

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011 or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 333-152571

Recovery Energy, Inc.

(Name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of incorporation or organization)

74-3231613

(I.R.S. Employer Identification No.)

1515 Wynkoop Street, Suite 200, Denver, CO 80202

(Address of principal executive offices, including zip code)

Registrant's telephone number including area code: (303)-951-7920

Securities registered under Section 12(b) of the Act:

None

Securities registered under Section 12(g) of the Act:

Title of each class

\$0.0001 par value Common Stock

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Indicate by check mark if the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the aggregate market value of voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the fiscal quarter ending June 30, 2011: \$91,409,723

As of March 9, 2012, 17,532,711 shares of the registrant's common stock were issued and outstanding.

FORM 10-K ANNUAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2011
RECOVERY ENERGY, INC

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FORWARD-LOOKING STATEMENTS

This annual report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning future production, reserves or other resource development opportunities, any projected well performance or economics, or potential joint ventures or strategic partnerships; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “should,” “could,” “estimate,” “intend,” “plan,” “project,” “continue,” “believe,” “expect” or “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this presentation. Except as required by law, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The factors impacting these risks and uncertainties include, but are not limited to:

- *estimated quantities and quality of oil and natural gas reserves;*
- *exploration, exploitation and development results;*
- *fluctuations in the price of oil and natural gas, including reductions in prices that would adversely affect our revenue, cash flow, liquidity and access to capital;*
- *availability of capital on an economic basis, or at all, to fund our capital needs;*
- *availability of, or delays related to, drilling, completion and production, personnel, supplies and equipment;*
- *the timing and amount of future production of oil and gas;*
- *the completion, timing and success of our drilling activity;*
- *the inability of management to effectively implement our strategies and business plans;*
- *potential default under our secured obligations or material debt agreements;*
- *lower oil and natural gas prices negatively affecting our ability to borrow or raise capital, or enter into joint venture arrangements;*
- *declines in the values of our natural gas and oil properties resulting in write-downs;*
- *inability to hire or retain sufficient qualified operating field personnel;*
- *increases in interest rates or our cost of borrowing;*
- *deterioration in general or regional (especially Rocky Mountain) economic conditions;*
- *the strength and financial resources of our competitors;*
- *the occurrence of natural disasters, unforeseen weather conditions, or other events or circumstances that could impact our operations or could impact the operations of companies or contractors we depend upon in our operations;*
- *inability to acquire or maintain mineral leases at a favorable economic value that will allow us to expand our development efforts;*
- *delays, denials or other problems relating to our receipt of operational consents and approvals from governmental entities and other parties*
- *unanticipated recovery or production problems, including cratering, explosions, fires and uncontrollable flows of oil, gas or well fluids;*
- *environmental liabilities;*
- *loss of senior management or technical personnel;*
- *adverse state or federal legislation or regulation that increases the costs of compliance, or adverse findings by a regulator with respect to existing operations;*
- *changes in U.S. GAAP or in the legal, regulatory and legislative environments in the markets in which we operate; and*
- *other factors, many of which are beyond our control.*

Many of these factors are beyond our ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect us.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, we urge you to carefully review and consider the disclosures made in the “Risk Factors” sections of our SEC filings, available free of charge at the SEC’s website (www.sec.gov).

PART I

Items 1. and 2. BUSINESS and PROPERTIES

Industry terms used in this report are defined in the Glossary of Oil and Natural Gas Terms located at the end of this Item 1 and 2.

General

Recovery Energy Inc. is a Denver based independent oil and gas company engaged in the acquisition, drilling and production of oil and natural gas properties and prospects within the Denver-Julesburg (“DJ”) Basin. Our business strategy is designed to create maximum shareholder value by leveraging the knowledge, expertise and experience of our management team and via the future exploration and development of the approximate 130,000 net acres of developed and undeveloped leases that are currently held by the Company, primarily in the northern DJ Basin.

Our executive offices are located at 1515 Wynkoop Street, Suite 200, Denver, Colorado 80202, and our telephone number is (303) 951-7920. Our web site is www.recoveryenergyco.com. Additional information which may be obtained through our web site does not constitute part of this annual report on Form 10-K. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are accessible free of charge at our website. The SEC also maintains an internet site that contains reports, proxy and information statements and other information regarding our filings at www.sec.gov.

Company Overview & Strategy

We have developed and acquired an oil and natural gas base of proved reserves, as well as a portfolio of exploration and development prospects with high-impact conventional and non-conventional reservoir opportunities with an emphasis on multiple producing horizons and the Niobrara shale resource play. We believe these prospects offer the possibility of repeatable success allowing for meaningful production and reserve growth. Our acquisition and exploration pursuits of oil and natural gas properties are principally located in Colorado, Nebraska, and Wyoming. Since early 2010 we have acquired and/or developed 21 producing wells. As of December 31, 2011 we owned interests in approximately 144,000 gross (130,000 net) leasehold acres, of which 134,000 gross (121,000 net) acres are classified as undeveloped acreage and all of which are located in Colorado, Wyoming and Nebraska in the DJ Basin. We intend to continue to evaluate and invest in acquisitions and internally generated prospects. It is our long-term goal to maximize our DJ Basin acreage position through development drilling of our conventional horizons as well as development of our Niobrara shale potential.

We have invested, and intend to continue to invest, primarily in oil and natural gas interests, including producing properties, prospects, leases, wells, mineral rights, working interests, royalty interests, overriding royalty interests, net profits interests, production payments, farm-ins, drill to earn arrangements, partnerships, easements, rights of way, licenses and permits, in the DJ Basin in Colorado, Nebraska, and Wyoming.

As of December 31, 2009, we had not successfully acquired any properties; therefore our total production was 0 Mboe net. Subsequent to December 31, 2009, we successfully completed a number of acquisitions which resulted in 136 Mboe of production for the year ended December 31, 2010. In 2011, we drilled and completed 6 gross, 5 net wells and recorded net production of 101 Mboe during the year.

It is our belief that the exploration and production industry’s most significant value creation occurs through the drilling of successful development wells and the enhancement of oil recovery in mature fields given appropriate economic conditions. Our goal is to create significant value while maintaining a low cost structure. To this end, our business strategy includes the following elements:

Participation in development prospects in known producing basin. We pursue prospects in one known producing onshore basin, the DJ Basin, where we can capitalize on our development and production expertise. We intend to operate the majority of our properties and evaluate each prospect based on its geological and geophysical merits.

Negotiated acquisitions of properties. We acquire producing properties based on our view of the pricing cycles of oil and natural gas and available exploration and development opportunities of proved, probable and possible reserves.

Retain Operational Control and Significant Working Interest. In our principal development targets, we typically seek to maintain operational control of our development and drilling activities. As operator, we retain more control over the timing, selection and process of drilling prospects and completion design, which enhances our ability to maximize our return on invested capital and gives us greater control over the timing, allocation and amounts of our capital expenditures. We have continued to maintain high working interest in our DJ Basin properties which maximizes our exposure to generated cash flows and increases in value as the properties are developed. With operational control, we can also schedule our drilling program to satisfy most of our lease stipulations and continue to put our acreage into “held by production” status, thus eliminating expirations. The majority of our acreage is contiguous which will permit efficiencies in drilling and production operations.

Leasing of Prospective Acreage. In the course of our business, we identify drilling opportunities on properties that have not yet been leased. At times, we take the initiative to lease Prospective Acreage and we may sell all or any portion of the leased acreage to other companies that want to participate in the drilling and development of the prospect acreage.

Controlling Costs. We maximize our returns on capital by minimizing our expenditures on general and administrative expenses. We also minimize initial capital expenditures on geological and geophysical overhead, seismic data, hardware and software by partnering with cost efficient operators that have already invested capital in such. Historically, we also outsourced some of our geological, geophysical, reservoir engineering and land functions in order to help reduce capital requirements. We recently brought many of these functions in-house to provide us with greater ability to maximize the value of our growing leasehold position.

We use commodity price hedging instruments to reduce our exposure to oil and natural gas price fluctuations and to help ensure that we have adequate cash flow to fund our debt service costs and capital programs. From time to time, we will enter into futures contracts, collars and basis swap agreements, as well as fixed price physical delivery contracts. We intend to use hedging primarily to manage price risks and returns on certain acquisitions and drilling programs. Our policy is to consider hedging an appropriate portion of our production at commodity prices we deem attractive. In the future we may also be required by our lenders to hedge a portion of production as part of any financing.

We currently own interest in 144,000 gross, 130,000 net developed and undeveloped acres in DJ basin leases, and will require access to substantial capital in order to fully assess and develop our inventory of undeveloped acreage.

Principal Oil and Gas Interests

As of December 31, 2011 we owned 21 producing wells, 7 shut-in wells, 2 injection wells, and 2 wells in progress in the Wyoming, Nebraska and Colorado portions of the DJ Basin, as well as approximately 144,000 gross (130,000 net) acres, of which 134,000 gross (121,000 net) acres are classified as undeveloped acreage. Our primary targets within the DJ Basin are the conventional Dakota and Muddy ‘J’ formations, in addition to the developing unconventional Niobrara shale play. Additional horizons include the Coddell, Greenhorn and Pierre Shale.

During 2011, we made capital expenditures of approximately \$16.4 million, including \$9.4 million for the purchase of unevaluated leases and \$7.4 million related to drilling and completion operations where we drilled 4 gross (3.25 net) wells and completed 3 gross (2.25 net) wells; also, as of December 31, 2011 we had 2 gross (1.75 net) wells in progress.

As of December 31, 2011 we had net proved reserves of 633 Mboe, and for the year ending December 21, 2011 we produced 101 Mboe.

2012 Capital Budget

Our anticipated 2012 capital expenditure budget is \$10-15 million, which is allocated primarily to the drilling and completion of oil and gas wells in the DJ Basin in Wyoming, Nebraska and Colorado targeting the conventional Dakota 'D' sand and Muddy 'J' sand targets. In addition, approximately 1/3 of this budget may be directed toward additional development procedures on certain unconventional Niobrara shale properties. We estimate the completed cost for each conventional well to be between \$800,000 and \$900,000. Specific allocations of the 2012 budget directed at Niobrara shale properties have not been determined at this time.

Our 2012 capital expenditure budget is subject to various factors, including market conditions, availability of capital, oilfield services and equipment availability, commodity prices and drilling results. While we continue to explore opportunities to expand our acreage position, our current budget is allocated to drilling and completing wells. Any leasehold acquisitions that we choose to pursue would require us to adjust our budget. Results from the wells identified in the capital budget may lead to additional adjustments to the capital budget as the cash flow from the wells could provide additional capital which we may use to increase our capital budget.

Other factors that could cause us to further increase our level of activity and adjust our capital expenditure budget include a reduction in service and material costs, the formation of joint ventures with other exploration and production companies, the divestiture of non-strategic assets, a further improvement in commodity prices or well performance that exceeds our forecasts, any of which could positively impact our operating cash flow. Factors that could cause us to reduce level of activity and adjust our capital budget include, but are not limited to, increases in service and materials costs, reductions in commodity prices or under-performance of wells relative to our forecasts, any of which could negatively impact our operating cash flow.

Capital Resources

Our 2012 drilling program is designed to provide flexibility to accommodate both the timing of the securing of adequate capital, and to identify suitable well locations. We anticipate funding the 2012 capital program through a combination of the issuance of additional equity or debt securities, cash flow from future operations and from cash provided by potential joint venture participants. We may also choose to sell certain non-strategic assets in order to supplement the funding of our 2012 capital budget.

We cannot give assurances that our working capital on hand, our cash flow from operations or any available borrowings, equity offerings or other financings, or sales of non-strategic assets will be sufficient to fund our anticipated capital expenditures. If our existing and potential sources of investment capital are not sufficient to undertake our planned 2012 capital expenditures, we may be required to reduce our 2012 drilling capital budget, curtail our expenditures and/or restructure our operations.

Reserves

The table below presents summary information with respect to the estimates of our proved oil and gas reserves for the year ended December 31, 2011. Prior to January 2010, we did not own any reserves nor did we have any production. We engaged Ralph E Davis Associates, Inc. ("RE Davis") to audit internal engineering estimates for 100 percent of the PV-10 value of our proved reserves in 2011. The prices used in the calculation of proved reserve estimates as of December 31, 2011 were \$88.16 per Bbl and \$3.96 per Mcf and as of December 31, 2010, were \$78.93 per Bbl and \$4.39 per Mcf for oil and natural gas, respectively. The prices were adjusted for basis differentials, pipeline adjustments, and BTU content.

We emphasize that reserve estimates are inherently imprecise and that estimates of all new discoveries and undeveloped locations are more imprecise than estimates of established producing oil and gas properties. Accordingly, these estimates are expected to change as new information becomes available. The PV-10 values shown in the following table are not intended to represent the current market value of the estimated proved oil and gas reserves owned by us. Neither prices nor costs have been escalated. The following table should be read along with the section entitled "Risk Factors — Risks Related to Our Company - The actual quantities and present values of our proved oil and natural gas reserves may be less than we have estimated." No estimates of our proved reserves have been filed with or included in reports to any federal authority or agency, other than the Securities and Exchange Commission ("SEC"), since the beginning of the last fiscal year. We did not have third party engineers review probable, possible and resource based reserves as of December 31, 2011. These reserve categories are currently being determined across our substantial acreage position and are expected to identify significant potential in all unproven classifications and from multiple horizons.

	As of December 31,		
	2011	2010 (1)	2009 (1)
Reserve data:			
Proved developed			
Oil (MBbl)	216	278	-
Gas (MMcf)	148	308	-
MBOE	240	329	-
Proved undeveloped			
Oil (MBbl)	392	415	-
Gas (MMcf)	-	-	-
MBOE	392	415	-
Total Proved			
Oil (MBbl)	608	693	-
Gas (MMcf)	148	308	-
MBOE	633	744	-
Proved developed reserves %	38%	44%	-%%
Proved undeveloped reserves %	62%	56%	-%%
Reserve value data :			
Proved developed PV-10	\$ 10,204,160	\$ 11,377,009	\$ -
Proved undeveloped PV-10	9,809,885	12,217,798	-
Total proved PV-10	\$ 20,014,045	\$ 23,594,807	\$ -
Standardized measure of discounted future cash flows	\$ 20,014,045	\$ 23,594,807	\$ -
Reserve life (years)	22.58	21.92	-

(1) Prior to January 2010, the Company did not own any oil and gas properties

As we currently do not expect to pay income taxes in the future, there is no difference between the PV-10 value and the standard measure of future net cash flows. Please see the definitions of standardized measure of discounted future net cash flows and PV-10 value in the Glossary.

Internal Controls Over Reserves Estimate

Our policy regarding internal controls over the recording of reserves is structured to objectively and accurately estimate our oil and gas reserve quantities and values in compliance with the regulations of the SEC. Responsibility for compliance in reserve bookings is delegated to our Senior Reservoir Engineer.

Technical reviews are performed throughout the year by engineering and geologic staff who evaluate all available geological and engineering data. This data, in conjunction with economic data and ownership information, is used in making a determination of estimated proved reserve quantities. The reserve process is overseen by Kent Lina, Senior Reserve Engineer. Mr. Lina joined us in October 2010. Mr. Lina was employed by Delta Petroleum Company from March 2002 to September 2010 in various operations and reservoir engineering capacities culminating as the Senior V.P. of Corporate Engineering. Mr. Lina received a Bachelor of Science degree in Civil Engineering from University of Missouri at Rolla in 1981.

Third-party Reserves Study

An independent third party reserve study as of December 31, 2011 was performed by RE Davis using their own engineering assumptions and other economic data provided by us. One-hundred percent of our total calculated proved reserve PV-10 value was audited by RE Davis. RE Davis is an independent petroleum engineering consulting firm that has been providing petroleum engineering consulting services for over 20 years. The technical person at RE Davis primarily responsible for overseeing our reserve audit is the President and CEO who received a Bachelor of Science degree in Chemical and Petroleum Engineering from the University of Houston and is a registered Professional Engineer in the States of Texas. He is also a member of the Society of Petroleum Engineers. The RE Davis report dated March 5, 2012 is included as Exhibit 99.1 to this annual report.

Oil and gas reserves and the estimates of the present value of future net revenues therefrom were determined based on prices and costs as prescribed by SEC and FASB guidelines. Reserve calculations involve the estimate of future net recoverable reserves of oil and gas and the timing and amount of future net revenues to be received therefrom. Such estimates are not precise and are based on assumptions regarding a variety of factors, many of which are variable and uncertain. Proved oil and gas reserves are the estimated quantities of oil and gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are those expected to be recovered through existing wells with existing equipment and operating methods. Proved reserves were estimated in accordance with guidelines established by the SEC and the FASB, which require that reserve estimates be prepared under existing economic and operating conditions with no provision for price and cost escalations except by contractual arrangements. For the year ended December 31, 2011, commodity prices over the prior 12-month period and year end costs were used in estimating net cash flows.

In addition to a third party reserve study, our reserves are reviewed by senior management and the audit committee of our board of directors. Our chief executive officer is responsible for reviewing and verifying that the estimate of proved reserves is reasonable, complete, and accurate. The audit committee reviews the final reserves estimate in conjunction with RE Davis's audit letter.

Production

The following table summarizes the average volumes and realized prices, including and excluding the effects of our economic hedges, of oil and gas produced from properties in which we held an interest during the periods indicated. Also presented is a production cost per BOE summary:

	For the Year Ended December 31,		
	2011	2010	2009 (1)
Net production			
Oil (MMBbl)	81,433	133,709	-
Gas (MMcf)	115,583	14,914	-
MBOE	100,707	136,195	-
Average net daily production			
Oil (Bbl)	223	366	-
Gas (Mcf)	317	41	-
BOE	275	373	-
Average realized sales price, excluding the effects of our economic hedges			
Oil (per Bbl)	\$ 87.77	\$ 71.08	\$ -
Gas (per Mcf)	\$ 4.73	\$ 4.56	\$ -
Per BOE	\$ 76.41	\$ 70.29	\$ -
Average realized sales price, including the effects of our economic hedges			
Oil (per Bbl)	\$ 95.44	\$ 75.27	\$ -
Gas (per Mcf)	\$ 4.73	\$ 4.56	\$ -
Per BOE	\$ 82.62	\$ 74.47	\$ -
Production costs per BOE			
Lease operating expense	\$ 15.19	\$ 6.33	\$ -
DD&A	\$ 42.25	\$ 36.98	\$ -
Production taxes	\$ 8.18	\$ 7.76	\$ -

(1) Prior to January 2010, the Company did not own any oil and gas properties

Productive Wells

As of December 31, 2011, we had working interests in 17 gross (16.2 net) productive oil wells, and 4 gross (2.4 net) productive gas wells. Productive wells are either wells producing in commercial quantities or wells capable of commercial production although currently shut-in. Multiple completions in the same wellbore are counted as one well. A well is categorized under state reporting regulations as an oil well or a gas well based on the ratio of gas to oil produced when it first commenced production, and such designation may not be indicative of current production.

Acreage

As of December 31, 2011 we owned 21 producing wells in the Wyoming, Nebraska and Colorado portion of the DJ Basin, as well as approximately 144,000 gross (130,000 net) acres, of which 134,000 gross (121,000 net) acres were classified as undeveloped acreage.

As of December 31, 2011 our primary assets included acreage located in Laramie County and Goshen counties Wyoming, Banner, Kimball, and Scotts Bluff Counties, Nebraska, and Weld, Arapahoe and Elbert Counties, Colorado.

The following table sets forth certain information with respect to our developed and undeveloped acreage as of December 31, 2011.

	Undeveloped		Developed	
	Gross	Net	Gross	Net
DJ Basin	134,191	121,071	9,937	9,118
Total	134,191	121,071	9,937	9,118

Drilling Activity

The following table describes the development and exploratory wells we drilled during the years ended December 31, 2011, 2010, and 2009.

	For the Year Ended December 31,					
	2011		2010		2009 (1)	
	Gross	Net	Gross	Net	Gross	Net
Development:						
Productive wells	3.0	2.25	2.0	1.4	-	-
Dry wells	1.0	1.0	1.0	0.7	-	-
	4.0	3.25	3.0	2.1	-	-
Exploratory:						
Productive wells	-	-	-	-	-	-
Dry wells	-	-	-	-	-	-
	-	-	-	-	-	-
Total	4.0	3.25	3.0	2.1	-	-

(1) Prior to January 2010, the Company did not own any oil and gas assets

A productive well is an exploratory, development or extension well that is not a dry well. A dry well (hole) is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

As defined in the rules and regulations of the SEC, an exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. A development well is part of a development project, which is defined as the means by which petroleum resources are brought to the status of economically producible. The number of wells drilled refers to the number of wells completed at any time during the respective year, regardless of when drilling was initiated. Completion refers to the installation of permanent equipment for production of oil or gas, or, in the case of a dry well, to the reporting to the appropriate authority that the well has been abandoned.

As of December 31, 2011 we had 2 gross (1.75 net) wells in progress.

Major Customers

During 2011 and 2010, the Company had one customer, Shell Trading (US), individually accounting for approximately 76 percent and 64 percent, respectively, of our revenues. During 2009, the Company did not have any production or customers.

Employees

As of March 15, 2012 we had 10 employees, including two part time employees. For the foreseeable future, we intend to only add additional personnel as our operational requirements grow. In the interim, we plan to continue to use the services of independent consultants and contractors to perform various professional services, including land, legal, environmental and tax services. We believe that by limiting our management and employee costs, we are able to better control total costs and retain flexibility in terms of project management.

Title to Properties

Substantially all of our interests are held pursuant to leases from third parties. The majority of our producing properties are subject to mortgages securing indebtedness under our credit facility that we believe do not materially interfere with the use of or affect the value of such properties. We typically perform only minimal title investigation before acquiring undeveloped leasehold acreage.

Seasonality

Generally, but not always, the demand and price levels for natural gas increase during colder winter months and decrease during warmer summer months. To lessen seasonal demand fluctuations, pipelines, utilities, local distribution companies, and industrial users utilize natural gas storage facilities and forward purchase some of their anticipated winter requirements during the summer. However, increased summertime demand for electricity has placed increased demand on storage volumes. Demand for crude oil and heating oil is also generally higher in the winter and the summer driving season — although oil prices are much more driven by global supply and demand. Seasonal anomalies, such as mild winters, sometimes lessen these fluctuations. The impact of seasonality on crude oil has been somewhat magnified by overall supply and demand economics attributable to the narrow margin of production capacity in excess of existing worldwide demand for crude oil.

Competition

The oil and gas industry is intensely competitive, particularly with respect to acquiring prospective oil and natural gas properties. We believe our leasehold position provides a sound foundation for a solid drilling program and our future growth. Our competitive position also depends on our geological, geophysical, and engineering expertise, and our financial resources. We believe the location of our acreage; our exploration, drilling, operational, and production expertise; available technologies; our financial resources and expertise; and the experience and knowledge of our management and technical teams enable us to compete effectively in our core operating areas. However, we face intense competition from a substantial number of major and independent oil and gas companies, which, in some cases, have larger technical staffs and greater financial and operational resources than we do. Many of these companies not only engage in the acquisition, exploration, development, and production of oil and natural gas reserves, but also have refining operations, market refined products, own drilling rigs, and generate electricity.

We also compete with other oil and gas companies in attempting to secure drilling rigs and other equipment and services necessary for the drilling, completion, and maintenance of wells. Consequently, we may face shortages or delays in securing these services from time to time. The oil and gas industry also faces competition from alternative fuel sources, including other fossil fuels such as coal and imported liquefied natural gas. Competitive conditions may also be affected by future new energy, climate-related, financial, and other policies, legislation, and regulations.

In addition, we compete for people, including experienced geologists, geophysicists, engineers, and other professionals and consultants. Throughout the oil and gas industry, the need to attract and retain talented people has grown at a time when the number of talented people available is constrained. We are not insulated from this resource constraint, and we must compete effectively in this market in order to be successful.

Recent Developments

In December 2011, we sold 2,840 net undeveloped acres in Weld County, Colorado to a third party. The sale included one marginally producing oil well in which the Company owned a 25% net working interest. The purchase price was approximately \$4.5 million (approximately \$1,600 per net acre).

Marketing and Pricing

We will derive revenue principally from the sale of oil and natural gas. As a result, our revenues are determined, to a large degree, by prevailing prices for crude oil and natural gas. We will sell our oil and natural gas on the open market at prevailing market prices or through forward delivery contracts. The market price for oil and natural gas is dictated by supply and demand, and we cannot accurately predict or control the price we may receive for our oil and natural gas.

Our revenues, cash flows, profitability and future rate of growth will depend substantially upon prevailing prices for oil and natural gas. Prices may also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. Lower prices may also adversely affect the value of our reserves and make it uneconomical for us to commence or continue production levels of natural gas and crude oil. Historically, the prices received for oil and natural gas have fluctuated widely. Among the factors that can cause these fluctuations are:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- acts of war or terrorism;
- political conditions and events, including embargoes, affecting oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption; and
- the price and availability of alternative fuels.

From time to time, we enter into derivative contracts. These contracts economically hedge our exposure to decreases in the prices of oil and natural gas. Hedging arrangements may expose us to risk of significant financial loss in some circumstances including circumstances where:

- our production and/or sales of natural gas are less than expected;
- payments owed under derivative hedging contracts come due prior to receipt of the hedged month's production revenue; or
- the counter party to the hedging contract defaults on its contract obligations.

In addition, hedging arrangements may limit the benefit we would receive from increases in the prices for oil and natural gas. We cannot assure you that any hedging transactions we may enter into will adequately protect us from declines in the prices of oil and natural gas. On the other hand, where we choose not to engage in hedging transactions in the future, we may be more adversely affected by changes in oil and natural gas prices than our competitors who engage in hedging transactions.

Government Regulations

General. Our operations covering the exploration, production and sale of oil and natural gas are subject to various types of federal, state and local laws and regulations. The failure to comply with these laws and regulations can result in substantial penalties. These laws and regulations materially impact our operations and can affect our profitability. However, we do not believe that these laws and regulations affect us in a manner significantly different than our competitors. Matters regulated include permits for drilling operations, drilling and abandonment bonds, reports concerning operations, the spacing of wells and unitization and pooling of properties, restoration of surface areas, plugging and abandonment of wells, requirements for the operation of wells, and taxation of production. At various times, regulatory agencies have imposed price controls and limitations on production. In order to conserve supplies of oil and natural gas, these agencies have restricted the rates of flow of oil and natural gas wells below actual production capacity, generally prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratability of production. Federal, state and local laws regulate production, handling, storage, transportation and disposal of oil and natural gas, by-products from oil and natural gas and other substances and materials produced or used in connection with oil and natural gas operations. While we believe we will be able to substantially comply with all applicable laws and regulations, the requirements of such laws and regulations are frequently changed. We cannot predict the ultimate cost of compliance with these requirements or their effect on our actual operations.

Federal Income Tax. Federal income tax laws significantly affect our operations. The principal provisions that affect us are those that permit us, subject to certain limitations, to deduct as incurred, rather than to capitalize and amortize, our domestic "intangible drilling and development costs" and to claim depletion on a portion of our domestic oil and natural gas properties based on 15% of our oil and natural gas gross income from such properties (up to an aggregate of 1,000 barrels per day of domestic crude oil and/or equivalent units of domestic natural gas).

Environmental, Health, and Safety Regulations. Our operations are subject to stringent federal, state, and local laws and regulations relating to the protection of the environment and human health and safety. Environmental laws and regulations may require that permits be obtained before drilling commences, restrict the types, quantities, and concentration of various substances that can be released into the environment in connection with drilling and production activities, govern the handling and disposal of waste material, and limit or prohibit drilling activities on certain lands lying within wilderness, wetlands, and other protected areas, including areas containing endangered animal species. As a result, these laws and regulations may substantially increase the costs of exploring for, developing, or producing oil and gas and may prevent or delay the commencement or continuation of certain projects. In addition, these laws and regulations may impose substantial clean-up, remediation, and other obligations in the event of any discharges or emissions in violation of these laws and regulations. Further, legislative and regulatory initiatives related to global warming or climate change could have an adverse effect on our operations and the demand for oil and natural gas. See "Risk Factors — Risks Related to Oil and Gas Industry — Legislative and regulatory initiatives related to global warming and climate change could have an adverse effect on our operations and the demand for oil and natural gas."

Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons, particularly natural gas, from tight formations. For additional information about hydraulic fracturing and related regulatory matters, see “Risk Factors — Risks Related to Our Company”. Federal and state legislation and regulatory initiatives related to hydraulic fracturing could result in increased costs and additional operating restrictions or delays in the completion of oil and gas wells.

Federal and state occupational safety and health laws require us to organize and maintain information about hazardous materials used, released, or produced in our operations. Some of this information must be provided to our employees, state and local governmental authorities, and local citizens. We are also subject to the requirements and reporting framework set forth in the federal workplace standards.

The discharge of oil, gas or other pollutants into the air, soil or water may give rise to liabilities to the government and third parties and may require us to incur costs to remedy discharges. Natural gas, oil or other pollutants, including salt water brine, may be discharged in many ways, including from a well or drilling equipment at a drill site, leakage from pipelines or other gathering and transportation facilities, leakage from storage tanks and sudden discharges from damage or explosion at natural gas facilities of oil and gas wells. Discharged hydrocarbons may migrate through soil to water supplies or adjoining property, giving rise to additional liabilities.

A variety of federal and state laws and regulations govern the environmental aspects of natural gas and oil production, transportation and processing and may, in addition to other laws, impose liability in the event of discharges, whether or not accidental, failure to notify the proper authorities of a discharge, and other noncompliance with those laws. Compliance with such laws and regulations may increase the cost of oil and gas exploration, development and production, although we do not anticipate that compliance will have a material adverse effect on our capital expenditures or earnings. Failure to comply with the requirements of the applicable laws and regulations could subject us to substantial civil and/or criminal penalties and to the temporary or permanent curtailment or cessation of all or a portion of our operations.

The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, also known as the “superfund law,” imposes liability, regardless of fault or the legality of the original conduct, on some classes of persons that are considered to have contributed to the release of a “hazardous substance” into the environment. These persons include the owner or operator of a disposal site or sites where the release occurred and companies that dispose or arrange for disposal of the hazardous substances found at the time. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and severable liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. We could be subject to liability under CERCLA because our jointly owned drilling and production activities generate relatively small amounts of liquid and solid waste that may be subject to classification as hazardous substances under CERCLA.

The Resource Conservation and Recovery Act of 1976, as amended, or RCRA, is the principal federal statute governing the treatment, storage and disposal of hazardous wastes. RCRA imposes stringent operating requirements, and liability for failure to meet such requirements, on a person who is either a “generator” or “transporter” of hazardous waste or an “owner” or “operator” of a hazardous waste treatment, storage or disposal facility. At present, RCRA includes a statutory exemption that allows most oil and natural gas exploration and production waste to be classified as nonhazardous waste. A similar exemption is contained in many of the state counterparts to RCRA. As a result, we are not required to comply with a substantial portion of RCRA’s requirements because our operations generate minimal quantities of hazardous wastes. At various times in the past, proposals have been made to amend RCRA to rescind the exemption that excludes oil and natural gas exploration and production wastes from regulation as hazardous waste. Repeal or modification of the exemption by administrative, legislative or judicial process, or modification of similar exemptions in applicable state statutes, would increase the volume of hazardous waste we are required to manage and dispose of and would cause us to incur increased operating expenses.

The Oil Pollution Act of 1990, or OPA, and regulations thereunder impose a variety of regulations on “responsible parties” related to the prevention of oil spills and liability for damages resulting from such spills in United States waters. The OPA assigns liability to each responsible party for oil removal costs and a variety of public and private damages. While liability limits apply in some circumstances, a party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of federal safety, construction or operating regulations. Few defenses exist to the liability imposed by OPA. In addition, to the extent we acquire offshore leases and those operations affect state waters, we may be subject to additional state and local clean-up requirements or incur liability under state and local laws. OPA also imposes ongoing requirements on responsible parties, including proof of financial responsibility to cover at least some costs in a potential spill. We cannot predict whether the financial responsibility requirements under the OPA amendments will adversely restrict our proposed operations or impose substantial additional annual costs to us or otherwise materially adversely affect us. The impact, however, should not be any more adverse to us than it will be to other similarly situated owners or operators.

The Federal Water Pollution Control Act Amendments of 1972 and 1977, or Clean Water Act, imposes restrictions and controls on the discharge of produced waters and other wastes into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters and to conduct construction activities in waters and wetlands. Certain state regulations and the general permits issued under the Federal National Pollutant Discharge Elimination System program prohibit the discharge of produced waters and sand, drilling fluids, drill cuttings and certain other substances related to the crude oil and natural gas industry into certain coastal and offshore waters. Further, the Environmental Protection Agency, or EPA, has adopted regulations requiring certain crude oil and natural gas exploration and production facilities to obtain permits for storm water discharges. Costs may be associated with the treatment of wastewater or developing and implementing storm water pollution prevention plans. The Clean Water Act and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of crude oil and other pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release. We believe that our operations comply in all material respects with the requirements of the Clean Water Act and state statutes enacted to control water pollution.

Underground injection is the subsurface placement of fluid through a well, such as the reinjection of brine produced and separated from crude oil and natural gas production. The Safe Drinking Water Act of 1974, as amended, establishes a regulatory framework for underground injection, with the main goal being the protection of usable aquifers. The primary objective of injection well operating requirements is to ensure the mechanical integrity of the injection apparatus and to prevent migration of fluids from the injection zone into underground sources of drinking water. Hazardous-waste injection well operations are strictly controlled, and certain wastes, absent an exemption, cannot be injected into underground injection control wells. Failure to abide by our permits could subject us to civil or criminal enforcement. We believe that we are in compliance in all material respects with the requirements of applicable state underground injection control programs and our permits.

The Clean Air Act of 1963 and subsequent extensions and amendments, known collectively as the Clean Air Act, and state air pollution laws adopted to fulfill its mandate provide a framework for national, state and local efforts to protect air quality. Our operations utilize equipment that emits air pollutants which may be subject to federal and state air pollution control laws. These laws require utilization of air emissions abatement equipment to achieve prescribed emissions limitations and ambient air quality standards, as well as operating permits for existing equipment and construction permits for new and modified equipment. We believe that we are in compliance in all material respects with the requirements of applicable federal and state air pollution control laws. Over the next several years, we may be required to incur capital expenditures for air pollution control equipment or other air emissions-related issues. For example, on July 28, 2011, the EPA proposed a range of new regulations that would establish new air emission controls for oil and natural gas production, including, among other things, the application of reduced emission completion techniques, referred to as “green completions,” for completion of newly drilled and fractured wells in addition to establishing specific requirements regarding emissions from compressors, dehydrators, storage tanks and other production equipment. Final action on the proposed rules is expected no later than April 3, 2012. If this action is finalized, we do not believe that such requirements will have a material adverse effect on our operations.

There are numerous state laws and regulations in the states in which we operate which relate to the environmental aspects of our business. These state laws and regulations generally relate to requirements to remediate spills of deleterious substances associated with oil and gas activities, the conduct of salt water disposal operations, and the methods of plugging and abandonment of oil and gas wells which have been unproductive. Numerous state laws and regulations also relate to air and water quality.

We do not believe that our environmental risks will be materially different from those of comparable companies in the oil and gas industry. We believe our present activities substantially comply, in all material respects, with existing environmental laws and regulations. Nevertheless, we cannot assure you that environmental laws will not result in a curtailment of production or material increase in the cost of production, development or exploration or otherwise adversely affect our financial condition and results of operations. Although we maintain liability insurance coverage for liabilities from pollution, environmental risks generally are not fully insurable.

In addition, because we have acquired and may acquire interests in properties that have been operated in the past by others, we may be liable for environmental damage, including historical contamination, caused by such former operators. Additional liabilities could also arise from continuing violations or contamination not discovered during our assessment of the acquired properties.

Federal Leases. For those operations on federal oil and gas leases, such operations must comply with numerous regulatory restrictions, including various non-discrimination statutes, and certain of such operations must be conducted pursuant to certain on-site security regulations and other permits issued by various federal agencies. In addition, on federal lands in the United States, the Minerals Management Service, or MMS, prescribes or severely limits the types of costs that are deductible transportation costs for purposes of royalty valuation of production sold off the lease. In particular, MMS prohibits deduction of costs associated with marketer fees, cash out and other pipeline imbalance penalties, or long-term storage fees. Further, the MMS has been engaged in a process of promulgating new rules and procedures for determining the value of crude oil produced from federal lands for purposes of calculating royalties owed to the government. The natural gas and crude oil industry as a whole has resisted the proposed rules under an assumption that royalty burdens will substantially increase. We cannot predict what, if any, effect any new rule will have on our operations.

Some of our operations are conducted on federal lands pursuant to oil and gas leases administered by the Bureau of Land Management, or BLM. These leases contain relatively standardized terms and require compliance with detailed regulations and orders, which are subject to change. In addition to permits required from other regulatory agencies, lessees must obtain a permit from the BLM before drilling and comply with regulations governing, among other things, engineering and construction specifications for production facilities, safety procedures, the valuation of production and payment of royalties, the removal of facilities, and the posting of bonds to ensure that lessee obligations are met. Under certain circumstances, the BLM may require our operations on federal leases to be suspended or terminated.

In May 2010, the BLM adopted changes to its oil and gas leasing program that require, among other things, a more detailed environmental review prior to leasing oil and natural gas resources, increased public engagement in the development of master leasing and development plans prior to leasing areas where intensive new oil and gas development is anticipated, and a comprehensive parcel review process. These changes may increase the amount of time and regulatory costs necessary to obtain oil and gas leases administered by the BLM.

Other Laws and Regulations. Various laws and regulations often require permits for drilling wells and also cover spacing of wells, the prevention of waste of natural gas and oil including maintenance of certain gas/oil ratios, rates of production and other matters. The effect of these laws and regulations, as well as other regulations that could be promulgated by the jurisdictions in which we have production, could be to limit the number of wells that could be drilled on our properties and to limit the allowable production from the successful wells completed on our properties, thereby limiting our revenues.

To date we have not experienced any materially adverse effect on our operations from obligations under environmental, health, and safety laws and regulations. We believe that we are in substantial compliance with currently applicable environmental, health, and safety laws and regulations, and that continued compliance with existing requirements would not have a materially adverse impact on us.

Glossary of Oil and Natural Gas Terms

The following is a description of the meanings of some of the oil and natural gas industry terms used in this report.

bbl. Stock tank barrel, or 42 U.S. gallons liquid volume, used in this report in reference to crude oil or other liquid hydrocarbons.

Bcf. Billion cubic feet of natural gas.

boe. Barrels of crude oil equivalent, determined using the ratio of six mcf of natural gas to one bbl of crude oil, condensate or natural gas liquids.

boe/d. boe per day.

Completion. The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Condensate. Hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons.

Development well. A well drilled within the proved area of a natural gas or oil reservoir to the depth of a stratigraphic horizon known to be productive.

Drilling locations. Total gross locations specifically quantified by management to be included in our multi-year drilling activities on existing acreage. Our actual drilling activities may change depending on the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, drilling results and other factors.

Dry hole. A well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Exploratory well. A well drilled to find and produce natural gas or oil reserves not classified as proved, to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir or to extend a known reservoir.

Field. An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

Formation. An identifiable layer of rocks named after its geographical location and dominant rock type.

Lease. A legal contract that specifies the terms of the business relationship between an energy company and a landowner or mineral rights holder on a particular tract of land.

Leasehold. Mineral rights leased in a certain area to form a project area.

Mbbls. Thousand barrels of crude oil or other liquid hydrocarbons.

Mboe. Thousand barrels of crude oil equivalent, determined using the ratio of six mcf of natural gas to one bbl of crude oil, condensate or natural gas liquids.

Mcf. Thousand cubic feet of natural gas.

Mcfe. Thousand cubic feet equivalent, determined using the ratio of six mcf of natural gas to one bbl of crude oil, condensate or natural gas liquids.

MMbbls. Million barrels of crude oil or other liquid hydrocarbons.

MMboe. Million barrels of crude oil equivalent, determined using the ratio of six mcf of natural gas to one bbl of crude oil, condensate or natural gas liquids.

MMbtu. Million British Thermal Units.

MMcf. Million cubic feet of natural gas.

Net acres, net wells, or net reserves. The sum of the fractional working interest owned in gross acres, gross wells, or gross reserves, as the case may be.

Net barrel of production. The sum of the fractional revenue interest in gross production owned by the company.

ngl. Natural gas liquids, or liquid hydrocarbons found in association with natural gas.

Overriding royalty interest. Is similar to a basic royalty interest except that it is created out of the working interest. For example, an operator possesses a standard lease providing for a basic royalty to the lesser or mineral rights owner of 1/8 of 8/8. This then entitles the operator to retain 7/8 of the total oil and natural gas produced. The 7/8 in this case is the 100% working interest the operator owns. This operator may assign his working interest to another operator subject to a retained 1/8 overriding royalty. This would then result in a basic royalty of 1/8, an overriding royalty of 1/8 and a working interest of 3/4. Overriding royalty interest owners have no obligation or responsibility for developing and operating the property. The only expenses borne by the overriding royalty owner are a share of the production or severance taxes and sometimes costs incurred to make the oil or gas salable.

Plugging and abandonment. Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of all states require plugging of abandoned wells.

Present value of future net revenues (PV-10). The present value of estimated future revenues to be generated from the production of estimated net proved reserves, net of estimated production and future development costs, using the simple 12 month first of month average price and current costs (unless such prices or costs are subject to change pursuant to contractual provisions), without giving effect to non-property related expenses such as general and administrative expenses, debt service and future income tax expenses or to depreciation, depletion and amortization, discounted using an annual discount rate of 10%. While this measure does not include the effect of income taxes as it would in the use of the standardized measure calculation, it does provide an indicative representation of the relative value of Recovery Energy on a comparative basis to other companies and from period to period.

Production. Natural resources, such as oil or gas, taken out of the ground.

Proved reserves. The quantities of oil, natural gas and natural gas liquids, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs under existing economic conditions and operating conditions.

Proved developed oil and gas reserves. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as “proved developed reserves” only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved undeveloped reserves. Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

Probable Reserves. Probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50-percent probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves. Possible reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of proved plus probable plus possible reserves (3P), which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10-percent probability that the actual quantities recovered will equal or exceed the 3P estimate.

Productive well. A well that is found to be capable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

Project. A targeted development area where it is probable that commercial gas can be produced from new wells.

Prospect. A specific geographic area which, based on supporting geological, geophysical or other data and also preliminary economic analysis using reasonably anticipated prices and costs, is deemed to have potential for the discovery of commercial hydrocarbons.

Recompletion. The process of re-entering an existing well bore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

Reserves. Oil, natural gas and gas liquids thought to be accumulated in known reservoirs.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible nature gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

Secondary Recovery. A recovery process that uses mechanisms other than the natural pressure of the reservoir, such as gas injection or water flooding, to produce residual oil and natural gas remaining after the primary recovery phase.

Shut-in. A well that has been capped (having the valves locked shut) for an undetermined amount of time. This could be for additional testing, could be to wait for pipeline or processing facility, or a number of other reasons.

Standardized measure. The present value of estimated future cash inflows from proved oil and natural gas reserves, less future development, abandonment, production and income tax expenses, discounted at 10% per annum to reflect timing of future cash flows and using the same pricing assumptions as were used to calculate PV-10. Standardized measure differs from PV-10 because standardized measure includes the effect of future income taxes.

Successful. A well is determined to be successful if it is producing oil or natural gas, or awaiting hookup, but not abandoned or plugged.

Undeveloped acreage. Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

Water flood. A method of secondary recovery in which water is injected into the reservoir formation to displace residual oil and enhance hydrocarbon recovery.

Working interest. The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.

Item 1A. RISK FACTORS

In addition to other matters identified or described by us from time to time in filings with the SEC, there are several important factors that could cause our future results to differ materially from historical results or trends, results anticipated or planned by us, or results that are reflected from time to time in any forward-looking statement. Some of these important factors, but not necessarily all important factors, include the following:

Risks related to our company

We have historically incurred losses and cannot assure investors as to future profitability. We have historically incurred losses from operations during our history in the oil and natural gas business. As of December 31, 2011, we had a cumulative deficit of approximately \$68.0 million. Many of our properties are in the exploration stage, and to date we have established a limited volume of proved reserves on our properties. Our ability to be profitable in the future will depend on successfully implementing our acquisition, exploration, development and production activities, all of which are subject to many risks beyond our control. Even if we become profitable on an annual basis, we cannot assure you that our profitability will be sustainable or increase on a periodic basis. In addition, should we be unable to continue as a going concern, realization of assets and settlement of liabilities in other than the normal course of business may be at amounts significantly different from those in the financial statements included in this annual report.

Our credit agreements mature on June 30, 2013, and our lender can foreclose on several of our properties if we do not pay off or refinance our approximately \$21 million of loans. Some of our oil and gas properties are pledged as collateral for our credit agreements. Failure to repay these loans at maturity or refinance them could cause a default under the credit agreements and allow the lender to foreclose on these properties.

Currently, the majority of our revenue after field level operating expenses is required to be paid to our lender as debt service –and our lenders have allowed us to defer some of these payments. In 2011, our lender has deferred the payment of approximately \$2 million of revenue toward debt service, and there can be no assurance that our lender will continue to permit deferrals. As of December 31, 2011, we had working capital of \$1.3 million. We sold our Grover field property for \$4.5 million in January 2012 and will seek to obtain additional capital through the sale of our securities, the successful deployment of our cash on hand, bank lines of credit, joint ventures, and project financing. Consequently, there can be no assurance we will be able to obtain continued access to capital as and when needed or, if so, that the terms of any available financing will be subject to commercially reasonable terms. If we are unable to access additional capital in significant amounts as needed, we may not be able to develop our current prospects and properties, may have to forfeit our interest in certain prospects and may not otherwise be able to develop our business. In such an event, our stock price could be materially adversely affected.

We will require additional capital in order to achieve commercial success and, if necessary, to finance future losses from operations as we endeavor to build revenue, but we do not have any commitments to obtain such capital and we cannot assure you that we will be able to obtain adequate capital as and when required. The business of oil and gas acquisition, drilling and development is capital intensive and the level of operations attainable by an oil and gas company is directly linked to and limited by the amount of available capital. We believe that our ability to achieve commercial success and our continued growth will be dependent on our continued access to capital either through the additional sale of our equity or debt securities, bank lines of credit, project financing, joint ventures or cash generated from oil and gas operations.

We do not have a significant operating history and, as a result, there is a limited amount of information about us on which to make an investment decision. In January 2010, we acquired our first oil and gas prospects and received our first revenues from oil and gas production in February 2010. Accordingly, there is little operating history upon which to judge our business strategy, our management team or our current operations.

We have limited management and staff and will be dependent upon partnering arrangements. We have ten employees. We intend to use the services of independent consultants and contractors to perform various professional services, including reservoir engineering, land, legal, environmental and tax services. We will also pursue alliances with partners in the areas of geological and geophysical services and prospect generation, evaluation and prospect leasing. Our dependence on third party consultants and service providers creates a number of risks, including but not limited to:

- the possibility that such third parties may not be available to us as and when needed; and
- the risk that we may not be able to properly control the timing and quality of work conducted with respect to our projects.

If we experience significant delays in obtaining the services of such third parties or poor performance by such parties, our results of operations and stock price could be materially adversely affected.

The loss of our chief executive officer could adversely affect us. We are dependent on the extensive experience of our chief executive officer to implement our acquisition and growth strategy. The loss of the services of this individual could have a negative impact on our operations and our ability to implement our strategy.

We experienced a material weakness in our disclosure controls and systems . In our quarterly report on Form 10-Q for the quarter ended June 30, 2011, we noted the following material weaknesses in our disclosure controls and systems:

- Review of contracts for financial implications was not being performed timely.
- Independent, internal reviews and approvals of critical accounting schedules used to prepare financial statements were not performed timely during the second quarter.

Although since the date of that report, we have designed and implemented new controls surrounding the review of material contracts, the review of critical accounting schedules and our quarter closing process, we are currently in the process of testing and evaluating these controls, and until we complete our testing we cannot provide assurance that the new controls are fully functional or will be sufficient to prevent future material weaknesses in our disclosure controls and systems.

In addition to acquiring producing properties, we may also grow our business through the acquisition and development of exploratory oil and gas prospects, which is the riskiest method of establishing oil and gas reserves . In addition to acquiring producing properties, we may acquire, drill and develop exploratory oil and gas prospects that are profitable to produce. Developing exploratory oil and gas properties requires significant capital expenditures and involves a high degree of financial risk. The budgeted costs of drilling, completing, and operating exploratory wells are often exceeded and can increase significantly when drilling costs rise. Drilling may be unsuccessful for many reasons, including title problems, weather, cost overruns, equipment shortages, and mechanical difficulties. Moreover, the successful drilling or completion of an exploratory oil or gas well does not ensure a profit on investment. Exploratory wells bear a much greater risk of loss than development wells. We cannot assure you that our exploration, exploitation and development activities will result in profitable operations. If we are unable to successfully acquire and develop exploratory oil and gas prospects, our results of operations, financial condition and stock price may be materially adversely affected.

Hedging transactions may limit our potential gains or result in losses . In order to manage our exposure to price risks in the marketing of our oil and natural gas, from time to time we may enter into derivative contracts that economically hedge our oil and gas price on a portion of our production. These contracts may limit our potential gains if oil and natural gas prices were to rise substantially over the price established by the contract. In addition, such transactions may expose us to the risk of financial loss in certain circumstances, including instances in which:

- there is a change in the expected differential between the underlying price in the hedging agreement and actual prices received;
- our production and/or sales of oil or natural gas are less than expected;
- payments owed under derivative hedging contracts come due prior to receipt of the hedged month's production revenue; or
- the other party to the hedging contract defaults on its contract obligations.

Hedging transactions we may enter into may not adequately protect us from declines in the prices of oil and natural gas. Further, where we choose not to engage in hedging transactions, we may be more adversely affected by changes in oil and natural gas prices than our competitors who engage in hedging transactions. In addition, the counterparties under our derivatives contracts may fail to fulfill their contractual obligations to us.

We may have difficulty managing growth in our business, which could adversely affect our financial condition and results of operations.

Significant growth in the size and scope of our operations could place a strain on our financial, technical, operational and management resources. The failure to continue to upgrade our technical, administrative, operating and financial control systems or the occurrences of unexpected expansion difficulties, including the failure to recruit and retain experienced managers, geologists, engineers and other professionals in the oil and gas industry could have a material adverse effect on our business, financial condition and results of operations and our ability to timely execute our business plan.

The actual quantities and present value of our proved reserves may be lower than we have estimated. In addition, the present value of future net revenues from our proved reserves will not necessarily be the same as the current market value of our estimated oil and natural gas reserves.

This annual report contains estimates of our proved oil and natural gas reserves and the estimated future net revenues from these reserves contained in our filings with the SEC. The December 31, 2011, reserve estimate was prepared by our Senior Reserve Engineer and audited by RE Davis. The process of estimating oil and natural gas reserves is complex and requires significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Accordingly, these estimates are inherently imprecise. Actual future production, oil and natural gas prices, revenues, taxes, development and operating expenses, and quantities of recoverable oil and natural gas reserves most likely will vary from these estimates and vary over time. Such variations may be significant and could materially affect the estimated quantities and present value of our proved reserves. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development drilling, results of secondary and tertiary recovery applications, prevailing oil and natural gas prices and other factors, many of which are beyond our control. You should also not assume that our initial rates of production of our wells will lead to greater overall production over the life of the wells, or that early results suggesting lack of reservoir continuity will prove to be accurate.

