sublessee is hereby granted the right and power, from time to time, to pool or combine this Sublease, and land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas so long as such pooling is not prohibited by law or governmental authority. Sublessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this Sublease. There shall be allocated to the land covered by this Sublease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any minerals used in lease or unit operations, which the number of surface acres in the land covered by this Sublease included in the unit bears to the total number of surface acres in the unit. The operations on or production from any part of any such unit shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this Sublease. Any pooled unit designated by Sublessee, as provided herein, may be dissolved by Sublessee by recording any appropriate instrument in the county where the land is situated at any time after the completion of a dry hole or the cessation of production from said unit.

4. If at the expiration of the primary term oil or gas is not being produced and Sublessee is then engaged in operations for drilling or reworking of any well, this Sublease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than ninety (90) consecutive days. If during the drilling or reworking of any well under this paragraph, Sublessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations, Sublessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this Sublease shall remain in full force so long thereafter as oil or gas is produced hereunder.

5. Sublessee shall have free use of oil, gas and water from said land for all operations hereunder, and the royalty shall be computed after deducting any so used, Sublessee shall have the right at any time during or after the expiration of this Sublease to remove all property and fixtures placed by Sublessee on said land including the right to draw and remove all casing. When required by Sublessor, Sublessee will bury all pipelines on cultivated lands below ordinary plow depth.

6. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change or division in the ownership of land, or in the ownership of or right to receive royalties however accomplished, shall operate to enlarge the obligations or diminish the rights of Sublessee; and such change or division shall not be binding upon Sublessee for any purpose until thirty (30) days after Sublessee has been furnished by certified mail at Sublessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original Sublessor. An assignment of this Sublease, in whole or in part, shall to the extent of such assignment, relieve and discharge Sublessee of any obligations hereunder, and, if Sublessee or assignee or part or parts hereof shall fail to comply with any other provision of the Sublease, such default shall not affect this Sublease insofar as it covers a part of said lands upon which Sublessee of any assignee thereof shall so comply.

7. Should Sublessee be prevented from complying with any express or implied covenant of this Sublease, or from conducting drilling or reworking operations hereunder, or from producing oil and/or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Sublessee's duty shall be suspended, and Sublessee shall not be liable for failure to comply therewith; and this Sublease shall be extended while and so long as Sublessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil and gas hereunder; and the time while Sublessee is so prevented shall not be counted against Sublessee anything in this Sublease to the contrary notwithstanding.

8. It is mutually agreed that Sublessor does not warrant the title or the quiet possession of said land, or of said oil and/or gas, in whole or in part, to Sublessee against the claims of any person or persons claiming or purporting to claim the same or any part thereof adversely to Sublessor; and Sublessor shall in no event be liable to Sublessee because of any lack or failure of title in Sublessor in the same or the eviction of Sublessee therefrom, and it is mutually understood that no covenant of warranty shall be implied from any word or words herein contained. Sublessor agrees that Sublessee at its option may discharge any tax, mortgage or other lien upon said lands, and in the event Sublessee does so it shall be subrogated to said lien with the right to enforce same, and to apply royalties accruing hereunder toward satisfying same. It is agreed that if Sublessor owns an interest in said oil and gas less than the entire and undivided fee simple estate therein, then royalties to be paid Sublessor hereunder shall be paid said Sublessor only in the proportion which its interests bears to the whole and undivided fee. Sublessee shall not contest the validity of the title of Sublessor to any of the leased lands conveyed by patent, grant or other conveyance from the United States Government or any of its agencies to Sublessor or its predecessors, or any title reserved to Sublessor or its predecessor upon the transfer of any interest in the leased lands by them.

9. Sublessee shall comply with all constitutions, statutes, ordinances, regulations, rules, orders, decisions and other actions of all governmental authorities which have valid jurisdiction over the leased lands or Sublessee's operations or activities on the leased lands.

10. Sublessee's exercise of its rights under this Sublease shall not unreasonably interfere with Sublessor's operations or activities on the leased lands for minerals or substances other than leased substances.

11. Sublessee shall comply with and perform the obligations of Sublessor under any agreement between Sublessor and the owners of the surface estate of the leased lands as the obligations relate to Sublessee's operations and activities on the leased lands, provided however, that any obligation of Sublessor for the payment of production royalties to the owners of the surface estate shall remain the obligation of Sublessor and be paid or payable out of the royalties reserved to Sublessor by this Sublease. Any obligation or liability to the owners of the surface estate arising after the date hereof and not covered by Sublessor's prior agreement with the surface owners shall be the sole obligation of Sublessee.

12. Sublessee shall at its own expense discharge and remove all liens or encumbrances on the leased lands which are the result or consequence of Sublessee's operations or activities. Sublessee shall pay all taxes, with the exception of taxes under the Windfall Profit Tax Act or any other excise tax, resulting from the exercise of its rights under this Sublease. All royalties will be paid after deducting from such royalty Lessor's proportionate amount of all gross production and severance taxes.