You should not assume that the present value of future net revenues referred to in this annual report is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements, the estimated discounted future net cash flows from proved reserves are generally based on the un-weighted average of the closing prices during the first day of each of the twelve months preceding the end of the fiscal year. Actual future prices and costs may be materially higher or lower than the prices and costs as of the date of the estimate. Any change in consumption by oil or natural gas purchasers or in governmental regulations or taxation will also affect actual future net cash flows. The timing of both the production and the expenses from the development and production of our oil and natural gas properties will affect the timing of actual future net cash flows from proved reserves and their present value. In addition, the 10% discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most appropriate discount factor nor does it reflect discount factors used in the market place for the purchase and sale of oil and natural gas.

Properties that we acquire may not produce oil or natural gas as projected, and we may be unable to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against them, which could cause us to incur losses. One of our growth strategies is to pursue selective acquisitions of undeveloped leaseholder oil and natural gas reserves. If we choose to pursue an acquisition, we will perform a review of the target properties; however, these reviews are inherently incomplete. Generally, it is not feasible to review in depth every individual property involved in each acquisition. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. We may not perform an inspection on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, we may not be able to obtain effective contractual protection against all or part of those problems, and we may assume environmental and other risks and liabilities in connection with the acquired properties.

Our large inventory of undeveloped acreage and large percentage of undeveloped proved reserves may create additional economic risk. Our success is largely dependent upon our ability to develop our large inventory of future drilling locations, undeveloped acreage and undeveloped reserves. As of December 31, 2011, approximately 47% of our total proved reserves were undeveloped. To the extent our drilling results are not as successful as we anticipate, natural gas and oil prices decline, or sufficient funds are not available to drill these locations and reserves, we may not capture the expected or projected value of these properties. In addition, delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce the PV-10 value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves and may result in some projects becoming uneconomic.

Our revenue, profitability, cash flow, future growth and ability to borrow funds or obtain additional capital, as well as the carrying value of our properties, are substantially dependent on prevailing prices of oil and natural gas. If oil and natural gas prices decrease, we may be required to take write-downs of the carrying values of our oil and natural gas properties, negatively impacting the trading value of our securities. There is a risk that we will be required to write down the carrying value of our oil and gas properties, which would reduce our earnings and stockholders' equity. We follow the full cost method of accounting for oil and gas operations whereby all costs related to exploration and development of oil and gas properties are initially capitalized into a single cost center, known as a full cost pool. We record all capitalized costs into a single cost center as all operations are conducted within the United States. Such costs include land acquisition costs, geological and geophysical expenses, carry charges on non-producing properties, and costs of drilling directly related to acquisition and exploration activities. Proceeds from property sales are generally credited to the full cost pool, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 25% or more of the proved reserves related to a single full cost pool.

Additional write downs could occur if oil and gas prices decline or if we have substantial downward adjustments to our estimated proved reserves, increases in our estimates of development costs or deterioration in our drilling results.

All of our producing properties and operations are located in the DJ Basin region, making us vulnerable to risks associated with operating in one major geographic area. All of our estimated proved reserves at December 31, 2011, and our 2010 and 2011 sales were generated in the DJ Basin in southeastern Wyoming, northeastern Colorado and southwestern Nebraska. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by transportation capacity constraints, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions, plant closures for scheduled maintenance or interruption of transportation of oil or natural gas produced from the wells in this area. In addition, the effect of fluctuations on supply and demand may become more pronounced within specific geographic oil and gas producing areas such as the DJ Basin, which may cause these conditions to occur with greater frequency or magnify the effect of these conditions. Due to the concentrated nature of our portfolio of properties, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that have a more diversified portfolio of properties. Such delays or interruptions could have a material adverse effect on our financial condition and results of operations.

Unless we find new oil and gas reserves, our reserves and production will decline, which would materially and adversely affect our business, financial condition and results of operations. Producing oil and gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Thus, our future oil and gas reserves and production and, therefore, our cash flow and revenue are highly dependent on our success in efficiently obtaining reserves and acquiring additional recoverable reserves. We may not be able to develop, find or acquire reserves to replace our current and future production at costs or other terms acceptable to us, or at all, in which case our business, financial condition and results of operations would be materially and adversely affected.

Part of our strategy involves drilling in existing or emerging shale plays using available horizontal drilling and completion techniques. The results of our planned exploratory and development drilling in these plays are subject to drilling and completion technique risks and drilling results may not meet our expectations for reserves or production. As a result, we may incur material write-downs and the value of our undeveloped acreage could decline if drilling results are unsuccessful. Operations in the Niobrara shale involve utilizing drilling and completion techniques as developed by ourselves and our service providers. Risks that we face while drilling include, but are not limited to, landing our wellbore in the desired drilling zone, staying in the desired drilling zone while drilling horizontally through the formation, running our casing the entire length of the wellbore and being able to run tools and other equipment consistently through the horizontal wellbore. Risks that we face while completing our wells include, but are not limited to, being able to fracture stimulate the planned number of stages, being able to run tools the entire length of the wellbore during completion operations and successfully cleaning out the wellbore after completion of the final fracture stimulation stage.

Our experience with horizontal drilling utilizing the latest drilling and completion techniques specifically in the Niobrara is limited. Ultimately, the success of these drilling and completion techniques can only be evaluated over time as more wells are drilled and production profiles are established over a sufficiently long time period. If our drilling results are less than anticipated or we are unable to execute our drilling program because of capital constraints, lease expirations, access to gathering systems and limited takeaway capacity or otherwise, and/or natural gas and oil prices decline, the return on our investment in these areas may not be as attractive as we anticipate and we could incur material write-downs of unevaluated properties and the value of our undeveloped acreage could decline in the future.

The unavailability or high cost of drilling rigs, equipment supplies or personnel could adversely affect our ability to execute our exploration and development plans. The oil and gas industry is cyclical and, from time to time, there are shortages of drilling rigs, equipment, supplies or qualified personnel. During these periods, the costs of rigs, equipment and supplies may increase substantially and their availability may be limited. In addition, the demand for, and wage rates of, qualified personnel, including drilling rig crews, may rise as the number of rigs in service increases. The higher prices of oil and gas during the last several years have resulted in shortages of drilling rigs, equipment and personnel, which have resulted in increased costs and shortages of equipment in the areas where we operate. If drilling rigs, equipment, supplies or qualified personnel are unavailable to us due to excessive costs or demand or otherwise, our ability to execute our exploration and development plans could be materially and adversely affected and, as a result, our financial condition and results of operations could be materially and adversely affected.

Covenants in our credit agreements impose significant restrictions and requirements on us. Our three credit agreements contain a number of covenants imposing significant restrictions on us, including restrictions on our repurchase of, and payment of dividends on, our capital stock and limitations on our ability to incur additional indebtedness, make investments, engage in transactions with affiliates, sell assets and create liens on our assets. These restrictions may affect our ability to operate our business, to take advantage of potential business opportunities as they arise and, in turn, may materially and adversely affect our business, financial conditions and results of operations.

We could be required to pay liquidated damages to some of our investors if we fail to maintain the effectiveness of a prior registration statement. We could default and accrue liquidated damages under registration rights agreements covering approximately 3.2 million shares of our common stock if we fail to maintain the effectiveness of a prior registration statement as required in the agreements. In such case, we would be required to pay monthly liquidated damages of up to \$228,050. The maximum aggregate liquidated damages are capped at \$1,368,300. If we do not make a monthly payment within seven days after the date payable, we are required to pay interest at an annual rate of 18% on the unpaid amount. If we default under the registration rights agreement and accrue liquidated damages, we could be required to either raise additional outside funds through financing or curtail or cease operations.

We are exposed to operating hazards and uninsured risks. Our operations are subject to the risks inherent in the oil and natural gas industry, including the risks of:

- fire, explosions and blowouts;
- pipe failure;
- abnormally pressured formations; and
- environmental accidents such as oil spills, natural gas leaks, ruptures or discharges of toxic gases, brine or well fluids into the environment (including groundwater contamination).

These events may result in substantial losses to us from:

- injury or loss of life;
- severe damage to or destruction of property, natural resources and equipment;
- pollution or other environmental damage;
- clean-up responsibilities;
- regulatory investigation;
- penalties and suspension of operations; or
- attorney's fees and other expenses incurred in the prosecution or defense of litigation.

We maintain insurance against some, but not all, of these risks. We cannot assure you that our insurance will be adequate to cover these losses or liabilities. We do not carry business interruption insurance. Losses and liabilities arising from uninsured or underinsured events may have a material adverse effect on our financial condition and operations.

The producing wells in which we have an interest occasionally experience reduced or terminated production. These curtailments can result from mechanical failures, contract terms, pipeline and processing plant interruptions, market conditions and weather conditions. These curtailments can last from a few days to many months.

We may be subject to risks in connection with acquisitions, and the integration of significant acquisitions may be difficult. We periodically evaluate acquisitions of reserves, properties, prospects and leaseholds and other strategic transactions that appear to fit within our overall business strategy. The successful acquisition of producing properties requires an assessment of several factors, including:

- recoverable reserves;
- future oil and natural gas prices and their appropriate differentials;
- development and operating costs; and
- potential environmental and other liabilities.

The accuracy of these assessments is inherently uncertain. In connection with these assessments, we perform a review of the subject properties. Our review will not reveal all existing or potential problems nor will it permit us to become sufficiently familiar with the properties to fully assess their deficiencies and potential recoverable reserves. Inspections may not always be performed on every well, and environmental problems are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of the problems. We often are not entitled to contractual indemnification for environmental liabilities and acquire properties on an "as is" basis.

Significant acquisitions and other strategic transactions may involve other risks, including:

- diversion of our management's attention to evaluating, negotiating and integrating significant acquisitions and strategic transactions;
- challenge and cost of integrating acquired operations, information management and other technology systems and business cultures with those of ours while carrying on our ongoing business;
- difficulty associated with coordinating geographically separate organizations;
- challenge of attracting and retaining personnel associated with acquired operations; and
- failure to realize the full benefit that we expect in estimated proved reserves, production volume, cost savings from operating synergies or other benefits anticipated from an acquisition, or to realize these benefits within the expected time frame.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of our business. Members of our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage our business. If our senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer.

Prospects that we decide in which to participate may not yield oil or natural gas in commercially viable quantities or quantities sufficient to meet our targeted rate of return. A prospect is a property in which we own an interest and have what we believe, based on available seismic and geological information, to be indications of oil or natural gas. Our prospects are in various stages of evaluation, ranging from a prospect that is ready to be drilled to a prospect that will require substantial additional seismic data processing and interpretation. There is no way to predict in advance of drilling and testing whether any particular prospect will yield oil or natural gas in sufficient quantities to recover drilling or completion cost or to be economically viable. The use of seismic data and other technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in commercial quantities. We cannot assure you that the analysis we perform using data from other wells, more fully explored prospects or producing fields will be useful in predicting the characteristics and potential reserves associated with our drilling prospects.

Our reserve estimates will depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in our reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves. The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and the calculation of the present value of reserves shown in these reports.

In order to prepare reserve estimates in its reports, our independent petroleum consultant projected production rates and timing of development expenditures. Our independent petroleum consultant also analyzed available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary and may not be in our control. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Therefore, estimates of oil and natural gas reserves are inherently imprecise.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves will most likely vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of our reserves. In addition, our independent petroleum consultant may adjust estimates of proved reserves to reflect production history, drilling results, prevailing oil and natural gas prices and other factors, many of which are beyond our control.

Risks relating to the oil and gas industry

Oil and natural gas prices are highly volatile, and lower prices will negatively affect our financial condition, planned capital expenditures and results of operations. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices we receive for our production and the levels of our production depend on numerous factors beyond our control. These factors include the following:

- changes in global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries, or OPEC;
- the price and quantity of imports of foreign oil and natural gas;
- acts of war or terrorism;
- political conditions and events, including embargoes, affecting oil-producing activity;
- the level of global oil and natural gas exploration and production activity;
- the level of global oil and natural gas inventories;
- weather conditions;
- technological advances affecting energy consumption;
- the price and availability of alternative fuels; and
- market concerns about global warming or changes in governmental policies and regulations due to climate change initiatives.

Volatile oil and natural gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

Our revenues, operating results, profitability and future rate of growth depend primarily upon the prices we receive for oil and, to a lesser extent, natural gas that we sell. Prices also affect the amount of cash flow available for capital expenditures and our ability to borrow money or raise additional capital. In addition, we may need to record asset carrying value write-downs if prices fall. A significant decline in the prices of natural gas or oil could adversely affect our financial position, financial results, cash flows, access to capital and ability to grow.

Our industry is highly competitive which may adversely affect our performance, including our ability to participate in ready to drill prospects in our core areas. We operate in a highly competitive environment. In addition to capital, the principal resources necessary for the exploration and production of oil and natural gas are:

- leasehold prospects under which oil and natural gas reserves may be discovered;
- drilling rigs and related equipment to explore for such reserves; and
- Knowledgeable personnel to conduct all phases of oil and natural gas operations.

We must compete for such resources with both major oil and natural gas companies and independent operators. Virtually all of these competitors have financial and other resources substantially greater than ours. We cannot assure you that such materials and resources will be available when needed. If we are unable to access material and resources when needed, we risk suffering a number of adverse consequences, including:

- the breach of our obligations under the oil and gas leases by which we hold our prospects and the potential loss of those leasehold interests;
- loss of reputation in the oil and gas community;
- a general slow down in our operations and decline in revenue; and
- decline in market price of our common shares.

Legislative and regulatory initiatives related to global warming and climate change could have an adverse effect on our operations and the demand for oil and natural gas. In December 2009, the EPA determined that emissions of carbon dioxide, methane and other “greenhouse gases” present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth’s atmosphere and other climatic changes. Based on these findings, the EPA has begun adopting and implementing regulations to restrict emissions of greenhouse gases under existing provisions of the Clean Air Act, or CAA. The EPA recently adopted two sets of rules regulating greenhouse gas emissions under the CAA, one of which requires a reduction in emissions of greenhouse gases from motor vehicles and the other of which regulates emissions of greenhouse gases from certain large stationary sources, effective January 2, 2011. The EPA has also adopted rules requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States, including petroleum refineries, on an annual basis, beginning in 2011 for emissions occurring after January 1, 2010, as well as certain onshore oil and natural gas production facilities, on an annual basis, beginning in 2012 for emissions occurring in 2011.

In addition, the United States Congress has from time to time considered adopting legislation to reduce emissions of greenhouse gases and almost one-half of the states have already taken legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. Most of these cap and trade programs work by requiring major sources of emissions, such as electric power plants, or major producers of fuels, such as refineries and gas processing plants, to acquire and surrender emission allowances. The number of allowances available for purchase is reduced each year in an effort to achieve the overall greenhouse gas emission reduction goal.

The adoption of legislation or regulatory programs to reduce emissions of greenhouse gases could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil, NGLs, and natural gas we produce. Consequently, legislation and regulatory programs to reduce emissions of greenhouse gases could have an adverse effect on our business, financial condition and results of operations. Finally, it should be noted that some scientists have concluded that increasing concentrations of greenhouse gases in the Earth’s atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, and floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our financial condition and results of operations.

Federal and state legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays in the completion of oil and natural gas wells.

Hydraulic fracturing is an important and common practice that is used to stimulate production of natural gas and/or oil from dense subsurface rock formations. The process involves the injection of water, sand and chemicals under pressure into the formation to fracture the surrounding rock and stimulate production. We routinely use hydraulic fracturing techniques in many of our drilling and completion programs. The process is typically regulated by state oil and natural gas commissions, but the EPA has asserted federal regulatory authority over certain hydraulic fracturing activities involving diesel under the federal Safe Drinking Water Act. In addition, legislation has been introduced before Congress to provide for federal regulation of hydraulic fracturing under the Safe Drinking Water Act and to require disclosure of the chemicals used in the hydraulic fracturing process. Under the proposed legislation, this information would be available to the public via the internet, which could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. At the state level, some states have adopted, and other states are considering adopting legal requirements that could impose more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities. If new or more stringent federal, state, or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where we operate, we could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from drilling wells.

In addition, certain governmental reviews are either underway or being proposed that focus on environmental aspects of hydraulic fracturing practices. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices, and a committee of the United States House of Representatives has conducted an investigation of hydraulic fracturing practices. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with initial results expected to be available by late 2012 and final results by 2014. Moreover, the EPA has announced that it will develop effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities by 2014. Other governmental agencies, including the U.S. Department of Energy and the U.S. Department of the Interior, are evaluating various other aspects of hydraulic fracturing. These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the federal Safe Drinking Water Act or other regulatory mechanisms.

We are subject to numerous laws and regulations that can adversely affect the cost, manner or feasibility of doing business. Our operations are subject to extensive federal, state and local laws and regulations relating to the exploration, production and sale of oil and natural gas, and operating safety. Future laws or regulations, any adverse change in the interpretation of existing laws and regulations or our failure to comply with existing legal requirements may result in substantial penalties and harm to our business, results of operations and financial condition. We may be required to make large and unanticipated capital expenditures to comply with governmental regulations, such as:

- land use restrictions;
- lease permit restrictions;
- drilling bonds and other financial responsibility requirements, such as plugging and abandonment bonds;
- spacing of wells;
- unitization and pooling of properties;
- safety precautions;
- operational reporting; and
- taxation.

Under these laws and regulations, we could be liable for:

- personal injuries;
- property and natural resource damages;
- well reclamation cost; and
- governmental sanctions, such as fines and penalties.

Our operations could be significantly delayed or curtailed and our cost of operations could significantly increase as a result of regulatory requirements or restrictions. We are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. It is also possible that a portion of our oil and gas properties could be subject to eminent domain proceedings or other government takings for which we may not be adequately compensated. See “Business--Government Regulations ” for a more detailed description of our regulatory risks.

Our operations may incur substantial expenses and resulting liabilities from compliance with environmental laws and regulations . Our oil and natural gas operations are subject to stringent federal, state and local laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations:

- require the acquisition of a permit before drilling commences;
- restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling and production activities, including new environmental regulations governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells;
- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and
- impose substantial liabilities for pollution resulting from our operations.

Failure to comply with these laws and regulations may result in:

- the assessment of administrative, civil and criminal penalties;
- incurrence of investigatory or remedial obligations; and
- the imposition of injunctive relief.

Changes in environmental laws and regulations occur frequently and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to reach and maintain compliance and may otherwise have a material adverse effect on our industry in general and on our own results of operations, competitive position or financial condition. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or contamination or if our operations met previous standards in the industry at the time they were performed. Our permits require that we report any incidents that cause or could cause environmental damages. See “*Business—Government Regulations*” for a more detailed description of our environmental risks.

Risks relating to our common stock

There is a limited public market for our shares and we cannot assure you that an active trading market or a specific share price will be established or maintained.

Our common stock trades on the Nasdaq Global Market, generally in small volumes each day. The value of our common stock could be affected by:

- actual or anticipated variations in our operating results;
- changes in the market valuations of other oil and gas companies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- Adoption of new accounting standards affecting our industry;
- Additions or departures of key personnel;
- sales of our common stock or other securities in the open market;
- changes in financial estimates by securities analysts;
- conditions or trends in the market in which we operate;
- changes in earnings estimates and recommendations by financial analysts;
- our failure to meet financial analysts' performance expectations; and
- other events or factors, many of which are beyond our control.

In a volatile market, you may experience wide fluctuations in the market price of our securities. These fluctuations may have an extremely negative effect on the market price of our common stock and may prevent you from obtaining a market price equal to your purchase price when you attempt to sell our common stock in the open market. In these situations, you may be required either to sell at a market price which is lower than your purchase price, or to hold our common stock for a longer period of time than you planned. An inactive market may also impair our ability to raise capital by selling shares of capital stock and may impair our ability to acquire other companies or oil and gas properties by using common stock as consideration.

Securities analysts may not initiate coverage of our shares or may issue negative reports, which may adversely affect the trading price of the shares.

We cannot assure you that securities analysts will cover our company. If securities analysts do not cover our company, this lack of coverage may adversely affect the trading price of our shares. The trading market for our shares will rely in part on the research and reports that securities analysts publish about us and our business. If one or more of the analysts who cover our company downgrades our shares, the trading price of our shares may decline. If one or more of these analysts ceases to cover our company, we could lose visibility in the market, which, in turn, could also cause the trading price of our shares to decline. Further, because of our small market capitalization, it may be difficult for us to attract securities analysts to cover our company, which could significantly and adversely affect the trading price of our shares.

Item 1B. UNRESOLVED STAFF COMMENTS

None

Item 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which we or our properties are subject.

Item 4. MINE SAFETY DISCLOSURES

Not applicable

PART II**Item 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Recent Market Prices**

On November 2, 2011 our common stock began trading on the Nasdaq Capital Market under the symbol "RECV." Between September 25, 2009 and November 1, 2011 our stock traded on the OTC Market under the symbol "RECV.OB."

The following table shows the high and low reported sales prices of our common stock for the periods indicated. Effective October 19, 2011 we completed a 1:4 reverse stock split, and stock prices prior to such date have been adjusted to reflect the effect of the stock split.

		<u>High</u>	<u>Low</u>
2011			
Fourth Quarter	\$	7.00	2.99
Third Quarter	\$	11.00	4.88
Second Quarter	\$	13.00	8.80
First Quarter	\$	15.56	\$ 7.80
2010			
Fourth Quarter	\$	10.00	\$ 7.24
Third Quarter	\$	10.00	\$ 6.00
Second Quarter	\$	16.00	\$ 1.00
First Quarter	\$	22.00	\$ 8.20
2009			
Fourth Quarter	\$	23.00	\$ 12.00
September 25, 2009 through September 30, 2009	\$	24.00	\$ 17.00

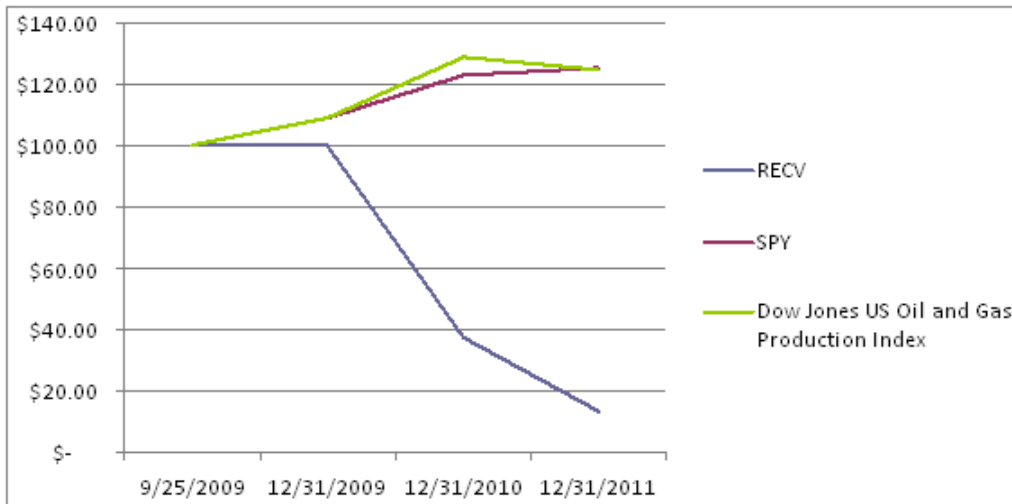
On March 13, 2012, there were approximately 28 owners of record of our common stock.

Dividend Policy

We have never paid any cash dividends on our common stock and do not anticipate paying any dividends in the foreseeable future. Our current business plan is to retain any future earnings to finance the expansion and development of our business. Any future determination to pay cash dividends will be at the discretion of our board of directors, and will be dependent upon our financial condition, results of operations, capital requirements and other factors as our board may deem relevant at that time.

Stock Performance Graph

The following performance graph compares the cumulative total stockholder return on Recovery Energy, Inc. common stock with the SPDR S &P 500 Stock Index and the Dow Jones US Oil and Gas Production index for the period from September 25, 2009 through December 31, 2011, assuming an initial investment of \$100 and the reinvestment of all dividends, if any. This historic stock price performance is not necessarily indicative of future stock performance.



Recent Sales of Unregistered Securities

We have previously disclosed by way of quarterly reports on Form 10-Q and current reports on Form 8-K filed with the SEC all sales by us of our unregistered securities during 2011, except as follows:

In December 2011, we issued 66,330 shares of unregistered common stock to purchase oil and gas interests covering 884 net acres in Weld County, Colorado. Issuance of the shares described above was not registered under the Securities Act of 1933.

The issuance of these shares was exempt from registration, pursuant to Section 4(2) of the Securities Act of 1933. These securities qualified for exemption since the issuance of the securities by us did not involve a public offering and the purchasers are all accredited investors as defined in Regulation D under the Securities Act. The offering was not a "public offering" as defined in Section 4(2) due to the insubstantial number of persons involved in the sale, size of the offering, manner of the offering and number of securities offered. In addition, these shareholders have the necessary investment intent as required by Section 4(2) since each agreed to and received share certificates bearing a legend stating that such securities are restricted pursuant to Rule 144 of the 1933 Securities Act. This restriction ensures that these securities would not be immediately redistributed into the market and therefore not be part of a "public offering." Based on an analysis of the above factors, we have met the requirements to qualify for exemption under Section 4(2) of the Securities Act for this transaction.

Item 6. SELECTED FINANCIAL DATA

The table below contains selected consolidated financial data. The statement of operations, cash flow, balance sheet and other financial data for each year has been derived from our consolidated financial statements. You should read this information together with “Management’s Discussion and Analysis of Financial Condition and Results of Operation” and our consolidated financial statements and the related notes included elsewhere in this report. Shares and per share data has been adjusted for the effects of a 1:4 reverse stock split completed in the 4th quarter of 2011. The Company owned no oil and gas properties prior to 2010, and had no significant operations prior to 2009.

	Years Ended December 31,		
	2011	2010	2009
REVENUES AND OTHER INCOME:			
Oil sales	7,148,110	9,504,737	-
Gas sales	547,190	68,075	-
Other	666,794	184,880	-
Total Revenues	<u>8,362,094</u>	<u>9,757,692</u>	-
COSTS AND EXPENSES:			
Production Costs	1,514,784	862,042	-
Production Taxes	838,714	1,056,244	-
General and administrative	10,544,347	15,530,248	1,057,306
Impairment of oil and natural gas properties	2,821,176	-	2,750,000
Depreciation depletion and amortization	4,347,117	5,036,648	-
Common stock and warrants issued in aborted property transactions	-	-	8,404,106
Restructuring and related consulting	-	-	17,700,000
Bad debt expense	-	400,000	-
Total costs and expenses	<u>20,066,138</u>	<u>22,885,182</u>	<u>29,911,412</u>
Income (loss) from continuing operations	(11,704,044)	(13,127,490)	(29,911,412)
Interest expense	(8,218,225)	(6,640,209)	31
Convertible notes derivative gain	3,821,792	-	-
Debt inducement expense	(2,800,000)	-	-
Other	71,253	28,666	-
Net loss	<u>(18,829,225)</u>	<u>(19,739,033)</u>	<u>(29,911,381)</u>
Net loss per common share:			
Basic and Diluted	<u>\$ (1.21)</u>	<u>\$ (2.15)</u>	<u>\$ (12.19)</u>
Weighted average common shares outstanding:			
Basic and Diluted	<u>15,543,758</u>	<u>9,167,803</u>	<u>2,453,921</u>
Cash flow data:			
Cash flow provided by (used in) operations	(570,247)	3,758,694	(381,239)
Cash flow provided by/(used in) investing activities	(13,308,468)	(46,809,758)	639,639
Cash flow provided by/(used in) financing activities	11,057,693	48,471,408	(150,000)
Balance sheet data:			
Cash and cash equivalents	2,707,722	6,679,285	129,276
Property, plant and equipment, net of depletion and impairment	72,137,035	56,129,467	-
Total assets	81,287,860	68,121,929	895,026
Total liabilities	31,619,635	(23,865,327)	(328,754)
Common stock subject to redemption	-	(86,257)	(172,516)
Total shareholders' equity	<u>49,668,225</u>	<u>44,170,344</u>	<u>393,756</u>

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our financial statements included elsewhere in this annual report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors including those set forth under Item 1A "Risk Factors".

General

We are an independent oil and gas company engaged in the acquisition, drilling and production of oil and natural gas properties and prospects within the DJ Basin. Our business strategy is designed to create shareholder value by leveraging the knowledge, expertise and experience of our management team along with that of our operating partners.

We principally target low to medium risk projects that have the potential for multiple producing horizons, and offer repeatable success allowing for meaningful production and reserve growth. Our acquisition and exploration pursuits of oil and natural gas properties are principally located in Colorado, Nebraska, and Wyoming.

It is our belief that the exploration and production industry's most significant value creation occurs through the drilling of successful development wells and the enhancement of oil recovery in mature fields given appropriate economic conditions. We intend to acquire producing properties and develop properties based on our view of the pricing cycles of oil and natural gas and available exploration and development opportunities of proved, probable and possible reserves.

Results of Operations

2011 compared to 2010

The following table compares operating data for the fiscal year ended December 31, 2011 to December 31, 2010:

	<u>2011</u>	<u>2010</u>
REVENUES AND OTHER INCOME:		
Oil sales	7,148,110	9,504,737
Gas sales	547,190	68,075
Realized gains on commodity hedges	625,043	570,233
Other	41,751	(385,353)
	<u>8,362,094</u>	<u>9,757,692</u>
EXPENSES:		
Production Costs	1,514,784	862,042
Production Taxes	838,714	1,056,244
General and administrative	10,544,347	15,530,248
Impairment of oil and natural gas properties	2,821,176	-
Depreciation depletion and amortization	4,347,117	5,036,648
Bad debt expense	-	400,000
	<u>20,066,138</u>	<u>22,885,182</u>
Income (loss) from continuing operations	(11,704,044)	(13,127,490)
Interest expense	(8,218,225)	(6,640,209)
Other	71,253	28,666
Debt Inducement Expense	(2,800,000)	-
Conversion Note Derivative Gain	3,821,792	-
Net income	<u>(18,829,224)</u>	<u>(19,739,033)</u>

Total revenues in 2011 declined from \$9.8 million in 2010 to \$8.4 million in 2011 due primarily to a decrease in net oil production due to natural reservoir production declines. This reduction in oil sales was partially offset by an increase in net gas production, but also affected by changes in the average unit prices received by the Company for the sale of its oil and gas products. The following table shows the comparison of production volume and average prices:

	<u>Year Ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Oil Sales (net bbls)	81,443	133,709
Gas Sales (net mcf)	115,583	14,914
Average Oil Price	\$ 87.77	\$ 71.08
Average Gas Price	\$ 4.73	\$ 4.56
Average Price per BOE	76.41	74.47
Production Costs	15.19	6.33
Production Taxes	8.18	7.76
Depreciation and Amortization	42.25	36.98
Total Operating Costs	65.62	51.07
Gross Margin	10.79	23.40
Gross Margin %	14.12%	31.42%

As shown in the table, oil volumes declined 39%, gas volume increased by 675%, and prices for both oil and gas increased. The gas volume increase can be attributed to the production of one gas well that produced during the entirety of 2011, but only for part of 2010. The decline in oil volume is due almost entirely to natural production declines.

Other revenues in 2010 included an unrealized loss on commodity hedges of \$399,000. Unrealized losses on commodity hedges in 2011 were nominal.

Production taxes in 2011 decreased by 22% in 2011 as a result in the overall decrease in oil and gas sales. Production costs increased by 77%. This increase is due primarily to an increase in the number of workovers, property improvements and other onsite work that was performed on our producing properties during the year.

Depletion expense declined in 2011 by 16% as a result of lower unit volumes of oil and gas sales, and a declining cost center, even though the cost per BOE increased by 14%.

An impairment expense of \$2.8 million was recorded in 2011 as a result of capitalized costs exceeding the standardized measure of reserve values.

General and administrative expenses declined 32% in 2011 as compared to 2010. 2011 general and administrative expenses included non-cash stock compensation expense of \$6.7 million compared to \$13.1 million in 2010. Excluding these non-cash components, cash general and administrative expenses were \$3.9 million in 2011 compared to \$2.23 million in 2010. Cash general and administrative expenses in 2011 increased primarily as a result of an increase in payroll, and legal and third party fees related to transactions, as well as general increases in other general and administrative expense areas.

Interest expense increased by \$1.6 million in 2011 as compared to 2010. 2011 interest includes non-cash loan costs amortization of \$5.0 million, and cash interest expense of \$3.2 million, compared to cash interest expense in 2010 of \$2.7 million. Cash interest increased in 2011 primarily as a result of an increase in the average level of debt.

In 2011, we recorded inducement expense of \$2.8 million related to an amendment of our convertible debentures that reduced the conversion price from \$9.40 to \$4.25 per share. The inducement related to a request to the holders of the convertible debentures to release certain collateral so that it could be sold. We also recorded derivative gains of \$3.8 million related to the reduction of liability attributed to the conversion feature recorded as of the original transaction date in the first quarter of 2011, versus the liability related to this conversion feature as of the end of the year.

2010 compared to 2009

In general our revenues and expenses were significantly higher in 2010 when compared to inception through December 31, 2009 as during 2009 we were a development stage company with minimal activities. In January 2010, we acquired our first producing oil and gas assets and incurred interest expense with the associated debt utilized to acquire the property. Therefore, results are generally not comparable for the year ended December 31, 2010 to the period of inception through December 31, 2009. We have presented the results for each period below.

Revenue and other income:

For the twelve month period ended December 31, 2010, we had \$9,504,737 in oil sales and \$68,075 in natural gas sales, respectively.

Average daily net production for the twelve month period ended December 31, 2010 was 373 BOEPD.

Miscellaneous Income and Operating Fees

We earned net operating fees of \$13,487 during the twelve months ended December 31, 2010. We realized a mark-to-market gain of \$28,666 during the twelve months ended December 31, 2010 on a put agreement associated with 85,000 shares of stock placed in conjunction with our reverse merger in September 2009.

Price Risk Management Activities

We recorded a net loss on our derivative contracts that do not qualify for cash flow hedge accounting of \$(398,840) for the year ended December 31, 2010. This amount represents an unrealized non-cash loss which represents a change in the fair value of our mark-to-market derivative instruments at December 31, 2010 as detailed in "Note 5 – Financial Instruments and Derivatives" and "Note 6 – Fair Value of Financial Instruments". We realized a gain on our derivative contracts that do not qualify for cash flow hedge accounting \$570,233 for the year ended December 31, 2010. This amount represents a realized cash gain from the settlement of our forward sale contracts for the quarter ended December 31, 2010 as detailed in "Note 5 – Financial Instruments and Derivatives" and "Note 6 – Fair Value of Financial Instruments".

Oil and Gas Production Expenses, Depreciation, Depletion and Amortization

	Years ended December 31,	
	2010	2009 (1)
Net production		
Oil (Bbl)	133,709	-
Gas (Mcf)	14,914	-
MBOE	136,195	-
Average net daily production		
Oil (Bbl)	366	-
Gas (Mcf)	41	-
BOE	373	-
Average realized sales price, excluding the effects of hedging		
Oil (per Bbl)	\$ 71.08	\$ -
Gas (per Mcf)	\$ 4.56	\$ -
Per BOE	\$ 70.29	\$ -
Average realized sales price, including the effects of hedging		
Oil (per Bbl)	\$ 75.27	\$ -
Gas (per Mcf)	\$ 4.56	\$ -
Per BOE	\$ 74.47	\$ -
Production costs per BOE		
Lease operating expense (2)	\$ 6.33	\$ -
DD&A	\$ 36.98	\$ -
Production taxes	\$ 7.76	\$ -
Total operating costs	\$ 51.07	\$ -
Gross margin percentage	31%	\$ -%

(1) Prior to January 2010, the Company did not own any oil and gas properties.

(2) Approximately \$2.35/BOE of lease operating expense relates to surface, subsurface, road repairs and work-over activities.

General and Administrative Expenses

General and administrative expenses were \$15,530,248 for the year ended December 31, 2010. Our general and administrative expenses twelve months ended December 31, 2010 included \$1,464,990 in professional fees (financial advisors, attorneys, accountants, and reserve engineers) of which \$372,393 were noncash, and \$9,958,300 in non-cash compensation expense. We also incurred a non-cash expense of \$54,500 in rental expense for our office lease for the year ending December 31, 2010 and a non-cash warrant modification expense of \$2,953,450 for the year ended December 31, 2010. Total non-cash general and administrative expenditures for the year ended December 31, 2010 was approximately \$13,300,000. This compares to approximately \$1,057,306 in general and administrative expenditures from inception through December 31, 2009 which included non-cash expenditures of \$690,000.

Depreciation Expense

Depreciation and amortization expense were \$5,036,648 for the twelve months ended December 31, 2010.

Interest Expense

Total interest expense was \$6,640,209 for the year ended December 31, 2010. The interest expense was comprised of \$3,989,649 in non-cash amortization of expenses for the year ended December 31, 2010 related to warrants issued and overriding royalty interests assigned to our lender in conjunction with the closing of the three credit agreements and the extension of the credit agreements. We incurred \$2,655,131 in cash interest expense for the year ended December 31, 2010. We, nor our predecessor business, did not incur interest expense from inception through December 31, 2009.

We incurred a net loss to common shareholders of \$19,739,033 for the year ended December 31, 2010.

From inception through December 31, 2009

General and administrative expense for the period ended December 31, 2009 totaled \$1,057,306, including non-cash expense \$684,778 in compensation expense for outstanding restricted common stock grants issued to executive officers and board members.

Our expense for impairment of equipment held for sale was \$2,750,000 for the period ended December 31, 2009.

Non-cash expenses related to the fair value of common stock issued in an attempted property transaction for the period ended December 31, 2009 totaled \$5,075,000. Additional non-cash expenses for the period ended December 31, 2009 included \$3,329,106 in fair value for warrants issued to third parties for a commitment to finance a property transaction which did not close, \$200,000 related to 85,000 shares issued in conjunction with the merger and \$17,500,000 related to 5 million shares acquired by our controlling shareholder group subsequent to the reverse merger.

Income for the period ended December 31, 2009 totaled \$31 and was comprised of interest income.

We incurred a net loss to common shareholders of \$29,911,381 for the period ended December 31, 2009.

Plan of Operations

Our plan of operations for the next twelve months is to identify and develop oil and natural gas prospects from our existing inventory of undeveloped acreage. In this regard, we have gradually added structure and staffing to our company as we become the operator of an increasing number of acquired properties. By acting as the operator, we have greater control over operating, drilling and developmental decisions, and would expect to generally better control our overall finding costs as we increase our exploration and development activities.

We anticipate the investment of substantial capital during the next few years to evaluate, assess and develop our existing inventory of developed and undeveloped oil and gas leases. The following table summarizes our inventory of developed and undeveloped oil and gas leases by expiration date:

Summary of Leases Held:	Net Acres
Held by production and continuous operations	19,126.40
Expired 2/2012	3,462.44
Expires 2012	805.89
Expires 2013	13,944.80
Expires 2014	25,530.36
Expires 2015	61,361.21
Expires 2016	5,957.95
Total Leased Acreage	<u>130,189.04</u>

Our existing producing properties currently extend the termination dates of leases that comprise 9,739 net acres indefinitely, until such time as commercial production ceases with respect to a well that is holding a respective lease tract. While these net acres are categorized as developed, many of these leases also have potential for future development in other zones known to be productive, such as the Niobrara. In addition, we are also currently conducting completion and/or evaluation procedures on two wells in progress. Operations that are being conducted on these two wells are extending the primary terms of leases that comprise approximately 9,387 net acres. Absent successful completions of one or both of these wells, the lease terms of some or all of these acres may expire. The Company's current investment in these leases is approximately \$9.0 million.

Approximately 64% of our remaining inventory of undeveloped leases provide for extension of lease terms from two to five years, at the option of the Company, via payment of varying, but typically nominal, extension amounts.

The acquisition and development of properties and prospects and the pursuit of fresh opportunities require that we maintain access to adequate levels of capital. We will strive for an optimal balance between our property portfolio and our capital structuring that will allow for growth designed to build shareholder value and profitability. The decisions around the balancing of capital needs and property holdings will be a challenge to us as well as all companies in the entire energy industry during this time of continued disruption in the financial markets and an increasingly complex global economic picture. As a function of balancing properties and capital, we may decide to monetize certain properties to reduce debt or to allow us to acquire interests in new prospects or producing properties that may be better suited to the current economic and energy industry environment.

The business of oil and natural gas acquisition, exploration and development is capital intensive and the level of operations attainable by an oil and gas company is directly linked to and limited by the amount of available capital. Therefore, a principal part of our plan of operations is to raise the additional capital required to finance the exploration and development of our current oil and natural gas prospects and the acquisition of additional properties. As explained under "Financial Condition and Liquidity" below, based on our present working capital and current rate of cash flow from operations, we will need to raise additional capital to partially fund our overhead, and fund our exploration and development budget through, at least, December 31, 2012. We will seek additional capital through the sale of our securities and we will endeavor to obtain additional capital through debt and project financing. However, as described further below, under the terms of our \$21 million in credit facilities, we are prohibited from incurring any additional debt from third parties without prior consent from our lender. Our ability to obtain additional capital through new debt instruments and project financing may be subject to the repayment of our \$21 million credit facility.

We intend to use the services of independent consultants and contractors to perform various professional services, including land, legal, environmental, investor relations and tax services. We believe that by limiting our management and employee costs, we may be able to better control total costs and retain flexibility in terms of project management.

Financial Condition and Liquidity

Cash used in operating activities during the year ended December 31, 2011 was \$.6 million, and cash used in investing activities exceeded cash provided by financing activities by approximately \$2.2 million. This net cash use contributed to a substantial decrease in our net working capital as of December 31, 2011. Expenditures subsequent to December 31, 2011 have continued to exceed cash receipts, causing a further reduction of the Company's working capital position.

In the immediate term, the Company expects that additional capital will be required to fund its capital budget for 2012, to partially fund some of its ongoing overhead, and to provide additional capital to generally improve its working capital position. We anticipate that these capital requirements will be funded by a combination of capital raising activities, including the selling of additional debt and/or equity securities and the selling of certain assets. If we are not successful in obtaining sufficient cash sources to fund the aforementioned capital requirements, we may be required to curtail our expenditures, restructure our operations, sell assets on terms which may not be deemed favorable and/or curtail other aspects of our operations, including deferring portions of our 2012 capital budget.

Pursuant to our credit agreements with Hexagon, a substantial portion of our monthly net revenues derived from our producing properties is required to be used for debt and interest payments. In addition, our debt instruments contain provisions that, absent consent of the lenders, may restrict our ability to raise additional capital.

Since inception, we have raised approximately \$72 million in cash generally through private placements of debt and equity securities. In December 2011, we sold certain undeveloped acreage for total proceeds of \$4.5 million. During 2011, Hexagon agreed to temporarily suspend for five months the requirement to remit monthly net revenues of approximately \$2,000,000 in the aggregate as payment on the Hexagon debt. In November 2011, Hexagon extended the maturity date of their notes to January 1, 2013, and also advanced an additional \$309,000 to us. We repaid the \$309,000 advance in February 2012. In March 2012, Hexagon extended the maturity date of their Notes to June 30, 2013, and in connection therewith we agreed to make minimum monthly note payments of \$325,000, effective immediately. We will continue to pursue alternatives to shore up our working capital position and to provide funding for our planned 2012 expenditures.

On March 19, 2012, we entered into agreements with our existing convertible debenture holders to extend the amount of the convertible debenture debt by up to an additional \$5.0 million. Proceeds resulting from the increase in the convertible debentures will be used to partially fund the 2012 Capital Budget. The initial closing related to these agreements will be in the amount of \$1.5 million and is expected to occur prior to March 23, 2012. On or before September 15, 2012, convertible debenture holders may elect to purchase up to an additional \$3.5 million in additional convertible debentures. All terms of the expansion convertible debentures are substantively identical to the existing convertible debentures.

2012 Capital Budget

Our anticipated 2012 capital expenditure budget is \$10-15 million, which is allocated primarily to the drilling and completion of oil and gas wells in the DJ Basin in Wyoming, Nebraska and Colorado targeting the conventional Dakota 'D' sand and Muddy 'J' sand targets. In addition, approximately one-third of this budget may be directed toward additional development procedures on certain unconventional Niobrara shale properties. We estimate the completed cost for each conventional well to be between \$800,000 and \$900,000. Specific allocations of the 2012 budget directed at Niobrara shale properties have not been determined at this time.

Our 2012 capital expenditure budget is subject to various factors, including the availability of capital, market conditions, oilfield services and equipment availability, commodity prices and drilling results. While we continue to explore opportunities to expand our acreage position, our current budget is allocated to drilling and completing wells. Any leasehold acquisitions that we choose to pursue would require us to adjust our budget. Results from the wells identified in the capital budget may lead to additional adjustments to the capital budget as the cash flow from the wells could provide additional capital which we may use to increase our capital budget.

Other factors that could cause us to further increase our level of activity and adjust our capital expenditure budget include a reduction in service and material costs, the formation of joint ventures with other exploration and production companies, the divestiture of non-strategic assets, a further improvement in commodity prices or well performance that exceeds our forecasts, any of which could positively impact our operating cash flow. Factors that could cause us to reduce level of activity and adjust our capital budget include, but are not limited to, increases in service and materials costs, reductions in commodity prices or under-performance of wells relative to our forecasts, any of which could negatively impact our operating cash flow.

Our 2012 drilling program is designed to provide flexibility to accommodate both the timing of the securing of adequate capital, and to identify suitable well locations. We anticipate funding the 2012 capital program through a combination of the issuance of additional equity or debt securities, use of existing working capital and operating cash flows, and from cash provided by potential joint venture participants. We may choose to sell certain non-strategic assets in order to supplement the funding of our 2012 capital budget.

We cannot give assurances that our working capital on hand, our cash flow from operations or any available capital or borrowings, equity offerings or other financings, or sales of non-strategic assets will be sufficient to fund our anticipated capital expenditures. If our existing and potential sources of investment capital are not sufficient to undertake our planned 2012 capital expenditures, we may be required to reduce our 2012 drilling capital budget, curtail our expenditures and/or restructure our operations.

On March 19, 2012, we entered into agreements with our existing convertible debenture holders to extend the amount of the convertible debenture debt by up to an additional \$5.0 million. Proceeds resulting from the increase in the convertible debentures will be used to partially fund the 2012 Capital Budget. The initial closing related to these agreements will be in the amount of \$1.5 million and is expected to occur prior to March 23, 2012. On or before September 15, 2012, convertible debenture holders may elect to purchase up to an additional \$3.5 million in additional convertible debentures. All terms of the expansion convertible debentures are substantively identical to the existing convertible debentures.

During the year ended December 31, 2011, our working capital decreased to \$1.3 million compared to \$4.4 million at December 31, 2010. This lower level of working capital is primarily of the result of cash used in operations, and cash investing activities that exceeded cash provided by financing activities.

During the year ended December 31, 2011, net cash used in operating activities was \$570,000. The primary changes in operating cash during the year ended December 31, 2010 were \$18.8 million of net loss, adjusted for non-cash charges of \$ 4.3 million of depreciation, depletion and amortization expenses and accretion expense, \$6.5 million of stock-based compensation and stock paid for services, \$4.4 million of amortization of deferred financing costs, \$2.8 million of impairment expense, \$2.8 million of debt inducement expense, and offset by \$3.3 million in non-cash gains on derivatives.

During the year ended December 31, 2011, net cash used by investing activities was \$13.3 million. The primary changes in investing cash during the year ended December 31, 2011 was \$9.4 million in expenditures related to our acquisitions which consisted primarily of the unevaluated acreage, and \$7.0 million in drilling capital expenditures, offset by \$3.0 million in proceeds received from the sale of certain undeveloped acreage.

During the year ended December 31, 2011, net cash provided by financing activities was \$11.0 million. The primary changes in financing cash during the year ended December 31, 2011 were \$8.0 million related to the issuance of convertible debt, \$2.1 million derived from the issuance of common stock, and \$.9 million in other changes in debt.

Our primary term debt of \$21 million is currently due on June 30, 2013. We will very likely need to replace or refinance this debt prior to its due date. While we believe we have sufficient liquidity and other sources of capital available to us that will allow us to conduct our current operations for the next 12 months, we will need to find additional sources of capital to fund our drilling budget and, if necessary, to replace our existing debt facility. We will seek to obtain this additional capital through a combination of the issuance of additional equity or debt securities, use of existing working capital and operating cash flows, and from cash provided by potential joint venture participants. We may also choose to sell certain non-strategic assets in order to supplement the funding of our 2012 capital budget.

Currently, we have no agreements or understandings with any third parties at this time for additional working capital. Further, under the terms of our credit agreements, we are prohibited from incurring any additional debt from third parties without prior consent from our lender. Our ability to obtain additional working capital through bank lines of credit and project financing may be subject to the repayment of the approximately \$21 million debt related to our primary credit facility. Consequently, there can be no assurance we will be able to obtain continued access to capital as and when needed or, if so, that the terms of any available financing will be subject to commercially reasonable terms. If we are unable to access additional capital in significant amounts as needed, we may not be able to develop our current prospects and properties, may have to forfeit our interest in certain prospects and may not otherwise be able to develop our business. In such an event, our stock price will be materially adversely affected.

Obligations and Commitments

We have the following contractual obligations and commitments as of December 31, 2011 (in thousands):

Contractual obligations	Payments due by period				
	Total	Within 1 year	2-3 years	4-5 years	More than 5 years
Secured debt	\$ 21,280,637	\$ 1,150,967	\$ 20,129,670	\$ —	\$ —
Interest on secured debt	4,725,000	3,150,000	1,575,000	—	—
Convertible debentures	8,400,000	—	8,400,000	—	—
Interest on convertible debentures	1,428,000	672,000	756,000	—	—
Operating leases	72,000	72,000	—	—	—
Total contractual cash obligations (1)	\$ 35,905,637	\$ 5,044,967	\$ 30,860,670	\$ —	\$ —

(1) We could be liable for liquidated damages under registration rights agreements covering approximately 3.2 million shares of our common stock if we fail to maintain the effectiveness of a prior registration statement as required in the agreements. In such case, we would be required to pay monthly liquidated damages of up to \$228,050. The maximum aggregate liquidated damages are capped at \$1,368,300

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with generally accepted accounting principles in the United States, or GAAP, requires our management to make assumptions and estimates that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the reporting period. The following is a summary of the significant accounting policies and related estimates that affect our financial disclosures.

Critical accounting policies are defined as those significant accounting policies that are most critical to an understanding of a company's financial condition and results of operation. We consider an accounting estimate or judgment to be critical if (i) it requires assumptions to be made that were uncertain at the time the estimate was made, and (ii) changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition.

Use of Estimates

The financial statements included herein were prepared from the records of Recovery in accordance with generally accepted accounting principles in the United States, or GAAP, and reflect all normal recurring adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of oil and gas reserves, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an on-going basis and base our estimates on historical experience and on various other assumptions we believe to be reasonable under the circumstances. Although actual results may differ from these estimates under different assumptions or conditions, we believe that our estimates are reasonable. Our most significant financial estimates are associated with our estimated proved oil and gas reserves as well as valuation of common stock used in various issuances of common stock, options and warrants and estimated fair value of the asset held for sale.

Oil and Natural Gas Reserves

We follow the full cost method of accounting. All of our oil and gas properties are located within the United States, and therefore all costs related to the acquisition and development of oil and gas properties are capitalized into a single cost center referred to as a full cost pool. Depletion of exploration and development costs and depreciation of production equipment is computed using the units-of-production method based upon estimated proved oil and gas reserves. Under the full cost method of accounting, capitalized oil and gas property costs less accumulated depletion and net of deferred income taxes may not exceed an amount equal to the present value, discounted at 10%, of estimated future net revenues from proved oil and gas reserves less the future cash outflows associated with the asset retirement obligations that have been accrued on the balance sheet plus the cost, or estimated fair value if lower, of unproved properties. Should capitalized costs exceed this ceiling, impairment would be recognized. Under the SEC rules, we prepared our oil and gas reserve estimates as of December 31, 2011, using the average, first-day-of-the-month price during the 12-month period ending December 31, 2011.

Estimating accumulations of gas and oil is complex and is not exact because of the numerous uncertainties inherent in the process. The process relies on interpretations of available geological, geophysical, engineering and production data. The extent, quality and reliability of this technical data can vary. The process also requires certain economic assumptions, some of which are mandated by the SEC, such as gas and oil prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The accuracy of a reserve estimate is a function of the quality and quantity of available data; the interpretation of that data; the accuracy of various mandated economic assumptions; and the judgment of the persons preparing the estimate.

We believe estimated reserve quantities and the related estimates of future net cash flows are the most important estimates made by an exploration and production company such as ours because they affect the perceived value of our company, are used in comparative financial analysis ratios, and are used as the basis for the most significant accounting estimates in our financial statements, including the quarterly calculation of depletion, depreciation and impairment of our proved oil and natural gas properties. Proved oil and natural gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic and operating conditions. We determine anticipated future cash inflows and future production and development costs by applying benchmark prices and costs, including transportation, quality and basis differentials, in effect at the end of each quarter to the estimated quantities of oil and natural gas remaining to be produced as of the end of that quarter. We reduce expected cash flows to present value using a discount rate that depends upon the purpose for which the reserve estimates will be used. For example, the standardized measure calculation required by ASC Topic 932, Extractive Activities—Oil and Gas, requires us to apply a 10% discount rate. Although reserve estimates are inherently imprecise, and estimates of new discoveries and undeveloped locations are more imprecise than those of established proved producing oil and natural gas properties, we make considerable effort to estimate our reserves, including through the use of independent reserves engineering consultants. We expect that quarterly reserve estimates will change in the future as additional information becomes available or as oil and natural gas prices and operating and capital costs change. We evaluate and estimate our oil and natural gas reserves as of December 31 of each year and quarterly throughout the year. For purposes of depletion, depreciation, and impairment, we adjust reserve quantities at all quarterly periods for the estimated impact of acquisitions and dispositions. Changes in depletion, depreciation or impairment calculations caused by changes in reserve quantities or net cash flows are recorded in the period in which the reserves or net cash flow estimate changes.

Oil and Natural Gas Properties—Full Cost Method of Accounting

We use the full cost method of accounting whereby all costs related to the acquisition and development of oil and natural gas properties are capitalized into a single cost center referred to as a full cost pool. These costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

Capitalized costs, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. For this purpose, we convert our petroleum products and reserves to a common unit of measure.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed quarterly to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the full cost pool and becomes subject to depletion calculations.

Proceeds from the sale of oil and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless the sale would alter the rate of depletion by more than 25%. Royalties paid, net of any tax credits received, are netted against oil and natural gas sales.

In applying the full cost method, we perform a ceiling test on properties that restricts the capitalized costs, less accumulated depletion, from exceeding an amount equal to the estimated undiscounted value of future net revenues from proved oil and natural gas reserves, as determined by independent petroleum engineers. The estimated future revenues are based on sales prices achievable under existing contracts and posted average reference prices in effect at the end of the applicable period, and current costs, and after deducting estimated future general and administrative expenses, production related expenses, financing costs, future site restoration costs and income taxes. Under the full cost method of accounting, capitalized oil and natural gas property costs, less accumulated depletion and net of deferred income taxes, may not exceed an amount equal to the present value, discounted at 10%, of estimated future net revenues from proved oil and natural gas reserves, plus the cost, or estimated fair value if lower, of unproved properties. Should capitalized costs exceed this ceiling, we would recognize impairment.

Revenue Recognition

The Company derives revenue primarily from the sale of produced natural gas and crude oil. The Company reports revenue as the gross amount received before taking into account production taxes and transportation costs, which are reported as separate expenses and are included in oil and gas production expense in the accompanying consolidated statements of operations. Revenue is recorded in the month the Company's production is delivered to the purchaser, but payment is generally received between 30 and 90 days after the date of production. No revenue is recognized unless it is determined that title to the product has transferred to the purchaser. At the end of each month, the Company estimates the amount of production delivered to the purchaser and the price the Company will receive. The Company uses its knowledge of its properties, their historical performance, NYMEX and local spot market prices, quality and transportation differentials, and other factors as the basis for these estimates.

Share Based Compensation

The Company accounts for share-based compensation by estimating the fair value of share-based payment awards made to employees and directors, including restricted stock grants, on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as an expense ratably over the requisite service periods.

Derivative Instruments

During 2011, the Company entered into swaps to reduce the effect of price changes on a portion of our future oil production. We reflect the fair market value of our derivative instruments on our balance sheet. Our estimates of fair value are determined by obtaining independent market quotes as well as utilizing a valuation model that is based upon underlying forward curve data and risk free interest rates. Changes in commodity prices will result in substantially similar changes in the fair value of our commodity derivative agreements. We do not apply hedge accounting to any of our derivative contracts, therefore we recognize mark-to-market gains and losses in earnings currently.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position, results of operations, or cash flows due to adverse changes in financial market prices, including interest rate risk, foreign currency exchange rate risk, commodity price risk, and other relevant market or price risks.

Commodities Price Risk. Our financial condition, results of operations and capital resources are dependent upon the prevailing market prices of oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond our control. Factors influencing oil and natural gas prices include the level of global demand for crude oil, the foreign supply of oil and natural gas, the establishment of and compliance with production quotas by oil exporting countries, weather conditions which determine the demand for natural gas, the price and availability of alternative fuels and overall economic conditions. It is impossible to predict future oil and natural gas prices with any degree of certainty. Sustained weakness in oil and natural gas prices may adversely affect our financial condition and results of operations, and may also reduce the amount of oil and natural gas reserves that we can produce economically. Any reduction in our oil and natural gas reserves, including reductions due to price fluctuations, can have an adverse effect on our ability to obtain capital for our development activities.

In order to protect the Company from uncertainty associated with oil and natural gas prices we entered into the following:

On December 21, 2011, we entered into a Commodity Fixed Price Swap contract that covers approximately 40% of our forecasted 2012 oil production. This contract covers 100 bopd throughout 2012, or a total of 36,600 barrels, and establishes a fixed sales price per barrel of \$96.25. At the end of each month in 2012, the fixed price is compared to a floating price equal to the average of settlement prices of the Nymex Prompt month WTI crude oil contract. If the fixed price is less than the floating price, then the Company will make an immediate payment to the swap counterparty equal to the difference in the fixed and floating prices multiplied by the monthly oil volume (3,000 barrels in a 30 day month). Alternatively, if the fixed price is more than the floating price, then we will receive a payment from the swap counterparty equal to the difference between the fixed and floating prices multiplied by the monthly volume.

As of December 31, 2011, the estimated forward floating price was approximately \$2 per barrel higher than the fixed price. As a result, we recorded an unrealized loss accrual related to this Swap contract of approximately \$76,000.

We may, from time to time, enter into other similar agreements in order to hedge oil prices from future substantial price swings.

Interest Rate Risk. We have minimal interest rate risk as all of our debt currently provides for fixed interest rates. However, we may enter into future transactions that could result in higher interest rates, or in floating or adjustable interest rates that could expose the Company to additional interest rate risks.

Foreign Currency Risk. We do not currently have any substantial exposure to foreign currency risk.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements appear immediately after the signature page of this report. See "Index to Financial Statements" included in this report.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 31, 2011. This evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2011, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the SEC, and that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets of the company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

We have not completed our assessment of the effectiveness of our internal control over financial reporting as of December 31, 2011, the end of our fiscal year, and have filed an extension on Form 12B-25 in order to allow us time to complete this assessment.

Our independent registered public accounting firm has also not completed its audit of the effectiveness of our internal control over financial reporting as of December 31, 2011. We expect this audit to be completed prior to the expiration date of the extension referenced above, and also expect that both this audit and the management's report will conclude that our controls are ineffective.

Changes in Internal Control over Financial Reporting.

There have been changes in our internal control over financial reporting during the three months ended December 31, 2011 that have improved our internal control over financial reporting. As described in Item 4T, "Controls and Procedures" in our quarterly reports on Form 10-Q dated June 30, 2011 and September 30, 2011, we identified material weaknesses in our internal controls over financial reporting with regard to having sufficient control over the timely review of contracts with financial implications and the review of critical accounting schedules.

During the 4th quarter of 2011, a plan was introduced and implemented to address the material weakness described above. Specifically, management implemented financial procedures designed to improve the documentation of internal controls and closing procedures. Additionally, management implemented several entity-specific controls designed to devote resources to the improvement of our internal control over financial reporting and in particular, provide an overall company-wide financial review to ensure all critical accounting schedules are properly and timely prepared and reviewed.

Also, during the three months ended December 31, 2011, management began the process of implementing a new accounting system (software) to improve and solidify our procedures and to help mitigate the risk of material misstatements within the financial reporting process. The implementation was not completed as of December 31, 2011. Management believes that it is likely that a material weakness exists as of December 31, 2011 because the implementation was not completed in time to be used in conjunction with this report.

The effects of the changes in internal control over financial reporting cannot be fully assessed until such time as management completes its assessment of internal controls over financial reporting as of December 31, 2011.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2012 annual shareholders meeting and is incorporated by reference in this report.

Item 11. EXECUTIVE COMPENSATION

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2012 annual shareholders meeting and is incorporated by reference in this report.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2012 annual shareholders meeting and is incorporated by reference in this report.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2012 annual shareholders meeting and is incorporated by reference in this report.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information relating to this item will be included in an amendment to this report or in the proxy statement for our 2012 annual shareholders meeting and is incorporated by reference in this report.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

INDEX TO FINANCIAL STATEMENTS

a)

Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets	F-2
Consolidated Statements of Operations	F-4
Consolidated Statements of Shareholders' Equity	F-6
Consolidated Statements of Cash Flows	F-10
Notes to Financial Statements	F-13

b) Financial statement schedules

Not applicable.

c) Exhibits

The following exhibits are either filed herewith or incorporated herein by reference:

- 2.1 Membership Unit Purchase Agreement by and among Recovery Energy, Lanny M. Roof, Judith Lee and Michael Hlvasa dated as of September 21, 2009 (incorporated herein by reference to Exhibit 2.1 from our current report filed on form 8-K filed on September 22, 2009).
- 3.1 Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to Company's form S-1 filed on July 28, 2008).
- 3.2 Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to Company's periodic report on form 8-K filed on June 18, 2010).
- 4.1 Warrant to Purchase Common Stock dated December 11, 2009 (incorporated by reference to Exhibit 4.2 to Company's current report filed on form 8-K filed on December 17, 2009).
- 10.1 Cancellation agreements, dated September 21, 2009 between Universal Holdings, Inc. and two former shareholders (incorporated herein by reference to Exhibit 10.1 to the Company's annual report on form 10-K for the year ended December 31, 2010).
- 10.2 Lock-Up Agreement with Tryon Capital Ventures, LLC as of September 21, 2009 (incorporated herein by reference to Exhibit 10.2 to Company's current report filed on form 8-K filed on September 22, 2009).
- 10.3 Equipment Purchase Agreement, dated May 31, 2009 (incorporated herein by reference to Exhibit 10.3 to Company's current report filed on form 8-K filed on September 22, 2009).
- 10.4 Agreement with New Century Capital Partners dated as of November 16, 2009 (incorporated herein by reference to Exhibit 10.4 to Company's current report filed on form 8-K filed on November 23, 2009).
- 10.5 Purchase and Sale Agreement with Edward Mike Davis, L.L.C. for purchase of 100% interest in Church field dated as of October 1, 2009 (incorporated herein by reference to Exhibit 10.5 to Company's current report filed on form 8-K filed on November 13, 2009).
- 10.6 Purchase and Sale Agreement with Duane M. Freund Irrevocable Trust 2 for purchase of 50% interest in Church field dated as of October 1, 2009 (incorporated herein by reference to Exhibit 10.6 to Company's current report filed on form 8-K filed on November 13, 2009).
- 10.7 Purchase and Sale Agreement with Roger A. Parker for Church field dated effective as of October 1, 2009 (incorporated herein by reference to Exhibit 10.11 to Company's current report filed on form 8-K filed on January 21, 2010).
- 10.8 Purchase and Sale Agreement with Edward Mike Davis, L.L.C. for Wilke Field dated effective as of January 1, 2010 (incorporated herein by reference to Exhibit 10.8 to Company's annual report on form 10-K for the year ended December 31, 2009).
- 10.9 Credit Agreement with Hexagon Investments, LLC dated effective as of January 29, 2010 (incorporated herein by reference to Exhibit 10.12 to Company's current report filed on form 8-K filed on March 4, 2010).
- 10.10 Promissory Note for financing with Hexagon Investments, LLC dated as of January 29, 2010 (incorporated herein by reference to Exhibit 10.13 to Company's current report filed on form 8-K filed on March 4, 2010).
- 10.11 Nebraska Mortgage to Hexagon Investments, LLC dated as of January 29, 2010 (incorporated herein by reference to Exhibit 10.14 to Company's current report filed on form 8-K filed on March 4, 2010).
- 10.12 Colorado Mortgage to Hexagon Investments, LLC dated as of January 29, 2010 (incorporated herein by reference to Exhibit 10.15 to Company's current report filed on form 8-K filed on March 4, 2010).

- 10.13 Purchase and Sale Agreement with Edward Mike Davis, L.L.C. dated effective as of April 1, 2010 (incorporated herein by reference to Exhibit 10.16 to Company's current report filed on form 8-K filed on March 25, 2010).
- 10.14 Credit Agreement with Hexagon Investments, LLC dated effective as of March 25, 2010 (incorporated herein by reference to Exhibit 10.17 to Company's current report filed on form 8-K filed on March 25, 2010).
- 10.15 Promissory Note for financing with Hexagon Investments, LLC dated as of March 25, 2010 (incorporated herein by reference to Exhibit 10.18 to Company's current report filed on form 8-K filed on March 25, 2010).
- 10.16 Nebraska Mortgage to Hexagon Investments, LLC dated as of March 25, 2010 (incorporated herein by reference to Exhibit 10.19 to Company's current report filed on form 8-K filed on March 25, 2010).
- 10.17 Wyoming Mortgage to Hexagon Investments, LLC dated as of March 25, 2010 (incorporated herein by reference to Exhibit 10.20 to Company's current report filed on form 8-K filed on March 25, 2010).
- 10.18 Purchase and Sale Agreement with Edward Mike Davis, L.L.C. for purchase of oil and gas properties dated as of April 1, 2010 (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on April 20, 2010).
- 10.19 Credit Agreement with Hexagon Investments, LLC dated as of April 14, 2010 (incorporated herein by reference to Exhibit 10.2 to the Company's current report filed on form 8-K filed on April 20, 2010).
- 10.20 Promissory Note with Hexagon Investments, LLC dated April 14, 2010 (incorporated herein by reference to Exhibit 10.3 to the Company's current report filed on form 8-K filed on April 20, 2010).
- 10.21 Warrant to Purchase Common Stock by Hexagon Investments, LLC dated April 14, 2010 (incorporated herein by reference to Exhibit 10.4 to the Company's current report filed on form 8-K filed on April 20, 2010).
- 10.22 Wyoming Mortgage to Hexagon Investments, LLC dated April 14, 2010 (incorporated herein by reference to Exhibit 10.5 to the Company's current report filed on form 8-K filed on April 20, 2010).
- 10.23 Securities Purchase Agreement dated as of April 26, 2010 (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on April 30, 2010).
- 10.24 Agreement with C.K. Cooper dated April 8, 2010 (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on May 4, 2010).
- 10.25 Purchase Agreement dated May 6, 2010 (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on May 12, 2010).
- 10.26 Promissory Note dated May 6, 2010 (incorporated herein by reference to Exhibit 10.2 to the Company's current report filed on form 8-K filed on May 12, 2010).
- 10.27 Security Agreement dated May 6, 2010 (incorporated herein by reference to Exhibit 10.3 to the Company's current report filed on form 8-K filed on May 12, 2010).
- 10.28 Purchase Agreement with Edward Mike Davis, L.L.C. and Spottie, Inc. dated May 15, 2010 (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on May 20, 2010).
- 10.29 Employment Agreement with Roger A. Parker.
- 10.30 Employment Agreement with Jeffrey A. Beunier (incorporated herein by reference to Exhibit 10.2 to the Company's current report filed on form 8-K filed on December 23, 2010).

- 10.31 Director Appointment Agreement with James Miller (incorporated herein by reference to Exhibit 10.3 to the Company's current report filed on form 8-K filed on May 20, 2010).
- 10.32 Form of Warrant Issued in Private Placement (incorporated herein by reference to Exhibit 4.1 to the Company's current report filed on form 8-K filed on June 4, 2010).
- 10.33 Warrant issued to Hexagon Investments, LLC (incorporated herein by reference to Exhibit 4.2 to the Company's current report filed on form 8-K filed on June 4, 2010).
- 10.34 Form of Securities Purchase Agreement (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on June 4, 2010).
- 10.35 Form of Registration Rights Agreement (incorporated herein by reference to Exhibit 10.2 to the Company's current report filed on form 8-K).
- 10.36 Form of Lockup Agreement (incorporated herein by reference to Exhibit 10.3 to the Company's current report filed on form 8-K filed on June 4, 2010).
- 10.37 Letter Agreement with Hexagon Investments, LLC (incorporated herein by reference to Exhibit 10.4 to the Company's current report filed on form 8-K filed on June 4, 2010).
- 10.38 Independent Director Appointment Agreement with Timothy N. Poster (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on June 7, 2010).
- 10.39 Independent Director Appointment Agreement with Conway J. Schatz (incorporated herein by reference to Exhibit 10.2 to the Company's current report filed on form 8-K filed on June 7, 2010).
- 10.40 Consulting Agreement with Market Development Consulting Group, Inc. (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on June 18, 2010).
- 10.41 Five Year Warrant to Market Development Consulting Group, Inc. (incorporated herein by reference to Exhibit 10.2 to the Company's current report filed on form 8-K filed on June 18, 2010).
- 10.42 Three Year Warrant to Market Development Consulting Group, Inc. (incorporated herein by reference to Exhibit 10.3 to the Company's current report filed on form 8-K filed on June 18, 2010).
- 10.43 Warrant to Globe Media (incorporated herein by reference to Exhibit 10.4 to the Company's current report filed on form 8-K filed on June 18, 2010).
- 10.44 Registration Rights Agreement with Hexagon Investments, Inc. (incorporated herein by reference to Exhibit 10.5 to the Company's current report filed on form 8-K filed on June 18, 2010).
- 10.45 Stockholders Agreement with Hexagon Investments Incorporated (incorporated herein by reference to Exhibit 10.1 to the Company's current report filed on form 8-K filed on June 29, 2010).
- 10.46 Form of \$2.20 Warrant Issued to Persons Exercising \$1.50 Warrants (incorporated herein by reference to Exhibit 10.1 to the Company's current report on form 8-K filed on October 8, 2010).
- 10.47 Purchase Agreement with Edward Mike Davis, L.L.C. and Spottie, Inc. dated November 19, 2010 (incorporated herein by reference to Exhibit 10.1 to the Company's current report on form 8-K filed on November 26, 2010).
- 10.48 Put Option Agreement with Grandhaven Energy, LLC dated November 19, 2010 (incorporated herein by reference to Exhibit 10.2 to the Company's current report on form 8-K filed on November 26, 2010).

- 10.49 Warrant Issued to Hexagon Investments, LLC on January 1, 2011 (incorporated herein by reference to Exhibit 10.1 to the Company's current report on form 8-K filed on January 4, 2011).
- 10.50 Amendments to Hexagon Investments, LLC Promissory Notes (incorporated herein by reference to Exhibit 10.2 to the Company's current report on form 8-K filed on January 4, 2011).
- 10.51 Form of Convertible Debenture Securities Purchase Agreement dated February 2, 2011 (incorporated herein by reference to Exhibit 10.1 to the Company's current report on form 8-K filed on February 3, 2011).
- 10.52 Form of Convertible Debenture (incorporated herein by reference to Exhibit 10.2 to the Company's current report on form 8-K filed on February 3, 2011).
- 10.53 Purchase Agreement with Wapiti Oil & Gas, L.L.C. (incorporated herein by reference to Exhibit 10.1 to the Company's current report on form 8-K filed on February 24, 2011).
- 10.54 Termination Agreement dated as of December 15, 2009 with Edward Mike Davis, L.L.C. (incorporated herein by reference to Exhibit 10.54 to the Company's annual report on form 10-K for the year ended December 31, 2010).
- 10.55 Amendments to three Credit Agreements with Hexagon, LLC, dated March 15, 2012.
- 10.56 Second Amendment to 8% Senior Secured Convertible Debentures dated March 19, 2012.
- 10.57 Securities Purchase Agreement for additional 8% Senior Secured Convertible Debentures dated March 19, 2012.
- 10.58 Form of 8% Senior Secured Convertible Debentures dated March 19, 2012.
- 14.1 Code of Ethics (incorporated herein by reference to Exhibit 14.1 to the Company's annual report on form 10-K for the year ended December 31, 2009).
- 16.1 Letter from Jewett, Schwartz, Wolfe & Associates to the U.S. Securities and Exchange Commission dated January 19, 2010 (incorporated herein by reference to Exhibit 16.1 to the Company's periodic report on form 8-K dated January 21, 2010).
- 21.1 List of subsidiaries of the registrant (incorporated herein by reference to Exhibit 21.1 to the Company's registration statement on Form S-1 (333-164291)).
- 23.1 Consent of Hein & Associates, LLP (included in their report on page F-1)
- 23.2 Consent of RE Davis.
- 31.1 Certifications Pursuant to Section 302 of Sarbanes Oxley Act of 2002
- 31.2 Certifications Pursuant to Section 302 of Sarbanes Oxley Act of 2002
- 32.1 Certifications Pursuant to Section 906 of Sarbanes Oxley Act of 2002
- 32.2 Certifications Pursuant to Section 906 of Sarbanes Oxley Act of 2002
- 99.1 Report of RE Davis.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RECOVERY ENERGY INC

Date: March 19, 2012

By: /s/ Roger A Parker
Roger A. Parker
*President, Chief Executive Officer and Chairman of
the Board of Directors
(Authorized Signatory)*

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Roger A. Parker</u> Roger A Parker	President, Chief Executive Officer and Chairman of the Board of Directors	March 19, 2012
<u>/s/ A. Bradley Gabbard</u> A. Bradley Gabbard	Chief Financial and Accounting Officer	March 19, 2012
<u>/s/ Eric Ulwelling</u> Eric Ulwelling	Principal Accounting Officer	March 19, 2012
<u>/s/ Tim Poster</u> Tim Poster	Director	March 19, 2012
<u>/s/ W. Phillip Marcum</u> W. Phillip Marcum	Director	March 19, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

Recovery Energy, Inc.

We have audited the accompanying consolidated balance sheets of Recovery Energy, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended December 31, 2011 and December 31, 2010 and for the period from March 6, 2009 (Inception) through December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Recovery Energy, Inc. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for the years ended December 31, 2011 and December 31, 2010 and for the period from March 6, 2009 (Inception) through December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ HEIN & ASSOCIATES LLP

Denver, Colorado

March 19, 2012

RECOVERY ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
ASSETS		
Current assets:		
Cash	\$ 2,707,722	\$ 5,528,744
Restricted cash	932,165	1,150,541
Accounts receivable	2,227,466	857,554
Prepaid assets	75,376	27,772
Total current assets	<u>5,942,729</u>	<u>7,564,611</u>
Oil and gas properties (full cost method), at cost:		
Unevaluated properties	45,697,481	33,605,594
Evaluated properties	32,113,143	26,307,975
Wells in progress	6,425,509	1,219,397
Total oil and gas properties, at cost	<u>84,236,133</u>	<u>61,132,966</u>
Less accumulated depreciation, depletion and amortization	<u>(12,099,098)</u>	<u>(5,003,499)</u>
Net oil and gas properties, at cost	72,137,035	56,129,467
Other assets:		
Office equipment, net	106,286	51,129
Prepaid advisory fees	574,160	979,449
Deferred financing costs	2,341,595	3,211,566
Restricted cash and deposits	186,055	185,707
Total other assets	<u>3,208,096</u>	<u>4,427,851</u>
Total Assets	<u>\$ 81,287,860</u>	<u>\$ 68,121,929</u>

The accompanying notes are an integral part of these financial statements.

RECOVERY ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,050,768	\$ 968,295
Commodity price derivative liability	75,609	398,840
Related party payable	16,475	11,638
Accrued expenses	1,354,204	1,540,592
Short-term note	1,150,967	208,881
Total current liabilities	<u>4,648,023</u>	<u>3,128,246</u>
Asset retirement obligation	612,874	507,280
Term-note payable	20,129,670	20,229,801
Convertible notes payable, net of discount	4,929,068	-
Convertible notes conversion derivative liability	1,300,000	-
Total long-term liabilities	<u>26,971,612</u>	<u>20,737,081</u>
Total liabilities	<u>31,619,635</u>	<u>23,865,327</u>
Commitments and contingencies – Note 8	-	-
Preferred stock, 10,000,000 authorized, none issued and outstanding as of December 31, 2011 and 2010.	-	-
Common stock subject to redemption rights, \$0.0001 par value; 0 and 10,625 shares issued and outstanding as of December 31, 2011 and December 31, 2010, respectively	-	86,257
Common Stock, \$0.0001 par value: 100,000,000 shares authorized; 17,436,825 and 14,453,592 shares issued and outstanding (excluding 0 and 10,625 shares subject to redemption) as of December 31, 2011 and December 31, 2010, respectively	1,744	1,445
Additional paid-in capital	118,146,119	93,819,314
Accumulated deficit	<u>(68,479,638)</u>	<u>(49,650,414)</u>
Total shareholders' equity	<u>49,668,225</u>	<u>44,170,345</u>
Total liabilities and shareholders' equity	<u>\$ 81,287,860</u>	<u>\$ 68,121,929</u>

The accompanying notes are an integral part of these financial statements.

RECOVERY ENERGY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	<u>Year Ended December 31, 2011</u>	<u>Year Ended December 31, 2010</u>	<u>March 6, 2009 (Inception) through December 31, 2009</u>
Revenues:			
Oil sales	\$ 7,148,110	\$ 9,504,737	\$ -
Gas sales	547,190	68,075	-
Operating fees	117,360	13,487	-
Realized gain on price hedges	625,043	570,233	-
Unrealized losses price hedges	(75,609)	(398,840)	-
Total revenues	<u>8,362,094</u>	<u>9,757,692</u>	-
Costs and expenses:			
Production costs	1,514,784	862,042	-
Production taxes	838,714	1,056,244	-
General and administrative (includes non-cash consideration of \$6,656,152, \$13,097,346, and \$684,778 for the periods ended December 31, 2011, 2010 and 2009)	10,544,347	15,530,248	1,057,306
Depreciation, depletion, accretion, and amortization	4,347,117	5,036,648	-
Impairment of equipment	-	-	2,750,000
Impairment of evaluated properties	2,821,176	-	-
Bad debt expense	-	400,000	-
Fair value of common stock and warrants issued in aborted property acquisitions	-	-	8,404,106
Restructuring and related consulting costs	-	-	17,700,000
Total costs and expenses	<u>20,066,138</u>	<u>22,885,182</u>	<u>29,911,412</u>
Loss from operations	(11,704,044)	(13,127,490)	(29,911,412)
Other income	71,253	-	-
Convertible notes conversion derivative gain	3,821,792	-	-
Interest expense (includes non-cash interest expense of \$ 4,993,997, \$3,989,649, and \$0 for the periods ended December 31, 2011, 2010 and 2009)	(8,218,225)	(6,640,209)	31
Unrealized gain on lock-up	-	28,666	-
Debt inducement expense	(2,800,000)	-	-
Net loss	<u>\$ (18,829,224)</u>	<u>\$ (19,739,033)</u>	<u>\$ (29,911,381)</u>
Earnings per common share			
Basic and diluted	<u>\$ (1.21)</u>	<u>\$ (2.15)</u>	<u>\$ (12.19)</u>
Weighted average shares outstanding:			
Basic and diluted	<u>15,543,758</u>	<u>9,167,803</u>	<u>2,453,921</u>

The accompanying notes are an integral part of these financial statements.

RECOVERY ENERGY, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the year ended December 31, 2011, December 31, 2010 and from March 6, 2009 (Inception) through December 31, 2009

	<u>Common Stock Subject to Redemption</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>			
Balance, March 6, 2009 (Inception)	\$ -	-	-	\$ -	\$ -	\$ -	\$ -
Common stock issued in reverse merger	-	-	524,750	52	(33,957)	-	(33,905)
Common stock issued in exchange of debt	-	-	525,000	53	3,249,790	-	3,249,843
Common stock issued in lock-up agreement	21,250	172,516	-	-	-	-	-
Common stock issued in restructuring	-	-	1,250,000	125	17,499,500	-	17,499,625
Common stock issued in attempted acquisition	-	-	425,000	43	5,824,830	-	5,824,873
Common stock issued for cash	-	-	31,250	3	499,988	-	499,991
Restricted stock and performance options issued to employees and directors	-	-	-	-	684,778	-	684,778
Warrants issued for financing commitment	-	-	-	-	3,329,106	-	3,329,106
Common stock reacquired in attempted acquisition	-	-	(62,500)	(6)	(749,975)	-	(749,981)
1:4 Reverse stock split	-	-	-	-	808	-	808
Net loss	-	-	-	-	-	(29,911,381)	(29,911,381)
Balance, December 31, 2009	21,250	172,516	2,693,500	269	30,304,868	(29,911,381)	393,756
Common stock issued for							

property acquisitions	-	-	2,929,167	293	15,786,328	-	15,786,621
Common stock issued in connection with financing property acquisitions	-	-	1,250,000	125	5,249,500	-	5,249,625
Common stock issued for cash	-	-	3,978,789	398	14,924,142	-	14,924,540
Common stock issued for services	-	-	502,216	50	2,256,038	-	2,256,088
Restricted stock issued to employees and directors	-	-	2,235,797	223	8,375,327	-	8,375,550
Warrants exercised for cash	-	-	853,500	85	5,120,658	-	5,120,743
Warrants issued for cash, services and fees	-	-	-	-	11,712,671	-	11,712,671
Common stock no longer subject to redemption	(10,625)	(86,258)	10,625	1	86,258	-	86,258
1:4 Reverse stock split	-	-	-	-	3,525	-	3,525
Net loss	-	-	-	-	-	(19,739,033)	(19,739,033)
Balance, December 31, 2010	10,625	86,258	14,453,593	1,444	93,819,315	(49,650,414)	44,170,344
1:4 Reverse stock split	-	-	-	-	387	-	387
Common stock issued for property acquisitions	-	-	2,269,543	228	10,895,665	-	10,895,893
Common stock no longer subject to redemption (1)	(10,625)	(86,258)	10,625	1	86,254	-	86,255
Common stock issued in connection with interest payment of the financing	-	-	78,982	8	559,863	-	559,872
Common stock issued for services	-	-	10,000	1	81,996	-	81,997
Restricted stock issued to employees and							

directors	-	-	238,750	24	6,161,041	-	6,161,065
Warrants issued for cash	-	-	375,333	38	2,129,801	-	2,129,804
Warrants issued for debt extension	-	-	-	-	1,611,797	-	1,611,832
Debt conversion expense	-	-	-	-	2,800,000	-	2,800,000
Net loss	-	-	-	-	-	(18,829,224)	(18,829,224)
Balance, December 31, 2011	-	-	17,436,825	\$ 1,744	\$ 118,146,119	\$ (68,479,638)	\$ 49,668,225

The accompanying notes are an integral part of these financial statements.

RECOVERY ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Year Ended December 31, 2011</u>	<u>Year Ended December 31, 2010</u>	<u>March 6, 2009 (Inception) through December 31, 2009</u>
Cash flows from operating activities:			
Net loss	\$ (18,829,224)	\$ (19,739,033)	\$ (29,911,381)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Impairment of equipment	-	-	2,750,000
Impairment of evaluated properties	2,821,176	-	-
Debt inducement and warrant modification expense	2,800,000	2,953,450	-
Common stock issued for convertible note interest	559,873	-	-
Bad debt expense	-	400,000	-
Common stock for services and compensation	6,566,152	8,701,263	884,778
Fair value of warrants issued	-	-	3,329,106
Non-cash restructuring costs	-	-	17,500,000
Loss on aborted property acquisitions	-	-	5,075,000
Changes in the fair value of commodity price derivatives	(549,434)	398,840	-
Compensation expense recognized for assignment of overrides	-	1,578,080	-
Amortization of deferred financing costs	4,446,911	3,989,649	-
Change in fair value of convertible notes conversion derivative	(3,821,792)	-	-
Depreciation, depletion, and amortization and accretion of asset retirement obligation	4,347,117	5,036,648	-
Changes in operating assets and liabilities:			
Accounts receivable	73,940	(757,554)	(100,000)
Restricted cash	218,376	(1,129,665)	(20,876)
Other assets	39,451	(34,066)	15,627
Accounts payable and other accrued expenses	757,207	2,361,082	96,507
Net cash provided by (used in) operating activities	<u>(570,247)</u>	<u>3,758,694</u>	<u>(381,239)</u>
Cash flows from investing activities:			
Additions of evaluated properties and equipment (net of purchase price adjustment)	-	(25,580,793)	-
Acquisition of unevaluated properties	(9,433,073)	(18,560,412)	-
Drilling capital expenditures	(7,017,523)	(4,637,111)	-
Sale of unevaluated property interests	3,000,000	2,000,000	1,500,000
Sale of drilling rigs	-	100,000	-
Additions of office equipment	(83,727)	(55,767)	(750,470)
Proceeds from hedge settlement	226,203	-	-
Investment in operating bonds	(348)	(75,675)	(109,891)
Net cash provided by (used in) investing activities	<u>(13,308,468)</u>	<u>(46,809,758)</u>	<u>639,639</u>
Cash flows from financing activities:			
Proceeds from sale of common stock, units and exercise of warrants	2,129,870	28,132,727	500,000
Proceeds from debt	9,411,597	28,500,000	-
Common stock reacquired in attempted Church acquisition	-	-	(750,000)
Common stock issuable	-	(100,000)	100,000
Payment of debt	(483,774)	(8,061,319)	-
Net cash provided by (used in) financing activities	<u>11,057,693</u>	<u>48,471,408</u>	<u>(150,000)</u>
Net increase in cash and cash equivalents	(2,821,023)	5,420,344	108,400
Cash and cash equivalents, beginning of period	5,528,744	108,400	-
Cash and cash equivalents, end of period	<u>\$ 2,707,722</u>	<u>\$ 5,528,744</u>	<u>\$ 108,400</u>

Supplemental disclosure of non-cash investing and financing activities:

Cash paid for interest	\$	3,201,312	\$	2,655,131	\$	-
Cash paid for income taxes	\$	-	\$	-	\$	-

Non-cash transactions:

Purchase of rigs for note payable	\$	-	\$	-	\$	3,250,000
Sale of property for receivable	\$	1,443,852	\$	-	\$	-
Debt issuance cost	\$	400,000	\$	-	\$	-
Purchase of properties for common stock	\$	10,895,893	\$	15,787,500	\$	8,025,000
Stock and warrants issued for deferred financing costs	\$	1,611,832	\$	6,867,735	\$	-
Stock and warrants issued for prepaid financial advisory fees	\$	-	\$	1,234,510	\$	-
Stock and warrants issued for prepaid financial office rent	\$	81,997	\$	-	\$	-
Default on note in property acquisition	\$	-	\$	-	\$	(2,200,000)
Property additions for asset retirement obligation	\$	61,469	\$	479,238	\$	-
Stock issued for payment on long-term debt	\$	559,872	\$	-	\$	-

The accompanying notes are an integral part of these financial statements.

RECOVERY ENERGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION

On September 21, 2009, Universal Holdings, Inc. (“Universal”), a Nevada corporation, completed the acquisition of Coronado Acquisitions, LLC (“Coronado”). Under the terms of the acquisition, Coronado was merged into Universal. On October 12, 2009, Universal changed its name to Recovery Energy, Inc. (“Recovery”, “Recovery Energy”, “we”, “our”, and the “Company”). The Agreement was accounted for as a reverse acquisition with Coronado being treated as the acquirer for accounting purposes. Accordingly, the financial statements of Coronado have been adopted as the historical financial statements of Recovery.

The Company is an independent oil and gas exploration and production company focused on the Denver-Julesburg Basin (“DJ Basin”) where it holds 130,000 net acres. Recovery drills for, operates and produces oil and natural gas wells through the Company’s land holdings located in Wyoming, Colorado, and Nebraska.

All common stock share information is retroactively adjusted for the effect of a 4:1 reverse stock split that was effective October 19, 2011.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The financial statements included herein were prepared from the records of the Company in accordance with generally accepted accounting principles in the United States (“GAAP”) and reflect all normal recurring adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods.

Certain amounts in the December 31, 2010 consolidated financial statements have been reclassified to conform to the December 31, 2011 consolidated financial statement presentation. Such reclassifications had no effect on net income.

Use of Estimates in the Preparation of Financial Statements

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of oil and gas reserves, assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates based on historical experience and on various other factors that the Company believes to be reasonable under the circumstances. Actual results could differ from those estimates.

Our most significant financial estimates are associated with our estimated proved oil and gas reserves as well as valuation of common stock used in various issuances of common stock, options and warrants. Significant financial estimates are also required for the analysis of impairment of oil and gas properties.

Principle of Consolidation

The accompanying consolidated financial statements include Recovery Energy, Inc. and its wholly-owned subsidiaries Recovery Oil and Gas, LLC, and Recovery Energy Services, LLC. All intercompany accounts and transactions have been eliminated in consolidation. Both subsidiaries were inactive and were dissolved in the 4th quarter of 2011.

Liquidity

Cash used in operating activities during the year ended December 31, 2011 was \$.6 million and cash used in investing activities exceeded cash provided by financing activities by approximately \$2.2 million. This net cash use contributed to a substantial decrease in our net working capital as of December 31, 2011. Expenditures subsequent to December 31, 2011 have continued to exceed cash receipts, causing a further reduction of the Company’s working capital position.

In the immediate term, the Company expects that additional capital will be required to fund its capital budget for 2012, partially to fund some of its ongoing overhead, and to provide additional capital to generally improve its working capital position. We anticipate that these capital requirements will be funded by a combination of capital raising activities, including the selling of additional debt and/or equity securities and the selling of certain assets. If we are not successful in obtaining sufficient cash sources to fund the aforementioned capital requirements, we may be required to curtail our expenditures, restructure our operations, sell assets on terms which may not be deemed favorable and/or curtail other aspects of our operations, including deferring portions of our 2012 capital budget.

Pursuant to our credit agreements with Hexagon, a substantial portion of our monthly net revenues derived from our producing properties is required to be used for debt and interest payments. In addition, our debt instruments contain provisions that, absent consent of the Lenders, may restrict our ability to raise additional capital.

Since inception, the Company raised approximately \$72 million in cash generally through private placements of debt and equity securities. In December 2011, the Company sold certain undeveloped acreage for total proceeds of \$4.5 million. During 2011, Hexagon agreed to temporarily suspend for five months the requirement to remit monthly net revenues of approximately \$2,000,000 in the aggregate as payment on the Hexagon debt. In November 2011, Hexagon extended the maturity date of their notes to January 1, 2013, and also advanced an additional \$309,000 to the Company. The Company repaid the \$309,000 advance in February 2012. In March 2012, Hexagon extended the maturity date of their notes to June 30, 2013, and in connection therewith, the Company agreed to make minimum note payments of \$325,000, effective immediately. The Company will continue to pursue alternatives to shore up its working capital position and to provide funding for its planned 2012 expenditures.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and highly liquid debt securities which have original maturities of 90 days or less at the purchase date.

Restricted Cash

Restricted cash consists of severance and ad valorem tax proceeds which are payable to various tax authorities and amounts restricted pursuant to our loan agreements.

Accounts Receivable

The Company records estimated oil and gas revenue receivable from third parties at its net revenue interest. The Company also reflects costs incurred on behalf of joint interest partners in accounts receivable. Management periodically reviews accounts receivable amounts for collectability and records its allowance for uncollectible receivables under the specific identification method. The Company did not record any allowance for uncollectible receivables for years ended December 31, 2011 or December 31, 2010. Receivables which derive from sales of certain oil and gas production are collateral for our Loan Agreements (see Note 7).

During the year ended December 31, 2010, the Company wrote off a note receivable for \$400,000 as a bad debt expense (see Note 13). During the year ended December 31, 2011 and period ended December 31, 2009, no receivable amounts were written off to bad debt expense.

Assets Held For Sale

Assets held for sale are recorded at the lower of cost or estimated net realizable value. As of December 31, 2011 and 2010, the Company did not have any assets held for sale.

Concentration of Credit Risk

The Company's cash, cash equivalents and short-term investments are invested at major financial institutions primarily within the United States. At December 31, 2011 and December 2010, the Company's cash and cash equivalents were maintained in accounts that are insured up to the limit determined by the federal governmental agency. The Company may at times have balances in excess of the federally insured limits.

The Company's receivables are comprised of oil and gas revenue receivables and joint interest billings receivable. The amounts are due from a limited number of entities. Therefore, the collectability is dependent upon the general economic conditions of the few purchasers and joint interest owners. The receivables are not collateralized. However, to date the Company has had minimal bad debts.

Significant Customers

During the year ended December 31, 2011 and December 31, 2010, approximately 76% and 64%, respectively, of the Company's revenue sold to one customer, Shell Trading (US). However, the Company does not believe that the loss of a single purchaser, including Shell Trading (US), would materially affect the Company's business because there are numerous other purchasers in the area in which the Company sells its production.

Oil and Gas Producing Activities

The Company follows the full cost method of accounting for oil and gas operations whereby all costs related to the exploration, development and acquisition of oil and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling, developing and completing productive wells and/or plugging and abandoning non-productive wells, and any other costs directly related to acquisition and exploration activities. Proceeds from property sales are generally applied as a credit against capitalized exploration and development costs, with no gain or loss recognized, unless such a sale would significantly alter the relationship between capitalized costs and the proved reserves attributable to these costs. A significant alteration would typically involve a sale of 25% or more of proved reserves.

Depletion of exploration and development costs and depreciation of production equipment is computed using the units-of-production method based upon estimated proved oil and gas reserves. Costs included in the depletion base to be amortized include (a) all proved capitalized costs including capitalized asset retirement costs net of estimated salvage values, less accumulated depletion, (b) estimated future development cost to be incurred in developing proved reserves, and (c) estimated dismantlement and abandonment costs, net of estimated salvage values, that are not otherwise included in capitalized costs.

Under the full cost method of accounting, capitalized oil and gas property costs less accumulated depletion and net of deferred income taxes may not exceed an amount equal to sum of i.) the present value, discounted at 10%, of estimated future net revenues from proved oil and gas reserves, plus ii.) the cost of unproved properties not subject to amortization (without regard to estimates of fair value), or estimated fair value, if lower, of unproved properties that are not subject to amortization. Should capitalized costs exceed this ceiling, an impairment expense is recognized. As of December 31, 2011, the Company recognized an impairment of \$2,821,176. During the year ended December 31, 2010 and period ended December 31, 2009, no impairment charges were recognized.

The present value of estimated future net revenues was computed by applying a twelve month average of the first day of the month price of oil and gas to estimated future production of proved oil and gas reserves as of period-end, less estimated future expenditures to be incurred in developing and producing the proved reserves (assuming the continuation of existing economic conditions), less any applicable future taxes.

Unproved Properties

The costs of unproved properties are withheld from the depletion base until it is determined whether or not proved reserves can be assigned to the properties. The properties are reviewed quarterly for impairment. When proved reserves are assigned to such properties or one or more specific properties are deemed to be impaired, the cost of such properties or the amount of the impairment is added to costs subject to depletion calculations. During the year ended December 31, 2011, the Company impaired \$3,861,875 of unproved property value. During the years ending December 31, 2010 and December 31, 2009, no impairment was recorded.

Wells in Progress

Wells in progress represent wells that are currently in the process of being drilled or completed or otherwise under evaluation as to their potential to produce oil and gas reserves in commercial quantities. Such wells continue to be classified as wells in progress and withheld from the depletion calculation and the ceiling test until such time as either proved reserves can be assigned, or the wells are otherwise abandoned. Upon either the assignment of proved reserves or abandonment, the costs for these wells are then transferred to exploration and development costs and become subject to both depletion and the ceiling test calculations in future periods. At December 31, 2011, the Company had two wells in progress, both of which have been drilled and completed and are pending evaluation as to their potential to produce commercial quantities of oil and gas reserves.

Deferred Financing Costs

As of December 31, 2011 and December 31, 2010, the Company recorded unamortized deferred financing costs of approximately \$2.3 million and \$3.2 million, respectively, related to the closing of its loans and credit agreements (see Note 7). Deferred financing costs include origination (warrants issued and overriding royalty interests assigned to our lender), legal and engineering fees incurred in connection with the Company's credit facility, which are being amortized over the term of the credit facility. The Company recorded amortization expense of approximately \$5.0 million and \$4.0 million, respectively, in the years ended December 31, 2011 and December 31, 2010.

Prepaid Advisory Fees

The Company accounts for prepaid advisory services with the total consideration amortized over the underlying service agreement period. As of December 31, 2011 and 2010 prepaid financial advisory fees were approximately \$574,000 and \$979,000, respectively. The prepaid fees were paid with non-cash consideration (shares of our common stock and warrants exercisable for shares of our common stock issued to our financial advisors) initially issued in 2010 in the amount of \$1,234,000. This amount is being amortized over the term of the underlying agreement. The Company amortized \$405,000 and \$247,000, respectively of prepaid fees during the years ended December 31, 2011 and December 31, 2010.

The following schedule details the future expense of the prepaid advisory fees.

2012	\$	405,289
2013		168,871
Total	\$	<u>574,160</u>

Property and Equipment

Property and equipment (other than the full cost pool) are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property and equipment range from one to 7 years. The Company recorded \$34,000 and \$5,000 of depreciation for the years ended December 31, 2011 and December 31, 2010, respectively.

Impairment of Long-lived Assets

The Company accounts for long-lived assets (other than the full cost pool), which include property and equipment, prepaid advisory fees, and identifiable intangible assets with finite useful lives (subject to amortization, depletion, and depreciation), whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparing the carrying amount of an asset to the expected undiscounted future net cash flows generated by the asset. If it is determined that the asset may not be recoverable, and if the carrying amount of an asset exceeds its estimated fair value, an impairment charge is recognized to the extent of the difference.

For the period ended December 31, 2009, the Company recorded impairment expense of \$2,750,000 related to the two medium depth drilling rigs. As of December 31, 2011 and 2010, no impairment has been recorded for long lived assets other than the impairment of its capitalized oil and gas property costs during 2011 as discussed above.

Fair Value of Financial Instruments

As of December 31, 2011 and 2010, the carrying value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, accrued expenses, interest payable and customer deposits approximates fair value due to the short-term nature of such items. The carrying value of other long-term liabilities approximates fair value as the related interest rates approximate rates currently available to Recovery Energy, certain other assets and liabilities are measured at fair value as discussed in Note 6.

Commodity Derivative Instrument

The Company utilizes swaps to reduce the effect of price changes on a portion of our future oil production. On a monthly basis, a swap requires us to pay the counterparty if the settlement price exceeds the strike price and the same counterparty is required to pay us if the settlement price is less than the strike price. The objective of the Company's use of derivative financial instruments is to achieve more predictable cash flows in an environment of volatile oil and gas prices and to manage its exposure to commodity price risk. While the use of these derivative instruments limits the downside risk of adverse price movements, such use may also limit the Company's ability to benefit from favorable price movements. The Company may, from time to time, add incremental derivative contracts to hedge additional production, restructure existing derivative contracts or enter into new transactions to modify the terms of current contracts in order to realize the current value of the Company's existing positions (see Note 5).

The use of derivatives involves the risk that the counterparties to such instruments will be unable to meet the financial terms of such contracts. The Company's derivative contracts are currently with one counterparty. The Company has netting arrangements with the counterparty that provide for the offset of payables against receivables from separate derivative arrangements with the counterparty in the event of contract termination. The derivative contracts may be terminated by a non-defaulting party in the event of default by one of the parties to the agreement (see Note 5).

Revenue Recognition

The Company recognizes oil and gas revenues from its interests in producing wells when production is delivered to, and title has transferred to, the purchaser and to the extent the selling price is reasonably determinable.

Asset Retirement Obligation

The Company incurs retirement obligations for certain assets at the time they are placed in service. The fair values of these obligations are recorded as liabilities on a discounted basis. The costs associated with these liabilities are capitalized as part of the related assets and depreciated. Over time, the liabilities are accreted for the change in their present value.

For purposes of depletion calculations, the Company also includes estimated dismantlement and abandonment costs, net of salvage values, associated with future development activities that have not yet been capitalized as asset retirement obligations.

Asset retirement obligations incurred are classified as Level 3 (unobservable inputs) fair value measurements. The asset retirement liability is allocated to operating expense using a systematic and rational method. As of December 31, 2011 and 2010, the Company recorded a net asset of \$592,150 and \$540,707 and a related liability of \$612,874 and \$507,280 (see Note 6).

The information below reconciles the value of the asset retirement obligation for the periods presented:

	For the years ended December 31,	
	2011	2010
Balance, beginning of period	\$ 507,280	-
Liabilities incurred	61,469	478,208
Accretion expense	44,125	28,042
Change in estimate	-	1,030
Balance, end of period	\$ 612,874	\$ 507,280

Share Based Compensation

The Company measures the fair value of share-based compensation expense awards made to employees and directors, including stock options, restricted stock and employee stock purchases related to employee stock purchase plans, on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense ratably over the requisite service periods. The measurement of share-based compensation expense is based on several criteria, including but not limited to the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate, dividend rate and award cancellation rate. These inputs are subjective and are determined using management's judgment. If differences arise between the assumptions used in determining share-based compensation expense and the actual factors, which become known over time, Recovery may change the input factors used in determining future share-based compensation expense.

Recovery accounts for option grants to non-employees whereby the fair value of such options is determined using the Black-Scholes option pricing model at the earlier of the date at which the non-employee's performance is complete or a performance commitment is reached (Note 12).

Warrant Modification Expense

The Company accounts for the modification of warrants as an exchange of the old award for a new award. The incremental value is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before modification, and is either expensed as a period expense or amortized over the performance or vesting date. We estimate the incremental value of each warrant using the Black-Scholes option pricing model. The Black-Scholes model is highly complex and dependent on key estimates by management. The estimate with the greatest degree of subjective judgment is the estimated volatility of our stock price (Note 12).

Loss per Common Share

Basic earnings (loss) per share is based on the weighted average number of common shares outstanding during the period presented. In addition to common shares outstanding, diluted loss per share is computed using the weighted-average number of common shares outstanding plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares. Potentially dilutive securities, such as stock grants and stock purchase warrants, are excluded from the calculation when their effect would be anti-dilutive. For the years ended December 31, 2011 and December 31, 2010, outstanding warrants and derivatives of 5,638,900 and 5,764,233, respectively, have been excluded from the diluted share calculations as they were anti-dilutive as a result of net losses incurred. Accordingly, basic shares equal diluted shares for all periods presented. On October 16, 2011, the Company affected a 4:1 reverse stock split.

Income Taxes

For tax reporting, the Company continues to file its tax returns on an April 30 year end, which is the legal tax year end of its predecessor.