13. Sublessee shall develop the leased lands retained under this Sublease until they have been fully developed by the drilling of wells to the maximum density permitted by lawfully established rules or regulations of the state or federal regulatory body having jurisdiction over the field embracing the leased lands. In the absence of such rules or regulations, the leased lands shall be drilled to a density of not less than one well for production of oil to forty (40) acres and drilled to a density of not less than one well for the production of gas to eighty (80) acres.

Failure to drill wells to these densities shall terminate this Sublease except as to all wells producing oil or gas in paying quantities or being drilled or reworked and as to the area of the leased lands comprising the spacing units surrounding each well with the well in the center thereof as nearly as practical. This Sublease shall not terminate as to easements and right-of-ways necessary for Sublessee's operations on the retained spacing units provided that production from each spacing unit shall be continuous and upon the cessation of production therefrom is restored within ninety (90) days from such cessation by drilling or reworking operations thereon, or otherwise maintained in force provided elsewhere in this Sublease.

If at the expiration of the primary term hereof, oil or gas is being produced or if after production has been established Sublessee is then engaged in drilling or reworking operations on the leased lands, this Sublease shall remain in force and effect as to unreleased acreage not developed in accordance with the pattern set forth above, so long as after the date of the expiration of the primary term (or the date drilling or reworking operations cease if being conducted), Sublessee does not permit more than one hundred eighty (180) days to elapse before commencing the next well on subject lands and thereafter shall not allow more than one hundred eighty (180) days to elapse between the completion or abandonment of one well and commencement of another.

To assure that Sublessor is at all times fully advised on all matters pertaining to this Sublease, Sublessee shall promptly when issued or prepared deliver to Sublessor copies of location reports, permits to drill, permits or directives issued by all governmental authorities and all reports made to regulatory bodies.

Upon expiration of the primary term hereof, or the end of the continuous development period, whichever is the latter, this Sublease shall terminate as to all rights below the stratigraphic equivalent of one-hundred feet (100') below the base of the deepest producing interval from which oil and/or gas is then being produced in paying quantities from the leased

lands or from acreage with which leased lands may then be pooled, and Sublessee shall promptly thereafter execute and deliver a release evidencing such termination.

14. (a) Sublessee shall indemnify and hold Sublessor harmless for and against payment of or responsibility for all expenses, liabilities, claims, demands, causes of actions, damages, and expenditures of any kind or type whatsoever incurred in connection with or arising, in whole or in part, out of any act or omission of Sublessee under this Sublease, including, but not limited to, any act or omission of Sublessee in the development, construction, operation, and reclamation of wells or facilities and the properties or performance of any of the terms and conditions of this Sublease. Sublessee shall assume all responsibility and expense for defense of any claims, demands, actions, or other legal proceedings of any kind or type whatsoever brought against or involving Sublessor in connection with or arising, in whole or in part, out of any act or omission of Sublessee in the development, construction, operation or reclamation of the leased lands or performance of any of the terms and conditions of this Sublease. Nothing contained in this Paragraph 14 shall affect Sublessor's right to participate in, initiate or prosecute any legal proceedings Sublessor deems necessary to preserve or enforce its rights in the leased lands or pursuant to the terms of this Sublease. For purposes of this Paragraph 16, "any act or omission of Sublessee" shall include any act or omission of Sublessee or its assignee, or anyone acting by, through or under Sublessee or its assignee, including any agent, employee, invitee, or licensee of Sublessee or its assignee, or any independent contractor employed by Sublessee or its assignee, or any agent, employee, invitee, or licensee of such contractor.

(b) Sublessee's obligation to indemnify under Paragraph 16 (a) shall not extend to liability, claims, damages, losses, or expenses, including attorneys' fees arising out of:

(i) the preparation or approval of maps, drawings, opinions, reports, surveys, change orders, designs or specifications by Sublessor, or the agents or employees of Sublessor; or

(ii) the preparation of or the failure to give directions or instruction by Sublessor, or the agents or employees of Sublessor, where such giving or failure to give directions or instructions is the primary cause of bodily injury to persons or damage to property.

(c) Sublessee shall have no obligation under Paragraph 16 (a) to indemnify Sublessor against loss or liability for:

(i) death or bodily injury to persons; or

(ii) injury to property, or

(iii) any other loss, damage or expense arising under (i) or (ii) or

both; or

(iv) any combination of these,

arising from the sole or concurrent negligence of Sublessor or the agents or employees of Sublessor or any independent contractor who is directly responsible to Sublessor, or from any accident which occurs in operations carried on at the direct or under the supervision of Sublessor or an employee or representative of Sublessor or in accordance with methods and means specified by Sublessor or employees or representatives of Sublessor.

15. This Sublease may for recording purposes be reduced to memorandum, which memorandum may be recorded in the county records of the county in which the leased lands are located.

16. This Sublease is subject to that certain Seismic Option Agreement dated the 1st day of November, 2010, between Sublessor and Sublessee.

17. The rights of Sublessee under this Sublease shall be subject to the rights of all persons holding as of the date of this Sublease an interest in the mineral estate in any part of the leased lands by, through or under Newmont Realty Company.