The Company uses the asset liability method in accounting for income taxes. Deferred tax assets and liabilities are recognized for temporary differences between financial statement carrying amounts and the tax bases of assets and liabilities, and are measured using the tax rates expected to be in effect when the differences reverse. Deferred tax assets are also recognized for operating loss and tax credit carry forwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is used to reduce deferred tax assets when uncertainty exists regarding their realization.

We recognize tax benefits only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely to be realized upon settlement. A liability for "unrecognized tax benefits" is recorded for any tax benefits claimed in our tax returns that do not meet these recognition and measurement standards. As of December 31, 2011, the Company has determined that no liability is required to be recognized.

Our policy is to recognize any interest and penalties related to unrecognized tax benefits in income tax expense. However, we did not accrue interest or penalties at December 31, 2011 and December 31, 2010, because the jurisdiction in which we have unrecognized tax benefits does not currently impose interest on underpayments of tax and we believe that we are below the minimum statutory threshold for imposition of penalties. We do not expect that the total amount of unrecognized tax benefits will significantly increase or decrease during the next 12 months. The earliest years remaining subject to examination are April 30, 2010 and 2009.

Recently Issued Accounting Pronouncements

The Company did not adopt any new authoritative guidance for the year ended December 31, 2011 that had a material impact on its financial statements.

NOTE 3 – OIL AND GAS PROPERTIES & OIL AND GAS PROPERTIES ACQUISITIONS AND DIVESTITURES

DJ Basin Properties Acquisitions – Accounted for as a Business Combination

During the fourth quarter of 2009, the Company pursued a number of acquisition opportunities. The Company entered into two purchase and sale agreements with Edward Mike Davis, LLC and affiliates ("Davis") for the purchase of multiple oil and gas properties. The Company was not successful in fulfilling the requirements under the purchase and sale agreements and forfeited 1,450,000 shares of our common stock with an estimated fair value of \$5,075,000.

In January 2010, the Company acquired the Wilke Field from Davis for \$4,500,000. The Company simultaneously entered into a credit agreement with Hexagon to finance 100% of the purchase of the Wilke Field properties. Hexagon received 1,000,000 shares of the Company's common stock in connection with the financing. The Company recorded \$2.25 million in deferred financing costs related to the shares issued in conjunction with the loan (see Note 7).

In March 2010, the Company acquired the Albin Field properties from Davis for \$6,000,000 and 550,000 shares of common stock with an estimated fair value of \$412,500. The Company simultaneously entered into a loan agreement with Hexagon to finance 100% of the cash portion of the purchase price. The Company recorded approximately \$737,822 in deferred financing costs related to 750,000 shares of the Company's common stock and a one-half percent overriding royalty in the leases and wells in connection with the financing from Hexagon (see Note 7).

In April 2010, the Company acquired the State Line Field properties from Davis for \$15,000,000 and 2,500,000 shares of common stock with an approximate fair value of \$1,875,000. The Company simultaneously entered into a loan agreement with Hexagon to finance 100% of the cash portion of the purchase price. The Company recorded approximately \$2,780,775 in deferred financing costs related to 3,250,000 shares of the Company's common stock, 2,000,000 warrants to acquire the Company's common stock at \$2.50 per share and a one percent overriding royalty interest in connection with the financing from Hexagon (see Note 7).

All three of the acquisitions above were recorded at their fair values as of the acquisition date. The following table summarizes the fair values of assets acquired and liabilities assumed for each acquisition as of the related acquisition date:

	<u>Wilke Field</u>	<u>Albin Field</u>	<u>State Line Field</u>
Consideration given:			
Cash payment funded by debt	\$ 4,500,000	\$ 6,000,000	\$ 15,000,000
Stock	-	412,500	1,875,000
Total consideration attributable to allocation	<u>\$ 4,500,000</u>	<u>\$ 6,412,500</u>	<u>\$ 16,875,000</u>
Allocation of purchase price:			
Proved oil and gas properties	\$ 4,418,267	\$ 4,675,099	\$ 15,529,268
Unproved oil and gas properties	83,200	1,791,619	1,070,975
Total fair value of oil and gas properties acquired	4,501,467	6,466,718	16,600,243
Oil and gas revenue receivable	195,594	-	-
Total assets	<u>4,697,061</u>	<u>6,466,718</u>	<u>16,600,243</u>
Accounts payable	-	-	(52,147)
Asset retirement obligation	(197,061)	(54,218)	(149,151)
Total liabilities acquired	(197,061)	(54,218)	(201,298)
Net assets acquired	<u>\$ 4,500,000</u>	<u>\$ 6,412,500</u>	<u>\$ 16,398,945</u>
Supplemental information:			
Value attributable to ORRI paid to lender	\$ -	\$ (175,322)	\$ (158,685)
Value attributable to ORRI awarded to management	<u>\$ (125,220)</u>	<u>\$ (701,290)</u>	<u>\$ (317,370)</u>

The following unaudited supplemental pro forma information presents the results of operations for the years ended December 31, 2010 and 2009, as if the Wilke, Albin, and State Line acquisitions had occurred as of the earliest period presented, January 1, 2009. These unaudited pro forma results of operations are based on the historical financial statements and related notes of the Company, and the related historical audited statements of revenue and direct expenses for the Wilke, Albin and State Line acquisitions included in the related filings on Form 8-K. These pro forma results of operations contain adjustments to depreciation, depletion and amortization for the effects of purchase price allocation, and to interest expense and amortization of deferred financing costs related to financing the acquisitions. The pro forma results are presented for informational purposes only and are not necessarily indicative of what actually would have occurred if the acquisitions had been completed as of the beginning of the period, nor are they necessarily indicative of future results.

	For the Year Ended December 31,	
	2010	2009
	(Unaudited)	(Unaudited)
Operating revenues	\$ 12,941,108	\$ 6,070,500
Operating loss	\$ (10,599,304)	\$ (29,001,745)
Net loss	\$ (19,063,015)	\$ (33,489,536)
Pro forma loss per common share:		
Basic and diluted	\$ (2.08)	\$ (12.92)

Also in May 2010, the Company acquired additional undeveloped leasehold acreage and certain overriding royalty interests on existing Company owned acreage and wells in the DJ Basin from Davis for 2,000,000 shares of common stock valued at \$1,500,000 and a cash payment of \$20 million.

In August 2010, the Company farmed into approximately 240 net acres in exchange for carrying Davis, the lease owner, for a 26% working interest in one well, which has been drilled. The Company also farmed into approximately 533 net acres in the state of Nebraska in exchange for carrying Davis, the lease owner, for a 33% working interest in one well which has been drilled.

In November 2010, the Company purchased certain oil and gas interests of approximately 33,800 net acres located in Laramie County and Goshen County, Wyoming, and Banner County, Kimball County, and Scotts Bluff County, Nebraska from Davis. Additionally, the Company acquired rights below the base of the Greenhorn on approximately 23,000 net acres in Laramie County and Goshen County, Wyoming, and Banner County and Kimball County, Nebraska. The Company issued 6,666,667 shares of our common stock to acquire the property with an estimated fair value of approximately \$12,000,000.

In December 2010, the Company entered into an acquisition and development agreement with TRW Exploration, LLC (a related party, see note 9) whereby TRW paid \$2,000,000 for the purchases of an interest in approximately 2,000 net undeveloped acres and also agreed to carry the Company's 40% interest in two horizontal wells to be drilled on lands defined by the agreement. TRW subsequently funded the drilling and completion costs of two horizontal wells on the lands covered by the leases, at a total cost of approximately \$7 million. This agreement was terminated in December, 2011 and TRW sold back its interest in the wells along with all of its rights to the undeveloped acreage, in consideration for the issuance by the Company of 1,500,000 shares of unregistered common stock valued at \$4,875,000. Additional amounts were incurred in drilling the wells and were paid by the Company. The Company allocated \$2 million of this purchase price to the undeveloped leases, and the remainder to the purchase of the two wells.

The two wells are in progress and currently being evaluated as to their potential to establish commercial production of oil and gas. These wells are carried as wells in progress as of December 31, 2011 at a total cost of \$6.4 million.

In February 2011, the Company purchased undeveloped oil and gas leases from various private individuals for \$1,253,780 in cash and \$653,449 in stock in the Grover Field and surrounding area in Weld County, Colorado, and Goshen County, Wyoming.

In March 2011, the Company purchased undeveloped oil and gas interests located in Laramie County, Wyoming. The purchase price was \$6,469,552 cash and shares of common stock valued at \$5,798,546 in stock. The Company also closed on two acquisitions of undeveloped oil and gas leases from various private individuals for a combined \$551,519 in cash in Goshen County, Wyoming.

DJ Basin Properties Divestitures

Effective December 31, 2011 the Company sold 2,838 net acres of undeveloped leases for consideration of approximately \$4.5 million. A gain of \$1.8 million related to the sale of this acreage was applied as a credit to the carrying costs of evaluated oil and gas properties.

Depreciation, depletion and amortization (“DD&A”) expenses related to the proved properties were approximately \$4,274,215 and \$5,036,000 for the years ended December 31, 2011 and December 31, 2010, respectively. During the year ended December 31, 2011, the company impaired the carrying costs of its evaluated oil and gas properties by \$2.8 million as a result of an excess of carrying costs above the applicable ceiling threshold. Prior to January 1, 2010, the Company did not own any oil and gas properties therefore we did not incur DD&A expense in 2009.

The following table sets forth a summary of oil and gas property costs (net of divestitures) not being amortized as of December 31, 2011:

	As of December 31, 2011
Leasehold acquisitions	
2010	\$ 33,605,594
2011	12,091,887
Unevaluated properties	45,697,481
Wells in progress exploration 2011	6,425,509
Total	<u>\$ 52,122,990</u>

The Company plans to evaluate exploration costs (wells-in progress) in 2012 and will likely develop, sell or reclassify to evaluated properties its inventory of unevaluated leasehold over the next three years. Included in its inventory of unevaluated leases are certain undeveloped leases with an approximate carrying value of \$11 million that are being held and extended by the conducting of continuous operations on the two wells in progress. If commercial production is not eventually established in one or both of the two wells in progress, some or all of these leases may expire, and require such cases to be reclassified to evaluated property and subject to the Company’s full cost lid calculation.

NOTE 4 – WELLS IN PROGRESS

The following table reflects the net changes in capitalized additions to wells in progress during 2010 and 2009:

	For the Year Ended December 31,	
	2011	2010
Beginning balance	\$ 1,219,254	-
Additions to capital wells in progress costs	8,904,532	1,219,254
Reclassifications to proved properties	(3,698,563)	-
Ending balance	<u>\$ 6,425,509</u>	<u>\$ 1,219,254</u>

All wells in progress have been capitalized for less than one year.

NOTE 5 - FINANCIAL INSTRUMENTS AND DERIVATIVES

Periodically, the Company enters into various commodity derivative financial instruments intended to hedge against exposure to market fluctuations of oil prices. During the year ended December 31, 2011, the Company terminated and settled certain future commodity swaps resulting in a realized gain of approximately \$625,000.

As of December 31, 2011, the Company maintained an active commodity swap for 100 barrels per day through December 31, 2012, at a price of \$96.25 per barrel.

The amount of gain (loss) recognized in income related to our derivative financial instruments was as follows:

	For the Year Ended December 31,		
	2011	2010	2009(1)
Realized gain on oil price hedges	<u>\$ 625,043</u>	<u>\$ 570,233</u>	<u>\$ -</u>
Unrealized loss oil price hedges	<u>\$ (75,609)</u>	<u>\$ (398,840)</u>	<u>\$ -</u>

(1) Prior to January 1, 2010, the Company did not enter any derivative financial instruments.

Unrealized gains and losses resulting from derivatives are recorded at fair value on the consolidated balance sheet and changes in fair value are recognized in the unrealized gain (loss) on hedge contracts line on the consolidated statement of operations. Realized gains and losses resulting from the contract settlement of derivatives are recorded in the realized gain (loss) line on the consolidated statement of income. As of December 31, 2011, the Company recorded an unrealized loss on its only active swap of \$75,609.

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company measures fair value of its financial assets on a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.
- Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company measures its cash equivalents and investments at fair value. The Company's cash equivalents, short-term investments, accounts receivable, accounts payable, accrued expenses, interest payable and customer deposits are primarily classified within Level 1. Cash equivalents and short-term investments are valued primarily using quoted market prices utilizing market observable inputs.

Derivative Instruments

The Company determines its estimate of the fair value of derivative instruments using a market approach based on several factors, including quoted market prices in active markets, quotes from third parties, and the credit rating of its counterparty. The Company also performs an internal valuation to ensure the reasonableness of third-party quotes.

In evaluating counterparty credit risk, the Company assessed the possibility of whether the counterparty to the derivative would default by failing to make any contractually required payments. The Company considered that the counterparty is of substantial credit quality and has the financial resources and willingness to meet its potential repayment obligations associated with the derivative transactions.

At December 31, 2011, the types of derivative instruments utilized by the Company included commodity swaps (see Note 5). The oil derivative markets are highly active. Although the Company's economic hedges are valued using public indices, the instruments themselves are traded with third-party counterparties and are not openly traded on an exchange. As such, the Company has classified these instruments as Level 2.

Asset Retirement Obligation

The income valuation technique is utilized determine the fair value of its asset retirement obligation liability at the point of inception by taking into account 1) the cost of abandoning oil and gas wells, which is based on the Company's historical experience for similar work, or estimates from independent third-parties; 2) the economic lives of its properties, which is based on estimates from reserve engineers; 3) the inflation rate; and 4) the credit adjusted risk-free rate, which takes into account the Company's credit risk and the time value of money. Given the unobservable nature of the inputs, the initial measurement of the asset retirement obligation liability is deemed to use Level 3 inputs.

Convertible Notes Payable Conversion Feature

In February 2011, the Company issued in a private placement \$8,400,000 aggregate principal amount of three year 8% Senior Secured Convertible Debentures ("Debentures") with a group of accredited investors. As of December 31, 2011, the Debentures are convertible at any time at the holders' option into shares of Recovery Energy common stock at \$4.25 per share, subject to certain adjustments, including the requirement to reset the conversion price based upon any subsequent equity offering at a lower price per share amount. The Company engaged a third party to complete a valuation of this conversion feature as of December 31, 2011 (see Note 7). The valuation was completed using Level 3 inputs.

The following table provides a summary of the fair values of assets and liabilities measured at fair value:

December 31, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liability				
Derivative instruments	\$ -	\$ (75,609)	\$ -	\$ (75,609)
Convertible notes payable				
Conversion feature	-	-	(1,300,000)	(1,300,000)
Total liability at fair value	<u>\$ -</u>	<u>\$ (75,609)</u>	<u>\$ (1,300,000)</u>	<u>\$ (1,375,609)</u>

December 31, 2010

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liability				
Derivative instruments	\$ -	\$ (398,840)	\$ -	\$ (398,840)
Total liability at fair value	<u>\$ -</u>	<u>\$ (398,840)</u>	<u>\$ -</u>	<u>\$ (398,840)</u>

The following table provides a summary of changes in fair value of the Company's Level 3 financial assets and liabilities as of December 31, 2011:

	Convertible debt feature (1)
Beginning balances, December 31, 2010	-
Additions of convertible debt feature	(1,300,000)
Ending balance as of December 31, 2011	<u>(1,300,000)</u>

(1) The Company entered into the convertible debt during the year ended December 31, 2011.

The Company did not have any transfers of assets or liabilities between Level 1, Level 2 or Level 3 of the fair value measurement hierarchy during the twelve months ended December 31, 2011 and December 31, 2010.

NOTE 7 - LOAN AGREEMENTS

Term Notes

The Company entered into three separate loan agreements with Hexagon Investments, LLC ("Hexagon") during 2010. All three loans bear annual interest of 15% and mature on June 30, 2013.

Effective January 29, 2010, the Company entered into a \$4.5 million loan agreement, with an original maturity date of December 1, 2010. Effective March 25, 2010, the Company entered into a \$6.0 million loan agreement, with an original maturity date of December 1, 2010. Effective April 14, 2010, the Company entered into a \$15.0 million loan agreement, with an original maturity date of December 1, 2010. All three loan agreements have similar terms, including customary representations and warranties and indemnification, and require the Company to repay the notes with the proceeds of the monthly net revenues from the production of the acquired properties. The loans contain cross collateralization and cross default provisions and are collateralized by mortgages against a portion of the Company's developed and undeveloped leasehold acreage as well as all related equipment purchased in the Wilke Field, Albin Field, and State Line Field acquisitions.

The Company entered into a loan modification agreement on May 28, 2010, which extended the maturity date of the loans to December 1, 2011. In consideration for extending the maturity of the loans, Hexagon received 250,000 warrants with an exercise price of \$6.00 per share. The loan modification agreement also required the Company to issue 250,000 five year warrants to purchase common stock at \$6.00 per share to Hexagon if the Company did not repay the loans in full by January 1, 2011. Since the loans were not paid in full by January 1, 2011, the Company issued 250,000 additional warrants with an exercise price of \$6.00 per share to Hexagon which was valued at approximately \$1,600,000. This amount was recorded as a deferred financing cost and is being amortized over the remaining term of the loan.

In December 2010, Hexagon extended the maturity to September 1, 2011. During the last half of 2011, Hexagon agreed to temporarily suspend for five months the requirement to remit monthly net revenues in the total amount of approximately \$2 million as payment on the notes. In November 2011, Hexagon extended the maturity to January 1, 2013. In March 2012, Hexagon agreed to extend the maturity of the notes to June 30, 2013, and in connection there with, the Company agreed to make minimum monthly note payments of \$325,000, effective immediately. In November 2011, Hexagon also temporarily advanced the Company an additional amount of \$309,000, which was repaid in full in February 2012.

The Company is subject to certain financial and non-financial covenants with respect to the Hexagon loan agreements. As of December 31, 2011, the Company was in compliance with all covenants under the facilities. If any of the covenants are violated, and the Company is unable to negotiate a waiver or amendment thereof, the lender would have the right to declare an event of default and accelerate all principal and interest outstanding.

Convertible Notes Payable

In February 2011, the Company completed a private placement of \$8,400,000 aggregate principal amount of three year 8% Senior Secured Convertible Debentures (the "Debentures") with a group of accredited investors. Initially, the Debentures were convertible at any time at the holders' option into shares of Recovery Energy common stock at \$9.40 per share, subject to certain adjustments, including the requirement to reset the conversion price based upon any subsequent equity offering at a lower price per share amount. Interest on the Debentures is payable quarterly on each May 15, August 15, November 15 and February 15 in cash or at the Company's option in shares of common stock, valued at 95% of the volume weighted average price of the common stock for the 10 trading days prior to an interest payment date. The Company can redeem some or all of the Debentures at any time. The redemption price is 115% of principal plus accrued interest. If the holders of the Debentures elect to convert the Debentures, following notice of redemption, the conversion price will include a make-whole premium equal to the remaining interest through the 18 month anniversary of the original issue date of the Debentures, payable in common stock. T.R. Winston & Company LLC acted as placement agent for the private placement and received \$400,000 of Debentures equal to 5% of the gross proceeds from the sale. The Company is amortizing the \$400,000 over the life of the loan as deferred financing costs. The Company amortized \$88,888 of deferred financing costs into interest expense during the year ended December 31, 2011 and has \$311,112 of deferred financing costs to be amortized over a straight-line basis until January 2014.

In December, 2011, the Company agreed to amend the Debentures to lower the conversion price to \$4.25 from \$9.40 per share. Therefore, the Debenture are currently convertible into shares of common stock. This amendment was consideration to the Debenture holders in exchange for their agreement to release a mortgage on certain properties so the properties could be sold. The sale of these properties was completed effective December 31, 2011.

The Company engaged a third party valuation firm to complete a valuation of both the conversion feature and the inducement. This valuation resulted in an estimate of the inducement expense of \$2.8 million and estimate of the derivative liability as of December 31, 2011 of \$1.3 million. A previous independent valuation of the derivative liability estimated the derivative liability as of March 31, 2011 at approximately \$5.1 million. The reduction in the derivative value from \$5.1 million as of March 31, 2011 to \$1.3 million as of December 31, 2011 resulted in a derivative gain of \$3.8 million during the year ended December 31, 2011. As of December 31, 2011, the convertible debt is recorded as follows:

	As of December 31, 2011
Convertible debt	8,400,000
Debt discount	(3,470,932)
Total convertible debt, net	<u>4,929,068</u>

Annual debt maturities for our debt under our term notes and convertible notes payable obligations as of December 31, 2011 are as follows:

2012	1,150,966
2013	20,129,670
2014	8,400,000
Thereafter	--
Total	<u>29,680,636</u>

Interest Expense

For the years ending December 31, 2011 and December 31, 2010, the Company incurred interest expense of approximately \$8,218,000 and \$6,600,000, respectively, of which approximately \$5.0 million and \$4.0 million, respectively, were non-cash interest expense related to the amortization of the deferred financing costs, accretion of the convertible notes payable discount, and convertible notes payable interest paid in stock.

NOTE 8 - COMMITMENTS and CONTINGENCIES

Environmental and Governmental Regulation

At December 31, 2011, there were no known environmental or regulatory matters which are reasonably expected to result in a material liability to the Company. Many aspects of the oil and gas industry are extensively regulated by federal, state, and local governments in all areas in which the Company has operations. Regulations govern such things as drilling permits, environmental protection and pollution control, spacing of wells, the unitization and pooling of properties, reports concerning operations, royalty rates, and various other matters including taxation. Oil and gas industry legislation and administrative regulations are periodically changed for a variety of political, economic, and other reasons. As of December 31, 2011, the Company had not been fined or cited for any violations of governmental regulations that would have a material adverse effect upon the financial condition of the Company.

Legal Proceedings

The Company may from time to time be involved in various other legal actions arising in the normal course of business. In the opinion of management, the Company's liability, if any, in these pending actions would not have a material adverse effect on the financial positions of the Company. The Company's general and administrative expenses would include amounts incurred to resolve claims made against the Company.

Potential Stock Grants Under Employment/Appointment Agreements

Until May 2010, the employment agreements for our chief executive officer and former chief financial officer contained provisions which provided these individuals additional stock grants if the Company achieved certain market capitalization milestones. In May 2010, the employment agreements were modified and our chief executive officer and former chief financial officer were no longer entitled to stock grants based on market capitalization milestones.

Operating Leases

The Company leases an office space under a one year operating lease in Denver, Colorado. Rent expense for the years ended December 31, 2011 and December 31, 2010, was \$82,068 and \$54,500, respectively. The Company will have minimum lease payments of \$72,000 for the year ending December 31, 2012.

NOTE 9 - RELATED PARTY TRANSACTIONS

Since its inception, five property acquisitions the Company completed have been with the same seller, Davis. As of December 31, 2011, Davis owned approximately 19.1 % of the common stock of the Company. The cash portion of the purchase price for the first three acquisitions was financed with loans from Hexagon, which owned approximately 15.7% of the stock issued and outstanding at December 31, 2011. Hexagon received overriding royalty interests in both the Albin Field assets and the State Line Field assets. Hexagon also received warrants to purchase 500,000 shares of the Company's common stock at \$10.00 per share in connection with the financing of an acquisition and warrants to purchase 250,000 shares the Company's common stock for \$6.00 per share in connection with amendments to the loan agreements. A representative of Hexagon also served on the Company's Board of Directors, until his resignation on January 31, 2012.

The Company entered into an exploration and development agreement with TRW to drill two wells. The joint venture partners of TRW are also shareholders of the Company.

NOTE 10 - INCOME TAXES

The tax effects of temporary differences that gave rise to the deferred tax liabilities and deferred tax assets as of December 31, 2011 and 2010 were:

	<u>2011</u>	<u>2010</u>
Deferred tax assets:		
Oil and gas properties and equipment	\$ (515,123)	\$ (1,335,490)
Net operating loss carry-forward	11,291,513	7,285,426
Share based compensation	4,675,241	3,902,007
Abandonment obligation	205,145	188,728
Derivative instruments	176,514	148,384
Other	(91,304)	(30,896)
Total deferred tax asset	<u>15,741,986</u>	<u>10,158,159</u>
Valuation allowance	(15,741,986)	(10,158,159)
Net deferred tax asset	<u>\$ -</u>	<u>\$ -</u>

Reconciliation of the Company's effective tax rate to the expected federal tax rate is:

	<u>2011</u>	<u>2009</u>
Effective federal tax rate	35.00%	35.00%
Effect of permanent differences	-7.54%	-21.78%
State tax rate	2.20%	2.20%
Change in rate	0.00%	-0.23%
Other	0.00%	3.07%
Valuation allowance	-29.66%	-18.26%
Net	<u>0%</u>	<u>0%</u>

At December 31, 2011 and 2010, the Company had net operating loss carry-forwards for federal income tax purposes of approximately \$25,957,000 and \$19,582,000, respectively, that may be offset against future taxable income. The Company has established a valuation allowance for the full amount of the deferred tax assets as management does not currently believe that it is more likely than not that these assets will be recovered in the foreseeable future. To the extent not utilized, the net operating loss carry-forwards as of December 31, 2011 will expire in 2031.

NOTE 11 - SHAREHOLDERS' EQUITY

As of December 31, 2011, the Company had 100,000,000 shares of common stock and 10,000,000 shares of preferred stock authorized, of which 17,436,825 shares of common stock were issued and outstanding. No preferred shares were issued or outstanding. Preferred shares may be issued in such series as Preferred as determined by the Board of Directors. No lock-up or restricted shares were outstanding as of December 31, 2011.

Effective October 19, 2011, the Company completed a four-for-one reverse stock split on its common shares. All references to common stock, restricted stock, stock warrants, and common stock prices have been adjusted to reflect the effects of the reverse stock split.

In December 2011, the Company provided the 8% convertible debenture holders an inducement to convert their conversion price from \$9.40 to \$4.25. An inducement expense of \$2.8 million was recognized in 2011. This transaction also increased additional paid-in capital by \$2.8 million. This reduction in conversion price also increased potential dilutive shares outstanding as of December 31, 2011 by 1,082,854 shares from 893,617 to 1,926,471 shares reserved for possible conversion.

In connection with this inducement, the Company entered into an amendment to our 8% senior secured convertible debentures whereby, in addition to the inducement, the mortgage on certain of the Company's oil and gas leases was released and in substitution, we granted a lien on certain replacement oil and gas leases in Nebraska and Wyoming. As partial consideration for the substitution of this collateral, the amendment also provides the holders of the debentures with the first right of refusal to purchase up to 15% of any common stock, preferred stock or convertible debt offering by Recovery through December 31, 2012 at the offering price.

During the year ending December 31, 2011, the Company issued 2,983,233 shares of common stock. The stock issuances were comprised of 2,983,233 shares issued for acquisitions valued at \$10,896,071, 10,000 shares issued for services valued at \$82,000, 238,824 shares issued as restricted stock grants to employees valued at \$6,161,111, 78,972 shares issued for interest expense on the convertible notes payable valued at \$559,860, 375,333 shares issued in connection with warrant exercises for \$2,903,794 of cash.

In addition to the shares of common stock issued during the period, the Company issued convertible notes payable with a face value of \$8.4 million. Based upon the current conversion price of \$4.25 per share, these notes would convert into 1,976,471 shares of common stock. The conversion price is subject to other adjustments (See Note 7).

During the year ended December 31, 2010, the Company issued 11,749,467 shares of common stock. The stock issuances were comprised of 2,929,167 shares issued for acquisitions valued at \$15,787,500, 502,216 shares issued for services valued at \$2,256,239, 1,250,000 shares issued in connection with the loan agreements valued at \$5,250,000, 2,235,797 shares issued as restricted stock grants to employees valued at \$10,283,622, and 3,978,788 shares issued for \$20,046,733 of cash.

During the year ended December 31, 2010, the Company issued common shares for cash. Included in these shares was a private placement of 3,975,300 units at \$1.50 per unit, which included one share of common stock and one common stock purchase warrant. The warrants are exercisable at \$1.50 per share through May 23, 2015. Warrants of 853,500 were subsequently exercised during 2010 for \$5,121,000 of cash. In connection with the exercise, the Company granted a new warrant for each warrant exercised. The new warrants have an exercise price of \$8.80 per share, which was slightly greater than the concurrent market price of the Company's common stock, and expire on September 29, 2015. The value of the new warrants, calculated at \$2,953,450 using the Black Scholes method, was expensed as a warrant modification and included in general and administrative expenses.

Temporary Equity

As part of the reverse merger in 2009, 5,313 shares of common stock were issued and outstanding under a lock-up agreement that has terms which may result in the Company reacquiring the shares due to circumstances outside of the Company's control and therefore the shares are preferential to common shares. The 5,313 shares, which were valued at \$172,516, covered by the lock-up agreement were treated as temporary equity and reported separately from other shareholders' equity. The lock-up period for 2,658 shares ended on September 21, 2010, with the other lock-up period ending on March 21, 2011. As a result, on March 21, 2011, the final 2,658 shares covered under the lock-up agreement were moved to permanent on equity.

Warrants

During 2010, the Company issued common shares for cash. Included in these shares was a private placement of 15,901,200 units at \$1.50 per unit, which included one share of common stock and one common stock purchase warrant. The warrants are exercisable at \$1.50 per share through May 23, 2015. 3,414,000 of these warrants were subsequently exercised during 2010 for \$5,121,000 of cash. In connection with the exercise, the Company granted a new warrant for each warrant exercised. The new warrants have an exercise price of \$2.20 per share, which was slightly greater than the concurrent market price of the Company's common stock, and expire on September 29, 2015. The value of the new warrants, calculated at \$2,953,450 using the Black Scholes method, was expensed as a warrant modification and included in general and administrative expenses

On January 1, 2011, the Company issued 250,000 warrants with an exercise price of \$6.00 per share to Hexagon which was valued at approximately \$1,600,000 (See Note7).

A summary of warrant activity for the years ended December 31, 2011 and December 31, 2010 is presented below:

	Warrants (1)	Weighted-Average Exercise Price (1)
Outstanding at December 31, 2009	187,500	\$ 14.00
Granted	6,430,233	6.68
Exercised, forfeited, or expired	(853,500)	6.00
Outstanding at December 31, 2010	5,764,233	7.04
Granted	250,000	6.00
Exercised, forfeited, or expired	(375,333)	6.16
Outstanding at December 31, 2011	<u>5,638,900</u>	<u>\$ 6.33</u>

(1) On October 17, 2011, the Company performed a 4:1 reverse stock split. The values shown are reflecting the reverse stock split.

The aggregate intrinsic value of warrants was approximately \$0 and \$6,687,000 based on the Company's closing common stock price of \$5.20 and \$8.20 as of December 31, 2011 and December 31, 2010, respectively, and the weighted average remaining contract life was 3.68 years and 4.15 years.

Assumptions used in estimating the fair value of the warrants issued for the periods indicated are presented below:

	For the years ended December 31,	
	2011	2010
Weighted-average volatility	97%	80%
Expected dividends	0.00%	0.00%
Expected term (in years)	3 – 5	3 – 5
Risk-free rate	2.02%	1.49%

The Company has not adopted a stock incentive plan for its management team. Members of the board of directors and the management team are periodically awarded restricted stock grants.

NOTE 12 - SHARE BASED COMPENSATION

The costs of employee services received in exchange for an award of equity instruments are based on the grant-date fair value of the award, recognized over the period during which an employee is required to provide services in exchange for such award.

During the year ended December 31, 2011, the Company granted 238,750 shares of restricted common stock to employees of which 207,016, vest during the year ended December 31, 2011. The Company will vest restricted stock of 192,000, 120,000, and 2,500 for the years ending December 31, 2012, 2013, and 2014, respectively. The fair value of these share grants was calculated to be approximately \$4,370,808.

The Company recognized stock compensation expense of approximately \$6,161,000, \$917,000 and \$2,714,000 for the years ended December 31, 2011, 2010 and 2009, respectively. During the year ended December 31, 2011, the Company had a one-time charge of \$3,551,000 for stock compensation expense with the grant of 481,250 shares included in the separation agreement of the former chief financial officer, which was accounted for as a cancellation of an award and issuance of a new award.

A summary of restricted stock grant activity for the year ended December 31, 2011 is presented below

	Shares (1)
Outstanding at March 6, 2009	\$ -
Granted	371,050
Vested	-
Outstanding at December 31, 2009	371,050
Granted	1,864,747
Vested	-
Outstanding at December 31, 2010	2,235,797
Granted	932,500
Vested	(828,062)
Outstanding at December 31, 2011	\$ 2,340,235

(1) On October 17, 2011, the Company effected a 4:1 reverse stock split. The values shown are reflecting the reverse stock split.

The Company will recognize \$1,066,000, \$366,615 and \$12,478 for the years ending December 31, 2012, 2013, and 2014, respectively.

NOTE 13 – DRILLING RIGS

In May 2009, two drilling rigs were contributed to the Company for a note of \$3,250,000. These rigs were recorded at estimated fair value as this was lower than their predecessor cost basis. The note holder subsequently converted the note for 2,100,000 shares of common stock (Note 3). These rigs required certain capital improvements prior to their ability to be functional in operations.

In 2009, management determined that future drilling operations were not part of their strategic plans. Management estimated the net realizable value to be \$500,000; therefore, an impairment of \$2,750,000 was recorded for the period ending December 31, 2009.

In May 2010, the Company entered into a purchase and sale agreement for the rigs. The Company sold the rigs for \$700,000 under which the Company received \$100,000 in cash and the balance in a five-year secured note. The acquirer defaulted on the note and the Company is now pursuing the remedies afforded to it under the note and security agreement. The Company believes it is in a first lien position on the underlying collateral, however, in 2010 the Company elected to fully reserve the \$400,000 note receivable as the ability to recover the amount and the value of the underlying collateral was uncertain.

NOTE 14: SUBSEQUENT EVENTS

On March 19, 2012, the Company entered into agreements with its existing convertible debenture holders to extend the amount of its debenture debt by up to an additional \$5.0 million. Proceeds resulting from the increase in the debentures will be used principally for the development of certain of the Company's proved undeveloped properties, and other undeveloped leases currently targeted by the Company for exploration, as well as for other working capital purposes. Any new producing properties that are developed from the proceeds of this offering will be pledged as collateral to secure the expanded debt.

The initial closing related to these agreements will be in the amount of \$1.5 million and is expected to occur prior to March 23, 2012. On or before September 15, 2012, convertible debenture holders may elect to purchase up to an additional \$3.5 million in additional debentures. All terms of the expansion convertible debentures are substantively identical to the existing convertible debentures (see Note 7).

NOTE 15- SUPPLEMENTAL OIL AND GAS RESERVE INFORMATION (UNAUDITED)

The following table sets forth information for the years ended December 31, 2011, 2010 and 2009 with respect to changes in the Company's proved (i.e. proved developed and undeveloped) reserves:

	Crude Oil (Bbls)	Natural Gas (Mcf)
December 31, 2009	-	-
Purchase of reserves	643,955	-
Revisions of previous estimates	123,679	-
Extensions and discoveries	58,463	323,493
Sale of reserves	-	-
Production	(133,709)	(14,914)
December 31, 2010	692,388	308,579
Purchase of reserves	-	-
Revisions of previous estimates	(268,718)	(44,919)
Extensions, discoveries	266,000	-
Sale of reserves	-	-
Production	(81,433)	(115,583)
December 31, 2011	608,237	148,077
Proved Developed Reserves, included above:		
Balance, December 31, 2009	-	-
Balance, December 31, 2010	277,669	308,579
Balance, December 31, 2011	215,693	148,077
Proved Undeveloped Reserves, included above:		
Balance, December 31, 2009	-	-
Balance, December 31, 2010	414,719	-
Balance, December 31, 2011	392,545	-

The Company did not have any reserves as of December 31, 2009.

As of December 31, 2011 and December 31, 2010, we had estimated proved reserves of 608,237 and 692,388 barrels of oil, respectively and 24,680 and 308,579 thousand cubic feet ("MCF") of natural gas, respectively. Our reserves are comprised of 96% and 93% crude oil and 4% and 7% natural gas on an energy equivalent basis.

The following values for the December 31, 2011 and December 31, 2010 oil and gas reserves are based on the 12 month arithmetic average first of month price January through December 31 natural gas price of \$3.96 and \$4.39 per MMBtu (NYMEX price) and crude oil price of \$88.16 and \$77.78 per barrel (West Texas Intermediate price). All prices are then further adjusted for transportation, quality and basis differentials.

During the years ended December 31, 2010, the Company completed multiple acquisitions which included proved reserves associated with producing properties. Included in the Company's December 31, 2010 proved reserves classified as 'Purchase of reserves' in the table above, are \$3,760,000 and 643,955 barrels of crude oil attributable to the acquisitions.

The following summary sets forth the Company's future net cash flows relating to proved oil and gas:

	For the Year Ended December 31,		
	(in thousands)		
	2011	2010	2009 (1)
Future oil and gas sales	\$ 55,295	\$ 51,816	\$ -
Future production costs	(16,579)	(11,614)	-
Future development costs	(8,481)	(8,063)	-
Future income tax expense (2)	-	-	-
Future net cash flows	30,235	32,139	-
10% annual discount	(10,221)	(8,544)	-
Standardized measure of discounted future net cash flows	<u>\$ 20,014</u>	<u>\$ 23,595</u>	<u>\$ -</u>

(1) Prior to January 2010, the Company did not own any oil and gas assets.

(2) Our calculations of the standardized measure of discounted future net cash flows include the effect of estimated future income tax expenses for all years reported. We expect that all of our Net Operating Loss' ("NOL") will be realized within future carry forward periods. All of the Company's operations, and resulting NOLs, are attributable to our oil and gas assets. There were no taxes in any year as the tax basis and NOL's exceeded the future net revenue.

The principle sources of change in the standardized measure of discounted future net cash flows are:

	2011	2010	2009 (1)
Balance at beginning of period	\$ 23,595	\$ -	\$ -
Sales of oil and gas, net	(5,342)	(7,655)	-
Net change in prices and production costs	8,006	3,084	-
Net change in future development costs	-	(4,563)	-
Extensions and discoveries	5,883	5,067	-
Acquisition of reserves		18,967	-
Sale of reserves		-	-
Revisions of previous quantity estimates	(14,804)	5,245	-
Previously estimated development costs incurred		-	-
Net change in income taxes		-	-
Accretion of discount	2,360	2,043	-
Other	316	1,407	-
Balance at end of period	<u>\$ 20,014</u>	<u>\$ 23,595</u>	<u>\$ -</u>

Revisions in 2011 of previous quantity estimates relate principally to the exclusion of certain proven undeveloped well locations that were included in the reserve estimates dated December 31, 2010.

A variety of methodologies are used to determine our proved reserve estimates. The principal methodologies employed are reservoir simulation, decline curve analysis, volumetric, material balance, advance production type curve matching, petro-physics/log analysis and analogy. Some combination of these methods is used to determine reserve estimates in substantially all of our fields.

NOTE 16- QUARTERLY RESULTS (UNAUDITED)

The following tables contain selected unaudited statement of operations information for each quarter of 2011 and 2010. The Company believes that the following information reflects all normal recurring adjustments necessary for a fair presentation of the information for the periods presented. The operating results for any quarter are not necessarily indicative of results for any future period.

	Year Ended December 31, 2011			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	\$ 1,944,454	\$ 2,630,933	\$ 2,811,429	\$ 1,273,675
Income (loss) from operations	(6,297,854)	(939,330)	(4,069,541)	(2,052,133)
Net earnings (loss)	<u>(7,295,537)</u>	<u>(3,027,618)</u>	<u>(4,762,881)</u>	<u>(3,743,187)</u>
Net earnings per common share:				
Basic and diluted	\$ (0.47)	\$ (0.19)	\$ (0.30)	\$ (0.25)
Weighted average shares outstanding				
Basic and diluted	15,543,758	15,775,135	15,635,346	14,778,206

Year Ended December 31, 2010

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Revenues	\$ 1,519,702	\$ 2,552,790	\$ 5,194,849	\$ 490,351
Income (loss) from operations	<u>(4,191,728)</u>	<u>(5,900,630)</u>	<u>(792,880)</u>	<u>(2,242,252)</u>
Net earnings (loss)	<u><u>(6,230,293)</u></u>	<u><u>(7,491,246)</u></u>	<u><u>(3,196,779)</u></u>	<u><u>(2,820,715)</u></u>
Net earnings per common share:				
Basic and diluted	\$ (1.47)	\$ (2.53)	\$ (1.99)	\$ (1.04)
Weighted average shares outstanding				
Basic and diluted	9,167,803	2,962,882	6,362,922	2,927,759



Sixth Amended and Restated Employment Agreement

Sixth Amended and Restated Employment Agreement (this "Agreement") dated as of March 14, 2012 by and between Recovery Energy, Inc a Nevada corporation (the "Company"), and Roger A. Parker (the "Executive").

WHEREAS, the Company and the Executive have previously entered an Employment Agreement dated as of May 1, 2010 (the "Effective Date"), an Amended and Restated Employment Agreement dated as of September 20, 2010, a Second Amended and Restated Employment Agreement dated as of December 20, 2010, a Third Amended and Restated Employment Agreement dated as of April 19, 2011, a Fourth Amended and Restated Employment Agreement dated as of June 27, 2011, a Fifth Amended and Restated Employment Agreement dated as of August 31, 2011 (together, the "Original Agreement") and prior to that a Non-Executive Director Appointment Agreement entered into and made effective November 16, 2009, an Amended and Restated Non-Executive Director Appointment Agreement dated as of December 31, 2009 and a Second Amended and Restated Director Appointment Agreement dated as of May 1, 2010 (together, the "Previous Agreement"); and

WHEREAS, the Company and the Executive wish to amend and restate the Original Agreement; and

WHEREAS, the Company recognizes that the Executive's talents and abilities are unique, and are integral to the success of Recovery Energy, Inc., and thus wishes to secure the ongoing services of the Executive on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth below, the Original Agreement is hereby amended and restated as follows:

1. **Employment:** The Company hereby agrees to employ the Executive as the Chairman of the Company's Board of Directors ("Chairman") and Chief Executive Officer and President ("CEO") of the Company, and the Executive hereby accepts such employment, on the terms and conditions set forth below.
2. **Compensation and Related Matters:**
 - a. **Base Salary.** During the Executive's term of service (the "Employment Period"), the Company shall pay the Executive a base salary at the rate of not less than \$240,000 per year ("Base Salary"). The Executive's base Salary shall be paid in approximately equal installments every two weeks. If the Executive's Base Salary is increased by the Company, such increased Base Salary shall then constitute the Base Salary for all purposes of this Agreement.
 - b. **Stock Compensation:** The Executive has previously been granted an aggregate of 1,000,000 shares (the "Initial Grant") of the Company's common stock ("Common Stock") pursuant to the Previous Agreement and 4,500,000 shares (the "Second Grant" and, together with the Initial Grant, the "Granted Shares") of Common Stock pursuant to the Original Agreement. Notwithstanding the vesting provisions of the Original Agreement, subject to acceleration as provided below, 100,000 of the Granted Shares shall vest on January 1, 2011, and the remaining Granted Shares will vest on April 15, 2012, in each case so long as the Executive either (i) is employed as the Company's Chairman and CEO on such date or (ii) has died or become permanently disabled prior to such date and was employed as the Company's Chairman and CEO at the time of death or disability.

Notwithstanding any provision to the contrary, the Granted Shares shall vest upon the earlier to occur of a "Change in Control" or the termination of the Executive's services as Chairman and CEO by the Company other than for "Cause" or by the Executive's voluntary resignation for "Good Reason" (as each term is defined below).

For purposes of this Agreement, "Change in Control" shall mean the occurrence, subsequent to the Effective Date, of any of the following: (A) by a transaction or series of transactions, any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 35% of the combined voting power of the Company's then outstanding securities (provided such person or group was not a beneficial owner of more than 35% of the combined voting power of the Company's then outstanding securities as of the Effective Date); (B) as a result of any merger, consolidation, combination or sale or issuance of securities of the Company, or as a result of or in connection with a contested election of directors, the persons who were directors of the Company as of the Effective Date cease to constitute a majority of the Board of Directors of the Company (the "Board"); (C) by a transaction or series of transactions, the authority of the Board over any activities of the Company becomes subject to the consent, agreement or cooperation of a third party other than shareholders of the Company.

For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following without the written consent of the Executive: (A) the assignment to the Executive of duties inconsistent with this Agreement or a change in his titles or authority; (B) any failure by the Company to comply with Section 2 or Section 3 hereof in any material way; (C) the requirement of the Executive to relocate to locations other than those provided in Section 6 hereof; or (D) any material breach of this Agreement by the Company.

For purposes of this Agreement, "Cause" shall mean (A) the Executive's conviction by a court of competent jurisdiction as to which no further appeal can be taken of a felony (other than a violation based on operation of a vehicle) or entering the plea of nolo contendere to such crime by the Executive; (B) the Executive's commission of a crime involving fraud or intentional dishonesty, which results in the Executive's substantial personal enrichment and material adverse effect to the Company; or (C) the Executive becoming subject to any securities related sanctions related to the Company other than those based on an act of the Company itself for which the Executive is charged solely as a result of his position with the Company.

- c. Annual Bonus: For each full fiscal year of the Company that begins and ends during the Employment Period, and for the portion of the fiscal year of the Company that begins in 2010 ("Fiscal Year 2010"), the Executive shall be eligible to earn an annual cash bonus in such amount as shall be determined by the Compensation Committee of the Board (the "Compensation Committee") (the "Annual Bonus") based on the achievement by the Company of performance goals established by the Compensation Committee for each such fiscal year (or portion of Fiscal Year 2010), which may include targets related to the earnings before interest, taxes, depreciation and amortization ("EBITDA"), hydrocarbon production level, hydrocarbon reserve amounts of the Company; provided, that the Annual Bonus shall be targeted no less than \$100,000 (with Board approval). The Compensation Committee shall establish objective criteria to be used to determine the extent to which performance goals have been satisfied.
- d. Over Riding Royalty Interests: The Executive has received as compensation a 1% overriding royalty interest ("ORRI") on all wells and leases acquired by the Company prior to the date hereof other than the Church Field as contemplated by the Previous Agreement and the Original Agreement. The Executive shall not be entitled to receive additional ORRIs under this Agreement.
- e. Vacation: The Executive shall be entitled to four weeks of vacation per fiscal year. Vacation not taken during the applicable fiscal year shall be carried over to successive fiscal years.
- f. Expenses: The Executive shall receive from the Company a monthly, non-accountable, expense reimbursement as of the first of each month of \$7,500 for all expenses related to Company business, including, but not limited to travel, marketing and communication. If in any month the reasonable expenses the Executive incurs on the Company's behalf exceed the amounts advanced, the Company shall, within 30 days after receiving documentation of the reimbursable expenses incurred in that month, reimburse the Executive for the amount in excess of \$7,500 that he incurred in such month.
- g. Welfare, Pension and Incentive Benefit Plans: During the Employment Period and for a period of 12 months thereafter in the event that the Employment Period is terminated other than by the Executive's voluntary resignation or for Cause, the Executive (and his eligible spouse and dependents) shall be entitled to participate in all the welfare benefit plans and programs maintained by the Company from time to time for the benefit of its senior executives including, without limitation, all medical, hospitalization, dental, disability, accidental death and dismemberment and travel accident insurance plans and programs. In addition, during the Employment Period, the Executive shall be eligible to participate in all pension, retirement, savings and other employee benefit plans and programs maintained from time to time by the Company for the benefit of its senior executives. The Company will provide the Executive with family health insurance coverage including medical, dental, and vision coverage, comparable to the coverage currently held by the Executive.
- h. Professional Development. The Company will reimburse the Executive for education and professional development expenses related to courses or programs selected by the Executive in the energy sector up to \$25,000 per calendar year. The Executive may take such courses during normal business hours and will not be required to utilize vacation time.

- i. **Registration of Shares.** Upon request of the Executive from time to time, the Company will promptly file a registration statement with the Securities and Exchange Commission covering the Granted Shares, provided, that each such registration statement must cover a minimum of 100,000 shares of Common Stock. The Company may include shares of Common Stock owned by other persons or to be issued by the Company in each such registration statement.

3. **Dedication of Time/Conflict of Interests:** During the Employment Period, the Executive shall serve as the Chairman and CEO of the Company, with such duties, authority and responsibilities as are normally associated with and appropriate for such a position. The Executive shall report directly to the Board.

The Company acknowledges that the Executive is currently active in a number of activities related to the energy industry and will remain active in activities not associated with the Company. In addition, the Executive shall be entitled to undertake such outside activities (e.g., charitable, educational, personal interests, board of directors membership, and so forth) as do not unreasonably or materially interfere with the performance of his duties hereunder.

4. **Responsibilities:** As the Chairman and CEO, the Executive will be responsible for developing and implementing the Company's business plan, locating and reviewing prospective acquisition targets, negotiating any and all required contracts and agreements, overseeing the development plan of all acquired properties, executing any and all documents required to implement the Company's business plan, and legally binding the Company to any agreement or contract. As such, the Executive will have the authority to reject or modify any acquisition or development plan.
5. **At-Will Employment:** The Executive's employment with the Company is on an at-will basis. If terminated for any reason other than Cause or if the Executive terminates this agreement for Good Reason, the Company will be responsible to provide the Executive a minimum of one year's Base Salary as severance payable immediately upon termination as well as any reimbursement of all business expenses incurred but not yet reimbursed. The Executive may terminate his employment for Good Reason after giving the Company detailed written notice thereof, if the Company shall have failed to cure the event or circumstance constituting Good Reason within five business days after receiving such notice. Furthermore, the Company will release any and all claims to any vested Common Stock, ORRI or other compensation provided through the date of termination or to which the Executive is entitled at the date of termination. The Executive's right to terminate his employment hereunder for Good Reason shall not be affected by his incapacity due to physical or mental illness. The Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder.

The provisions of Section 8 will continue in full force for a minimum period of five years after termination.

6. **Location:** You will be based in Denver, Colorado. During the Employment Period, the Company shall provide the Executive with an office. Upon mutual agreement of the Executive and the Company, offices maybe relocated to a different location.

7. **Representations and Warranties:** Company represents and warrants to Executive that this Agreement has been duly authorized, executed and delivered by the Company and, assuming the due execution by the Executive, constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.
8. **Indemnity:** The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding") by reason of the fact that the Executive is or was a trustee, director or officer of the Company or any predecessor to the Company or any of their affiliates or is or was serving at the request of the Company, any predecessor to the Company or any of their affiliates as a trustee, director, officer, member, employee or agent of another corporation or a partnership, joint venture, limited liability company, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a trustee, director, officer, member, employee or agent while serving as a trustee, director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by Nevada law, as the same exists or may hereafter be amended, against all Expenses incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if the Executive has ceased to be an officer, director, trustee or agent, or is no longer employed by the Company and shall inure to the benefit of his heirs, executors and administrators.
- a. **Expenses.** As used in Section 8, the term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements, and costs, attorneys' fees, accountants' fees, and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this Agreement.
- b. **Enforcement.** If a claim or request under this Section 8 is not paid by the Company or on its behalf, within 30 days after a written claim or request has been received by the Company, the Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim or request and if successful in whole or in part, the Executive shall be entitled to be paid also the expenses of prosecuting such suit. All obligations for indemnification hereunder shall be subject to, and paid in accordance with, applicable Nevada law.
- c. **Advances of Expenses.** Expenses incurred by the Executive in connection with any Proceeding shall be paid by the Company in advance upon request of the Executive that the Company pay such Expenses, but only in the event that the Executive shall have delivered in writing to the Company (i) an undertaking to reimburse the Company for Expenses with respect to which the Executive is not entitled to indemnification and (ii) a statement of his good faith belief that the standard of conduct necessary for indemnification by the Company has been met.
- d. **Insurance.** The Company will maintain a Director's and Officer's Insurance Policy naming the Executive as a covered party in an amount deemed mutually sufficient to the Company and the Executive.

9. **Survival of Certain Provisions:** The representations, warranties and covenants and indemnity provisions contained in Sections 2, 7 and 8 of this Agreement and the Company's obligation to pay the Executive any compensation earned pursuant hereto shall remain operative and in full force and effect regardless of any completion or termination of this Agreement and shall be binding upon, and shall inure to the benefit of, any successors, assigns, heirs and personal representatives of the Company, the indemnified parties and any such person.
10. **Notices:** Notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be mailed or delivered (a) if to the Company, at its offices at 1515 Wynkoop, Suite 200, Denver CO 80202, and (b) if to the Executive, at his offices at 1515 Wynkoop, Suite 200, Denver CO 80202.
11. **Counterparts:** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.
12. **Third Party Beneficiaries:** This Agreement has been and is made solely for the benefit of the parties hereto, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement.
13. **Validity:** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.
14. **Dispute Resolution:** If a dispute arises out of or relating to this Agreement or the breach of this Agreement, and if the dispute cannot be settled through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation. Mediation shall consist of an informal, nonbinding conference or conferences between the parties and the mediator jointly, and at the discretion of the mediator, then in separate caucuses in which the mediator will seek to guide the parties to a resolution of the case. The parties shall attempt to select a mutually acceptable mediator. If the parties cannot agree upon a mediator, the parties shall seek assistance in the appointment of a mediator from a District Judge in the State of Colorado.
- a. **Legal Fees and Expenses:** If any contest or dispute shall arise between the Company and the Executive regarding any provision of this Agreement, the Company shall reimburse the Executive for all legal fees and expenses incurred by the Executive in connection with such contest or dispute unless an unlawful act has preceded, but only if the Executive prevails to a substantial extent with respect to the Executive's claims brought and pursued in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute (whether or not appealed) to the extent the Company receives reasonable written evidence of such fees and expenses.

- 15. Choice of Law, Jurisdiction and Venue:** This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Colorado. Any and all actions, suits, or judicial proceedings upon any claim arising from or relating to this Agreement shall be instituted and maintained in the State of Colorado. Each party waives the right to change of venue, or to file any action, suit or judicial proceeding in federal court. Notwithstanding this provision, if it is judicially determined that either party may file an action, suit or judicial proceeding in federal court, such action, suit or judicial proceeding shall be in the Federal District Court for the District of Colorado.
- 16. Miscellaneous:** No provisions of this Agreement may be amended, modified, or waived unless such amendment or modification is agreed to in writing signed by the Executive and by a duly authorized officer or a director of the Company, and such waiver is set forth in writing and signed by the party to be charged. No waiver by either party hereto at any time of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The respective rights and obligations of the parties hereunder of this Agreement shall survive the Executive's termination of employment and the termination of this Agreement to the extent necessary for the intended preservation of such rights and obligations.
- 17. Section Headings:** The section headings in this Agreement are for convenience of reference only, and they form no part of this Agreement and shall not affect its interpretation.

The parties' authorized representatives have executed this Agreement as of the Effective Date, as defined above.

Roger A. Parker

/s/Roger A. Parker

Recovery Energy, Inc.

By : /s/ Timothy N. Poster

Name Timothy N. Poster

:

Title : Director, Chairman of Compensation Committee

AMENDMENT TO CREDIT AGREEMENT
(First Credit Agreement)

This AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated March 15, 2012 (the "Effective Date"), is between Recovery Energy, Inc., a Nevada corporation ("Borrower"), and Hexagon, LLC, a Colorado limited liability company, formerly known as Hexagon Investments, LLC ("Lender").

RECITALS

A. Borrower and Lender have entered into a Credit Agreement, dated as of January 29, 2010 (as modified by that certain Amendment to Promissory Note, dated December 29, 2010, that certain Second Amendment to Promissory Note, dated November 14, 2011, and as further amended, modified, supplemented substituted or replaced, the "Credit Agreement"), providing for a term loan in the original principal amount of \$4,500,000. Defined terms used herein and not defined herein shall have the meanings set forth in the Credit Agreement.

B. Borrower has asked Lender, and Lender has agreed to amend the terms and conditions of the Credit Agreement to extend the Maturity Date until June 30, 2013, subject to and as more fully set forth in this Amendment.

AGREEMENT

In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. Amendment to Credit Agreement. Effective as of the Effective Date and upon the terms and subject to the conditions set forth in this Amendment:

(a) Section 1.1 of the Credit Agreement is hereby amended by deleting "January 1, 2013" in the definition of "Maturity Date" and replacing it with "June 30, 2013".

(b) Section 2.2 of the Credit Agreement is hereby deleted in its entirety and replaced with the following: "**Section 2.2 Mandatory Prepayments**. Each month, commencing with March, 2012, Borrower shall repay the Loan and the Loans made under the Other Credit Agreements (as defined below) with the greater of: (a) the sum of 100% of the Net Proceeds from the Oil and Gas Properties as defined in the Credit Agreement plus 100% the Net Proceeds from the Oil and Gas Properties as defined in the Credit Agreement dated March 25, 2010 and the Credit Agreement dated April 14, 2010, each between Borrower and Lender (the "Other Credit Agreements"), and (b) \$325,000."

(c) A new Section 2.4 and a new Section 2.5 of the Credit Agreement are hereby added as follows:

Section 2.4 Extension Option. Borrower, pursuant to a written notice from Borrower to Lender, delivered on or before June 30, 2013 (the "Extension Notice"), may request an extension of the Maturity Date (the "Extension"), which Extension shall be granted or rejected at Lender's sole discretion, and, without limiting Lender's sole discretion, shall be on the terms and conditions set forth in Section 2.5.

Section 2.5 Extension Conditions. The effectiveness of the Extension shall be subject to satisfaction of the following conditions:

(a) no Default or Event of Default shall have occurred and be continuing at the time the Extension Notice is delivered to Lender;

(b) Borrower shall have commenced actual drilling operations on the Palm Well (the "Palm Well"), located in Section 20: NE/4, T. 17N., R. 58W., 6th P.M., Banner County, Nebraska; and on or before July 31, 2012, Borrower shall have (i) conducted such drilling operations with reasonable diligence to, drill the Palm Well to a subsurface depth of at least 7,500 feet (the "Target Depth"), or to a depth sufficient to test the J Sand formation if the J Sand is encountered in the Palm Well above the Target Depth, and (ii) the Palm Well shall have been evaluated, tested, completed and equipped through the tanks as a producing well, or such well shall have been properly plugged and abandoned in accordance with applicable law and regulations.

(c) the documentation in respect to the Extension shall provide that, in addition to payments made pursuant to Section 2.2, 50% of the Net Proceeds from the Palm Well will be required to be used to collectively repay the Loan, and each of the Loans made under the Other Credit Agreements, each calendar month; and

(d) all documentation in respect of the Extension shall be on terms and conditions and in form and substance satisfactory to Lender in its sole discretion.

2. Other Agreements. (a) Borrower and Lender agree that all of the Loan Documents are hereby amended to reflect the amendments set forth herein and that no further amendments to any Loan Documents are required to reflect the foregoing; and (b) all references in any document to "Credit Agreement" or any "Loan Document" shall refer to the Credit Agreement or any such Loan Document, as amended pursuant to this Amendment.

3. Representations and Warranties. Borrower hereby certifies to Lender that as of the date of this Amendment and as of the Effective Date (taking into consideration the transactions contemplated by this Amendment) all of Borrower's representations and warranties contained in the Credit Agreement and each of the Loan Documents are true, accurate and complete, and no Default or Event of Default has occurred under the Credit Agreement or any of the Loan Documents. Without limiting the generality of the foregoing, Borrower represents and warrants that (i) the execution and delivery of this Amendment has been authorized by all necessary action on the part of Borrower, (ii) the person executing this Amendment on behalf of Borrower is duly authorized to do so, and (iii) this Amendment constitutes the legal, valid, binding and enforceable obligation of Borrower.

4. Additional Documents. Borrower shall execute and deliver, and shall cause to be executed and delivered, to Lender at any time and from time to time such documents and instruments, including without limitation additional amendments to the Credit Agreement and the Loan Documents, as Lender may reasonably request to confirm and carry out the transactions contemplated hereby or by any other Loan Documents executed in connection herewith.

5. Continuation of the Credit Agreement and Loan Documents. Except as specified in this Amendment, the provisions of the Credit Agreement and the Loan Documents shall remain in full force and effect, and if there is a conflict between the terms of this Amendment and those of the Credit Agreement or the Loan Documents, the terms of this Amendment shall control. This Amendment is a Loan Document.

6. Ratification and Reaffirmation of Obligations by Borrower. Borrower hereby (a) ratifies and confirms all of its Obligations under the Credit Agreement and each of the other Loan Documents, and acknowledges and agrees that such Obligations remain in full force and effect, and (b) ratifies, reaffirms and reapproves in favor of Lender the terms and provisions of the Credit Agreement and each of the other Loan Documents, including (without limitation), its pledges and other grants of Liens and security interests pursuant to the Loan Documents.

7. Release and Indemnification.

(a) Borrower hereby fully, finally, and forever releases and discharges Lender, and its successors, assigns, directors, officers, employees, agents and representatives, from any and all causes of action, claims, debts, demands and liabilities, of whatever kind or nature, in law or equity, of Borrower, whether now known or unknown to Borrower in respect of (i) the Obligations under the Credit Agreement and each of the other Loan Documents or (ii) the actions or omissions of Lender in any manner related to the Obligations under the Credit Agreement and each of the other Loan Documents; *provided* that this Section shall only apply to and be effective with respect to events or circumstances existing or occurring prior to and including the date of this Amendment.

(b) Without limiting Section 7.3 of the Credit Agreement, Borrower hereby agrees to indemnify, defend, and hold harmless Lender and its successors, assigns, directors, officers, employees, agents and representatives (each an “Indemnified Party” and collectively the “Indemnified Parties”) from and against any and all accounts, covenants, agreements, obligations, claims, debts, liabilities, offsets, demands, costs, expenses, actions or causes of action of every nature, character and description, whether arising at law or equity or under statute, regulation or otherwise, and whether liquidated or unliquidated, contingent or noncontingent, known or unknown, suspected or unsuspected (“Claims”), arising from or made under any legal theory, which any of Indemnified Parties may incur as a direct or indirect consequence of or in relation to any acts or omissions of Borrower arising from or relating to any of: (i) the Credit Agreement; (ii) the Loan Documents; (iii) this Amendment; or (iv) any documents executed by Borrower in connection with this Amendment. Should any Indemnified Party incur any such Claims, or defense of or response to any Claims or demand related thereto, the amount thereof, including costs, expenses and attorneys’ fees, shall be added to the amounts due under the Loan Documents, and shall be secured by any and all liens created under and pursuant to the Loan Documents. This indemnity shall survive until the Obligations have been indefeasibly paid in full and the termination, release or discharge of Borrower. To the extent permissible under applicable law, this indemnity shall not limit any other rights of indemnification, subrogation or assignment, whether explicit, implied, legal or equitable, that any Indemnified Party may have.

8. No Waiver. This Amendment does not constitute a waiver by Lender of Borrower’s compliance with any covenants, or a waiver of any Defaults or Events of Default, under the Credit Agreement or any of the Loan Documents, and shall not entitle the Borrower to any amendments or waivers in the future.

9. Miscellaneous. Article VIII of the Credit Agreement is hereby incorporated by reference into this Amendment.

[Signature Pages Follow]

Borrower and Lender have executed this Amendment to Credit Agreement as of the date first above written.

HEXAGON, LLC

RECOVERY ENERGY, INC.

By: Hexagon, Inc., its Manager

By: /s/ Brian Fleischmann

By: /s/ A. Bradley Gabbard

Brian Fleischmann

A. Bradley Gabbard

Executive Vice President

Chief Financial Officer

[Signature Page to Amendment to Credit Agreement #1]

AMENDMENT TO CREDIT AGREEMENT
(Second Credit Agreement)

This AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated March 15, 2012 (the "Effective Date"), is between Recovery Energy, Inc., a Nevada corporation ("Borrower"), and Hexagon, LLC, a Colorado limited liability company, formerly known as Hexagon Investments, LLC ("Lender").

RECITALS

A. Borrower and Lender have entered into a Credit Agreement, dated as of March 25, 2010 (as modified by that certain Amendment to Promissory Note, dated December 29, 2010, that certain Second Amendment to Promissory Note, dated November 14, 2011, and as further amended, modified, supplemented substituted or replaced, the "Credit Agreement"), providing for a term loan in the original principal amount of \$6,000,000. Defined terms used herein and not defined herein shall have the meanings set forth in the Credit Agreement.

B. Borrower has asked Lender, and Lender has agreed to amend the terms and conditions of the Credit Agreement to extend the Maturity Date until June 30, 2013, subject to and as more fully set forth in this Amendment.

AGREEMENT

In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. Amendment to Credit Agreement. Effective as of the Effective Date and upon the terms and subject to the conditions set forth in this Amendment:

(a) Section 1.1 of the Credit Agreement is hereby amended by deleting "January 1, 2013" in the definition of "Maturity Date" and replacing it with "June 30, 2013".

(b) Section 2.2 of the Credit Agreement is hereby deleted in its entirety and replaced with the following: "**Section 2.2 Mandatory Prepayments**. Each month, commencing with March, 2012, Borrower shall repay the Loan and the Loans made under the Other Credit Agreements (as defined below) with the greater of: (a) the sum of 100% of the Net Proceeds from the Oil and Gas Properties as defined in the Credit Agreement plus 100% the Net Proceeds from the Oil and Gas Properties as defined in the Credit Agreement dated April 14, 2010 and the Credit Agreement dated January 29, 2010, each between Borrower and Lender (the "Other Credit Agreements"), and (b) \$325,000."

(c) A new Section 2.4 and a new Section 2.5 of the Credit Agreement are hereby added as follows:

Section 2.4 Extension Option. Borrower, pursuant to a written notice from Borrower to Lender, delivered on or before June 30, 2013 (the "Extension Notice"), may request an extension of the Maturity Date (the "Extension"), which Extension shall be granted or rejected at Lender's sole discretion, and, without limiting Lender's sole discretion, shall be on the terms and conditions set forth in Section 2.5.

Section 2.5 Extension Conditions. The effectiveness of the Extension shall be subject to satisfaction of the following conditions:

(a) no Default or Event of Default shall have occurred and be continuing at the time the Extension Notice is delivered to Lender;

(b) Borrower shall have commenced actual drilling operations on the Palm Well (the "Palm Well"), located in Section 20: NE/4, T. 17N., R. 58W., 6th P.M., Banner County, Nebraska; and on or before July 31, 2012, Borrower shall have (i) conducted such drilling operations with reasonable diligence to, drill the Palm Well to a subsurface depth of at least 7,500 feet (the "Target Depth"), or to a depth sufficient to test the J Sand formation if the J Sand is encountered in the Palm Well above the Target Depth, and (ii) the Palm Well shall have been evaluated, tested, completed and equipped through the tanks as a producing well, or such well shall have been properly plugged and abandoned in accordance with applicable law and regulations.

(c) the documentation in respect to the Extension shall provide that, in addition to payments made pursuant to Section 2.2, 50% of the Net Proceeds from the Palm Well will be required to be used to collectively repay the Loan, and each of the Loans made under the Other Credit Agreements, each calendar month; and

(d) all documentation in respect of the Extension shall be on terms and conditions and in form and substance satisfactory to Lender in its sole discretion.

2. Other Agreements. (a) Borrower and Lender agree that all of the Loan Documents are hereby amended to reflect the amendments set forth herein and that no further amendments to any Loan Documents are required to reflect the foregoing; and (b) all references in any document to "Credit Agreement" or any "Loan Document" shall refer to the Credit Agreement or any such Loan Document, as amended pursuant to this Amendment.

3. Representations and Warranties. Borrower hereby certifies to Lender that as of the date of this Amendment and as of the Effective Date (taking into consideration the transactions contemplated by this Amendment) all of Borrower's representations and warranties contained in the Credit Agreement and each of the Loan Documents are true, accurate and complete, and no Default or Event of Default has occurred under the Credit Agreement or any of the Loan Documents. Without limiting the generality of the foregoing, Borrower represents and warrants that (i) the execution and delivery of this Amendment has been authorized by all necessary action on the part of Borrower, (ii) the person executing this Amendment on behalf of Borrower is duly authorized to do so, and (iii) this Amendment constitutes the legal, valid, binding and enforceable obligation of Borrower.

4. Additional Documents. Borrower shall execute and deliver, and shall cause to be executed and delivered, to Lender at any time and from time to time such documents and instruments, including without limitation additional amendments to the Credit Agreement and the Loan Documents, as Lender may reasonably request to confirm and carry out the transactions contemplated hereby or by any other Loan Documents executed in connection herewith.

5. Continuation of the Credit Agreement and Loan Documents. Except as specified in this Amendment, the provisions of the Credit Agreement and the Loan Documents shall remain in full force and effect, and if there is a conflict between the terms of this Amendment and those of the Credit Agreement or the Loan Documents, the terms of this Amendment shall control. This Amendment is a Loan Document.

6. Ratification and Reaffirmation of Obligations by Borrower. Borrower hereby (a) ratifies and confirms all of its Obligations under the Credit Agreement and each of the other Loan Documents, and acknowledges and agrees that such Obligations remain in full force and effect, and (b) ratifies, reaffirms and reapproves in favor of Lender the terms and provisions of the Credit Agreement and each of the other Loan Documents, including (without limitation), its pledges and other grants of Liens and security interests pursuant to the Loan Documents.

7. Release and Indemnification.

(a) Borrower hereby fully, finally, and forever releases and discharges Lender, and its successors, assigns, directors, officers, employees, agents and representatives, from any and all causes of action, claims, debts, demands and liabilities, of whatever kind or nature, in law or equity, of Borrower, whether now known or unknown to Borrower in respect of (i) the Obligations under the Credit Agreement and each of the other Loan Documents or (ii) the actions or omissions of Lender in any manner related to the Obligations under the Credit Agreement and each of the other Loan Documents; *provided* that this Section shall only apply to and be effective with respect to events or circumstances existing or occurring prior to and including the date of this Amendment.

(b) Without limiting Section 7.3 of the Credit Agreement, Borrower hereby agrees to indemnify, defend, and hold harmless Lender and its successors, assigns, directors, officers, employees, agents and representatives (each an “Indemnified Party” and collectively the “Indemnified Parties”) from and against any and all accounts, covenants, agreements, obligations, claims, debts, liabilities, offsets, demands, costs, expenses, actions or causes of action of every nature, character and description, whether arising at law or equity or under statute, regulation or otherwise, and whether liquidated or unliquidated, contingent or noncontingent, known or unknown, suspected or unsuspected (“Claims”), arising from or made under any legal theory, which any of Indemnified Parties may incur as a direct or indirect consequence of or in relation to any acts or omissions of Borrower arising from or relating to any of: (i) the Credit Agreement; (ii) the Loan Documents; (iii) this Amendment; or (iv) any documents executed by Borrower in connection with this Amendment. Should any Indemnified Party incur any such Claims, or defense of or response to any Claims or demand related thereto, the amount thereof, including costs, expenses and attorneys’ fees, shall be added to the amounts due under the Loan Documents, and shall be secured by any and all liens created under and pursuant to the Loan Documents. This indemnity shall survive until the Obligations have been indefeasibly paid in full and the termination, release or discharge of Borrower. To the extent permissible under applicable law, this indemnity shall not limit any other rights of indemnification, subrogation or assignment, whether explicit, implied, legal or equitable, that any Indemnified Party may have.

8. No Waiver. This Amendment does not constitute a waiver by Lender of Borrower’s compliance with any covenants, or a waiver of any Defaults or Events of Default, under the Credit Agreement or any of the Loan Documents, and shall not entitle the Borrower to any amendments or waivers in the future.

9. Miscellaneous. Article VIII of the Credit Agreement is hereby incorporated by reference into this Amendment.

[Signature Pages Follow]

Borrower and Lender have executed this Amendment to Credit Agreement as of the date first above written.

HEXAGON, LLC

RECOVERY ENERGY, INC.

By: Hexagon, Inc., its Manager

By: /s/ Brian Fleischmann

By: /s/ A. Bradley Gabbard

Brian Fleischmann

A. Bradley Gabbard

Executive Vice President

Chief Financial Officer

[Signature Page to Amendment to Credit Agreement #2]

AMENDMENT TO CREDIT AGREEMENT
(Third Credit Agreement)

This AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated March 15, 2012 (the "Effective Date"), is between Recovery Energy, Inc., a Nevada corporation ("Borrower"), and Hexagon, LLC, a Colorado limited liability company, formerly known as Hexagon Investments, LLC ("Lender").

RECITALS

A. Borrower and Lender have entered into a Credit Agreement, dated as of April 14, 2010 (as modified by that certain Amendment to Promissory Note, dated December 29, 2010, that certain Second Amendment to Promissory Note, dated November 14, 2011, and as further amended, modified, supplemented substituted or replaced, the "Credit Agreement"), providing for a term loan in the original principal amount of \$15,000,000. Defined terms used herein and not defined herein shall have the meanings set forth in the Credit Agreement.

B. Borrower has asked Lender, and Lender has agreed to amend the terms and conditions of the Credit Agreement to extend the Maturity Date until June 30, 2013, subject to and as more fully set forth in this Amendment.

AGREEMENT

In consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. Amendment to Credit Agreement. Effective as of the Effective Date and upon the terms and subject to the conditions set forth in this Amendment:

(a) Section 1.1 of the Credit Agreement is hereby amended by deleting "January 1, 2013" in the definition of "Maturity Date" and replacing it with "June 30, 2013".

(b) Section 2.2 of the Credit Agreement is hereby deleted in its entirety and replaced with the following: "**Section 2.2 Mandatory Prepayments**. Each month, commencing with March, 2012, Borrower shall repay the Loan and the Loans made under the Other Credit Agreements (as defined below) with the greater of: (a) the sum of 100% of the Net Proceeds from the Oil and Gas Properties as defined in the Credit Agreement plus 100% the Net Proceeds from the Oil and Gas Properties as defined in the Credit Agreement dated March 25, 2010 and the Credit Agreement dated January 29, 2010, each between Borrower and Lender (the "Other Credit Agreements"), and (b) \$325,000."

(c) A new Section 2.4 and a new Section 2.5 of the Credit Agreement are hereby added as follows:

Section 2.4 Extension Option. Borrower, pursuant to a written notice from Borrower to Lender, delivered on or before June 30, 2013 (the "Extension Notice"), may request an extension of the Maturity Date (the "Extension"), which Extension shall be granted or rejected at Lender's sole discretion, and, without limiting Lender's sole discretion, shall be on the terms and conditions set forth in Section 2.5.

Section 2.5 Extension Conditions. The effectiveness of the Extension shall be subject to satisfaction of the following conditions:

(a) no Default or Event of Default shall have occurred and be continuing at the time the Extension Notice is delivered to Lender;

(b) Borrower shall have commenced actual drilling operations on the Palm Well (the "Palm Well"), located in Section 20: NE/4, T. 17N., R. 58W., 6th P.M., Banner County, Nebraska; and on or before July 31, 2012, Borrower shall have (i) conducted such drilling operations with reasonable diligence to, drill the Palm Well to a subsurface depth of at least 7,500 feet (the "Target Depth"), or to a depth sufficient to test the J Sand formation if the J Sand is encountered in the Palm Well above the Target Depth, and (ii) the Palm Well shall have been evaluated, tested, completed and equipped through the tanks as a producing well, or such well shall have been properly plugged and abandoned in accordance with applicable law and regulations.

(c) the documentation in respect to the Extension shall provide that, in addition to payments made pursuant to Section 2.2, 50% of the Net Proceeds from the Palm Well will be required to be used to collectively repay the Loan, and each of the Loans made under the Other Credit Agreements, each calendar month; and

(d) all documentation in respect of the Extension shall be on terms and conditions and in form and substance satisfactory to Lender in its sole discretion.

2. Other Agreements. (a) Borrower and Lender agree that all of the Loan Documents are hereby amended to reflect the amendments set forth herein and that no further amendments to any Loan Documents are required to reflect the foregoing; and (b) all references in any document to "Credit Agreement" or any "Loan Document" shall refer to the Credit Agreement or any such Loan Document, as amended pursuant to this Amendment.

3. Representations and Warranties. Borrower hereby certifies to Lender that as of the date of this Amendment and as of the Effective Date (taking into consideration the transactions contemplated by this Amendment) all of Borrower's representations and warranties contained in the Credit Agreement and each of the Loan Documents are true, accurate and complete, and no Default or Event of Default has occurred under the Credit Agreement or any of the Loan Documents. Without limiting the generality of the foregoing, Borrower represents and warrants that (i) the execution and delivery of this Amendment has been authorized by all necessary action on the part of Borrower, (ii) the person executing this Amendment on behalf of Borrower is duly authorized to do so, and (iii) this Amendment constitutes the legal, valid, binding and enforceable obligation of Borrower.

4. Additional Documents. Borrower shall execute and deliver, and shall cause to be executed and delivered, to Lender at any time and from time to time such documents and instruments, including without limitation additional amendments to the Credit Agreement and the Loan Documents, as Lender may reasonably request to confirm and carry out the transactions contemplated hereby or by any other Loan Documents executed in connection herewith.

5. Continuation of the Credit Agreement and Loan Documents. Except as specified in this Amendment, the provisions of the Credit Agreement and the Loan Documents shall remain in full force and effect, and if there is a conflict between the terms of this Amendment and those of the Credit Agreement or the Loan Documents, the terms of this Amendment shall control. This Amendment is a Loan Document.

6. Ratification and Reaffirmation of Obligations by Borrower. Borrower hereby (a) ratifies and confirms all of its Obligations under the Credit Agreement and each of the other Loan Documents, and acknowledges and agrees that such Obligations remain in full force and effect, and (b) ratifies, reaffirms and reapproves in favor of Lender the terms and provisions of the Credit Agreement and each of the other Loan Documents, including (without limitation), its pledges and other grants of Liens and security interests pursuant to the Loan Documents.

7. Release and Indemnification.

(a) Borrower hereby fully, finally, and forever releases and discharges Lender, and its successors, assigns, directors, officers, employees, agents and representatives, from any and all causes of action, claims, debts, demands and liabilities, of whatever kind or nature, in law or equity, of Borrower, whether now known or unknown to Borrower in respect of (i) the Obligations under the Credit Agreement and each of the other Loan Documents or (ii) the actions or omissions of Lender in any manner related to the Obligations under the Credit Agreement and each of the other Loan Documents; *provided* that this Section shall only apply to and be effective with respect to events or circumstances existing or occurring prior to and including the date of this Amendment.

(b) Without limiting Section 7.3 of the Credit Agreement, Borrower hereby agrees to indemnify, defend, and hold harmless Lender and its successors, assigns, directors, officers, employees, agents and representatives (each an “Indemnified Party” and collectively the “Indemnified Parties”) from and against any and all accounts, covenants, agreements, obligations, claims, debts, liabilities, offsets, demands, costs, expenses, actions or causes of action of every nature, character and description, whether arising at law or equity or under statute, regulation or otherwise, and whether liquidated or unliquidated, contingent or noncontingent, known or unknown, suspected or unsuspected (“Claims”), arising from or made under any legal theory, which any of Indemnified Parties may incur as a direct or indirect consequence of or in relation to any acts or omissions of Borrower arising from or relating to any of: (i) the Credit Agreement; (ii) the Loan Documents; (iii) this Amendment; or (iv) any documents executed by Borrower in connection with this Amendment. Should any Indemnified Party incur any such Claims, or defense of or response to any Claims or demand related thereto, the amount thereof, including costs, expenses and attorneys’ fees, shall be added to the amounts due under the Loan Documents, and shall be secured by any and all liens created under and pursuant to the Loan Documents. This indemnity shall survive until the Obligations have been indefeasibly paid in full and the termination, release or discharge of Borrower. To the extent permissible under applicable law, this indemnity shall not limit any other rights of indemnification, subrogation or assignment, whether explicit, implied, legal or equitable, that any Indemnified Party may have.

8. No Waiver. This Amendment does not constitute a waiver by Lender of Borrower’s compliance with any covenants, or a waiver of any Defaults or Events of Default, under the Credit Agreement or any of the Loan Documents, and shall not entitle the Borrower to any amendments or waivers in the future.

9. Miscellaneous. Article VIII of the Credit Agreement is hereby incorporated by reference into this Amendment.

[Signature Pages Follow]

Borrower and Lender have executed this Amendment to Credit Agreement as of the date first above written.

HEXAGON, LLC

RECOVERY ENERGY, INC.

By: Hexagon, Inc., its Manager

By: /s/ Brian Fleischmann

By: /s/ A/ Bradley Gabbard

Brian Fleischmann

A. Bradley Gabbard

Executive Vice President

Chief Financial Officer

[Signature Page to Amendment to Credit Agreement #3]



**SECOND AMENDMENT
TO
8% SENIOR SECURED CONVERTIBLE DEBENTURE**

This Amendment (“**Amendment**”), made as of March 19, 2012, by and between Recovery Energy, Inc., a Nevada corporation (the “**Company**”), and each holder identified on the signature page hereto (the “**Holders**”), amends those certain 8% Senior Secured Convertible Debentures due February 8, 2014 of the Company, as previously amended December 16, 2011 (“**Debentures**”). Terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement (as defined below).

Recitals

WHEREAS, the Debentures were issued in connection with the Securities Purchase Agreement, dated as of February 2, 2011, between the Company and the Holders (the “**Purchase Agreement**”);

WHEREAS, the Debentures were amended pursuant to that certain Amendment to 8% Senior Secured Convertible Debenture, dated as of December 16, 2011 (the “**First Amendment**”);

WHEREAS, the Debentures are secured by certain assets of the Company as set forth in the Debentures, as amended by the First Amendment (the “**Original Collateral**”);

WHEREAS, the Company wishes to add the property described in Exhibit A hereto as additional collateral to secure the Debentures (the “**Additional Collateral**” and together with the Original Collateral, the “**Collateral**”);

WHEREAS, the Company wishes to issue additional Debentures, secured by both the Collateral and a first priority lien in wells (the “**Wells**”) and all Collateral located within the spacing unit designated by the state authorities for the applicable Well (the “**Well Liens**”), to certain of the Holders or their affiliates (the “**New Holders**”) in exchange for additional cash consideration (the “**New Offering**”), pursuant to that certain 8% Senior Secured Convertible Debenture (the “**New Debentures**”) and that certain Securities Purchase Agreement (the “**New Purchase Agreement**”) substantially in the forms attached hereto as Exhibits B and C respectively;

WHEREAS, pursuant to Section 5.5 of the Purchase Agreement, waiver or amendment of any provision in the Purchase Agreement requires a written instrument signed by the Company and Holders holding at least 51% in interest of the Debentures then outstanding or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought; and

WHEREAS, pursuant to Section 7(a) of the Debentures, the Company is prohibited from entering into, creating, incurring, assuming or suffering to exist any lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction on the property securing the Debentures unless the holders of at least 67% in principal amount of the then outstanding Debentures shall have otherwise given prior written consent;

NOW THEREFORE, in consideration of the premises and mutual covenants and obligations herein set forth and for other good and valuable consideration, the receipt, sufficiency and adequacy of which is hereby acknowledged, accepted and agreed to, the parties hereto, intending to be legally bound, hereby agree as follows:

Agreement

1. Consent of Holders. Each Holder hereby consents to the New Offering for all purposes under the Purchase Agreement and the Debentures, including Section 5.5 of the Purchase Agreement and Section 7(a) of the Debentures.
2. Grant of Lien on Additional Collateral. The Company hereby grants Holders a first priority lien in the Additional Collateral as security for the obligations of the Company under the Debentures and the New Debentures, to be reflected in appropriate Security Documents. The Company agrees to use reasonable best efforts to execute and record such Security Documents with respect to the lien by April 15, 2012.
3. Release of Lien on Certain Collateral. The Holders hereby release any right or interest they may have with respect to the property described in Exhibit D hereto (the “Released Collateral”), and further agree that all references in the Debentures, the New Debentures, the Purchase Agreement, the New Purchase Agreement and this Amendment to the Collateral shall not include the Released Collateral.
4. Agreement to Subordinate Interest in Wells. Each Holder hereby agrees that upon completion or plugging and abandonment of each such Well, to the extent the Wells are drilled on the Collateral, the Holders’ security interest in such Well and all Collateral located within the spacing unit designated by the state authorities for such Well will be subordinated to the Well Lien to be granted to the New Holders, and such Holder hereby consents to the filing of a Subordination Agreement, in substantially the form attached hereto as Exhibit E, to effectuate such subordination, with such Subordination Agreement to be executed by T.R. Winston & Company, LLC as collateral agent.
5. Amendment of Debentures. The Debentures are hereby amended to replace Annex B with a new Annex B substantially in the form attached hereto as Exhibit F.
6. Waiver of Preemptive Rights. Each Holder hereby waives any and all rights it may have pursuant to Section 5 of the Amendment with respect to the New Offering.
7. Authority. Each Holder hereby represents and warrants that it is the true and lawful owner of the Debentures and has full power and authority to enter into this Amendment on the term set forth herein.

8. Further Assurances. Holders shall from time to time execute such additional instruments and documents, take such additional actions, and give such further assurances as are or may be reasonable or necessary to implement this Amendment.

9. Binding Effect. The terms of this Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

10. Reaffirmation of Debenture Terms. All terms of the Debentures shall, except as amended hereby, remain in full force and effect, and are hereby ratified and confirmed.

11. Governing Law. This Amendment shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard for principles of conflict of laws thereof.

12. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment effective as of the date first set forth above.

COMPANY

Recovery Energy, Inc.

By: /s/ Roger A. Parker

Name: Roger A. Parker

Title:

HOLDERS

Colony Partners, a California general partnership

/s/ Bryan Ezralow

Name: Bryan Ezralow as Trustee of the Bryan
Ezralow 1994 Trust

Title: Managing General Partner

Jonathan & Nancy Glaser Family Trust DTD 12/16/1998 Jonathan M.
Glaser and Nancy E. Glaser TTEES

/s/ Jonathan Glaser

Name: Jonathan Glaser

Title: Trustee

T.R. Winston & Company, LLC

/s/ John W. Galuchie, Jr.

Name: John W. Galuchie, Jr.

Title: President

Wallington Investment Holdings, Ltd.

/s/ Michael Khoury.

Name: Michael Khoury

Title: Director

Steven B. Dunn and Laura Dunn Revocable Trust DTD 10/28/10, Steven
B. Dunn & Laura Dunn TTEES

/s/ Steven B. Dunn

Name: Steven B. Dunn

Title: Trustee

EXHIBIT A

New Collateral

LEASE DATE: March 2, 2010
LESSOR: Anderson Livestock, Inc.
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R60W
Section 11: Lots 1-4
Section 14: Lots 1-4
Section 15: NW
Section 22: SE
Section 23: North 130.00 acres of the
W/2

RECORDING: B 2158, P 1303-1305
COUNTY, STATE: Laramie, WY

T16N-R59W
Section 11: Lots 1-4
Section 14: Lots 1-4, less 14.5 acres
Section 26: South 2/3rd and
and
T16N-R58W
Section 17: SE

B 210, P 249-252 Kimball, NE

LEASE DATE: January 28, 2010
LESSOR: Alyce Knigge
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R58W
Section 20: ALL

RECORDING: B 210, P 4-6
COUNTY, STATE: Kimball, NE

LEASE DATE: March 12, 2010
LESSOR: Mattson Ranch Company
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R60W
Section 32: NW, less a 5 acre tract in
the NWNW

RECORDING: B 2161, P 376-378
COUNTY, STATE: Laramie, WY

<u>LEASE DATE:</u>	April 9, 2010		
<u>LESSOR:</u>	Thomas W. Irwin and Thomas W. Irwin Family Trust		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R60W Section 32: NW	<u>RECORDING:</u> B 2161, P 435-437	<u>COUNTY, STATE:</u> Laramie, WY
<u>LEASE DATE:</u>	March 17, 2010		
<u>LESSOR:</u>	Juanita Moffitt		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R60W Section 32: NE, less a 1 acre tract in the NWNE	<u>RECORDING:</u> B 2161, P 382-384	<u>COUNTY, STATE:</u> Laramie, WY
<u>LEASE DATE:</u>	January 22, 2010		
<u>LESSOR:</u>	Rex E. West Trust		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R58W Section 22: ALL	<u>RECORDING:</u> B 209, P 542-544	<u>COUNTY, STATE:</u> Kimball, NE
<u>LEASE DATE:</u>	January 25, 2010		
<u>LESSOR:</u>	Ray Freeburg and Kathy Freeburg		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R59W Section 13: SW Section 25: E/2, less a 10.418 acre tract and T16N-R58W Section 23: ALL, less a 21.522 acre tract	<u>RECORDING:</u> B 209, P 793-796	<u>COUNTY, STATE:</u> Kimball, NE
<u>LEASE DATE:</u>	January 22, 2010		
<u>LESSOR:</u>	Rex E. West Trust		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R58W Section 26: ALL	<u>RECORDING:</u> B 209, P 548-550	<u>COUNTY, STATE:</u> Kimball, NE
<u>LEASE DATE:</u>	February 4, 2010		
<u>LESSOR:</u>	Jack E. Lockwood and Joan L. Lockwood		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R58W Section 27: ALL	<u>RECORDING:</u> B 209, P 567-568	<u>COUNTY, STATE:</u> Kimball, NE

<u>LEASE DATE:</u>	January 23, 2010		
<u>LESSOR:</u>	Scott E. Lockwood and Susan L. Lockwood		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R58W Section 27: All	<u>RECORDING:</u> B 209, P 545-547	<u>COUNTY, STATE:</u> Kimball, NE
<u>LEASE DATE:</u>	January 26, 2010		
<u>LESSOR:</u>	Rhonda Marie Duclou		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R58W Section 29: E/2	<u>RECORDING:</u> B 210, P 1-3	<u>COUNTY, STATE:</u> Kimball, NE
<u>LEASE DATE:</u>	January 25, 2010		
<u>LESSOR:</u>	Troy Freeburg and Loretta Freeburg		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R58W Section 29: E/2	<u>RECORDING:</u> B 209, P 797-800	<u>COUNTY, STATE:</u> Kimball, NE
<u>LEASE DATE:</u>	March 2, 2010		
<u>LESSOR:</u>	Jessen Wheat Company		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T15N-R60W Section 3: SE and T16N-R60W Section 26: Lots 1-4, W/2W/2 Section 28: SE Section 30: E/2 Section 34: ALL and T16N-R59W Section 14: 14.50 acres in Lots 1-4 in SE Section 28: SE	<u>RECORDING:</u> B 2158, P 1299-1302 and B 210, P 79-83	<u>COUNTY, STATE:</u> Laramie, WY and Kimball, NE
<u>LEASE DATE:</u>	July 19, 2010		
<u>LESSOR:</u>	Rochelle Energy Limited Partnership		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T15N-R60W Section 8: NE Section 15: ALL Section 21: NE	<u>RECORDING:</u> B 2179, P 1230	<u>COUNTY, STATE:</u> Laramie, WY

LEASE DATE: December 23, 2009
LESSOR: David Herman
LESSEE: Edward Mike Davis, L.L.C.

RECORDING: COUNTY, STATE:
B 2149, P 503-505 Laramie, WY

DESCRIPTION: T15N-R60W
Section 9: E//2
and
T16N-R60W
Section 20: NE

LEASE DATE: January 25, 2010
LESSOR: Phyllis A. Cooney Trust
LESSEE: Edward Mike Davis, L.L.C.

RECORDING: COUNTY, STATE:
B 2158, P 1292-1295 Laramie, WY

DESCRIPTION: T15N-R60W
Section 10: N/2

LEASE DATE: March 17, 2010
LESSOR: Emmy Lu Randol
LESSEE: Edward Mike Davis, L.L.C.

RECORDING: COUNTY, STATE:
B 2158, P 1357-1359 Laramie, WY

DESCRIPTION: T15 N-R60W
Section 15: ALL
Section 17: S/2
Section 20: N/2
Section 21: ALL

INSOFAR AND ONLY INSOFAR AS THE LEASES COVER THE LAND DESCRIBED IN THIS EXHIBIT "A"

EXHIBIT B

Form of 8% Senior Secured Convertible Debenture

EXHIBIT C

Form of Securities Purchase Agreement

EXHIBIT D

Released Collateral

<u>LEASE DATE:</u>	December 30, 2009		
<u>LESSOR:</u>	Vrtatko, Inc., a Nebraska corporation Ellen M. Vrtatko, a widow James F. Vrtatko, a single man Rodney J. Vrtatko, a married man		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	<u>Township 14 North, Range 54 West, 6th P.M.</u> Section 29: W/2, W/2SE/4; Section 30: ALL; Section 31: ALL Section 32: ALL; Section 33: ALL	<u>RECORDING:</u> BOOK OG 209, PAGE 430-434	<u>COUNTY, STATE:</u> Kimball County, Nebraska
	<u>Township 13 North, Range 54 West, 6th P.M.</u> Section 5: N/2, SW/4; Section 6: ALL; Section 7: ALL Section 17: SE/4; Section 22: ALL	BOOK OG 209, PAGE 430-434	Kimball County, Nebraska
	<u>Township 13 North, Range 55 West, 6th P.M.</u> Section 1: ALL; Section 11: ALL; Section 12: ALL	BOOK OG 209, PAGE 430-434	Kimball County, Nebraska
	<u>Township 15 North, Range 55 West, 6th P.M.</u> Section 29: A 3.627 acre tract in SW/4NW/4 Section 32: A tract in the S/2	BOOK OG 209, PAGE 430-434	Kimball County, Nebraska

RECORDING DATA: BOOK OG 209, PAGE 430-434 recorded December 31, 2009 at 10:29am in Kimball County, Nebraska

EXHIBIT E

Form of Subordination Agreement

SUBORDINATION OF MORTGAGE

The parties listed as Lenders on the signature pages hereto (collectively, the "Lenders") are the owners and holders of that certain indebtedness secured by the following mortgage (the "Subordinated Mortgage"):

<u>Description</u>	<u>Date</u>	<u>Recorded In</u> Book __, Page __, Reception No. __	<u>State/County</u>
--------------------	-------------	---	---------------------

Recovery Energy, Inc. (the "Debtor") has sold, executed and delivered a Senior Mortgage to _____ (the "Senior Lenders"), dated _____, recorded in Book _____, Page _____, Reception No. _____, of the records of _____ County, [STATE] (the "Senior Mortgage"). The Senior Mortgage covers the lands described on Exhibit A, attached hereto (the "Mortgage Property").

AGREEMENT

In consideration of the sum of One Dollar (\$1.00), and other good and valuable consideration, cash in hand paid, the receipt and sufficiency of which are hereby acknowledged, the Lenders hereby declare and agree as follows:

1. The Lenders hereby waive, relinquish and subordinate the priority and superiority of the liens, encumbrances and rights of the Subordinated Mortgage in favor of the Senior Mortgage, specifically only in favor of the Senior Mortgage, and only insofar as said Senior Mortgage affects property described in the Subordinated Mortgage.

2. In the event Lender or any purchaser at a foreclosure sale succeeds to the interest of Debtor in the Mortgage Property by reason of any foreclosure of the Subordinated Mortgage or the acceptance by Lenders of a deed in lieu of foreclosure, it is agreed the Mortgage Property shall remain subject to the Senior Mortgage. This agreement and subordination shall in no way affect or impair the rights of Lenders or their successors or assigns, to foreclose or sell under the Subordinated Mortgage in any manner prescribed by contract or law, all of the lands, hereditaments and appurtenances and estates described in the Subordinated Mortgage, subject to the rights of the Senior Lenders and their successors and assigns, under the Senior Mortgage.

3. The agreement contained herein shall run with the land and shall be binding upon and inure to the benefit of successive owners of the Mortgage Property and lessees under the Senior Mortgage and their respective successors and assigns.

4. This agreement may not be modified orally or in any manner other than an agreement in writing signed on behalf of Lenders and the current holder of the Senior Mortgage at the time of the amendment.

Dated this _____ day of _____, 2012.

LENDERS

By: _____
Title: _____

STATE OF [STATE])
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 2012, by _____, as _____ of _____.

Witness my hand and official seal.

My commission expires: _____

Notary Public

EXHIBIT E

ANNEX B

to 8% Senior Secured Convertible Debentures

LEASE DATE: January 1st, 2011
LESSOR: Crossed Arrows Ranch Inc.
LESSEE: Recovery Energy, Inc.

COUNTY, STATE:
Goshen County, WY

DESCRIPTION: Township 26 North, Range 62 West, 6th P.M.
Section 1: Lots 3, 4, S/2NW/4, SW4
Section 2: Lots 1-4, S/2N/2, S/2
Section 3: Lots 1, 2, S/2NE/4

Township 27 North, Range 61 West, 6th P.M.
Section 31: Lots 1-4, E/2W/2

Goshen County, WY

Township 27 North, Range 62 West, 6th P.M.
Section 7: Lots 4
Section 15: SW/4, N/2SE/4
Section 17: SW/4NE/4, NW/4NW/4, S/2NW/4, S/2
Section 18: Lots 1, 4, N/2NE/4, SE/4NE/4, E/2NW/4, NE/4SW/4,
Section 19: Lot 1
Section 20: NW/4NE/4, NE/4NW/4
Section 21: SE/4NE/4, E/2SE/4
Section 22: W/2, W/2SE/4
Section 25: W/2
Section 26: ALL
Section 27: E/2, N/2NW/4
Section 28: E/2, SE/4SW/4
Section 29: S/2SW/4, SW/4SE/4
Section 30: SE/4SE/4
Section 32: NW/4
Section 34: N/2NE/4
Section 35: N/2NE/4, W/2, SE/4

Goshen County, WY

Township 27 North, Range 63 West, 6th P.M.
Section 11: SE/4SW/4, SW/4SE/4
Section 12: Lot 4, S/2SW/4, SW/4SE/4
Section 13: Lot 1, W/2NW/4, SW/4, SE/4SE/4

Goshen County, WY

Section 14: NW/4NE/4, S/2NE/4, NE/4NW/4, N/2SE/4
Section 23: E/2SE/4
Section 24: N/2, SW/4
Section 25: W/2
Section 26: NE/4NE/4, S/2NE/4, SW/4, NW/4SE/4, S/2SE/4
Section 27: S/2SE/4
Containing 16,299.37 acres more or less

LEASE DATE: February 9, 2011
LESSOR: Eric Alan McCallan, a/k/a Alan Claude McCallan, dealing in his sole and separate property, and Christopher P. McCallan, a married man dealing in his sole and separate

LESSEE: Recovery Energy, Inc.

COUNTY, STATE
Goshen County, WY

DESCRIPTION: Township 25 North, Range 62 West, 6th P.M.
Section 07: N2NE, SENE, NESE
Section 08: N2NW, SWNW, NWSW
Section 16: SW
Section 20: SESE, that part of NESE lying south of railroad
Section 28: SWNW, W2SW
Section 29: E2E2
Section 32: N2NE
Section 26: NW

Township 25 North, Range 63 West, 6th P.M.
Section 18: Lots 1, 2, 3 and 4

Goshen County, WY

Township 25 North, Range 64 West, 6th P.M.
Section 11: W2SE
Section 13: E2, E2W2
Section 14: Lots 1, 2, 3, 5, 6, 7, W2NE, W2, NWSE
Section 23: Lots 3, 4, 7, 8, NWNE, N2NW, NWSE
Section 24: NWSW

Goshen County, WY

LEASE DATE: March 2, 2010
LESSOR: Anderson Livestock, Inc.
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R60W
Section 11: Lots 1-4

RECORDING: B 2158, P 1303-1305

COUNTY, STATE: Laramie, WY

LEASE DATE: January 22, 2010
LESSOR: Rex E. West Trust
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R58W
Section 22: ALL

RECORDING:
B 209, P 542-544

COUNTY, STATE:
Kimball, NE

LEASE DATE: January 25, 2010
LESSOR: Ray Freeburg and Kathy Freeburg
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R59W
Section 13: SW
Section 25: E/2, less a 10.418 acre tract
and
T16N-R58W
Section 23: ALL, less a 21.522 acre tract

RECORDING:
B 209, P 793-796

COUNTY, STATE:
Kimball, NE

LEASE DATE: January 22, 2010
LESSOR: Rex E. West Trust
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R58W
Section 26: ALL

RECORDING:
B 209, P 548-550

COUNTY, STATE:
Kimball, NE

LEASE DATE: February 4, 2010
LESSOR: Jack E. Lockwood and Joan L. Lockwood
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R58W
Section 27: ALL

RECORDING:
B 209, P 567-568

COUNTY, STATE:
Kimball, NE

LEASE DATE: January 23, 2010
LESSOR: Scott E. Lockwood and Susan L. Lockwood
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R58W
Section 27: All

RECORDING:
B 209, P 545-547

COUNTY, STATE:
Kimball, NE

LEASE DATE: January 26, 2010
LESSOR: Rhonda Marie Duclo
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R58W
Section 29: E/2
RECORDING: B 210, P 1-3
COUNTY, STATE: Kimball, NE

LEASE DATE: January 25, 2010
LESSOR: Troy Freeburg and Loretta Freeburg
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T16N-R58W
Section 29: E/2
RECORDING: B 209, P 797-800
COUNTY, STATE: Kimball, NE

LEASE DATE: March 2, 2010
LESSOR: Jessen Wheat Company
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T15N-R60W
Section 3: SE
and
T16N-R60W
Section 26: Lots 1-4, W/2W/2
Section 28: SE
Section 30: E/2
Section 34: ALL
and
T16N-R59W
Section 14: 14.50 acres in Lots 1-4 in SE
Section 28: SE
RECORDING: B 2158, P 1299-1302
and
B 210, P 79-83
COUNTY, STATE: Laramie, WY
and
Kimball, NE

LEASE DATE: July 19, 2010
LESSOR: Rochelle Energy Limited Partnership
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T15N-R60W
Section 8: NE
Section 15: ALL
Section 21: NE
RECORDING: B 2179, P 1230
COUNTY, STATE: Laramie, WY

LEASE DATE: December 23, 2009
LESSOR: David Herman
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T15N-R60W
Section 9: E//2
and
T16N-R60W
Section 20: NE
RECORDING: B 2149, P 503-505
COUNTY, STATE: Laramie, WY

LEASE DATE: January 25, 2010
LESSOR: Phyllis A. Cooney Trust
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T15N-R60W
Section 10: N/2

RECORDING:
B 2158, P 1292-1295

COUNTY, STATE:
Laramie, WY

LEASE DATE: March 17, 2010
LESSOR: Emmy Lu Randol
LESSEE: Edward Mike Davis, L.L.C.

DESCRIPTION: T15N-R60W
Section 15: ALL
Section 17: S/2
Section 20: N/2
Section 21: ALL

RECORDING:
B 2158, P 1357-1359

COUNTY, STATE:
Laramie, WY

INSOFAR AND ONLY INSOFAR AS THE LEASES COVER THE LAND DESCRIBED IN THIS EXHIBIT "A"

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of March 19, 2012, between Recovery Energy, Inc., a Nevada corporation (the "Company"), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Debentures (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.7.

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Additional Investment" shall have the meaning ascribed to such term in Section 2.4.

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

"Assignment" shall have the meaning ascribed to such term in Section 4.12(b).

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"Carried Working Interest" shall have the meaning ascribed to such term in the Assignment.

"Closing" means the closing of the purchase and sale of the Securities pursuant to Section 2.1.

“Closing Date” means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers’ obligations to pay the Subscription Amount and (ii) the Company’s obligations to deliver the Securities, in each case, have been satisfied or waived.