18. Sublessor, at all reasonable times during office hours, shall have access to Sublessee's records and books of account relating to the production of oil, gas and all other fluid hydrocarbon substances from any drilling unit or units of which the Leased Lands or any part thereof constitutes a part. However, only such representatives of Sublessor as are duly authorized by it in writing to examine such records and books of account need to be given access thereto by Sublessee.

19. All amounts due Newmont Realty Company or Sublessor by Sublessee hereunder shall be payable respectively to Newmont Realty Company at the place of business identified in the Newmont Realty Company lease and Sublessor c/o Cimarex Energy Co., Lock Box 774031, 4031 Solutions Center, Chicago, IL 60677-4000, attention revenue accounting or as may otherwise be directed by any of them in compliance with the Newmont Lease or this Sublease. Settlement for any payment of all royalties shall be made on or before twenty (20) days following the last day of the month during which the oil, gas or any other fluid hydrocarbon substances are produced.

20. Sublessee shall, at the time of abandonment and in accordance with the rules and regulations of any governmental body having jurisdiction, plug any abandoned well on any drilling unit of which the leased lands or any part thereof constitutes a part.

21. Sublessee shall furnish Sublessor as soon as practicable, after receipt and without cost to Sublessor, copies of title opinions, daily drilling reports by mail to the attention of Land Manager, core records reports, core analysis reports, well completion reports, bottom hole pressure measurement reports, directional survey records, all logs showing the results of electrical surveys, gas and oil ratio reports, State or Federal conservation orders or regulations pertaining to the leased premises, and any and all other reports which pertain to the drilling or completing of wells located on the leased premises or on land pooled therewith.

IN WITNESS WHEREOF, this agreement has been duly executed in duplicate by the parties hereto, the day and year first above written.

SUBLESSOR:

PRIZE ENERGY RESOURCES, L.P.

By: Prize Operating Company,
sole general partner

By: 

Name: Stephen P. Bell

Title: Senior Vice President

SUBLESSEE:

PINE RIDGE OIL & GAS, LLC 

By: 

Name: Andy Wyke

Title: CEO

STATE OF COLORADO

COUNTY OF DENVER

The foregoing instrument was acknowledged before me this 29th day of June, 2011, by Stephen P. Bell, as Senior Vice President, of PRIZE OPERATING COMPANY, a Delaware corporation, the sole general partner of PRIZE ENERGY RESOURCES, L.P., a Delaware limited partnership, on behalf of said corporation, acting as General Partner on behalf of PRIZE ENERGY RESOURCES, L.P.

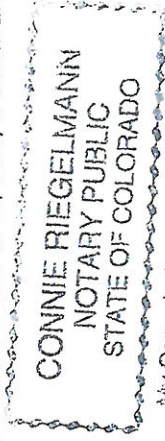


Nancy Blumlein
Notary Public - State of Colorado
My commission expires: 2-17-2015

STATE OF COLORADO

COUNTY OF DENVER

The foregoing instrument was acknowledged before me this 23^d day of June, 2011, by Andy Lydyck, as CEO of PINE RIDGE OIL & GAS, LLC, a Delaware limited liability company, on behalf of said company.



Connie Riegelmann
Notary Public - State of Colorado
My commission expires: 2/25/2014

EXHIBIT 'A'

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS SUBLEASE BY
AND BETWEEN PRIZE ENERGY RESOURCES, L.P. AND PINE RIDGE OIL & GAS, LLC.

FREMONT COUNTY, COLORADO

| Section-Township-Range | Description | Acres |
|-----------------------------|--------------------|----------|
| 18-19S-69W | NW/4 | 160.00 |
| 18-19S-69W | N/2SW/4 | 76.92 |
| 18-19S-69W | SE/4SE/4 | 40.00 |
| 19-19S-69W | E/2NE/4 | 80.00 |
| 19-19S-69W | SE/4NW/4 | 40.00 |
| 19-19S-69W | SE/4SW/4 | 40.00 |
| 30-19S-69W | SW/4NW/4 | 40.00 |
| 30-19S-69W | SW/4SW/4 | 38.40 |
| 30-19S-69W | NW/4SW/4 | 38.40 |
| 31-19S-69W | NW/4NW/4 | 37.88 |
| 31-19S-69W | SW/4SW/4, less R/W | 33.04 |
| 31-19S-69W | SW/4SW/4 R/W | 6.28 |
| 31-19S-69W | SW/4NW/4, NW/4SW/4 | 80.00 |
| 7-20S-69W | N/2, SE/4 | 491.40 |
| 36-19S-70W | NE/4NE/4, less R/W | 36.39 |
| 36-19S-70W | SW/4SE/4 | 40.00 |
| 36-19S-70W | SE/4SE/4 | 40.00 |
| 36-19S-70W | N/2SE/4, SE/4NE/4 | 120.00 |
| 1-20S-70W | S/2NE/4, SE/4 | 240.00 |
| Total Acres, more or less = | | 1,678.71 |

End of Exhibit 'A'