“Collateral Agent” means T.R. Winston & Company who acts as collateral agent with respect to the Debentures under the terms of a Collateral Agency Agreement dated February 18, 2011.

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the common stock of the Company, par value \$0.001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Company Counsel” means Davis Graham & Stubbs, LLP, with offices located at 1550 17th Street, Suite 500, Denver, CO 80202.

“Conversion Price” shall have the meaning ascribed to such term in the Debentures.

“Debentures” means the 8% Senior Secured Convertible Debentures due February 8, 2014, issued by the Company to the Original Purchasers under the Purchase Agreement and to the Purchasers hereunder, substantially in the form of Exhibit A attached hereto.

“Disclosure Schedules” shall have the meaning ascribed to such term in Section 3.1.

“Effective Date” means the earliest of the date that (a) the initial Registration Statement has been declared effective by the Commission, (b) all of the Underlying Shares have been sold pursuant to Rule 144 or may be sold pursuant to Rule 144 without the requirement for the Company to be in compliance with the current public information required under Rule 144 and without volume or manner-of-sale restrictions or (c) following the one year anniversary of the Closing Date provided that a holder of Underlying Shares is not an Affiliate of the Company, all of the Registrable Securities may be sold pursuant to an exemption from registration under Section 4(1) of the Securities Act without volume or manner-of-sale restrictions and Company counsel has delivered to such holders a standing written unqualified opinion that resales may then be made by such holders of the Underlying Shares pursuant to such exemption which opinion shall be in form and substance reasonably acceptable to such holders.

“Evaluation Date” shall have the meaning ascribed to such term in Section 3.1(r).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Exempt Issuance” means the issuance of (a) shares of Common Stock or options as compensation to employees, officers or directors of the Company which issuance is approved by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities, (c) securities issued to vendors or the landlord of the Company’s corporate headquarters which issuance is approved by a majority of the disinterested directors of the Company, and (d) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended.

“GAAP” shall have the meaning ascribed to such term in Section 3.1(h).

“Holders” means the Original Purchasers and the Purchasers hereunder.

“Indebtedness” shall have the meaning ascribed to such term in Section 3.1(aa).

“Intellectual Property Rights” shall have the meaning ascribed to such term in Section 3.1(o).

“Legend Removal Date” shall have the meaning ascribed to such term in Section 4.1(c).

“Liens” means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Material Adverse Effect” shall have the meaning assigned to such term in Section 3.1(b).

“Material Permits” shall have the meaning ascribed to such term in Section 3.1(m).

“Maximum Rate” shall have the meaning ascribed to such term in Section 5.17.

“Original Purchasers” means the purchasers under the Purchaser Agreement.

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Proceeding” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Properties” means the oil and gas properties which secure the Debentures under the Security Documents, including the Well Liens to be granted to Purchasers in the future.

“Purchase Agreement” means the Securities Purchase Agreement dated as of February 2, 2011 between the Company and the Original Purchasers.

“Purchaser Party” shall have the meaning ascribed to such term in Section 4.10.

“Registration Statement” means a registration statement covering the resale of the Underlying Shares by each Purchaser.

“Required Approvals” shall have the meaning ascribed to such term in Section 3.1(e).

“Required Minimum” means, as of any date, the maximum aggregate number of shares of Common Stock then issued or potentially issuable in the future pursuant to the Series Transaction Documents, including any Underlying Shares issuable upon conversion in full of all Debentures (including Underlying Shares issuable as payment of interest on the Debentures), ignoring any conversion or exercise limits set forth therein, and assuming that the Conversion Price is at all times on and after the date of determination 75% of the then Conversion Price on the Trading Day immediately prior to the date of determination.

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

“Rule 424” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Second Amendment” means the Second Amendment to 8% Senior Secured Convertible Debenture dated March 19, 2012 by and between the Company and the Original Purchasers.

“SEC Reports” shall have the meaning ascribed to such term in Section 3.1(h).

“Securities” means the Debentures and the Underlying Shares contemplated by this Agreement.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Security Documents” shall mean evidence of all mortgage or other required filings necessary to perfect the first priority security interest in the Properties, as described on Annex A attached hereto, including a new mortgage or mortgages (the “Lien Filings”) with respect to approximately 7,700 acres of property in Kimball County, Nebraska and Laramie County, Wyoming (the “New Property”).

“Series Transaction Documents” shall mean the Purchase Agreement, this Agreement, the Debentures, the Second Amendment, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated by the Purchase Agreement and this Agreement.

“Short Sales” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

“Subscription Amount” means, as to each Purchaser, the aggregate amount to be paid for Debentures purchased hereunder as specified below such Purchaser’s name on the signature page of this Agreement and next to the heading “Subscription Amount,” in United States dollars and in immediately available funds.

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE AMEX, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board (or any successors to any of the foregoing).

“Transaction Documents” means this Agreement, the Debentures, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

“Transfer Agent” means Corporate Stock Transfer, the current transfer agent of the Company, with a mailing address of 3200 Cherry Creek Drive, Suite 430, Denver CO 80209 and a facsimile number of (303) 282-5800, and any successor transfer agent of the Company.

“Underlying Shares” means the shares of Common Stock issued and issuable upon conversion or redemption of the Debentures and issued and issuable in lieu of the cash payment of interest on the Debentures in accordance with the terms of the Debentures.

“Variable Rate Transaction” shall have the meaning ascribed to such term in Section 4.13(b).

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the “Pink Sheets” published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

“Wells” shall have the meaning ascribed to such term in Section 4.12.

“Well Liens” shall have the meaning ascribed to such term in Section 4.12.

ARTICLE II PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, an aggregate of \$1,500,000 in principal amount of the Debentures. Each Purchaser shall deliver to the Company, via wire transfer or a certified check, immediately available funds equal to such Purchaser’s Subscription Amount as set forth on the signature page hereto executed by such Purchaser, and the Company shall deliver to each Purchaser its respective Debenture, as determined pursuant to Section 2.2(a), and the Company and each Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Company Counsel or such other location as the parties shall mutually agree.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) the Second Amendment, duly executed by the Company and the Original Purchasers;

(iii) a legal opinion of Company Counsel, in a form to be agreed by the parties hereto;

Purchaser;

(iv) a Debenture with a principal amount equal to such Purchaser's Subscription Amount, registered in the name of such

Filings.

(v) written confirmation that all of the Security Documents remain in full force and effect and evidence of the Lien

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company the following:

- (i) this Agreement duly executed by such Purchaser; and
- (ii) such Purchaser's Subscription Amount by wire transfer to the account specified by the Company.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions:

- (i) the representations and warranties of the Purchasers contained herein shall be accurate in all material respects on the Closing Date (unless as of a specific date therein in which case they shall be accurate as of such date);
- (ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and
- (iii) each Purchaser shall have delivered the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions:

- (i) the representations and warranties of the Company contained herein shall be and have been accurate in all material respects on the Closing Date and when made (unless as of a specific date therein);
- (ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;
- (iii) the items set forth in Section 2.2(a) of this Agreement shall have been delivered by the Company;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof ;

(v) the Purchasers shall be satisfied with the valuation of the property subject to the Lien Filings, in their sole discretion; and

(vi) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing.

2.4 Subsequent Closing. The Company agrees to provide the Purchasers with drilling results and data on all wells drilled on the Properties. On or before September 15, 2012, the Purchasers, severally and not jointly, may elect to agree to purchase up to an additional \$3,500,000 in principal amount of the Debentures on the same terms and conditions contained in the existing Debentures, including, without limitation, a Conversion Price of \$4.25 (an “ Additional Investment”). Such Additional Investment shall be governed by the terms and conditions set forth in this Agreement.

ARTICLE III REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties to each Purchaser:

(a) Subsidiaries. The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities. If the Company has no subsidiaries, all other references to the Subsidiaries or any of them in the Transaction Documents shall be disregarded.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's stockholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. Except as set forth on Schedule 3.1(d), the execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement, (ii) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Underlying Shares for trading thereon in the time and manner required thereby and (iii) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the “Required Approvals”).

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock a number of shares of Common Stock for issuance of the Underlying Shares at least equal to the Required Minimum on the date hereof.

(g) Capitalization. The capitalization of the Company is as set forth on Schedule 3.1(g), which Schedule 3.1(g) shall also include the number of shares of Common Stock owned beneficially, and of record, by Affiliates of the Company as of the date hereof. The Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company’s stock option plans, the issuance of shares of Common Stock to employees as compensation and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. Except for the Original Purchasers, no Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except for the Debentures, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. The issuance and sale of the Securities will not obligate the Company to issue shares of Common Stock or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to the Company’s capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company’s stockholders.

(h) SEC Reports: Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the “SEC Reports”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (“GAAP”), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company’s financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement or as set forth on Schedule 3.1(i), no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made.

(j) Litigation. There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an “Action”) which (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company’s or its Subsidiaries’ employees is a member of a union that relates to such employee’s relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect (“Material Permits”), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets. Except as set forth on Schedule 3.1(n), the Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance.

(o) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights as described in the SEC Reports as necessary or required for use in connection with their respective businesses and which the failure to so have could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not have or reasonably be expected to not have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage in the amount of \$5,000,000. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of \$120,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(r) Sarbanes-Oxley; Internal Accounting Controls. The Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. Except as set forth on Schedule 3.1(r), the Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, except as set forth on Schedule 3.1(r), there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(s) Certain Fees. No brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiaries to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(t) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(u) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(v) Registration Rights. Other than each of the Holders, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company or any Subsidiaries.

(w) Listing and Maintenance Requirements. The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(x) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

(y) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(z) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(aa) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder: (i) the fair saleable value of the Company's assets exceeds the amount that will be required to be paid on or in respect of the Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. Schedule 3.1(aa) sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with GAAP. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(bb) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(cc) No General Solicitation. Neither the Company nor any person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers and the Original Purchasers.

(dd) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has: (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(ee) Accountants. The Company's accounting firm is set forth on Schedule 3.1(ee) of the Disclosure Schedules. To the knowledge and belief of the Company, such accounting firm: (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company's Annual Report for the fiscal year ending December 31, 2010.

(ff) Seniority. As of the Closing Date, no Indebtedness or other claim against the Company is senior to the Debentures in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise, other than indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(gg) No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company and the Company is current with respect to any fees owed to its accountants and lawyers which, if unpaid, could affect the Company's ability to perform any of its obligations under any of the Transaction Documents.

(hh) Acknowledgment Regarding Purchasers' Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(ii) Acknowledgment Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(f) and 4.15 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term, (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities, (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, may presently have a "short" position in the Common Stock and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Underlying Shares deliverable with respect to Securities are being determined, and (z) such hedging activities (if any) could reduce the value of the existing stockholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(jj) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Company's placement agent in connection with the placement of the Securities.

(kk) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(ll) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(mm) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or, to the knowledge of the Company, Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or, to the knowledge of the Company, Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(nn) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporated or formed with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium fraudulent conveyance and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it converts any Debentures it will be either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act. Such Purchaser is not required to be registered as a broker-dealer under Section 15 of the Exchange Act.

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) General Solicitation. Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

(f) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not directly or indirectly, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to the identification of the availability of, or securing of, available shares to borrow in order to effect Short Sales or similar transactions in the future.

The Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and shall have the rights and obligations of a Purchaser under this Agreement.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS [CONVERTIBLE]] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON [CONVERSION] OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities.

(c) Certificates evidencing the Underlying Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Underlying Shares pursuant to Rule 144, (iii) if such Underlying Shares are eligible for sale under Rule 144, without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Underlying Shares and without volume or manner-of-sale restrictions or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Transfer Agent promptly after the Effective Date if required by the Transfer Agent to effect the removal of the legend hereunder. If all or any portion of a Debenture is converted at a time when there is an effective registration statement to cover the resale of the Underlying Shares, or if such Underlying Shares may be sold under Rule 144 and the Company is then in compliance with the current public information required under Rule 144, or if such Underlying Shares may be sold under Rule 144 without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Underlying Shares and without volume or manner-of-sale restrictions or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Underlying Shares shall be issued free of all legends. The Company agrees that following the Effective Date or at such time as such legend is no longer required under this Section 4.1(c), it will, no later than three Trading Days following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Underlying Shares, as applicable, issued with a restrictive legend (such third Trading Day, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Certificates for Underlying Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser.

(d) In addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, for each \$1,000 of Underlying Shares (based on the average VWAP of the Common Stock for the ten Trading Day period ending on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(c), \$10 per Trading Day (increasing to \$20 per Trading Day five (5) Trading Days after such damages have begun to accrue) for each Trading Day after the Legend Removal Date until such certificate is delivered without a legend. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(e) Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon the Company's reliance upon this understanding.

4.2 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of the Company.

4.3 Furnishing of Information; Public Information. The Common Stock is registered under Section 12(b) or 12(g) of the Exchange Act. Until the earliest of the time that (no Purchaser owns Securities, the Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

4.4 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.5 Conversion and Exercise Procedures. Each of the form of Notice of Conversion included in the Debentures set forth the totality of the procedures required of the Purchasers in order to convert the Debentures. No additional legal opinion, other information or instructions shall be required of the Purchasers to convert their Debentures. The Company shall honor exercises of the conversions of the Debentures and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.6 Securities Laws Disclosure; Publicity. The Company shall (a) by 9:30 a.m. (New York City time) on the Trading Day immediately following the date hereof, issue a press release disclosing the material terms of the transactions contemplated hereby, and (b) file a Current Report on Form 8-K, including the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such press release, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. The Company and each Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except: (a) as required by federal securities law in connection with the filing of final Transaction Documents (including signature pages thereto) with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.7 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.8 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide any Purchaser or its agents or counsel with any information that the Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have entered into a written agreement with the Company regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.9 Use of Proceeds. The Company shall use the net proceeds from the sale of the Securities hereunder for dirt work, building of roads and locations, drilling, testing, completing, reworking, recompleting, deepening, plugging back, abandoning, repairing, perforating, fracturing or dewatering of a well or wells in search of or in an endeavor to obtain, increase, or restore and/or market or render marketable or more valuable production of oil, gas and other minerals and otherwise for working capital and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.10 Indemnification of Purchasers. Subject to the provisions of this Section 4.10, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the

extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.10 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.11 Reservation and Listing of Securities.

(a) The Company shall maintain a reserve from its duly authorized shares of Common Stock for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents.

(b) If, on any date, the number of authorized but unissued (and otherwise unreserved) shares of Common Stock is less than the Required Minimum on such date, then the Board of Directors shall use commercially reasonable efforts to amend the Company's certificate or articles of incorporation to increase the number of authorized but unissued shares of Common Stock to at least the Required Minimum at such time, as soon as possible and in any event not later than the 75th day after such date.

(c) The Company shall, if applicable: (i) in the time and manner required by the principal Trading Market, prepare and file with such Trading Market an additional shares listing application covering a number of shares of Common Stock at least equal to the Required Minimum on the date of such application, (ii) take all steps necessary to cause such shares of Common Stock to be approved for listing or quotation on such Trading Market as soon as possible thereafter, (iii) provide to the Purchasers evidence of such listing or quotation and (iv) maintain the listing or quotation of such Common Stock on any date at least equal to the Required Minimum on such date on such Trading Market or another Trading Market.

4.12 Well Liens and Working Interests.

(a) The Company agrees that upon completion or plugging and abandonment of each well drilled with the proceeds from the sale of the Securities (the "Wells"), it will grant to the Purchasers a first priority lien on such Well and all Property located within the spacing unit designated by the state authorities for the applicable Well (the "Well Liens") and will execute and, where appropriate, file all Security Documents related thereto.

(b) The Company agrees that upon completion or plugging and abandonment of each Well, it will execute an Assignment and Conveyance of Wellbore Interests in substantially the form attached hereto as Exhibit B (the "Assignment"), granting to the Purchasers a Carried Working Interest in the wellbore of such Well.

4.13 Subsequent Equity Sales. From the date hereof until such time as no Purchaser holds any of the Debentures, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents for cash consideration (or a combination of units thereof) involving a Variable Rate Transaction. "Variable Rate Transaction" means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into any agreement, including, but not limited to, an equity line of credit, whereby the Company may sell securities at a future determined price. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages. Notwithstanding the foregoing, this Section 4.13 shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction shall be an Exempt Issuance.

4.14. Equal Treatment of Purchasers. No consideration (including any modification of any Series Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Series Transaction Documents unless the same consideration is also offered to all of the parties to the Series Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Holder by the Company and negotiated separately by each Holder, and is intended for the Company to treat the Holders as a class and shall not in any way be construed as the Holders acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.15 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the initial press release as described in Section 4.6, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Transaction Documents and the Disclosure Schedules. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in

accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.6 and (iii) no Purchaser shall have any duty of confidentiality to the Company or its Subsidiaries after the issuance of the initial press release as described in Section 4.6. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.16 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.17 Capital Changes. Until the one year anniversary of the Effective Date, the Company shall not undertake a reverse or forward stock split or reclassification of the Common Stock without the prior written consent of the Holders holding a majority in principal amount outstanding of the Debentures.

4.18 Proceeds from Sale of Assets. In the event that the Company sell or leases or effects any disposition of the assets and property subject to the liens provided for in the Security Documents, any such proceeds from such disposition shall be first used to repay the Debentures in full.

ARTICLE V MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before April 30, 2012; provided, however, that such termination will not affect the right of any party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees, stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers holding at least 51% in interest of the Securities then outstanding or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.10.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or

proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.10, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that in the case of a rescission of a conversion of a Debenture, the applicable Purchaser shall be required to return any shares of Common Stock subject to any such rescinded conversion notice.

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Usury. To the extent it may lawfully do so, the Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by any Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of the Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the "Maximum Rate"), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that the Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Company to any Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by such Purchaser to the unpaid principal balance of any such indebtedness or be refunded to the Company, the manner of handling such excess to be at such Purchaser's election.

5.18 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents.

5.19 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.20 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.21 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.22 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVE FOREVER TRIAL BY JURY.**

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

RECOVERY ENERGY, INC.

Address for Notice:
1515 Wynkoop Street, Suite 200
Denver, CO 80202

By: /s/ Roger A Parker
Roger A. Parker
Chief Executive Officer

Fax: 303-957-2234

With a copy to (which shall not constitute notice)

Davis Graham & Stubbs LLP
Attention: Ron Levine
1550 Seventeenth Street, Suite 500
Denver, CO 80202

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES FOR PURCHASERS FOLLOW]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Colony Partners, a California general partnership

/s/ Bryan Ezralow

Name: Bryan Ezralow as Trustee of the Bryan
Ezralow 1994 Trust

Title: Managing General Partner

Email Address of Authorized Signatory: _____

Facsimile Number of Authorized Signatory: _____

Address for Notice to Purchaser: _____

Address for Delivery of Securities to Purchaser (if not same as address for notice): _____

Subscription Amount: \$ _____

EIN Number: _____

[SIGNATURE PAGES CONTINUE]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Wallington Investment Holdings, Ltd.

/s/ Michael Khoury
Name: Michael Khoury
Title: Director

Email Address of Authorized Signatory: _____

Facsimile Number of Authorized Signatory: _____

Address for Notice to Purchaser: _____

Address for Delivery of Securities to Purchaser (if not same as address for notice): _____

Subscription Amount: \$ _____

EIN Number: _____

[SIGNATURE PAGES CONTINUE]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

G. Tyler Runnels and Jasmine N. Runnels TTEES The Runnels Family
Trust DTD 1-11-2000

/s/ G. Tyler Runnels

Name: G. Tyler Runnels
Title: Trustee

Email Address of Authorized Signatory: _____

Facsimile Number of Authorized Signatory: _____

Address for Notice to Purchaser: _____

Address for Delivery of Securities to Purchaser (if not same as address for notice): _____

Subscription Amount: \$ _____

EIN Number: _____

[SIGNATURE PAGES CONTINUE]

EXHIBIT A
Form of Debenture

EXHIBIT B

Form of Assignment and Conveyance of Wellbore Interests

This Assignment and Conveyance of Wellbore Interests (“*Assignment*”), effective as of the Effective Date, is by and among Recovery Energy, Inc., a Nevada corporation, whose address is _____ (“*Assignor*”) and _____, a _____, whose address is _____ (“*Assignee*”).

For Ten Dollars and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor grants, bargains, sells, conveys, assigns, transfers, and delivers unto Assignee 5% of Assignor’s right, title, and interest, in and to a leasehold working interest in the oil, gas, and/or mineral leases specifically described on **Exhibit A** (the “*Leases*”) INsofar AND ONLY INsofar as the Leases cover the wellbore of the [_____] well (“*Wellbore*”) located in the [_____] of Section [____], Township [____][____], Range [____][____],[____] County, [____], at a location of [____] feet from the [____] line, and [____] feet from the [____] of Section [____], together with all rights, titles and interests in and to all the personal property, fixtures, improvements, well equipment, casing, tubing, tanks, pumps, motors, machinery, appurtenant to or used in connection with the Wellbore (together the “*Wellbore Interests*”).

TO HAVE AND TO HOLD the Wellbore Interests unto Assignee and its successors and assigns forever.

This Assignment is made subject to the following terms and conditions:

5.23 SPECIAL WARRANTY OF TITLE. ASSIGNOR WARRANTS TITLE TO THE WELLBORE INTERESTS AGAINST ALL PERSONS CLAIMING BY, THROUGH AND UNDER ASSIGNOR, BUT NOT OTHERWISE, AND EXCEPT FOR THAT WARRANTY, THIS ASSIGNMENT IS MADE WITHOUT WARRANTY OF TITLE OF ANY KIND, EXPRESS, IMPLIED, OR STATUTORY.

5.24 DISCLAIMER. EXCEPT AS SPECIFICALLY DESCRIBED HEREIN, ASSIGNOR EXPRESSLY DISCLAIMS AND NEGATES ANY WARRANTY AS TO THE CONDITION OF ANY PERSONAL PROPERTY, EQUIPMENT, FIXTURES AND ITEMS OF MOVABLE PROPERTY COMPRISING ANY PART OF THE WELLBORE INTERESTS, INCLUDING (I) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (II) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (III) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (IV) ANY RIGHTS OF ASSIGNEE UNDER APPLICABLE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION, AND (V) ANY CLAIM BY ASSIGNEE FOR DAMAGES BECAUSE OF DEFECTS, WHETHER KNOWN OR UNKNOWN. FURTHER, THE PERSONAL PROPERTY (INCLUDING THE EQUIPMENT) COMPRISING PART OF THE WELLBORE INTERESTS IS BEING CONVEYED BY ASSIGNOR, AND ASSIGNEE ACCEPTS SUCH PERSONAL PROPERTY “AS IS, WHERE IS,” WITH ALL FAULTS AND IN ITS PRESENT CONDITION AND STATE OF REPAIR.

5.25 Carried Working Interest. As to the interest being assigned from Assignor to Assignee, Assignee shall be entitled to a Carried Working Interest in the Wellbore. The term “**Carried Working Interest**” means that the Assignor shall bear the Carried Costs (defined below) attributable to Assignee’s Wellbore Interest prior to the point of delivery of production from the Wellbore to the tanks for oil and to the first meter on the wellsite for gas. The term “**Carried Costs**” shall include, but are not be limited to, all costs incurred by Assignor for the drilling, completing, reworking, sidetracking, deepening, recompleting, plugging back, and equipping the Wellbore.

5.26 Rights to Leases. Assignee may plug back, sidetrack, or recomplete the Wellbore in the same formation as the Wellbore, but Assignee shall not have the right to recomplete in a shallower formation or deepen the Wellbore. Assignor reserves all leasehold rights outside of the Wellbore including without limitation the right to drill additional wells within the lands covered by the drilling or proration unit applicable to the Wellbore.

5.27 Governmental Forms. Separate governmental form assignments of the Wellbore Interests may be executed on officially approved forms by Assignor to Assignee, in sufficient counterparts to satisfy applicable statutory and regulatory requirements. Those assignments shall be deemed to contain all of the exceptions, reservations, warranties, rights, titles, power and privileges set forth herein as fully as though they were set forth in each such assignment. The interests conveyed by such separate assignments are the same, and not in addition to, the Wellbore Interests conveyed herein.

5.28 Subrogation. To the extent permitted by law, Assignee will be subrogated to Assignor’s rights in and to representations, warranties, and covenants given with respect to the Wellbore Interests. Assignor hereby grants and transfers to Assignee, its successors and assigns, to the extent so transferable and permitted by law, the benefit of and the right to enforce the covenants, representations and warranties, if any, which Assignor is entitled to enforce with respect to the Wellbore Interests, but only to the extent not enforced by Assignor.

5.29 Assumption of Contracts. Assignee hereby assumes and agree to be bound by all express and implied terms, covenants, rights, benefits, conditions, obligations, and liabilities under the any contract that is part of the Wellbore Interests.

5.30 [Debenture] Agreement. This Assignment is made subject to the [Debenture Agreement] dated [_____] between Assignor and Assignee (“**Agreement**”). Assignor and Assignee intend that the terms of the Agreement not merge into the terms of this Assignment.

5.31 Successors and Assigns. This Assignment binds and inures to the benefit of Assignor and Assignee and their respective successors and assigns. The provisions of this Assignment shall be deemed to be covenants running with the land.

5.32 Counterpart Execution. This Assignment may be executed in any number of counterparts. All counterparts together constitute only one Assignment, but each counterpart is considered an original.

[Remainder of page left intentionally blank. Signature page follows.]

Assignor and Assignee have executed this Assignment as of the date of acknowledgements, but this Assignment shall be effective as of [_____], 2012 (the "*Effective Date*").

ASSIGNOR

RECOVERY ENERGY, INC.

By: _____
Its: _____

ASSIGNEE

[_____]

By: _____
Its: _____

[Remainder of page left intentionally blank. Acknowledgments page follows.]

Acknowledgments

STATE OF _____)
) ss
COUNTY OF _____)

This instrument was acknowledged before me this ____ day of _____, 2012, by _____, as _____ of Recovery Energy, Inc., a Nevada corporation, on behalf of the corporation.

Notary Public

My Commission Expires: _____

STATE OF _____)
) ss
COUNTY OF _____)

This instrument was acknowledged before me this ____ day of _____, 2012, by _____, as _____ of _____, a _____, on behalf of the _____.

Notary Public

My Commission Expires: _____

Exhibit 10.58

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Original Issue Date: March __, 2012

Original Conversion Price (subject to adjustment herein): **\$4.25**

\$ _____

**8% SENIOR SECURED CONVERTIBLE DEBENTURE
DUE FEBRUARY 8, 2014**

THIS 8% SENIOR SECURED CONVERTIBLE DEBENTURE is one of a series of duly authorized and validly issued 8% Senior Secured Convertible Debentures of Recovery Energy, Inc., a Nevada corporation, (the "Company"), having its principal place of business at 1515 Wynkoop Street, Suite 200, Denver, Colorado, 80202, designated as its 8% Senior Secured Convertible Debenture due February 8, 2014 (this debenture, the "Debenture" and, collectively with the other debentures of such series, the "Debentures").

FOR VALUE RECEIVED, the Company promises to pay to _____ or its registered assigns (the "Holder"), or shall have paid pursuant to the terms hereunder, the principal sum of \$ _____ on February 8, 2014 (the "Maturity Date") or such earlier date as this Debenture is required or permitted to be repaid as provided hereunder, and to pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture in accordance with the provisions hereof. This Debenture is subject to the following additional provisions:

Section 1. Definitions.

For the purposes hereof, in addition to the terms defined elsewhere in this Debenture, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement (as defined below) and (b) the following terms shall have the following meanings:

"Alternate Consideration" shall have the meaning set forth in Section 5(e).

“Bankruptcy Event” means any of the following events: (a) the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any Significant Subsidiary thereof, (b) there is commenced against the Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 60 days after commencement, (c) the Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) the Company or any Significant Subsidiary thereof suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 60 calendar days after such appointment, (e) the Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) the Company or any Significant Subsidiary thereof calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts or (g) the Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

“Base Conversion Price” shall have the meaning set forth in Section 5(b).

“Beneficial Ownership Limitation” shall have the meaning set forth in Section 4(d).

“Business Day” means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

“Buy-In” shall have the meaning set forth in Section 4(c)(v).

“Change of Control Transaction” means the occurrence after the date hereof of any of (a) an acquisition by an individual or legal entity or “group” (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of the Company, by contract or otherwise) of in excess of 33% of the voting securities of the Company (other than by means of conversion or exercise of the Debentures and the Securities issued together with the Debentures), (b) the Company merges into or consolidates with any other Person, or any Person merges into or consolidates with the Company and, after giving effect to such transaction, the stockholders of the Company immediately prior to such transaction own less than 66% of the aggregate voting power of the Company or the successor entity of such transaction, (c) the Company sells or transfers all or substantially all of its assets to another Person and the stockholders of the Company immediately prior to such transaction own less than 66% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof), or (e) the execution by the Company of an agreement to which the Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

“Conversion” shall have the meaning ascribed to such term in Section 4.

“Conversion Date” shall have the meaning set forth in Section 4(a).

“Conversion Price” shall have the meaning set forth in Section 4(b).

“Conversion Schedule” means the Conversion Schedule in the form of Schedule 1 attached hereto.

“Conversion Shares” means, collectively, the shares of Common Stock issuable upon conversion of this Debenture in accordance with the terms hereof.

“Debenture Register” shall have the meaning set forth in Section 2(c).

“Dilutive Issuance” shall have the meaning set forth in Section 5(b).

“Dilutive Issuance Notice” shall have the meaning set forth in Section 5(b).

“Equity Conditions” means, during the period in question, (a) the Company shall have duly honored all conversions and redemptions scheduled to occur or occurring by virtue of one or more Notices of Conversion of the Holder, if any, (b) the Company shall have paid all liquidated damages and other amounts owing to the Holder in respect of this Debenture, (c)(i) there is an effective Registration Statement pursuant to which the Holder is permitted to utilize the prospectus thereunder to resell all of the shares of Common Stock issuable pursuant to the Transaction Documents (and the Company believes, in good faith, that such effectiveness will continue uninterrupted for the foreseeable future) or (ii) all of the Conversion Shares issuable pursuant to the Transaction Documents (and shares issuable in lieu of cash payments of interest) may be resold pursuant to Rule 144 without volume or manner-of-sale restrictions or current public information requirements as determined by the counsel to the Company as set forth in a written opinion letter to such effect, addressed and acceptable to the Transfer Agent and the Holder, (d) the Common Stock is trading on a Trading Market and all of the shares issuable pursuant to the Transaction Documents are listed or quoted for trading on such Trading Market (and the Company believes, in good faith, that trading of the Common Stock on a Trading Market will continue uninterrupted for the foreseeable future), (e) there is a sufficient number of authorized but unissued and otherwise unreserved shares of Common Stock for the issuance of all of the shares then issuable pursuant to the Transaction Documents, (f) there is no existing Event of Default and no existing event which, with the passage of time or the giving of notice, would constitute an Event of Default, (g) the issuance of the shares in question (or, in the case of an Optional Redemption, the shares issuable upon conversion in full of the Optional Redemption Amount) to the Holder would not violate the limitations set forth in Section 4(d) herein, (h) there has been no public announcement of a pending or proposed Fundamental Transaction or Change of Control Transaction that has not been consummated and (i) the applicable Holder is not in possession of any information provided by the Company that constitutes, or may constitute, material non-public information.

“Event of Default” shall have the meaning set forth in Section 8(a).

“Fundamental Transaction” shall have the meaning set forth in Section 5(e).

“Interest Conversion Rate” means 95% of the lesser of (i) the average of the VWAPs for the 10 consecutive Trading Days ending on the Trading Day that is immediately prior to the applicable Interest Payment Date or (ii) the average of the VWAPs for the 10 consecutive Trading Days ending on the Trading Day that is immediately prior to the date the applicable Interest Conversion Shares are issued and delivered if such delivery is after the Interest Payment Date.

“Interest Conversion Shares” shall have the meaning set forth in Section 2(a).

“Interest Notice Period” shall have the meaning set forth in Section 2(a).

“Interest Payment Date” shall have the meaning set forth in Section 2(a).

“Interest Share Amount” shall have the meaning set forth in Section 2(a).

“Late Fees” shall have the meaning set forth in Section 2(d).

“Make-Whole Payment” means as to a portion of this Debenture being redeemed by an Optional Redemption, an amount equal to the interest accruable through the Maturity Date less the amount of any interest paid on the portion of the Debenture being redeemed before the relevant Optional Redemption Date.

“Mandatory Default Amount” means the sum of (a) the greater of (i) the outstanding principal amount of this Debenture, plus all accrued and unpaid interest hereon, divided by the Conversion Price on the date the Mandatory Default Amount is either (A) demanded (if demand or notice is required to create an Event of Default) or otherwise due or (B) paid in full, whichever has a lower Conversion Price, multiplied by the VWAP on the date the Mandatory Default Amount is either (x) demanded or otherwise due or (y) paid in full, whichever has a higher VWAP, or (ii) 115% of the outstanding principal amount of this Debenture, plus 100% of accrued and unpaid interest hereon, and (b) all other amounts, costs, expenses and liquidated damages due in respect of this Debenture.

“New York Courts” shall have the meaning set forth in Section 9(d).

“Notice of Conversion” shall have the meaning set forth in Section 4(a).

“Optional Redemption” shall have the meaning set forth in Section 6(a).

“Optional Redemption Amount” means the sum of (a) 115% of the then outstanding principal amount of the portion of the Debenture subject to an Optional Redemption Notice, (b) accrued but unpaid interest and (c) all liquidated damages and other amounts due in respect of the portion of the Debenture subject to an Optional Redemption Notice.

“Optional Redemption Date” shall have the meaning set forth in Section 6(a).

“Optional Redemption Notice” shall have the meaning set forth in Section 6(a).

“Optional Redemption Notice Date” shall have the meaning set forth in Section 6(a).

“Optional Redemption Period” shall have the meaning set forth in Section 6(a).

“Original Issue Date” means the date of the first issuance of the Debentures, regardless of any transfers of any Debenture and regardless of the number of instruments which may be issued to evidence such Debentures.

“Permitted Lien” means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of the Company) have been established in accordance with GAAP or (b) Liens imposed by law which were incurred in the ordinary course of the Company’s business, such as carriers’, warehousemen’s and mechanics’ Liens, statutory landlords’ Liens, and other similar Liens arising in the ordinary course of the Company’s business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien.

“Purchase Agreement” means the Securities Purchase Agreement, dated as of March 19, 2012 among the Company and the Holders, as amended, modified or supplemented from time to time in accordance with its terms.

“Registration Statement” means a registration statement covering the resale of the Underlying Shares.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Share Delivery Date” shall have the meaning set forth in Section 4(c)(ii).

“Successor Entity” shall have the meaning set forth in Section 5(e).

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE AMEX, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board (or any successors to any of the foregoing).

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if the OTC Bulletin Board is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the OTC Bulletin Board, (c) if the Common Stock is not then listed or quoted for trading on the OTC Bulletin Board and if prices for the Common Stock are then reported in the “Pink Sheets” published by Pink OTC Markets, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holders of a majority in interest of the Debentures then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Section 2. Interest.

a) Payment of Interest in Cash or Kind. The Company shall pay interest to the Holder on the aggregate unconverted and then outstanding principal amount of this Debenture at the rate of 8% per annum, payable quarterly on February 15, May 15, August 15 and November 15, beginning on August 15, 2012, on each Conversion Date (as to that principal amount then being converted), and on the Maturity Date (each such date, an “Interest Payment Date”) (if any Interest Payment Date is not a Business Day, then the applicable payment shall be due on the next succeeding Business Day), in cash or, at the Company’s option, in duly authorized, validly issued, fully paid and non-assessable shares of Common Stock at the Interest Conversion Rate (the dollar amount to be paid in shares, the “Interest Share Amount”) or a combination thereof; provided, however, that payment in shares of Common Stock may only occur if (i) all of the Equity Conditions have been met (unless waived by the Holder in writing) during the 20 Trading Days immediately prior to the applicable Interest Payment Date (the “Interest Notice Period”) and through and including the date such shares of Common Stock are actually issued to the Holder, (ii) the Company shall have given the Holder notice in accordance with the notice requirements set forth below and (iii) as to such Interest Payment Date, prior to such Interest Notice Period (but not more than five (5) Trading Days prior to the commencement of such Interest Notice Period), the Company shall have delivered to the Holder’s account with The Depository Trust Company a number of shares of Common Stock to be applied against such Interest Share Amount equal to the quotient of (x) the applicable Interest Share Amount divided by (y) the lesser of the (i) then Conversion Price and (ii) the Interest Conversion Rate assuming for such purposes that the Interest Payment Date is the Trading Day immediately prior to the commencement of the Interest Notice Period (the “Interest Conversion Shares”).

b) Company’s Election to Pay Interest in Cash or Kind. Subject to the terms and conditions herein, the decision whether to pay interest hereunder in cash, shares of Common Stock or a combination thereof shall be at the sole discretion of the Company. Prior to the commencement of any Interest Notice Period, the Company shall deliver to the Holder a written notice of its election to pay interest hereunder on the applicable Interest Payment Date either in cash, shares of Common Stock or a combination thereof and the Interest Share Amount as to the applicable Interest Payment Date, provided that the Company may indicate in such notice that the election contained in such notice shall apply to future Interest Payment Dates until revised by a subsequent notice. During any Interest Notice Period, the Company’s election (whether specific to an Interest Payment Date or continuous) shall be irrevocable as to such Interest Payment Date. Subject to the aforementioned conditions, failure to timely deliver such written notice to the Holder shall be deemed an election by the Company to pay the interest on such Interest Payment Date in cash. At any time the Company delivers a notice to the Holder of its election to pay the interest in shares of Common Stock, the Company shall timely file a prospectus supplement pursuant to Rule 424 disclosing such election. The aggregate number of shares of Common Stock otherwise issuable to the Holder on an Interest Payment Date shall be reduced by the number of Interest Conversion Shares previously issued to the Holder in connection with such Interest Payment Date.

c) Interest Calculations. Interest shall be calculated on the basis of a 360-day year, consisting of twelve 30 calendar day periods, and shall accrue daily commencing on the Original Issue Date until payment in full of the outstanding principal, together with all accrued and unpaid interest, liquidated damages and other amounts which may become due hereunder, has been made. Payment of interest in shares of Common Stock (other than the Interest Conversion Shares issued prior to an Interest Notice Period) shall otherwise occur pursuant to Section 4(c)(ii) herein and, solely for purposes of the payment of interest in shares, the Interest Payment Date shall be deemed the Conversion Date. Interest shall cease to accrue with respect to any principal amount converted, provided that, the Company actually delivers the Conversion Shares within the time period required by Section 4(c)(ii) herein. Interest hereunder will be paid to the Person in whose name this Debenture is registered on the records of the Company regarding registration and transfers of this Debenture (the “Debenture Register”). Except as otherwise provided herein, if at any time the Company pays interest partially in cash and partially in shares of Common Stock to the holders of the Debentures, then such payment of cash shall be distributed ratably among the holders of the then-outstanding Debentures based on their (or their predecessor’s) initial purchases of Debentures; provided, that to the extent that issuance of shares of Common Stock with respect to any holder of a Debenture would cause such holder to exceed the ownership limitations set forth in Section 4(d) hereof, the Company shall pay cash to such holder.

d) Late Fee. All overdue accrued and unpaid interest to be paid hereunder shall entail a late fee at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law (the “Late Fees”) which shall accrue daily from the date such interest is due hereunder through and including the date of actual payment in full. Notwithstanding anything to the contrary contained herein, if, on any Interest Payment Date the Company has elected to pay accrued interest in the form of Common Stock but the Company is not permitted to pay accrued interest in Common Stock because it fails to satisfy the conditions for payment in Common Stock set forth in Section 2(a) herein, then, at the option of the Holder, the Company, shall pay regularly scheduled interest payments in cash plus, in the event Interest Conversion Shares were sold prior to notice of failure to meet such conditions and the Holder suffers a Buy-In on such Interest Conversion Shares, compensate the Holder for such Buy-In loss pursuant to Section 4(c)(v). If any Interest Conversion Shares are issued to the Holder in connection with an Interest Payment Date and are not applied against an Interest Share Amount, then the Holder shall promptly return such excess shares to the Company.

e) Prepayment. Except as otherwise set forth in this Debenture, the Company may not prepay any portion of the principal amount of this Debenture without the prior written consent of the Holder.

Section 3. Registration of Transfers and Exchanges.

- a) Different Denominations. This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.
- b) Investment Representations. This Debenture has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.
- c) Reliance on Debenture Register. Prior to due presentment for transfer to the Company of this Debenture, the Company and any agent of the Company may treat the Person in whose name this Debenture is duly registered on the Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither the Company nor any such agent shall be affected by notice to the contrary.

Section 4. Conversion.

- a) Voluntary Conversion. At any time after the Original Issue Date until this Debenture is no longer outstanding, this Debenture shall be convertible, in whole or in part, into shares of Common Stock at the option of the Holder, at any time and from time to time (subject to the conversion limitations set forth in Section 4(d) hereof). The Holder shall effect conversions by delivering to the Company a Notice of Conversion, the form of which is attached hereto as Annex A (each, a "Notice of Conversion"), specifying therein the principal amount of this Debenture to be converted and the date on which such conversion shall be effected (such date, the "Conversion Date"). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. To effect conversions hereunder, the Holder shall not be required to physically surrender this Debenture to the Company unless the entire principal amount of this Debenture, plus all accrued and unpaid interest thereon, has been so converted. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Debenture in an amount equal to the applicable conversion. The Holder and the Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). The Company may deliver an objection to any Notice of Conversion within one (1) Business Day of delivery of such Notice of Conversion. **The Holder, and any assignee by acceptance of this Debenture, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Debenture, the unpaid and unconverted principal amount of this Debenture may be less than the amount stated on the face hereof.**
- b) Conversion Price. The conversion price in effect on any Conversion Date shall be equal to **\$4.25**, subject to adjustment herein (the "Conversion Price").
- c) Mechanics of Conversion.
- i. Conversion Shares Issuable Upon Conversion of Principal Amount. The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the outstanding principal amount of this Debenture to be converted by (y) the Conversion Price.

ii. Delivery of Certificate Upon Conversion. Not later than three (3) Trading Days after each Conversion Date (the “Share Delivery Date”), the Company shall deliver, or cause to be delivered, to the Holder (A) a certificate or certificates representing the Conversion Shares which, on or after the earlier of (i) the 6 month anniversary of the Original Issue Date (if the Company is then current in its SEC Filings and if not, the 12 month anniversary) or (ii) the Effective Date, shall be free of restrictive legends and trading restrictions (other than those which may then be required by the Purchase Agreement) representing the number of Conversion Shares being acquired upon the conversion of this Debenture (including, if the Company has given continuous notice pursuant to Section 2(b) for payment of interest in shares of Common Stock at least 20 Trading Days prior to the date on which the Notice of Conversion is delivered to the Company, shares of Common Stock representing the payment of accrued interest otherwise determined pursuant to Section 2(a) but assuming that the Interest Notice Period is the 20 Trading Days period immediately prior to the date on which the Notice of Conversion is delivered to the Company and excluding for such issuance the condition that the Company deliver Interest Conversion Shares as to such interest payment) and (B) a bank check in the amount of accrued and unpaid interest (if the Company has elected or is required to pay accrued interest in cash). On or after the earlier of (i) the six month anniversary (assuming the Company is current in its periodic SEC Reports) of the Original Issue Date or (ii) the Effective Date, the Company shall use its best efforts to deliver any certificate or certificates required to be delivered by the Company under this Section 4(c) electronically through the Depository Trust Company or another established clearing corporation performing similar functions.

iii. Failure to Deliver Certificates. If, in the case of any Notice of Conversion, such certificate or certificates are not delivered to or as directed by the applicable Holder by the Share Delivery Date, the Holder shall be entitled to elect by written notice to the Company at any time on or before its receipt of such certificate or certificates, to rescind such Conversion, in which event the Company shall promptly return to the Holder any original Debenture delivered to the Company and the Holder shall promptly return to the Company the Common Stock certificates issued to such Holder pursuant to the rescinded Conversion Notice.

iv. Obligation Absolute; Partial Liquidated Damages. The Company’s obligations to issue and deliver the Conversion Shares upon conversion of this Debenture in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by the Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder or any other Person of any obligation to the Company or any violation or alleged violation of law by the Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Company to the Holder in connection with the issuance of such Conversion Shares; provided, however, that such delivery shall not operate as a waiver by the Company of any such action the Company may have against the Holder. In the event the Holder of this Debenture shall elect to convert any or all of the outstanding principal amount hereof, the Company may not refuse conversion based on any claim that the Holder or anyone associated or affiliated with the Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and or enjoining conversion of all or part of this Debenture shall have been sought and obtained. In the absence of such injunction, the Company shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If the Company fails for any reason to deliver to the Holder such certificate or certificates pursuant to Section 4(c)(ii) by the Share Delivery Date, the

Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of principal amount being converted, \$10 per Trading Day (increasing to \$20 per Trading Day on the fifth (5th) Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Share Delivery Date until such certificates are delivered or Holder rescinds such conversion. Nothing herein shall limit a Holder's right to pursue actual damages or declare an Event of Default pursuant to Section 8 hereof for the Company's failure to deliver Conversion Shares within the period specified herein and the Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit the Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

v. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. In addition to any other rights available to the Holder, if the Company fails for any reason to deliver to the Holder such certificate or certificates by the Share Delivery Date pursuant to Section 4(c)(ii), and if after such Share Delivery Date the Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Conversion Shares which the Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "Buy-In"), then the Company shall (A) pay in cash to the Holder (in addition to any other remedies available to or elected by the Holder) the amount, if any, by which (x) the Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that the Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of the Holder, either reissue (if surrendered) this Debenture in a principal amount equal to the principal amount of the attempted conversion (in which case such conversion shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued if the Company had timely complied with its delivery requirements under Section 4(c)(ii). For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of this Debenture with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of \$10,000 under clause (A) of the immediately preceding sentence, the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver certificates representing shares of Common Stock upon conversion of this Debenture as required pursuant to the terms hereof.

vi. Reservation of Shares Issuable Upon Conversion. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of this Debenture and payment of interest on this Debenture, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holder (and the other holders of the Debentures), not less than such aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 5) upon the conversion of the then outstanding principal amount of this Debenture and payment of interest hereunder. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable and, if the Registration Statement is then effective under the Securities Act, shall be registered for public resale in accordance with such Registration Statement.

vii. Fractional Shares. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Debenture. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

viii. Transfer Taxes. The issuance of certificates for shares of the Common Stock on conversion of this Debenture shall be made without charge to the Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that, the Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Debenture so converted and the Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

d) Holder's Conversion Limitations. The Company shall not effect any conversion of this Debenture, and a Holder shall not have the right to convert any portion of this Debenture, to the extent that after giving effect to the conversion set forth on the applicable Notice of Conversion, the Holder (together with the Holder's Affiliates, and any Persons acting as a group together with the Holder or any of the Holder's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of this Debenture with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining, unconverted principal amount of this Debenture beneficially owned by the Holder or any of its Affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Debentures) beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 4(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. To the extent that the limitation contained in this Section 4(d) applies, the determination of whether this Debenture is convertible (in relation to other securities owned by the Holder together with any Affiliates) and of which principal amount of this Debenture is convertible shall be in the sole discretion of the Holder, and the submission of a Notice of Conversion shall be deemed to be the Holder's determination of whether this Debenture may be converted (in relation to other securities owned by the Holder together with any Affiliates) and which principal amount of this Debenture is convertible, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of

Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 4(d), in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or the Company's transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Debenture, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon conversion of this Debenture held by the Holder. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 4(d), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of this Debenture held by the Holder and the Beneficial Ownership Limitation provisions of this Section 4(d) shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 4(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Debenture.

Section 5. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while this Debenture is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon conversion of, or payment of interest on, the Debentures), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If, at any time while this Debenture is outstanding, the Company or any Subsidiary, as applicable, sells or grants any option to purchase or sells or grants any right to reprice, or otherwise disposes of or issues (or announces any sale, grant or any option to purchase or other disposition), any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price (such lower price, the “Base Conversion Price” and such issuances, collectively, a “Dilutive Issuance”) (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 5(b) in respect of an Exempt Issuance. If the Company enters into a Variable Rate Transaction, despite the prohibition set forth in the Purchase Agreement, the Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion price at which such securities may be converted or exercised. The Company shall notify the Holder in writing, no later than the Trading Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 5(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the “Dilutive Issuance Notice”). For purposes of clarification, whether or not the Company provides a Dilutive Issuance Notice pursuant to this Section 5(b), upon the occurrence of any Dilutive Issuance, the Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether the Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

c) Subsequent Rights Offerings. If the Company, at any time while the Debenture is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to the Holders) entitling them to subscribe for or purchase shares of Common Stock at a price per share that is lower than the VWAP on the record date referenced below, then the Conversion Price shall be multiplied by a fraction of which the denominator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights, options or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights, options or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered (assuming delivery to the Company in full of all consideration payable upon exercise of such rights, options or warrants) would purchase at such VWAP. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants.

d) Pro Rata Distributions. If the Company, at any time while this Debenture is outstanding, distributes to all holders of Common Stock (and not to the Holders) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security (other than the Common Stock, which shall be subject to Section 5(b)), then in each such case the Conversion Price shall be adjusted by multiplying such Conversion Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then fair market value at such record date of the portion of such assets or evidence of indebtedness or rights or warrants so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors of the Company in good faith. In either case the adjustments shall be described in a statement delivered to the Holder describing the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

e) Fundamental Transaction. If, at any time while this Debenture is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent conversion of this Debenture, the Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Debenture), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Debenture is convertible immediately prior to such Fundamental Transaction (without regard to any limitation in Section 4(d) on the conversion of this Debenture). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Debenture following such Fundamental

Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the “Successor Entity”) to assume in writing all of the obligations of the Company under this Debenture and the other Transaction Documents (as defined in the Purchase Agreement) in accordance with the provisions of this Section 5(e) pursuant to written agreements in form and substance reasonably satisfactory to the holders of at least 67% in principal amount of the Debentures and approved by such holders (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Debenture a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Debenture which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Debenture (without regard to any limitations on the conversion of this Debenture) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Debenture immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Debenture and the other Transaction Documents referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Debenture and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.

g) Notice to the Holder.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, the Company shall promptly deliver to each Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common

Stock is converted into other securities, cash or property or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Debenture, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Debenture Register, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to convert this Debenture during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 6. Redemption.

a) Optional Redemption at Election of Company. Subject to the provisions of this Section 6(a), at any time after date hereof, the Company may deliver a notice to the Holder (an "Optional Redemption Notice" and the date such notice is deemed delivered hereunder, the "Optional Redemption Notice Date") of its irrevocable election to redeem some or all of the then outstanding principal amount of this Debenture for cash in an amount equal to the Optional Redemption Amount on the 20th Trading Day following the Optional Redemption Notice Date (such date, the "Optional Redemption Date", such 20 Trading Day period, the "Optional Redemption Period" and such redemption, the "Optional Redemption"). The Optional Redemption Amount is payable in full on the Optional Redemption Date. The Company may only effect an Optional Redemption if each of the Equity Conditions shall have been met (unless waived in writing by the Holder) on each Trading Day during the period commencing on the Optional Redemption Notice Date through to the Optional Redemption Date and through and including the date payment of the Optional Redemption Amount is actually made in full. If any of the Equity Conditions shall cease to be satisfied at any time during the Optional Redemption Period, then the Holder may elect to nullify the Optional Redemption Notice by notice to the Company within 3 Trading Days after the first day on which any such Equity Condition has not been met (provided that if, by a provision of the Transaction Documents, the Company is obligated to notify the Holder of the non-existence of an Equity Condition, such notice period shall be extended to the third Trading Day after proper notice from the Company) in which case the Optional Redemption Notice shall be null and void, ab initio. The Company covenants and agrees that it will honor all Notices of Conversion tendered from the time of delivery of the Optional Redemption Notice through the date all amounts owing thereon are due and paid in full. The Company's determination to pay an Optional Redemption in cash shall be applied ratably to all of the holders of the then outstanding Debentures based on their (or their predecessor's) initial purchases of Debentures.

b) Redemption Procedure. The payment of cash or issuance of Common Stock, as applicable, pursuant to an Optional Redemption shall be payable on the Optional Redemption Date. If any portion of the payment pursuant to an Optional Redemption shall not be paid by the Company by the applicable due date, interest shall accrue thereon at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted by applicable law until such amount is paid in full. Notwithstanding anything herein contained to the contrary, if any portion of the Optional Redemption Amount remains unpaid after such date, the Holder may elect, by written notice to the Company given at any time thereafter, to invalidate such Optional Redemption, ab initio, and, with respect to the Company's failure to honor the Optional Redemption, the Company shall have no further right to exercise such Optional Redemption. Notwithstanding anything to the contrary in this Section 6, the Company's determination to redeem in cash or its elections under Section 6(b) shall be applied ratably among the Holders of Debentures. The Holder may elect to convert the outstanding principal amount of the Debenture pursuant to Section 4 prior to actual payment in cash for any redemption under this Section 6 by the delivery of a Notice of Conversion to the Company and, in addition to the delivery of Conversion Shares upon conversion thereof, the Company shall be required to issue to the Holder an additional number of shares of duly authorized, validly issued, fully paid and non-assessable shares of Common Stock equal to the Make-Whole Payment divided by the Conversion Price.

Section 7. Negative Covenants. As long as any portion of this Debenture remains outstanding, unless the holders of at least 67% in principal amount of the then outstanding Debentures shall have otherwise given prior written consent, the Company shall not, and shall not permit any of the Subsidiaries to, directly or indirectly:

- a) other than Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens on the property securing this Debenture as described in the Security Documents (as defined in the Purchase Agreement), or any interest therein or any income or profits therefrom;
- b) amend its charter documents, including, without limitation, its certificate of incorporation and bylaws, in any manner that materially and adversely affects any rights of the Holder;
- c) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or Common Stock Equivalents other than as to (i) the Conversion Shares as permitted or required under the Transaction Documents and (ii) repurchases of Common Stock or Common Stock Equivalents of departing officers and directors of the Company, provided that such repurchases shall not exceed an aggregate of \$100,000 for all officers and directors during the term of this Debenture;
- d) pay cash dividends or distributions on any equity securities of the Company;
- e) enter into any transaction with any Affiliate of the Company which would be required to be disclosed in any public filing with the Commission, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of the Company (even if less than a quorum otherwise required for board approval); or

f) enter into any agreement with respect to any of the foregoing.

Section 8. Events of Default.

a) “Event of Default” means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal amount of any Debenture or (B) interest, liquidated damages and other amounts owing to a Holder on any Debenture, as and when the same shall become due and payable (whether on a Conversion Date or the Maturity Date or by acceleration or otherwise) which default, solely in the case of an interest payment or other default under clause (B) above, is not cured within 3 Trading Days;

ii. the Company shall fail to observe or perform any other covenant or agreement contained in the Debentures (other than a breach by the Company of its obligations to deliver shares of Common Stock to the Holder upon conversion, which breach is addressed in clause (xi) below) which failure is not cured, if possible to cure, within the earlier to occur of (A) 5 Trading Days after notice of such failure sent by the Holder or by any other Holder to the Company and (B) 10 Trading Days after the Company has become or should have become aware of such failure;

iii. a default or event of default (subject to any grace or cure period provided in the applicable agreement, document or instrument) shall occur under (A) any of the Transaction Documents or (B) any other material agreement, lease, document or instrument to which the Company or any Subsidiary is obligated (and not covered by clause (vi) below);

iv. any representation or warranty made in this Debenture, any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to the Holder or any other Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

v. the Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) shall be subject to a Bankruptcy Event;

vi. the Company or any Subsidiary shall default on any of its obligations under any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that (a) involves an obligation greater than \$150,000, whether such indebtedness now exists or shall hereafter be created, and (b) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

vii. the Common Stock shall not be eligible for listing or quotation for trading on a Trading Market and shall not be eligible to resume listing or quotation for trading thereon within five Trading Days;

viii. the Company shall be a party to any Change of Control Transaction or Fundamental Transaction or shall agree to sell or dispose of all or in excess of 33% of its assets in one transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);

ix. the Company shall fail for any reason to deliver certificates to a Holder prior to the fifth Trading Day after a Conversion Date pursuant to Section 4(c) or the Company shall provide at any time notice to the Holder, including by way of public announcement, of the Company's intention to not honor requests for conversions of any Debentures in accordance with the terms hereof;

x. any Person shall breach any agreement delivered to the Holders pursuant to Section 2.2 of the Purchase Agreement; or

xi. any monetary judgment, writ or similar final process shall be entered or filed against the Company, any subsidiary or any of their respective property or other assets for more than \$50,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days.

b) Remedies Upon Event of Default. If any Event of Default occurs, the outstanding principal amount of this Debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Holder's election, immediately due and payable in cash at the Mandatory Default Amount. Commencing 5 days after the occurrence of any Event of Default that results in the eventual acceleration of this Debenture, the interest rate on this Debenture shall accrue at an interest rate equal to the lesser of 18% per annum or the maximum rate permitted under applicable law. Upon the payment in full of the Mandatory Default Amount, the Holder shall promptly surrender this Debenture to or as directed by the Company. In connection with such acceleration described herein, the Holder need not provide, and the Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and the Holder shall have all rights as a holder of the Debenture until such time, if any, as the Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 9. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Company, at the address set forth above, or such other facsimile number or address as the Company may specify for such purposes by notice to the Holder delivered in accordance with this Section 9(a). Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of the Holder

appearing on the books of the Company, or if no such facsimile number or address appears on the books of the Company, at the principal place of business of such Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct debt obligation of the Company. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein.

c) Lost or Mutilated Debenture. If this Debenture shall be mutilated, lost, stolen or destroyed, the Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof, reasonably satisfactory to the Company.

d) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Debenture shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Debenture and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Debenture or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Debenture, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

e) Waiver. Any waiver by the Company or the Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of the Company or the Holder to insist upon strict adherence to any term of this Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture on any other occasion. Any waiver by the Company or the Holder must be in writing.

f) Severability. If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive the Company from paying all or any portion of the principal of or interest on this Debenture as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Debenture, and the Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings. The headings contained herein are for convenience only, do not constitute a part of this Debenture and shall not be deemed to limit or affect any of the provisions hereof.

i) Secured Obligation. The obligations of the Company under this Debenture are secured by the Company's interests in the properties described on Annex B hereto and the Well Liens.

j) Future Debt or Equity Offerings. The Company hereby grants to the Holder the right to purchase on a pro rata basis, based upon its respective percentage ownership of outstanding Debentures, up to 15% of the total offering amount of any newly issued convertible debentures, preferred stock or Common Stock ("New Securities") issued by the Company prior to December 31, 2012 (a "Preemptive Issuance"), excluding any issuances (i) pursuant to any equity incentive plan or similar issuances to employees, directors and consultants, (ii) pursuant to any financing transaction under bank lines of credit, and (iii) pursuant to the acquisition of another entity by the Company via merger, consolidation, purchase of all or substantially all of the capital stock or assets of such entity, or any other form of transaction. The Company shall provide written notice of any Preemptive Issuance (a "Notice of Issuance") to the Holder at least ten (10) days prior to the proposed consummation of a Preemptive Issuance. Any Notice of Issuance shall specify (i) the amount, kind and terms of the New Securities to be issued, (ii) the terms of purchase thereof, including the purchase price, the expected timing of the closing, the payment terms and any additional terms relevant to the Holders's decision to purchase and (iii) the total amount of New Securities which each such Holder is entitled to purchase in the Preemptive Issuance (such Holder's "**Pro Rata Share**"). If the Holder desiring to accept the offer contained in the Notice of Issuance, it will be required to deliver written notice of such acceptance to the Company within five (5) days after delivery of the Notice of Issuance, indicating (i) the amount of New Securities such Holder desires to acquire (not in any event to exceed such Holder's Pro Rata Share) and (ii) the amount, if any, such Holder desires to acquire beyond such Holder's Pro Rata Share, in the event any other Holder does not purchase its own Pro Rata Share. The Company shall determine in good faith the allocation of New Securities among the interested Holders in a manner consistent with the Holders' responses, with successive allocations of any New Securities not so purchased by a Holder, if any, on the same pro rata basis until all such New Securities have been so allocated or until such time as all purchasing Holders have been allocated all eligible New Securities that they desire to purchase. The Preemptive Issuance shall occur, if at all, (a) on the proposed date of issuance specified in the relevant Notice of Issuance (provided that consummation of any Preemptive Issuance may be extended beyond such date to the extent necessary to obtain any applicable governmental approval or to satisfy other conditions) or (b) at such time as the Company shall specify to each purchasing Holder, provided that in no event shall any purchasing Holder be required, without its consent, to close its particular transaction prior to the date that is ten (10) days after the Company delivers the applicable Notice of Issuance and (c) at such place as the Company shall specify to such purchasing Holder.

(Signature Pages Follow)

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed by a duly authorized officer as of the date first above indicated.

RECOVERY ENERGY, INC.

By: _____
Name:
Title:
Facsimile No. for delivery of Notices:

ANNEX A
NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the 8% Senior Secured Convertible Debenture due February 8, 2014 of Recovery Energy, Inc., a Nevada corporation (the "Company"), into shares of common stock (the "Common Stock"), of the Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion the undersigned represents and warrants to the Company that its ownership of the Common Stock does not exceed the amounts specified under Section 4 of this Debenture, as determined in accordance with Section 13(d) of the Exchange Act.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Conversion calculations:

Date to Effect Conversion:

Principal Amount of Debenture to be Converted:

Payment of Interest in Common Stock yes no

If yes, \$ _____ of Interest Accrued on Account of Conversion at Issue.

Number of shares of Common Stock to be issued:

Signature:

Name:

Address for Delivery of Common Stock Certificates:

Or

DWAC Instructions:

Broker No:

Account No:

Schedule 1

CONVERSION SCHEDULE

The 8% Senior Secured Convertible Debentures due on February 8, 2014 in the aggregate principal amount of \$_____ are issued by Recovery Energy, Inc., a Nevada corporation. This Conversion Schedule reflects conversions made under Section 4 of the above referenced Debenture.

Dated:

Date of Conversion (or for first entry, Original Issue Date)	Amount of Conversion	Aggregate Principal Amount Remaining Subsequent to Conversion (or original Principal Amount)	Company Attest

**ANNEX B
PROPERTY SUBJECT TO SECURITY INTEREST**

INSOFAR AND ONLY INSOFAR AS THE LEASES COVER THE LAND DESCRIBED IN THIS ANNEX "B"

1. Goshen County, WY

<u>LEASE DATE:</u>	January 1st, 2011	
<u>LESSOR:</u>	Crossed Arrows Ranch Inc.	
<u>LESSEE:</u>	Recovery Energy, Inc.	<u>COUNTY, STATE:</u>
<u>DESCRIPTION:</u>	<u>Township 26 North, Range 62 West, 6th P.M.</u> Section 1: Lots 3, 4, S/2NW/4, SW4 Section 2: Lots 1-4, S/2N/2, S/2 Section 3: Lots 1, 2, S/2NE/4	Goshen County, WY
	<u>Township 27 North, Range 61 West, 6th P.M.</u> Section 31: Lots 1-4, E/2W/2	Goshen County, WY
	<u>Township 27 North, Range 62 West, 6th P.M.</u> Section 7: Lots 4 Section 15: SW/4, N/2SE/4 Section 17: SW/4NE/4, NW/4NW/4, S/2NW/4, S/2 Section 18: Lots 1, 4, N/2NE/4, SE/4NE/4, E/2NW/4, NE/4SW/4, Section 19: Lot 1 Section 20: NW/4NE/4, NE/4NW/4 Section 21: SE/4NE/4, E/2SE/4 Section 22: W/2, W/2SE/4 Section 25: W/2 Section 26: ALL Section 27: E/2, N/2NW/4 Section 28: E/2, SE/4SW/4 Section 29: S/2SW/4, SW/4SE/4 Section 30: SE/4SE/4 Section 32: NW/4 Section 34: N/2NE/4 Section 35: N/2NE/4, W/2, SE/4	Goshen County, WY
	<u>Township 27 North, Range 63 West, 6th P.M.</u> Section 11: SE/4SW/4, SW/4SE/4 Section 12: Lot 4, S/2SW/4, SW/4SE/4 Section 13: Lot 1, W/2NW/4, SW/4, SE/4SE/4 Section 14: NW/4NE/4, S/2NE/4, NE/4NW/4, N/2SE/4 Section 23: E/2SE/4 Section 24: N/2, SW/4 Section 25: W/2 Section 26: NE/4NE/4, S/2NE/4, SW/4, NW/4SE/4, S/2SE/4 Section 27: S/2SE/4 Containing 16,299.37 acres more or less	Goshen County, WY

LEASE DATE: February 9, 2011
LESSOR: Eric Alan McCallan, a/k/a Alan Claude McCallan, dealing in his sole and separate property,
and Christopher P. McCallan, a married man dealing in his sole and separate

<u>LESSEE:</u>	Recovery Energy, Inc.	<u>COUNTY, STATE</u>
<u>DESCRIPTION:</u>	<u>Township 25 North, Range 62 West, 6th P.M.</u> Section 07: N2NE, SENE, NESE Section 08: N2NW, SWNW, NWSW Section 16: SW Section 20: SESE, that part of NESE lying south of railroad Section 28: SWNW, W2SW Section 29: E2E2 Section 32: N2NE Section 26: NW	Goshen County, WY
	<u>Township 25 North, Range 63 West, 6th P.M.</u> Section 18: Lots 1, 2, 3 and 4	Goshen County, WY
	<u>Township 25 North, Range 64 West, 6th P.M.</u> Section 11: W2SE Section 13: E2, E2W2 Section 14: Lots 1, 2, 3, 5, 6, 7, W2NE, W2, NWSE Section 23: Lots 3, 4, 7, 8, NWNE, N2NW, NWSE Section 24: NWSW	Goshen County, WY

Containing in all approximately 7,604.00 acres, more or less.

2. Laramie County, WY and Kimball County, NE

<u>LEASE DATE:</u>	March 2, 2010		
<u>LESSOR:</u>	Anderson Livestock, Inc. (LEASE #10133)		
<u>LESSEE:</u>	Edward Mike Davis, L.L.C.		
<u>DESCRIPTION:</u>	T16N-R60W Section 11: Lots 1-4 Section 14: Lots 1-4 Section 15: NW Section 22: SE Section 23: North 130.00 acres of the W/2	<u>RECORDING:</u> B 2158, P 1303-1305	<u>COUNTY, STATE:</u> Laramie, WY
	T16N-R59W Section 11: Lots 1-4 Section 14: Lots 1-4, less 14.5 acres Section 26: South 2/3rds and T16N-R58W Section 17: SE	B 210, P 249-252	Kimball, NE

LEASE DATE: January 28, 2010
LESSOR: Alyce Knigge (LEASE #10135)
LESSEE: Edward Mike Davis, L.L.C.

RECORDING:
B 210, P 4-6

COUNTY, STATE:
Kimball, NE

DESCRIPTION: T16N-
R58W
Section 20: ALL

LEASE DATE: March 12, 2010
LESSOR: Mattson Ranch Company (LEASE #10191)
LESSEE: Edward Mike Davis, L.L.C.

RECORDING:
B 2161, P 376-378

COUNTY, STATE:
Laramie, WY

DESCRIPTION: T16N-R60W
Section 32: NW, less a 5 acre tract in the NWNW and
T15N-R60W
Section 16: ALL, less a 10.925 acre tract
Section 22: ALL
Section 23: ALL

LEASE DATE: March 17, 2010
LESSOR: Juanita Moffitt (LEASE #10212)
LESSEE: Edward Mike Davis, L.L.C.

RECORDING:
B 2161, P 382-384

COUNTY, STATE:
Laramie, WY

DESCRIPTION: T16N-R60W
Section 32: NE, less a 1 acre tract in the NWNW

LEASE DATE: January 6, 2010
LESSOR: Ronald S. Jessen and Brenda L. Jessen (LEASE #10117)
LESSEE: Edward Mike Davis, L.L.C.

RECORDING:
B 209, P 538-541

COUNTY, STATE:
Kimball, NE

DESCRIPTION: T15N-R59W
Section 1: Lots 1 and 2, S/2NE, SE (a/k/a W/2)

LEASE DATE: February 19, 2010
LESSOR: Robert R. Cutler and Joanne S. Cutler (LEASE #10116)
LESSEE: Edward Mike Davis, L.L.C.
DESCRIPTION: T15N-R59W Section 1: Lots 3 and 4, S/2NW, SW (a/k/a B 210, P 14-17 W/2)
RECORDING:
COUNTY, STATE: Kimball, NE

LEASE DATE: January 26, 2010
LESSOR: Rhonda Marie Duclo (LEASE #10142)
LESSEE: Edward Mike Davis, L.L.C.
DESCRIPTION: T16N-R58W Section 29: E/2
RECORDING: B 210, P 1-3
COUNTY, STATE: Kimball, NE

LEASE DATE: January 25, 2010
LESSOR: Troy Freeburg and Loretta Freeburg (LEASE #10143)
LESSEE: Edward Mike Davis, L.L.C.
DESCRIPTION: T16N-R58W Section 29: W/2
RECORDING: B 209, P 797-800
COUNTY, STATE: Kimball, NE

LEASE DATE: April 30, 2010
LESSOR: Dennis L. Goranson (LEASE #10115)
LESSEE: Edward Mike Davis, L.L.C.
DESCRIPTION: T15N-R59W Section 25: ALL and T15N-R58W Section 30: Lots 1-4, E/2, E/2W/2 (a/k/a ALL) Section 31: Lots 1-4, E/2, E/2W/2 (a/k/a ALL)
RECORDING: B 210, P 241-244
COUNTY, STATE: Kimball, NE

LEASE DATE: December 23, 2009
LESSOR: David Herman (LEASE #10185)
LESSEE: Edward Mike Davis, L.L.C.
DESCRIPTION: T15N-R60W Section 9: E//2 and T16N-R60W Section 20: NE
RECORDING: B 2149, P 503-505
COUNTY, STATE: Laramie, WY

LEASE DATE: January 25, 2010
LESSOR: Phyllis A. Cooney Trust (LEASE #10186)
LESSEE: Edward Mike Davis, L.L.C.

RECORDING:
B 2158, P 1292-1295

COUNTY, STATE:
Laramie, WY

DESCRIPTION: T15N-R60W
Section 10: N/2

LEASE DATE: March 17, 2010
LESSOR: Emmy Lu Randol (LEASE #10187)
LESSEE: Edward Mike Davis, L.L.C.

RECORDING:
B 2158, P 1357-1359

COUNTY, STATE:
Laramie, WY

DESCRIPTION: T15N-R60W
Section 15: ALL
Section 17: S/2
Section 20: N/2
Section 21: ALL

The above described leases cover 7,655 net acres. Each of the above described leases has at least 2.5 years remaining in the primary term of the lease and each lease has a provision that grants to the lessee an option to extend the primary term for an additional five years.

Ralph E. Davis Associates, Inc.
1717 St. James Place, Suite 460
Houston, TX 77056

March 16, 2012

Recovery Energy, Inc.
1515 Wynkoop Street, Suite 200
Denver CO 80202
Attention: Brad Gabbard

Dear Brad:

RE Davis hereby consents to being named in the Annual Report on Form 10-K being filed by Recovery Energy, Inc. on or about March 16, 2012 and to the filing of our report dated March 5, 2012 as an exhibit to the Registration Statement.

Sincerely,

Ralph E. Davis Associates, Inc.

/s/ Allen C. Barron

Allen C Barron, P.E.

President

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Roger A. Parker, certify that:

1. I have reviewed this Form 10-K of Recovery Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Roger A. Parker
Roger A. Parker
Chief Executive Officer

March 16, 2011

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, A. Bradley Gabbard, certify that:

1. I have reviewed this Form 10-K of Recovery Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/A. Bradley Gabbard
A. Bradley Gabbard
Chief Financial Officer

March 16, 2011

**OFFICER'S CERTIFICATION
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C 1350)**

The undersigned Roger A. Parker, the Chief Executive Officer of Recovery Energy, Inc., (the "Corporation"), in connection with the Corporation's Yearly Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), does hereby represent, warrant and certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that, to the best of his knowledge:

1. The Report is in full compliance with the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Corporation.

By: /s/ Roger A. Parker

Roger A. Parker
Chief Executive Officer

March 16, 2011

**OFFICER'S CERTIFICATION
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C 1350)**

The undersigned A. Bradley Gabbard, the Chief Financial Officer of Recovery Energy, Inc., (the "Corporation"), in connection with the Corporation's Yearly Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), does hereby represent, warrant and certify pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, as amended, that, to the best of his knowledge:

1. The Report is in full compliance with the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Corporation.

By: /s/ A. Bradley Gabbard
A. Bradley Gabbard
Chief Financial Officer

March 16, 2011

RECOVERY ENERGY COMPANY INC.

**ESTIMATED RESERVES
AND
FUTURE NET REVENUE**

**CONTINGENT AND PROSPECTIVE
RESOURCE VOLUMES
AS OF DECEMBER 31, 2011**



**RALPH E. DAVIS ASSOCIATES, INC.
HOUSTON, TEXAS**



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Proved Non-Producing**
 - VII: Economic Cash Flow Presentations
Individual Wells for Non-Producing Properties
Proved Undeveloped**
-

Engineering Letter





March 5, 2012

Recovery Energy Company, Inc.
1515 Wynkoop Street, Suite 200
Denver, Colorado 80202

Attn: Mr. Kent Lina
Senior Vice President
Corporate Engineering

**Re: Estimated Reserves and Future Net Revenue,
Recovery Energy Company, Inc.
As of December 31, 2011**

Gentlemen:

At your request, the firm of Ralph E. Davis Associates, Inc. (Davis) of Houston, Texas has prepared an estimate of the reserves and future net revenue associated with specific leaseholds in which Recovery Energy Company, Inc. (Recovery Energy) owns interests. This report presents our assessment of the proved reserves, future production and income attributable to the subject interests as of the effective date of this report, December 31, 2011.

Davis has reviewed 100% of Recovery Energy's proved developed and undeveloped properties located in the Denver Julesberg Basin of the United States. It is our opinion that these properties represent all of Recovery Energy's assets that may be classified as proved as per the Securities and Exchange Commission directives as detailed later in this report.

The reserves associated with this review have been classified in accordance with the definitions of the Securities and Exchange Commission as found in Part 210—Form and Content of and Requirements for Financial Statements, Securities Act of 1933, Securities Exchange Act of 1934, Public Utility Holding Company Act of 1935, Investment Company Act of 1940, Investment Advisers Act of 1940, and Energy Policy and Conservation Act of 1975, under Rules of General Application § 210.4-10 Financial accounting and reporting for oil and gas producing activities pursuant to the Federal securities laws and the Energy Policy and Conservation Act of 1975. A summation of these definitions is included as a portion of this letter.

We have also estimated the future net revenue and discounted present value associated with these reserves as of December 31, 2011 utilizing a scenario of non-escalated product prices as well as non-escalated costs of operations, i.e., prices and costs were not escalated above current values as detailed later in this report. The present value is presented for your information and should not be construed as an estimate of the fair market value.

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Worldwide Energy Consultants Since 1924

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The results of our study related to our estimate of the Total Proved Reserves attributable to Recovery Energy and remaining to be produced as of December 31, 2011 are as follows:

Non Escalated Pricing Scenario
Estimated Reserves and Future Net Income
Net to Recovery Energy Company, Inc.
As of December 31, 2011

<u>Reserve Category</u>	<u>Estimated Future Net Income (\$1000)</u>		<u>Estimated Net Reserves</u>	
	<u>MBbls</u>	<u>MMCF</u>	<u>Undiscounted</u>	<u>Discounted@ 10%</u>
<u>PROVED RESERVES</u>				
Producing	213.9	148.1	\$ 13,180.0	\$ 10,100.6
Non-Producing	1.8	0.0	\$ 137.2	\$ 103.6
Undeveloped	<u>392.5</u>	<u>0.0</u>	<u>\$ 16,918.2</u>	<u>\$ 9,809.9</u>
TOTAL PROVED	608.2	148.1	\$ 30,235.4	\$ 20,014.0

Liquid volumes are expressed in thousands of barrels (MBbls) of stock tank oil. Gas volumes are expressed in millions of standard cubic feet (MMSCF) at the official temperature and pressure bases of the areas wherein the gas reserves are located.

The economic cash flow presentation of the above volumes and revenues are presented for the individual reserve classifications, as well as appropriate summaries, as Exhibit No. I.

DISCUSSION:

The scope of this study was to prepare an estimate of the proved reserves attributable to Recovery Energy's ownership position in the subject properties. Reserve estimates were prepared by Davis using acceptable evaluation principles for each source and were based in large part on the basic information supplied by Recovery Energy.

The quantities presented herein are estimated reserves of oil and natural gas volumes that geologic and engineering data demonstrate can be recovered from known reservoirs under specific economic conditions with reasonable certainty. Proved undeveloped locations are scheduled to be drilled such that the investment cost will be fully recovered prior to recovery of the estimated reserve volume.

This evaluation has been prepared in accordance with the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" as proclaimed by the Society of Petroleum Engineers, the SPE Standards.

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Texas Registered Engineering Firm F-1529

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The estimated future net revenue and discounted present value associated with the reserves as of December 31, 2011 were prepared utilizing a pricing scenario that is detailed later in this report. Costs of operations were provided by Recovery Energy, the operator of all but one of the properties, on a well by well basis. These costs were reviewed by Davis and are considered to be reasonable. Capital costs were also provided by Recovery Energy. These costs were compared to actual costs of recently drilled wells, taking into account depth of the wells to be drilled. The capital costs included in this report are also considered to be reasonable.

DATA SOURCE

Basic well and field data used in the preparation of this report were furnished by Recovery Energy or were obtained from commercial sources or from Davis' own database of information. Records as they pertain to factual matters such as acreage controlled the number and depths of wells, reservoir pressure and production history, the existence of contractual obligations to others and similar matters were accepted as presented.

Additionally, the analyses of these properties utilized not only the basic data on the subject wells but also data on analogous properties as provided. Well logs, ownership interest, revenues received from the sale of products and operating costs were furnished by Recovery Energy. No physical inspection of the properties was made nor any well tests conducted at this time.

OWNERSHIP

Ownership interests in the subject properties have been furnished by Recovery Energy and accepted by Davis without independent verification.

RESERVE ESTIMATES

The estimate of reserves included in this report is based primarily upon production history or analogy with wells in the area producing from the same or similar formations. In addition to individual well production history, geological and well test information, when available, were utilized in the evaluation. Individual well production histories were evaluated utilizing decline curve analysis on the individual properties and forecast until a calculated economic limit.

Exhibit No. I is a summary presentation of the economic cash flow analyses for the various reserve categories. Exhibit's II through IV are various one-line summary presentations of the reserve categories and individual properties. Exhibit V is a presentation of the individual proved developed producing properties with production curves. Exhibit VI is a presentation by reserve category of the individual non-producing properties.

Proved undeveloped reserve estimates were based on a volumetric method using a recovery factor based on estimated ultimate recovery of the nearby producing wells. The reserves estimated for this report reflect only those reserves anticipated to be produced from the Lower Cretaceous Series, Dakota Group, Muddy (J) Sandstone Formation. Based on a cursory evaluation of the Recovery Energy well logs, the reservoirs in the J Sandstone have a rapid

...formation of the reservoir. Along with logs, the sections in the ... sandstone have a rapid lateral stratigraphic variation, e.g., in the State Line, West Albin (Palm), Albin, Wilke, Tracy and

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Lukassen Fields and the Vrtatko Area. As such, estimating predictable original oil in place and drainage areas is uncertain without a geologic understanding of the local geologic environment of deposition and intra-well communication, and accurate prediction of offset net sand and oil pay. This information was taken into account for this evaluation.

The accuracy of reserve estimates is dependent upon the quality of available data and upon the independent geological and engineering interpretation of that data. It should be noted that all reserve estimates involve an assessment of the uncertainty relating the likelihood that the actual remaining quantities recovered will be greater or less than the estimated quantities determined as of the date the estimate is made. The uncertainty depends primarily on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of these data. These reserves have been determined using methods and procedures widely accepted within the industry and are believed to be appropriate for the purposes of this report. In our opinion, we used all methods and procedures necessary under the circumstances to prepare this report.

PRODUCING RATES

For the purpose of this report, estimated reserves are scheduled for recovery primarily on the basis of actual producing rates or appropriate well test information. They were prepared giving consideration to engineering and geological data such as reservoir pressure, anticipated producing mechanisms, the number and types of completions, as well as past performance of analogous reservoirs.

These and other future rates may be subject to regulation by various agencies, changes in market demand or other factors; consequently, reserves recovered and the actual rates of recovery may vary from the estimates included herein. Scheduled dates of future well completions may vary from that provided by Recovery Energy due to changes in market demand or the availability of materials and/or capital; however, the timing of the wells and their estimated rates of production are reasonable and consistent with established performance to date.

PRICING PROVISIONS AND DIFFERENTIALS

Prices utilized in the evaluation results presented in the letter portion of this report and summarized in the various tables included in this evaluation were furnished by Recovery Energy. Prices received for products sold, adjustments due to the BTU content of the gas, shrinkage for transportation, measuring or the removal of liquids, the liquid yield from gas processed, etc., were accepted as presented.

The unit price used throughout this report for crude oil, condensate and natural gas is based upon the appropriate price in effect the first trading of each month during the previous twelve calendar months through December 2011, and averaged for the time period.

Crude Oil and Condensate - The unit price used throughout this report for crude oil and condensate is based upon the average of prices for the previous twelve months as indicated above. An average crude oil price for West Texas Intermediate crude of \$95.80 per barrel was held constant throughout the producing life of the properties. A pricing differential from this

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posted price of -\$7.64 was utilized to account for location and grade of crude based upon historical sales information for each producing property and was utilized in this evaluation. This pricing differential was similarly held constant. Prices for liquid reserves scheduled for initial production at some future date were estimated using current prices on the same properties.

Natural Gas Liquids were priced at fifty-four percent (54.0%) of the existing oil and condensate price for all properties in the evaluation, based upon historical sales.

Natural Gas - The unit price used throughout this report for natural gas is based upon the average of prices for previous twelve months as indicated above. An average gas price of \$4.15 per MMBTU representing the NYMEX natural gas price was held constant throughout the producing life of the properties. Prices for gas reserves scheduled for initial production at some future date were estimated using this same price.

No gas shrinkage was applied in this report as a representation of either gas plant processing shrinkage, fuel usage and/or loss.

FUTURE NET INCOME

Future net income is based upon gross income from future production, less direct operating expenses and taxes (production, severance, ad valorem or other). Estimated future capital for development and work-over costs were also deducted from gross income at the time it will be expended. No allowance was made for depletion, depreciation, income taxes or administrative expense.

Direct lease operating expense includes direct cost of operations of each lease or an estimated value for future operations based upon analogous properties. Lease operating expense and/or capital costs for drilling and/or major work over expense were not escalated throughout the remaining producing life of the properties. Neither the cost to abandon properties nor the salvage value of equipment was considered in this report.

Future net income has been discounted for present worth at values ranging from 0 to 100 percent using continuous discounting. In this report the future net income is discounted at a primary rate of ten (10.0) percent.

GENERAL

Recovery Energy Company, Inc. has provided access to all of its accounts, records, geological and engineering data, reports and other information as required for this evaluation. The ownership interests, product classifications relating to prices and other factual data were accepted as furnished without verification.

No consideration was given in this report to either gas contract disputes including take or pay demands or gas sales imbalances.

No consideration was given in this report to potential environmental liabilities which may exist, nor were any costs included for potential liability to restore and clean up damages, if any, caused by past operating practices.

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Neither Ralph E. Davis Associates, Inc. nor any of its employees have any interest in Recovery Energy or any other related company or the properties reported on herein. The employment and compensation to make this study are not contingent on our estimate of reserves. The technical persons responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity and confidentiality set forth in the SPE standards.

This report has been prepared for public disclosure by Recovery Energy Company, Inc. in filings made with the SEC in accordance with the disclosure requirements set forth in the SEC regulations.

The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices. Please feel free to contact us if we can be of further service.

We appreciate the opportunity to be of service to you in the matter of this report and will be glad to address any questions or inquiries you may have.

Very truly yours,

RALPH E. DAVIS ASSOCIATES, INC.

Allen C. Barron, P. E.
President

Ralph E. Davis Associates, Inc.
Texas Registered Engineering Firm F-1529

SECURITIES AND EXCHANGE COMMISSION
DEFINITIONS OF RESERVES

The following information is taken from the United States Securities and Exchange Commission:

PART 210—FORM AND CONTENT OF AND REQUIREMENTS FOR FINANCIAL STATEMENTS, SECURITIES ACT OF 1933, SECURITIES EXCHANGE ACT OF 1934, PUBLIC UTILITY HOLDING COMPANY ACT OF 1935, INVESTMENT COMPANY ACT OF 1940, INVESTMENT ADVISERS ACT OF 1940, AND ENERGY POLICY AND CONSERVATION ACT OF 1975

Rules of General Application

§ 210.4-10 Financial accounting and reporting for oil and gas producing activities pursuant to the Federal securities laws and the Energy Policy and Conservation Act of 1975.

Reserves

Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (*i.e.*, absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (*i.e.*, potentially recoverable resources from undiscovered accumulations).

Proved Oil and Gas Reserves

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

- (i) The area of the reservoir considered as proved includes:
 - (A) The area identified by drilling and limited by fluid contacts, if any, and
 - (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.
- (ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.
- (iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.
- (iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Reasonable certainty. If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

Reliable technology. Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

(i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

(ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.

(iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.

Possible Reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

(i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.

(ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.

(iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.

(iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.



(v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.

(vi) Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

Developed Oil and Gas Reserves

Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

(i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Undeveloped Oil and Gas Reserves

Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

Additional Definitions:

Deterministic Estimate

The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

Probabilistic Estimate

The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.

Reasonable Certainty

If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.



Exhibits

Summary Economic Cash Flow Presentations

Summary Economic Cash
Flow Presentations



RECOVERY ENERGY
 PROVED DEVELOPED PRODUCING RESER
 NON ESCALATED SEC PRICES
 AS OF 12/31/2012

DATE : 03/05/2012
 TIME : 13:57:38
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	77.484	140.464	58.220	40.752	88.160	3.963	5132.690	161.506	5606.566
12-2013	49.906	101.618	37.405	29.714	88.160	3.965	3297.646	117.832	3640.384
12-2014	33.205	73.558	25.042	21.697	88.160	3.968	2207.715	86.095	2455.743
12-2015	24.567	53.281	18.613	15.868	88.160	3.971	1640.916	63.009	1820.516
12-2016	18.087	38.621	13.886	11.624	88.160	3.974	1224.199	46.195	1354.340
12-2017	13.714	28.017	10.568	8.532	88.160	3.977	931.710	33.933	1026.084
12-2018	11.104	20.343	8.627	6.274	88.160	3.981	760.525	24.978	829.020
12-2019	9.123	14.786	7.112	4.624	88.160	3.985	627.027	18.428	676.787
12-2020	7.817	10.758	6.100	3.416	88.160	3.989	537.777	13.628	573.965
12-2021	5.859	7.837	4.584	2.530	88.160	3.994	404.156	10.105	430.503
12-2022	4.977	5.717	3.897	1.879	88.160	3.998	343.563	7.513	362.771
12-2023	4.266	0.532	3.357	0.410	88.160	4.150	295.991	1.702	297.693
12-2024	3.736	0.432	2.938	0.333	88.160	4.150	259.002	1.382	260.384
12-2025	3.291	0.351	2.586	0.270	88.160	4.150	227.953	1.122	229.075
12-2026	2.878	0.196	2.259	0.151	88.160	4.150	199.182	0.628	199.811
12-2027	2.344	0.000	1.833	0.000	88.160	0.000	161.567	0.000	161.567
12-2028	1.690	0.000	1.302	0.000	88.160	0.000	114.741	0.000	114.741
12-2029	1.555	0.000	1.197	0.000	88.160	0.000	105.562	0.000	105.562
12-2030	1.431	0.000	1.102	0.000	88.160	0.000	97.117	0.000	97.117
12-2031	1.316	0.000	1.013	0.000	88.160	0.000	89.347	0.000	89.347
S TOT	278.350	496.512	211.642	148.077	88.160	3.971	18658.387	588.056	20331.979
AFTER	2.933	0.000	2.259	0.000	88.160	0.000	199.111	0.000	199.111
TOTAL	281.283	496.512	213.901	148.077	88.160	3.971	18857.498	588.056	20531.090

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	324.410	255.482	927.966	0.000	0.000	0.000	4098.708	4098.708	3926.795
12-2013	213.637	161.499	806.018	0.000	0.000	0.000	2459.230	6557.938	6066.745
12-2014	150.810	109.848	561.316	0.000	0.000	0.000	1633.769	8191.707	7358.326
12-2015	112.080	81.064	475.030	0.000	0.000	0.000	1152.343	9344.050	8186.306
12-2016	82.219	59.025	368.004	0.000	0.000	0.000	845.092	10189.142	8737.949
12-2017	61.675	44.134	264.750	0.000	0.000	0.000	655.525	10844.667	9127.006
12-2018	49.044	36.334	220.370	0.000	0.000	0.000	523.272	11367.939	9409.159
12-2019	39.362	30.873	191.309	0.000	0.000	0.000	415.242	11783.182	9612.795
12-2020	33.198	26.754	189.609	0.000	0.000	0.000	324.403	12107.585	9757.428
12-2021	24.220	19.513	133.385	0.000	0.000	0.000	253.384	12360.969	9860.120
12-2022	20.296	16.717	127.504	0.000	0.000	0.000	198.254	12559.223	9933.169
12-2023	16.007	14.714	111.738	0.000	0.000	0.000	155.234	12714.457	9985.162
12-2024	14.133	13.044	111.738	0.000	0.000	0.000	121.469	12835.926	10022.152
12-2025	12.564	11.638	111.738	0.000	0.000	0.000	93.135	12929.061	10047.941
12-2026	10.960	10.447	109.092	0.000	0.000	0.000	69.312	12998.373	10065.393
12-2027	9.162	9.093	92.850	0.000	0.000	0.000	50.462	13048.835	10076.944
12-2028	7.765	7.343	60.000	0.000	0.000	0.000	39.633	13088.468	10085.185
12-2029	7.144	6.756	60.000	0.000	0.000	0.000	31.662	13120.130	10091.171
12-2030	6.572	6.215	60.000	0.000	0.000	0.000	24.329	13144.459	10095.354
12-2031	6.046	5.718	60.000	0.000	0.000	0.000	17.583	13162.042	10098.104
S TOT	1201.306	926.211	5042.417	0.000	0.000	0.000	13162.042	13162.042	10098.104
AFTER	13.474	12.743	155.000	0.000	0.000	0.000	17.894	13179.935	10100.563
TOTAL	1214.780	938.955	5197.417	0.000	0.000	0.000	13179.936	13179.935	10100.563

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	17.0	1.0	LIFE, YRS.	5.00	11379.855
GROSS ULT., MB & MMF	731.585	909.659	DISCOUNT %	10.00	10325.952
GROSS CUM., MB & MMF	450.302	413.147	UNDISCOUNTED PAYOUT, YRS.	0.00	10100.564
GROSS RES., MB & MMF	281.283	496.512	DISCOUNTED PAYOUT, YRS.	0.00	9686.638
NET RES., MB & MMF	213.901	148.077	UNDISCOUNTED NET/INVEST.	0.00	9143.685
NET REVENUE, M\$	18857.498	588.056	DISCOUNTED NET/INVEST.	0.00	8399.208
INITIAL PRICE, \$	88.160	3.955	RATE-OF-RETURN, PCT.	240.00	6547.771
INITIAL N.I., PCT.	79.087	51.473	INITIAL W.I., PCT.	60.00	5536.800
				120.00	4089.582
				240.00	3039.067

RECOVERY ENERGY
 PROVED DEVELOPED NON-PRODUCING R
 NON ESCALATED SEC PRICES
 AS OF 12/31/2012

DATE : 03/05/2012
 TIME : 13:57:38
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ----- ---MBLS---	GROSS GAS PRODUCTION ----- ---MMCF---	NET OIL PRODUCTION ----- ---MBLS---	NET GAS PRODUCTION ----- ---MMCF---	NET OIL PRICE ----- ---\$/BBL---	NET GAS PRICE ----- ---\$/MCF---	NET OIL SALES ----- ---M\$---	NET GAS SALES ----- ---M\$---	TOTAL NET SALES ----- ---M\$---
12-2012	19.298	0.000	0.627	0.000	88.160	0.000	55.293	0.000	55.293
12-2013	8.581	0.000	0.279	0.000	88.160	0.000	24.588	0.000	24.588
12-2014	5.368	0.000	0.174	0.000	88.160	0.000	15.381	0.000	15.381
12-2015	3.916	0.000	0.127	0.000	88.160	0.000	11.220	0.000	11.220
12-2016	3.085	0.000	0.100	0.000	88.160	0.000	8.838	0.000	8.838
12-2017	2.545	0.000	0.083	0.000	88.160	0.000	7.292	0.000	7.292
12-2018	2.166	0.000	0.070	0.000	88.160	0.000	6.207	0.000	6.207
12-2019	1.886	0.000	0.061	0.000	88.160	0.000	5.404	0.000	5.404
12-2020	1.670	0.000	0.054	0.000	88.160	0.000	4.785	0.000	4.785
12-2021	1.498	0.000	0.049	0.000	88.160	0.000	4.293	0.000	4.293
12-2022	1.359	0.000	0.044	0.000	88.160	0.000	3.893	0.000	3.893
12-2023	1.243	0.000	0.040	0.000	88.160	0.000	3.561	0.000	3.561
12-2024	1.143	0.000	0.037	0.000	88.160	0.000	3.274	0.000	3.274
12-2025	1.051	0.000	0.034	0.000	88.160	0.000	3.012	0.000	3.012
12-2026	0.331	0.000	0.011	0.000	88.160	0.000	0.950	0.000	0.950
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	55.141	0.000	1.792	0.000	88.160	0.000	157.991	0.000	157.991
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	55.141	0.000	1.792	0.000	88.160	0.000	157.991	0.000	157.991

--END-- MO-YEAR	AD VALOREM TAX ----- ---M\$---	PRODUCTION TAX ----- ---M\$---	DIRECT OPER EXPENSE ----- ---M\$---	INTEREST PAID ----- ---M\$---	CAPITAL REPAYMENT ----- ---M\$---	EQUITY INVESTMENT ----- ---M\$---	FUTURE NET CASHFLOW ----- ---M\$---	CUMULATIVE CASHFLOW ----- ---M\$---	CUM. DISC. CASHFLOW ----- ---M\$---
12-2012	3.742	3.539	0.000	0.000	0.000	0.000	48.013	48.013	46.035
12-2013	1.664	1.574	0.000	0.000	0.000	0.000	21.350	69.363	64.634
12-2014	1.041	0.984	0.000	0.000	0.000	0.000	13.356	82.719	75.192
12-2015	0.759	0.718	0.000	0.000	0.000	0.000	9.743	92.462	82.189
12-2016	0.598	0.566	0.000	0.000	0.000	0.000	7.674	100.136	87.197
12-2017	0.493	0.467	0.000	0.000	0.000	0.000	6.332	106.468	90.952
12-2018	0.420	0.397	0.000	0.000	0.000	0.000	5.390	111.857	93.857
12-2019	0.366	0.346	0.000	0.000	0.000	0.000	4.692	116.550	96.156
12-2020	0.324	0.306	0.000	0.000	0.000	0.000	4.155	120.704	98.007
12-2021	0.291	0.275	0.000	0.000	0.000	0.000	3.728	124.432	99.516
12-2022	0.263	0.249	0.000	0.000	0.000	0.000	3.380	127.812	100.760
12-2023	0.241	0.228	0.000	0.000	0.000	0.000	3.092	130.904	101.794
12-2024	0.222	0.210	0.000	0.000	0.000	0.000	2.843	133.747	102.659
12-2025	0.204	0.193	0.000	0.000	0.000	0.000	2.616	136.363	103.382
12-2026	0.064	0.061	0.000	0.000	0.000	0.000	0.825	137.188	103.596
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	10.692	10.111	0.000	0.000	0.000	0.000	137.188	137.188	103.596
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	137.188	103.596
TOTAL	10.692	10.111	0.000	0.000	0.000	0.000	137.188	137.188	103.596

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	117.336
GROSS ULT., MB & MMF	55.141	0.000	DISCOUNT %	10.00	105.988
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	103.596
GROSS RES., MB & MMF	55.141	0.000	DISCOUNTED PAYOUT, YRS.	12.00	99.239
NET RES., MB & MMF	1.792	0.000	UNDISCOUNTED NET/INVEST.	15.00	93.600
NET REVENUE, M\$	157.991	0.000	DISCOUNTED NET/INVEST.	20.00	86.017
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	40.00	67.878
INITIAL N.I., PCT.	3.250	0.000	INITIAL W.I., PCT.	60.00	58.273
				120.00	44.447
				240.00	33.944

RECOVERY ENERGY
 PROVED UNDEVELOPED RESERVES
 NON ESCALATED SEC PRICES
 AS OF 12/31/2012

DATE : 03/05/2012
 TIME : 13:57:39
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 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ----- ---MBBLS---	GROSS GAS PRODUCTION ----- ---MMCF---	NET OIL PRODUCTION ----- ---MBBLS---	NET GAS PRODUCTION ----- ---MMCF---	NET OIL PRICE ----- ---\$/BBL---	NET GAS PRICE ----- ---\$/MCF---	NET OIL SALES ----- ---M\$---	NET GAS SALES ----- ---M\$---	TOTAL NET SALES ----- ---M\$---
12-2012	71.452	0.000	56.512	0.000	88.160	0.000	4982.078	0.000	4982.078
12-2013	89.769	0.000	68.915	0.000	88.160	0.000	6075.512	0.000	6075.512
12-2014	61.860	0.000	47.755	0.000	88.160	0.000	4210.124	0.000	4210.124
12-2015	47.262	0.000	36.641	0.000	88.160	0.000	3230.260	0.000	3230.260
12-2016	38.375	0.000	29.848	0.000	88.160	0.000	2631.426	0.000	2631.426
12-2017	32.422	0.000	25.284	0.000	88.160	0.000	2229.042	0.000	2229.042
12-2018	28.145	0.000	21.995	0.000	88.160	0.000	1939.068	0.000	1939.068
12-2019	24.907	0.000	19.497	0.000	88.160	0.000	1718.837	0.000	1718.837
12-2020	19.431	0.000	15.314	0.000	88.160	0.000	1350.046	0.000	1350.046
12-2021	14.178	0.000	11.085	0.000	88.160	0.000	977.267	0.000	977.267
12-2022	10.676	0.000	8.263	0.000	88.160	0.000	728.468	0.000	728.468
12-2023	8.969	0.000	6.945	0.000	88.160	0.000	612.239	0.000	612.239
12-2024	7.761	0.000	6.010	0.000	88.160	0.000	529.833	0.000	529.833
12-2025	7.235	0.000	5.600	0.000	88.160	0.000	493.686	0.000	493.686
12-2026	6.761	0.000	5.231	0.000	88.160	0.000	461.142	0.000	461.142
12-2027	6.333	0.000	4.897	0.000	88.160	0.000	431.713	0.000	431.713
12-2028	5.945	0.000	4.594	0.000	88.160	0.000	405.001	0.000	405.001
12-2029	5.591	0.000	4.318	0.000	88.160	0.000	380.680	0.000	380.680
12-2030	5.269	0.000	4.066	0.000	88.160	0.000	358.475	0.000	358.475
12-2031	4.974	0.000	3.836	0.000	88.160	0.000	338.153	0.000	338.153
S TOT	497.315	0.000	386.604	0.000	88.160	0.000	34083.051	0.000	34083.051
AFTER	7.764	0.000	5.940	0.000	88.160	0.000	523.683	0.000	523.683
TOTAL	505.079	0.000	392.545	0.000	88.160	0.000	34606.734	0.000	34606.734

--END-- MO-YEAR	AD VALOREM TAX ----- ---M\$---	PRODUCTION TAX ----- ---M\$---	DIRECT OPER EXPENSE ----- ---M\$---	INTEREST PAID ----- ---M\$---	CAPITAL REPAYMENT ----- ---M\$---	EQUITY INVESTMENT ----- ---M\$---	FUTURE NET CASHFLOW ----- ---M\$---	CUMULATIVE CASHFLOW ----- ---M\$---	CUM. DISC. CASHFLOW ----- ---M\$---
12-2012	123.617	168.454	312.750	0.000	0.000	8480.500	-4103.242	-4103.242	-4012.474
12-2013	191.300	233.988	479.250	0.000	0.000	0.000	5170.975	1067.733	488.046
12-2014	125.239	156.986	479.250	0.000	0.000	0.000	3448.648	4516.381	3213.890
12-2015	91.505	117.219	479.250	0.000	0.000	0.000	2542.286	7058.667	5039.619
12-2016	71.549	93.381	479.250	0.000	0.000	0.000	1987.247	9045.914	6336.544
12-2017	58.564	77.662	479.250	0.000	0.000	0.000	1613.567	10659.480	7293.632
12-2018	49.502	66.542	479.250	0.000	0.000	0.000	1343.774	12003.254	8018.118
12-2019	42.833	58.247	479.250	0.000	0.000	0.000	1138.507	13141.761	8576.071
12-2020	33.940	45.959	432.000	0.000	0.000	0.000	838.147	13979.908	8950.422
12-2021	25.407	33.860	391.500	0.000	0.000	0.000	526.500	14506.408	9164.082
12-2022	19.582	25.693	270.000	0.000	0.000	0.000	413.193	14919.601	9316.208
12-2023	13.907	19.797	238.500	0.000	0.000	0.000	340.036	15259.637	9430.125
12-2024	10.279	15.895	216.000	0.000	0.000	0.000	287.659	15547.296	9517.636
12-2025	9.578	14.811	216.000	0.000	0.000	0.000	253.298	15800.594	9587.690
12-2026	8.946	13.834	216.000	0.000	0.000	0.000	222.362	16022.956	9643.599
12-2027	8.375	12.951	216.000	0.000	0.000	0.000	194.386	16217.342	9688.033
12-2028	7.857	12.150	216.000	0.000	0.000	0.000	168.994	16386.336	9723.152
12-2029	7.385	11.420	216.000	0.000	0.000	0.000	145.874	16532.211	9750.713
12-2030	6.954	10.754	216.000	0.000	0.000	0.000	124.766	16656.977	9772.144
12-2031	6.560	10.145	216.000	0.000	0.000	0.000	105.449	16762.426	9788.612
S TOT	912.878	1199.748	6727.500	0.000	0.000	8480.500	16762.426	16762.426	9788.612
AFTER	10.159	15.710	342.000	0.000	0.000	0.000	155.813	16918.238	9809.886
TOTAL	923.037	1215.458	7069.500	0.000	0.000	8480.500	16918.238	16918.238	9809.886

	OIL ----- -----	GAS ----- -----		P.W. % ----- -----	P.W. , M\$ ----- -----
GROSS WELLS	9.0	0.0	LIFE, YRS.	5.00	12666.878
GROSS ULT., MB & MMF	505.079	0.000	DISCOUNT %	9.00	10302.962
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.79	9809.884
GROSS RES., MB & MMF	505.079	0.000	DISCOUNTED PAYOUT, YRS.	1.89	8916.126
NET RES., MB & MMF	392.545	0.000	UNDISCOUNTED NET/INVEST.	2.99	7767.521
NET REVENUE, M\$	34606.730	0.000	DISCOUNTED NET/INVEST.	2.20	6238.650
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	81.33	2703.976
INITIAL N.I., PCT.	79.091	0.000	INITIAL W.I., PCT.	98.105	60.00
					120.00
					-1123.306
					240.00
					-2273.849

RECOVERY ENERGY
TOTAL PROVED RESERVES
NON ESCALATED SEC PRICES
AS OF 12/31/2012

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SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	168.234	140.464	115.359	40.752	88.160	3.963	10170.062	161.506	10643.938
12-2013	148.256	101.618	106.599	29.714	88.160	3.965	9397.746	117.832	9740.484
12-2014	100.433	73.558	72.972	21.697	88.160	3.968	6433.220	86.095	6681.248
12-2015	75.746	53.281	55.381	15.868	88.160	3.971	4882.396	63.009	5061.997
12-2016	59.546	38.621	43.835	11.624	88.160	3.974	3864.463	46.195	3994.604
12-2017	48.681	28.017	35.935	8.532	88.160	3.977	3168.044	33.933	3262.418
12-2018	41.415	20.343	30.692	6.274	88.160	3.981	2705.800	24.978	2774.295
12-2019	35.916	14.786	26.670	4.624	88.160	3.985	2351.268	18.428	2401.028
12-2020	28.918	10.758	21.468	3.416	88.160	3.989	1892.608	13.628	1928.795
12-2021	21.535	7.837	15.718	2.530	88.160	3.994	1385.715	10.105	1412.063
12-2022	17.011	5.717	12.204	1.879	88.160	3.998	1075.924	7.513	1095.132
12-2023	14.478	0.532	10.342	0.410	88.160	4.150	911.791	1.702	913.493
12-2024	12.640	0.432	8.985	0.333	88.160	4.150	792.109	1.382	793.491
12-2025	11.577	0.351	8.220	0.270	88.160	4.150	724.651	1.122	725.773
12-2026	9.971	0.196	7.501	0.151	88.160	4.150	661.274	0.628	661.903
12-2027	8.677	0.000	6.730	0.000	88.160	0.000	593.280	0.000	593.280
12-2028	7.635	0.000	5.895	0.000	88.160	0.000	519.742	0.000	519.742
12-2029	7.147	0.000	5.515	0.000	88.160	0.000	486.241	0.000	486.241
12-2030	6.700	0.000	5.168	0.000	88.160	0.000	455.591	0.000	455.591
12-2031	6.290	0.000	4.849	0.000	88.160	0.000	427.501	0.000	427.501
S TOT	830.806	496.512	600.039	148.077	88.160	3.971	52899.434	588.056	54573.020
AFTER	10.697	0.000	8.199	0.000	88.160	0.000	722.794	0.000	722.794
TOTAL	841.503	496.512	608.237	148.077	88.160	3.971	53622.223	588.056	55295.812

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	451.769	427.475	1240.716	0.000	0.000	8480.500	43.478	43.478	-39.644
12-2013	406.600	397.060	1285.268	0.000	0.000	0.000	7651.555	7695.033	6619.424
12-2014	277.090	267.819	1040.566	0.000	0.000	0.000	5095.773	12790.806	10647.409
12-2015	204.344	199.001	954.280	0.000	0.000	0.000	3704.372	16495.178	13308.114
12-2016	154.366	152.971	847.254	0.000	0.000	0.000	2840.013	19335.189	15161.690
12-2017	120.733	122.263	744.000	0.000	0.000	0.000	2275.424	21610.613	16511.592
12-2018	98.966	103.274	699.620	0.000	0.000	0.000	1872.436	23483.051	17521.135
12-2019	82.561	89.466	670.559	0.000	0.000	0.000	1558.442	25041.492	18285.021
12-2020	67.462	73.020	621.609	0.000	0.000	0.000	1166.705	26208.195	18805.855
12-2021	49.918	53.648	524.885	0.000	0.000	0.000	783.612	26991.809	19123.717
12-2022	40.142	42.659	397.504	0.000	0.000	0.000	614.827	27606.637	19350.137
12-2023	30.155	34.738	350.238	0.000	0.000	0.000	498.362	28104.998	19517.080
12-2024	24.634	29.148	327.738	0.000	0.000	0.000	411.971	28516.971	19642.445
12-2025	22.345	26.642	327.738	0.000	0.000	0.000	349.049	28866.020	19739.012
12-2026	19.970	24.342	325.092	0.000	0.000	0.000	292.499	29158.518	19812.586
12-2027	17.537	22.044	308.850	0.000	0.000	0.000	244.849	29403.365	19868.570
12-2028	15.622	19.493	276.000	0.000	0.000	0.000	208.627	29611.994	19911.930
12-2029	14.529	18.176	276.000	0.000	0.000	0.000	177.536	29789.529	19945.477
12-2030	13.527	16.970	276.000	0.000	0.000	0.000	149.095	29938.623	19971.090
12-2031	12.607	15.863	276.000	0.000	0.000	0.000	123.031	30061.656	19990.309
S TOT	2124.875	2136.071	11769.917	0.000	0.000	8480.500	30061.656	30061.656	19990.309
AFTER	23.634	28.454	497.000	0.000	0.000	0.000	173.706	30235.361	20014.039
TOTAL	2148.509	2164.524	12266.917	0.000	0.000	8480.500	30235.361	30235.361	20014.039

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	27.0	1.0	LIFE, YRS.	5.00	24164.068
GROSS ULT., MB & MMF	1291.806	909.659	DISCOUNT %	9.00	20734.902
GROSS CUM., MB & MMF	450.302	413.147	UNDISCOUNTED PAYOUT, YRS.	0.99	20014.045
GROSS RES., MB & MMF	841.503	496.512	DISCOUNTED PAYOUT, YRS.	1.01	18702.004
NET RES., MB & MMF	608.237	148.077	UNDISCOUNTED NET/INVEST.	4.57	17004.807
NET REVENUE, M\$	53622.223	588.056	DISCOUNTED NET/INVEST.	3.45	14723.876
INITIAL PRICE, \$	88.160	3.955	RATE-OF-RETURN, PCT.	240.00	9319.626
INITIAL N.I., PCT.	79.087	51.473	INITIAL W.I., PCT.	60.00	6574.550
				120.00	3010.724
				240.00	799.162

Summary One-Line Presentation
Well Information



RECOVERY ENERGY
ESTIMATED PROVED RESERVES AS OF DECEMBER 31, 2011

Report Page 1 of 1
Monday, March 05, 2012

SORTED BY CATEGORY AND RANKED BY API VALUE

API	Reserve		Lease	Field	Redervoir	Operator	County	State	Major	Start Date	Program Interest	
	Category	Reserve Class									Working Interest	Revenue Interest
<u>1PDP = Proved Developed Production</u>												
05001088980000	1PDP	1PROVED	CIMYOTTE #6-21	TRAPPER	D SAND	RECOVERY ENERGY INCORPORATED	ADAMS	CO	OIL		94.5000%	77.0800%
05005071280000	1PDP	1PROVED	STATE-BRADBURY 13-36	PEACE PIPE	J SAND	RECOVERY ENERGY INCORPORATED	ARAPAHOE	CO	GAS		62.5000%	48.1250%
05121083670000	1PDP	1PROVED	LEO PEIPER #1&3	RED CLOUD	J SAND	RECOVERY ENERGY INCORPORATED	WASHINGTON	CO	OIL		100.0000%	78.0000%
26007218870000	1PDP	1PROVED	PALM EGLE	ALBIN WEST	J SAND	RECOVERY ENERGY INCORPORATED	BANNER	NE	OIL		100.0000%	82.5000%
26007218980000	1PDP	1PROVED	PALM	ALBIN WEST	J SAND	RECOVERY ENERGY INCORPORATED	BANNER	NE	OIL		100.0000%	82.5000%
26105226250000	1PDP	1PROVED	WILKE	DILL EAST	J SAND	RECOVERY ENERGY INCORPORATED	KIMBALL	NE	OIL		87.5000%	68.2500%
26105226450000	1PDP	1PROVED	LUKASSEN	CABLE	J SAND	RECOVERY ENERGY INCORPORATED	KIMBALL	NE	OIL		100.0000%	78.0000%
49021205940000	1PDP	1PROVED	OLIVERIUS 42-33	UNNAMED	J SAND	RECOVERY ENERGY INCORPORATED	LARAMIE	WY	OIL		100.0000%	77.0000%
49021205950000	1PDP	1PROVED	WENZEL 12-34	UNNAMED	J SAND	RECOVERY ENERGY INCORPORATED	LARAMIE	WY	OIL		100.0000%	77.0000%
49021205960000	1PDP	1PROVED	OLIVERIUS 41-33	UNNAMED	J SAND	RECOVERY ENERGY INCORPORATED	LARAMIE	WY	OIL		100.0000%	77.0000%
49021206080000	1PDP	1PROVED	HOLGERSON 33A-33	UNNAMED	J SAND	RECOVERY ENERGY INCORPORATED	LARAMIE	WY	OIL		100.0000%	77.0000%
49021206590000	1PDP	1PROVED	MALM 42-34	UNNAMED	J SAND	RECOVERY ENERGY INCORPORATED	LARAMIE	WY	OIL		74.0000%	56.9800%
49021207300000	1PDP	1PROVED	ANDERSON 21-34	UNNAMED	J SAND	RECOVERY ENERGY INCORPORATED	LARAMIE	WY	OIL		74.0000%	56.9800%
<u>2PNP = Proved Non-Producing</u>												
	2PNP	1PROVED	FORNSTROMS 33-32	UNNAMED	J SAND	BEAR OIL AND GAS	LARAMIE	WY	OIL		0.0000%	3.2500%
<u>3PUD = Proved Undeveloped</u>												
	3PUD	1PROVED	LUKASSEN 41-18	TERRESTRIAL	WYKERT SAND	RECOVERY ENERGY INCORPORATED	BANNER	NE	OIL	12/2012	100.0000%	75.0000%
	3PUD	1PROVED	LUKASSEN 42-7	TERRESTRIAL	WYKERT SAND	RECOVERY ENERGY INCORPORATED	BANNER	NE	OIL	11/2012	100.0000%	75.0000%
	3PUD	1PROVED	LARSON 24-20		J-Sand	RECOVERY ENERGY COMPANY	KIMBALL	NE	OIL	01/2013	100.0000%	80.0000%
	3PUD	1PROVED	MALM 32-34	ALBIN WEST	J-Sand	RECOVERY ENERGY COMPANY	BANNER	NE	OIL	08/2012	100.0000%	79.0000%
	3PUD	1PROVED	OLIVERIUS 32-33		State Line	RECOVERY ENERGY COMPANY	LARAMIE	NE	OIL	10/2012	100.0000%	77.0000%
	3PUD	1PROVED	PALM 42-20	Albin West	J-Sand	RECOVERY ENERGY COMPANY	BANNER	NE	OIL	07/2012	100.0000%	82.5000%
	3PUD	1PROVED	VRTAKO 12-1		J-Sand	RECOVERY ENERGY COMPANY	BANNER	NE	OIL	02/2013	100.0000%	87.5000%
	3PUD	1PROVED	VRTATKO 44-22		J-Sand	RECOVERY ENERGY COMPANY	BANNER	NE	OIL	03/2013	100.0000%	77.5000%
	3PUD	1PROVED	WILKE 43-5	Wilke	J-Sand	RECOVERY ENERGY COMPANY	KIMBALL	NE	OIL	09/2012	87.5000%	68.2500%

Summary One-Line Presentation
Reserves and Revenues by Reserve Category

RECOVERY ENERGY
ESTIMATED PROVED RESERVES AS OF DECEMBER 31, 2011
SORTED BY CATEGORY AND RANKED BY STATE, FIELD AND LEASE

Report Page 1 of 1
Monday, March 05, 2012

Reserve Category	Field	Lease	County	State	Gross Oil	Gross	Net Oil	Net	Total	Sev	Ad Val	Direct	Total	Operating	Total	Future Cash Flow		
					Reserves	Gas	Reserves	Gas	Revenue	Tax	Tax	Op Exp	Op Exp	Revenue	Invest	Undisc	Disc @10%	
					(MMbbls)	(MMcf)	(MMbbls)	(MMcf)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)
1PDP = Proved Developed Production																		
1PDP	PEACE PIPE	STATE-BRADBURY 13-36	ARAPAHOE	CO	7	470	3	128	1,887	0	189	359	548	1,340	0	1,340	1,082	
1PDP	RED CLOUD	LEO PEIPER #1&3	WASHINGTON	CO	4	0	3	0	285	0	23	156	179	106	0	106	88	
1PDP	TRAPPER	CIMYOTTE #6-21	ADAMS	CO	10	27	8	21	791	0	78	116	194	597	0	597	442	
1PDP	ALBIN WEST	PALM	BANNER	NE	6	0	5	0	446	13	9	255	277	169	0	169	162	
1PDP	ALBIN WEST	PALM EGLE	BANNER	NE	53	0	43	0	3,830	115	74	690	879	2,951	0	2,951	2,122	
1PDP	CABLE	LUKASSEN	KIMBALL	NE	5	0	4	0	365	11	7	280	298	67	0	67	74	
1PDP	DILL EAST	WILKE	KIMBALL	NE	13	0	9	0	810	24	16	473	513	297	0	297	279	
1PDP	UNNAMED	ANDERSON 21-34	LARAMIE	WY	7	0	4	0	373	24	25	181	230	143	0	143	130	
1PDP	UNNAMED	HOLGERSON 33A-33	LARAMIE	WY	7	0	6	0	491	31	33	215	280	211	0	211	194	
1PDP	UNNAMED	MALM 42-34	LARAMIE	WY	7	0	4	0	332	21	22	278	321	11	0	11	28	
1PDP	UNNAMED	OLIVERIUS 41-33	LARAMIE	WY	15	0	12	0	1,043	67	71	545	682	360	0	360	292	
1PDP	UNNAMED	OLIVERIUS 42-33	LARAMIE	WY	13	0	10	0	912	58	62	295	415	497	0	497	444	
1PDP	UNNAMED	WENZEL 12-34	LARAMIE	WY	132	0	102	0	8,965	574	607	1,355	2,535	6,430	0	6,430	4,763	
1PDP = Proved Developed Production Totals:					281	497	214	148	20,531	939	1,215	5,197	7,351	13,180	0	13,180	10,101	
2PNP = Proved Non-Producing																		
2PNP	UNNAMED	FORNSTROMS 33-32	LARAMIE	WY	55	0	2	0	158	10	11	0	21	137	0	137	104	
2PNP = Proved Non-Producing Totals:					55	0	2	0	158	10	11	0	21	137	0	137	104	
3PUD = Proved Undeveloped																		
3PUD		LARSON 24-20	KIMBALL	NE	44	0	36	0	3,134	94	61	527	681	2,453	850	1,603	1,022	
3PUD		VRTAKO 12-1	BANNER	NE	45	0	39	0	3,433	103	67	531	701	2,732	825	1,907	1,255	
3PUD		VRTATKO 44-22	BANNER	NE	44	0	34	0	3,031	91	59	522	672	2,360	802	1,558	1,001	
3PUD	ALBIN WEST	MALM 32-34	BANNER	NE	59	0	47	0	4,133	124	80	1,143	1,347	2,786	858	1,928	1,106	
3PUD	Albin West	PALM 42-20	BANNER	NE	53	0	44	0	3,846	115	75	1,148	1,337	2,508	853	1,655	853	
3PUD	State Line	OLIVERIUS 32-33	LARAMIE	NE	77	0	59	0	5,213	334	353	576	1,262	3,951	858	3,093	2,209	
3PUD	TERRESTRIAL	LUKASSEN 41-18	BANNER	NE	69	0	52	0	4,556	137	88	1,139	1,364	3,192	1,355	1,837	630	
3PUD	TERRESTRIAL	LUKASSEN 42-7	BANNER	NE	69	0	52	0	4,556	137	88	1,139	1,364	3,192	1,355	1,837	635	
3PUD	Wilke	WILKE 43-5	KIMBALL	NE	45	0	31	0	2,705	81	52	347	480	2,224	725	1,500	1,098	
3PUD = Proved Undeveloped Totals:					505	0	393	0	34,607	1,215	923	7,070	9,208	25,399	8,481	16,918	9,810	
Future Cash Flow																		
Disc																		
					Gross Oil	Gross	Net Oil	Net	Total	Sev	Ad Val	Direct	Total	Operating	Total	Undisc	Disc	
					Reserves	Gas	Reserves	Gas	Revenue	Tax	Tax	Op Exp	Op Exp	Revenue	Invest	(M\$)	(M\$)	
					(MMbbls)	(MMcf)	(MMbbls)	(MMcf)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	(M\$)	
Total All Categories					842	497	608	148	55,296	2,165	2,149	12,267	16,580	38,716	8,481	30,235	20,014	

Ralph E. Davis Associates, Inc.
Texas Registered Engineering Firm F-1529

Summary One-Line Presentation
Reserves Category by PV 10% Discount Ranking

RECOVERY ENERGY
ESTIMATED PROVED RESERVES AS OF DECEMBER 31, 2011
SORTED BY CATEGORY AND RANKED BY PV10 VALUE

Report Page 1 of 1
Monday, March 05, 2012

Reserve Category	Field	Lease	County	State	Gross Oil	Gross Gas	Net Oil	Net Gas	Total	Sev	Ad Val	Direct	Total	Operating	Total	Future Cash Flow	
					Reserves (MMbbls)	(MMcf)	Reserves (MMbbls)	(MMcf)	Revenue (M\$)	Tax (M\$)	Tax (M\$)	Op Exp (M\$)	Op Exp (M\$)	Revenue (M\$)	Invest (M\$)	Undisc (M\$)	Disc @10% (M\$)
1PDP = Proved Developed Production																	
1PDP	UNNAMED	WENZEL 12-34	LARAMIE	WY	132	0	102	0	8,965	574	607	1,355	2,535	6,430	0	6,430	4,763
1PDP	ALBIN WEST	PALM EGLE	BANNER	NE	53	0	43	0	3,830	115	74	690	879	2,951	0	2,951	2,122
1PDP	PEACE PIPE	STATE-BRADBURY 13-36	ARAPAHOE	CO	7	470	3	128	1,887	0	189	359	548	1,340	0	1,340	1,082
1PDP	UNNAMED	OLIVERIUS 42-33	LARAMIE	WY	13	0	10	0	912	58	62	295	415	497	0	497	444
1PDP	TRAPPER	CIMYOTTE #6-21	ADAMS	CO	10	27	8	21	791	0	78	116	194	597	0	597	442
1PDP	UNNAMED	OLIVERIUS 41-33	LARAMIE	WY	15	0	12	0	1,043	67	71	545	682	360	0	360	292
1PDP	DILL EAST	WILKE	KIMBALL	NE	13	0	9	0	810	24	16	473	513	297	0	297	279
1PDP	UNNAMED	HOLGERSON 33A-33	LARAMIE	WY	7	0	6	0	491	31	33	215	280	211	0	211	194
1PDP	ALBIN WEST	PALM	BANNER	NE	6	0	5	0	446	13	9	255	277	169	0	169	162
1PDP	UNNAMED	ANDERSON 21-34	LARAMIE	WY	7	0	4	0	373	24	25	181	230	143	0	143	130
1PDP	RED CLOUD	LEO PEIPER #1&3	WASHINGTON	CO	4	0	3	0	285	0	23	156	179	106	0	106	88
1PDP	CABLE	LUKASSEN	KIMBALL	NE	5	0	4	0	365	11	7	280	298	67	0	67	74
1PDP	UNNAMED	MALM 42-34	LARAMIE	WY	7	0	4	0	332	21	22	278	321	11	0	11	28
1PDP = Proved Developed Production Totals:					281	497	214	148	20,531	939	1,215	5,197	7,351	13,180	0	13,180	10,101
2PNP = Proved Non-Producing																	
2PNP	UNNAMED	FORNSTROMS 33-32	LARAMIE	WY	55	0	2	0	158	10	11	0	21	137	0	137	104
2PNP = Proved Non-Producing Totals:					55	0	2	0	158	10	11	0	21	137	0	137	104
3PUD = Proved Undeveloped																	
3PUD	State Line	OLIVERIUS 32-33	LARAMIE	NE	77	0	59	0	5,213	334	353	576	1,262	3,951	858	3,093	2,209
3PUD		VRTAKO 12-1	BANNER	NE	45	0	39	0	3,433	103	67	531	701	2,732	825	1,907	1,255
3PUD	ALBIN WEST	MALM 32-34	BANNER	NE	59	0	47	0	4,133	124	80	1,143	1,347	2,786	858	1,928	1,106
3PUD	Wilke	WILKE 43-5	KIMBALL	NE	45	0	31	0	2,705	81	52	347	480	2,224	725	1,500	1,098
3PUD		LARSON 24-20	KIMBALL	NE	44	0	36	0	3,134	94	61	527	681	2,453	850	1,603	1,022
3PUD		VRTATKO 44-22	BANNER	NE	44	0	34	0	3,031	91	59	522	672	2,360	802	1,558	1,001
3PUD	Albin West	PALM 42-20	BANNER	NE	53	0	44	0	3,846	115	75	1,148	1,337	2,508	853	1,655	853
3PUD	TERRESTRIAL	LUKASSEN 42-7	BANNER	NE	69	0	52	0	4,556	137	88	1,139	1,364	3,192	1,355	1,837	635
3PUD	TERRESTRIAL	LUKASSEN 41-18	BANNER	NE	69	0	52	0	4,556	137	88	1,139	1,364	3,192	1,355	1,837	630
3PUD = Proved Undeveloped Totals:					505	0	393	0	34,607	1,215	923	7,070	9,208	25,399	8,481	16,918	9,810
Future Cash Flow																	
					Gross Oil Reserves (MMbbls)	Gross Gas (MMcf)	Net Oil Reserves (MMbbls)	Net Gas (MMcf)	Total Revenue (M\$)	Sev Tax (M\$)	Ad Val Tax (M\$)	Direct Op Exp (M\$)	Total Op Exp (M\$)	Operating Revenue (M\$)	Total Invest (M\$)	Undisc (M\$)	Disc @10% (M\$)
Total All Categories					842	497	608	148	55,296	2,165	2,149	12,267	16,580	38,716	8,481	30,235	20,014

Economic Cash Flow Presentations
Individual Wells for Producing Properties with Production Curves
Proved Developed Producing



RECOVERY ENERGY
 PROVED DEVELOPED PRODUCING RESER
 NON ESCALATED SEC PRICES
 AS OF 12/31/2012

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

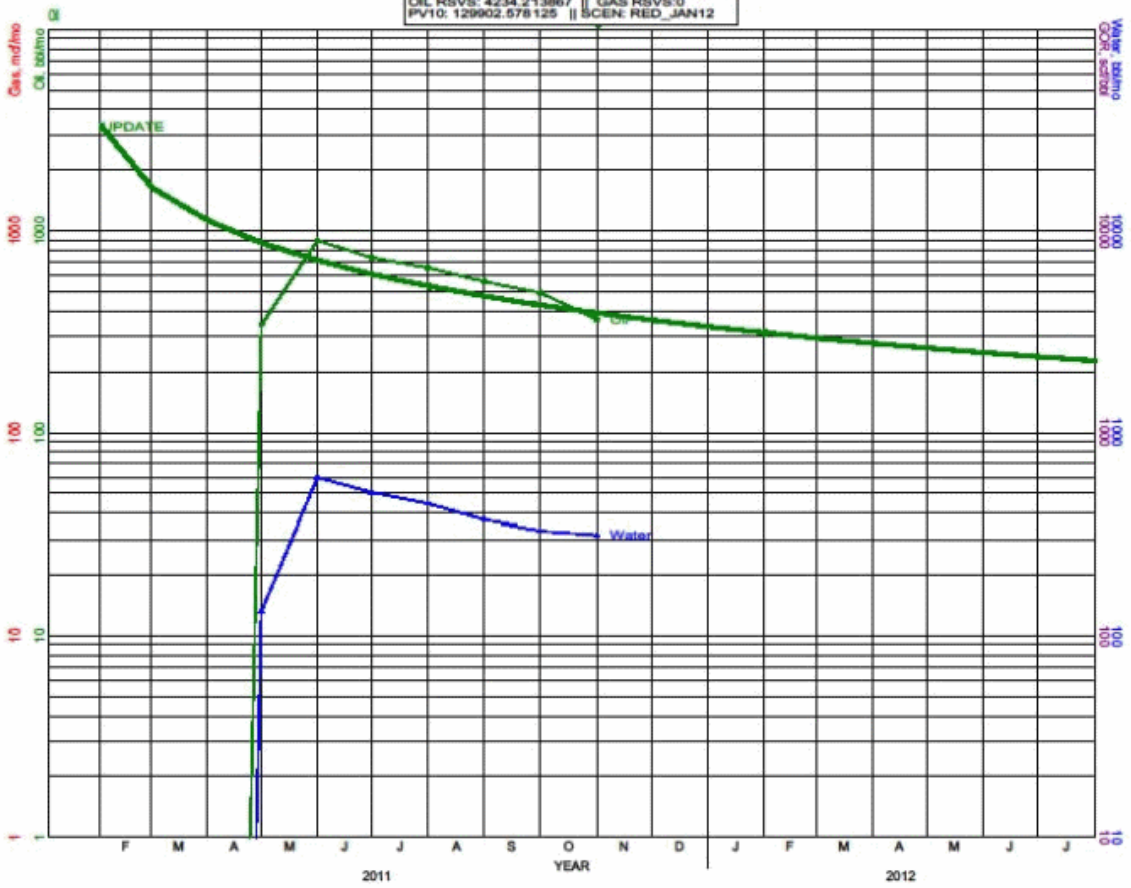
AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MMBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MMBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	77.484	140.464	58.220	40.752	88.160	3.963	5132.690	161.506	5606.566
12-2013	49.906	101.618	37.405	29.714	88.160	3.965	3297.646	117.832	3640.384
12-2014	33.205	73.558	25.042	21.697	88.160	3.968	2207.715	86.095	2455.743
12-2015	24.567	53.281	18.613	15.868	88.160	3.971	1640.916	63.009	1820.516
12-2016	18.087	38.621	13.886	11.624	88.160	3.974	1224.199	46.195	1354.340
12-2017	13.714	28.017	10.568	8.532	88.160	3.977	931.710	33.933	1026.084
12-2018	11.104	20.343	8.627	6.274	88.160	3.981	760.525	24.978	829.020
12-2019	9.123	14.786	7.112	4.624	88.160	3.985	627.027	18.428	676.787
12-2020	7.817	10.758	6.100	3.416	88.160	3.989	537.777	13.628	573.965
12-2021	5.859	7.837	4.584	2.530	88.160	3.994	404.156	10.105	430.503
12-2022	4.977	5.717	3.897	1.879	88.160	3.998	343.563	7.513	362.771
12-2023	4.266	0.532	3.357	0.410	88.160	4.150	295.991	1.702	297.693
12-2024	3.736	0.432	2.938	0.333	88.160	4.150	259.002	1.382	260.384
12-2025	3.291	0.351	2.586	0.270	88.160	4.150	227.953	1.122	229.075
12-2026	2.878	0.196	2.259	0.151	88.160	4.150	199.182	0.628	199.811
12-2027	2.344	0.000	1.833	0.000	88.160	0.000	161.567	0.000	161.567
12-2028	1.690	0.000	1.302	0.000	88.160	0.000	114.741	0.000	114.741
12-2029	1.555	0.000	1.197	0.000	88.160	0.000	105.562	0.000	105.562
12-2030	1.431	0.000	1.102	0.000	88.160	0.000	97.117	0.000	97.117
12-2031	1.316	0.000	1.013	0.000	88.160	0.000	89.347	0.000	89.347
S TOT	278.350	496.512	211.642	148.077	88.160	3.971	18658.387	588.056	20331.979
AFTER	2.933	0.000	2.259	0.000	88.160	0.000	199.111	0.000	199.111
TOTAL	281.283	496.512	213.901	148.077	88.160	3.971	18857.498	588.056	20531.090

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	324.410	255.482	927.966	0.000	0.000	0.000	4098.708	4098.708	3926.795
12-2013	213.637	161.499	806.018	0.000	0.000	0.000	2459.230	6557.938	6066.745
12-2014	150.810	109.848	561.316	0.000	0.000	0.000	1633.769	8191.707	7358.326
12-2015	112.080	81.064	475.030	0.000	0.000	0.000	1152.343	9344.050	8186.306
12-2016	82.219	59.025	368.004	0.000	0.000	0.000	845.092	10189.142	8737.949
12-2017	61.675	44.134	264.750	0.000	0.000	0.000	655.525	10844.667	9127.006
12-2018	49.044	36.334	220.370	0.000	0.000	0.000	523.272	11367.939	9409.159
12-2019	39.362	30.873	191.309	0.000	0.000	0.000	415.242	11783.182	9612.795
12-2020	33.198	26.754	189.609	0.000	0.000	0.000	324.403	12107.585	9757.428
12-2021	24.220	19.513	133.385	0.000	0.000	0.000	253.384	12360.969	9860.120
12-2022	20.296	16.717	127.504	0.000	0.000	0.000	198.254	12559.223	9933.169
12-2023	16.007	14.714	111.738	0.000	0.000	0.000	155.234	12714.457	9985.162
12-2024	14.133	13.044	111.738	0.000	0.000	0.000	121.469	12835.926	10022.152
12-2025	12.564	11.638	111.738	0.000	0.000	0.000	93.135	12929.061	10047.941
12-2026	10.960	10.447	109.092	0.000	0.000	0.000	69.312	12998.373	10065.393
12-2027	9.162	9.093	92.850	0.000	0.000	0.000	50.462	13048.835	10076.944
12-2028	7.765	7.343	60.000	0.000	0.000	0.000	39.633	13088.468	10085.185
12-2029	7.144	6.756	60.000	0.000	0.000	0.000	31.662	13120.130	10091.171
12-2030	6.572	6.215	60.000	0.000	0.000	0.000	24.329	13144.459	10095.354
12-2031	6.046	5.718	60.000	0.000	0.000	0.000	17.583	13162.042	10098.104
S TOT	1201.306	926.211	5042.417	0.000	0.000	0.000	13162.042	13162.042	10098.104
AFTER	13.474	12.743	155.000	0.000	0.000	0.000	17.894	13179.935	10100.563
TOTAL	1214.780	938.955	5197.417	0.000	0.000	0.000	13179.936	13179.935	10100.563

	OIL -----	GAS -----		P.W. % -----	P.W., M\$ -----
GROSS WELLS	17.0	1.0	LIFE, YRS.	22.58	5.00
GROSS ULT., MB & MMF	731.585	909.659	DISCOUNT %	10.00	9.00
GROSS CUM., MB & MMF	450.302	413.147	UNDISCOUNTED PAYOUT, YRS.	0.00	10.00
GROSS RES., MB & MMF	281.283	496.512	DISCOUNTED PAYOUT, YRS.	0.00	12.00
NET RES., MB & MMF	213.901	148.077	UNDISCOUNTED NET/INVEST.	0.00	15.00
NET REVENUE, M\$	18857.498	588.056	DISCOUNTED NET/INVEST.	0.00	20.00
INITIAL PRICE, \$	88.160	3.955	RATE-OF-RETURN, PCT.	240.00	40.00
INITIAL N.I., PCT.	79.087	51.473	INITIAL W.I., PCT.	92.560	60.00
					120.00
					240.00

ANDERSON 21-34 NO.: 21-34
 UNNAMED FIELD
 LARAMIE CO., WY
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 4234.213867 || GAS RSVS: 0
 PV10: 129902.578125 || SCEN: RED_JAN12



ANDERSON 21-34
 FIELD: UNNAMED
 COUNTY: LARAMIE STATE: WY
 OPERATOR: RECOVERY ENERGY INCOR
 1PDF

DATE : 03/06/2012
 TIME : 10:19:34
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

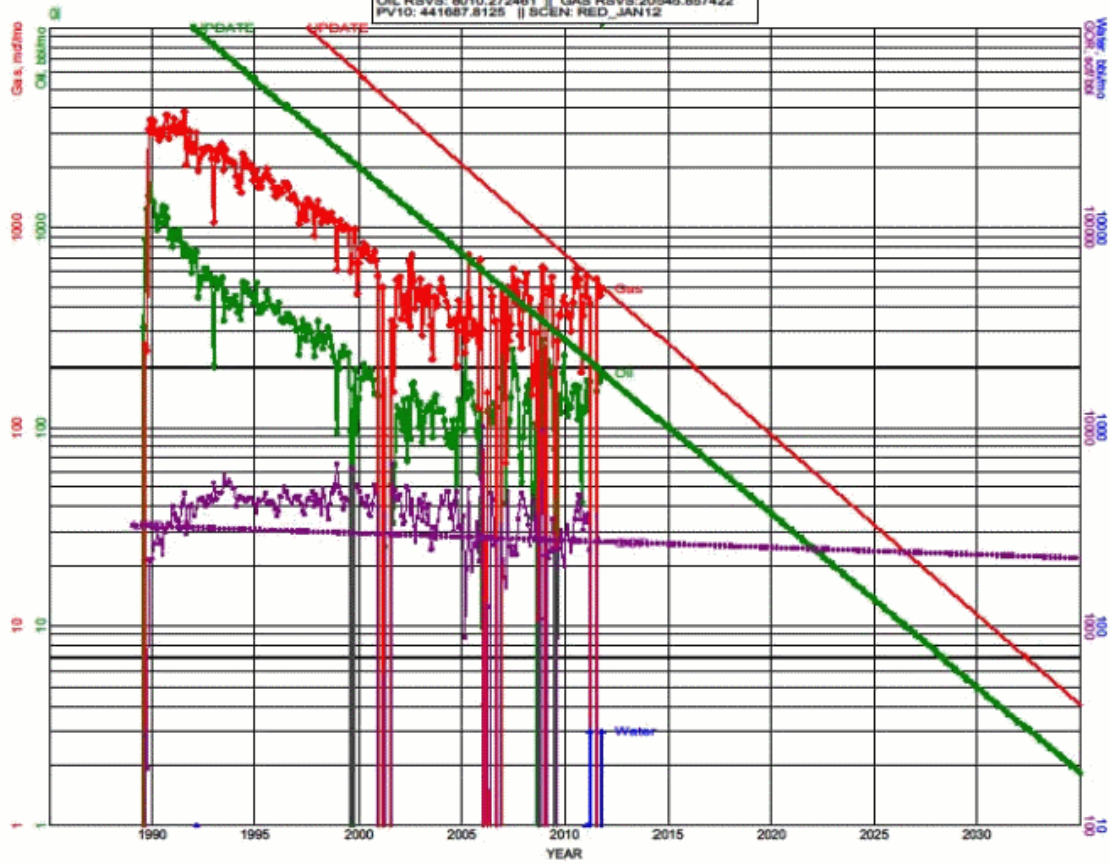
AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	2.936	0.000	1.673	0.000	88.160	0.000	147.470	0.000	147.470
12-2013	1.871	0.000	1.066	0.000	88.160	0.000	94.002	0.000	94.002
12-2014	1.404	0.000	0.800	0.000	88.160	0.000	70.508	0.000	70.508
12-2015	1.135	0.000	0.647	0.000	88.160	0.000	57.003	0.000	57.003
12-2016	0.086	0.000	0.049	0.000	88.160	0.000	4.306	0.000	4.306
12-2017									
12-2018									
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	7.431	0.000	4.234	0.000	88.160	0.000	373.288	0.000	373.288
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	7.431	0.000	4.234	0.000	88.160	0.000	373.288	0.000	373.288

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	9.980	9.438	44.400	0.000	0.000	0.000	83.652	83.652	80.350
12-2013	6.361	6.016	44.400	0.000	0.000	0.000	37.224	120.876	112.817
12-2014	4.772	4.513	44.400	0.000	0.000	0.000	16.824	137.701	126.171
12-2015	3.858	3.648	44.400	0.000	0.000	0.000	5.097	142.798	129.876
12-2016	0.291	0.276	3.700	0.000	0.000	0.000	0.039	142.836	129.903
12-2017									
12-2018									
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	25.261	23.890	181.300	0.000	0.000	0.000	142.836	142.836	129.903
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	142.836	129.903
TOTAL	25.261	23.890	181.300	0.000	0.000	0.000	142.836	142.836	129.903

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	135.950
GROSS ULT., MB & MMF	12.227	0.000	DISCOUNT %	9.00	131.052
GROSS RES., MB & MMF	4.796	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	129.903
GROSS RES., MB & MMF	7.431	0.000	DISCOUNTED PAYOUT, YRS.	12.00	127.686
NET RES., MB & MMF	4.234	0.000	UNDISCOUNTED NET/INVEST.	15.00	124.552
NET REVENUE, M\$	373.288	0.000	DISCOUNTED NET/INVEST.	20.00	119.784
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	240.00	104.979
INITIAL N.I., PCT.	56.980	0.000	INITIAL W.I., PCT.	60.00	94.653
				120.00	76.423
				240.00	60.363

CIMYOTTE #6-21 NO.: 21
TRAPPER FIELD
ADAMS CO., CO
OPERATOR: RECOVERY ENERGY INCORPORATED
OIL RSVS: 8010.272461 || GAS RSVS: 20545.857422
PV10: 441687.8125 || SCEN: RED_JAN12



CIMYOTTE #6-21
 FIELD: TRAPPER
 COUNTY: ADAMS STATE: CO
 OPERATOR: RECOVERY ENERGY INCOR
 1PDP

DATE : 03/06/2012
 TIME : 10:19:34
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	1.990	5.259	1.534	4.054	88.160	4.150	135.224	16.824	152.048
12-2013	1.629	4.271	1.256	3.292	88.160	4.150	110.708	13.661	124.369
12-2014	1.334	3.468	1.028	2.673	88.160	4.150	90.637	11.092	101.729
12-2015	1.092	2.816	0.842	2.170	88.160	4.150	74.204	9.007	83.211
12-2016	0.894	2.286	0.689	1.762	88.160	4.150	60.751	7.314	68.064
12-2017	0.732	1.856	0.564	1.431	88.160	4.150	49.737	5.938	55.675
12-2018	0.599	1.507	0.462	1.162	88.160	4.150	40.720	4.822	45.541
12-2019	0.491	1.224	0.378	0.943	88.160	4.150	33.337	3.915	37.252
12-2020	0.402	0.994	0.310	0.766	88.160	4.150	27.293	3.179	30.472
12-2021	0.329	0.807	0.253	0.622	88.160	4.150	22.345	2.582	24.926
12-2022	0.269	0.655	0.208	0.505	88.160	4.150	18.294	2.096	20.390
12-2023	0.220	0.532	0.170	0.410	88.160	4.150	14.977	1.702	16.679
12-2024	0.180	0.432	0.139	0.333	88.160	4.150	12.262	1.382	13.644
12-2025	0.148	0.351	0.114	0.270	88.160	4.150	10.039	1.122	11.161
12-2026	0.083	0.196	0.064	0.151	88.160	4.150	5.660	0.628	6.288

12-2027
 12-2028
 12-2029
 12-2030
 12-2031

S TOT	10.392	26.655	8.010	20.546	88.160	4.150	706.186	85.265	791.451
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	10.392	26.655	8.010	20.546	88.160	4.150	706.186	85.265	791.451

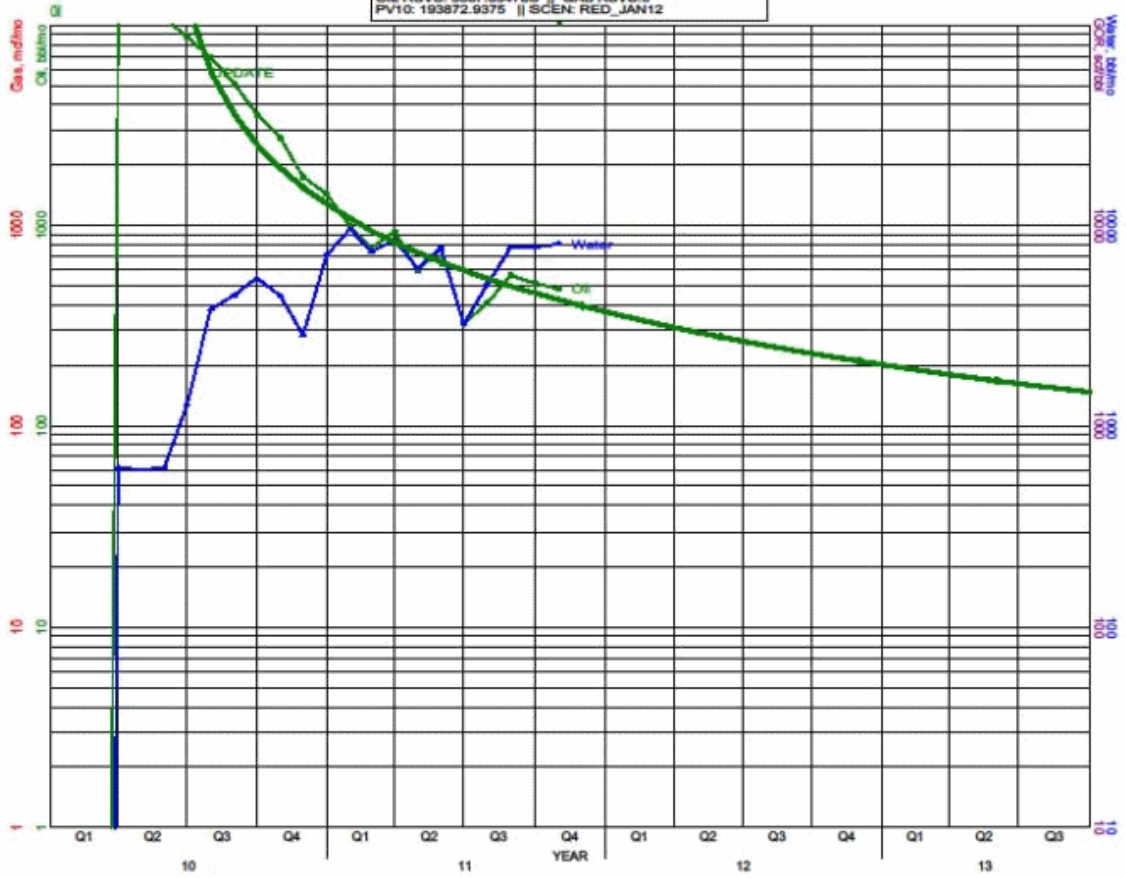
--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	14.901	0.000	7.938	0.000	0.000	0.000	129.209	129.209	123.450
12-2013	12.188	0.000	7.938	0.000	0.000	0.000	104.243	233.452	213.994
12-2014	9.969	0.000	7.938	0.000	0.000	0.000	83.822	317.274	280.184
12-2015	8.155	0.000	7.938	0.000	0.000	0.000	67.118	384.392	328.367
12-2016	6.670	0.000	7.938	0.000	0.000	0.000	53.456	437.848	363.256
12-2017	5.456	0.000	7.938	0.000	0.000	0.000	42.281	480.129	388.344
12-2018	4.463	0.000	7.938	0.000	0.000	0.000	33.140	513.270	406.222
12-2019	3.651	0.000	7.938	0.000	0.000	0.000	25.664	538.934	418.809
12-2020	2.986	0.000	7.938	0.000	0.000	0.000	19.548	558.482	427.527
12-2021	2.443	0.000	7.938	0.000	0.000	0.000	14.546	573.027	433.425
12-2022	1.998	0.000	7.938	0.000	0.000	0.000	10.454	583.481	437.280
12-2023	1.635	0.000	7.938	0.000	0.000	0.000	7.107	590.587	439.664
12-2024	1.337	0.000	7.938	0.000	0.000	0.000	4.369	594.956	440.997
12-2025	1.094	0.000	7.938	0.000	0.000	0.000	2.129	597.085	441.590
12-2026	0.616	0.000	5.292	0.000	0.000	0.000	0.380	597.465	441.688

12-2027
 12-2028
 12-2029
 12-2030
 12-2031

S TOT	77.562	0.000	116.424	0.000	0.000	0.000	597.465	597.465	441.688
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	597.465	441.688
TOTAL	77.562	0.000	116.424	0.000	0.000	0.000	597.465	597.465	441.688

	OIL -----	GAS -----		P.W. % -----	P.W., M\$ -----
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	507.514
GROSS ULT., MB & MMF	92.452	320.908	DISCOUNT %	10.00	453.370
GROSS CUM., MB & MMF	82.060	294.253	UNDISCOUNTED PAYOUT, YRS.	10.00	441.688
GROSS RES., MB & MMF	10.392	26.655	DISCOUNTED PAYOUT, YRS.	12.00	420.167
NET RES., MB & MMF	8.010	20.546	UNDISCOUNTED NET/INVEST.	15.00	391.854
NET REVENUE, M\$	706.186	85.265	DISCOUNTED NET/INVEST.	20.00	353.027
INITIAL PRICE, \$	88.160	4.150	RATE-OF-RETURN, PCT.	40.00	258.151
INITIAL N.I., PCT.	77.080	77.080	INITIAL W.I., PCT.	60.00	208.725
				120.00	142.903
				240.00	99.713

HOLGERSON 33A-33 NO.: 33A-33
 UNNAMED FIELD
 LARAMIE CO., WY
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 5567.654785 || GAS RSVS: 0
 PV10: 193872.9375 || SCEN: RED_JAN12



HOLGERSON 33A-33
 FIELD: UNNAMED
 COUNTY: LARAMIE STATE: WY
 OPERATOR: RECOVERY ENERGY INCOR
 1PDP

DATE : 03/06/2012
 TIME : 10:19:34
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

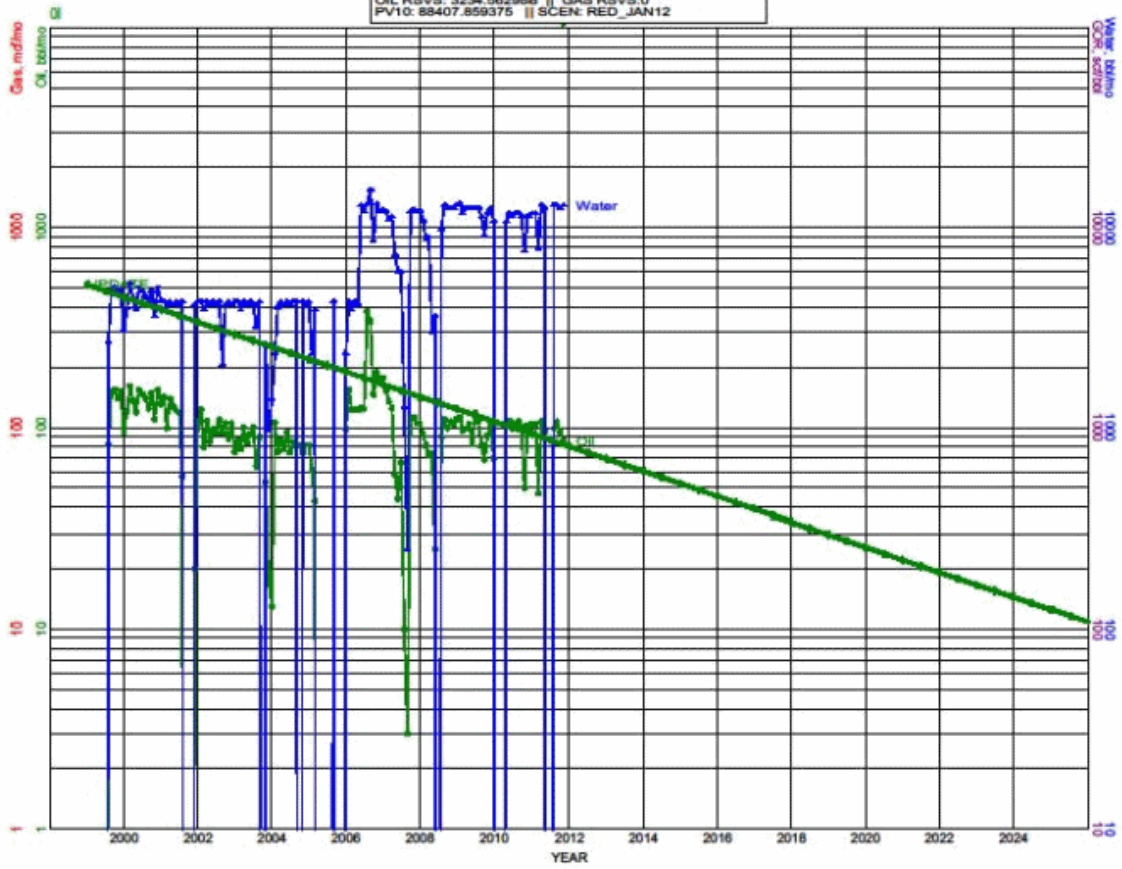
AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	3.249	0.000	2.501	0.000	88.160	0.000	220.527	0.000	220.527
12-2013	1.965	0.000	1.513	0.000	88.160	0.000	133.361	0.000	133.361
12-2014	1.377	0.000	1.060	0.000	88.160	0.000	93.474	0.000	93.474
12-2015	0.641	0.000	0.493	0.000	88.160	0.000	43.483	0.000	43.483
12-2016									
12-2017									
12-2018									
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
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12-2030									
12-2031									
S TOT	7.231	0.000	5.568	0.000	88.160	0.000	490.845	0.000	490.845
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	7.231	0.000	5.568	0.000	88.160	0.000	490.845	0.000	490.845

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	14.924	14.114	60.000	0.000	0.000	0.000	131.490	131.490	126.292
12-2013	9.025	8.535	60.000	0.000	0.000	0.000	55.801	187.291	175.000
12-2014	6.326	5.982	60.000	0.000	0.000	0.000	21.166	208.457	191.839
12-2015	2.943	2.783	35.000	0.000	0.000	0.000	2.757	211.214	193.873
12-2016									
12-2017									
12-2018									
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
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12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	33.217	31.414	215.000	0.000	0.000	0.000	211.214	211.214	193.873
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	211.214	193.873
TOTAL	33.217	31.414	215.000	0.000	0.000	0.000	211.214	211.214	193.873

	OIL -----	GAS -----		P.W. % -----	P.W., M\$ -----
GROSS WELLS	1.0	0.0	LIFE, YRS.	3.58	5.00
GROSS ULT., MB & MMF	79.720	0.000	DISCOUNT %	10.00	9.00
GROSS CUM., MB & MMF	72.489	0.000	UNDISCOUNTED PAYOUT, YRS.	0.00	10.00
GROSS RES., MB & MMF	7.231	0.000	DISCOUNTED PAYOUT, YRS.	0.00	12.00
NET RES., MB & MMF	5.568	0.000	UNDISCOUNTED NET/INVEST.	0.00	15.00
NET REVENUE, M\$	490.845	0.000	DISCOUNTED NET/INVEST.	0.00	20.00
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	240.00	40.00
INITIAL N.I., PCT.	77.000	0.000	INITIAL W.I., PCT.	100.000	60.00
					120.00
					240.00
					94.064

LEO PEIPER #1&3 NO.: 3
RED CLOUD FIELD
WASHINGTON CO., CO
OPERATOR: RECOVERY ENERGY INCORPORATED
OIL RSVS: 3234.562968 || GAS RSVS: 0
PV10: 88407.859375 || SCEN: RED_JAN12



LEO PEIPER #163
 FIELD: RED CLOUD
 COUNTY: WASHINGTON STATE: CO
 OPERATOR: RECOVERY ENERGY INCOR
 1PDP

DATE : 03/06/2012
 TIME : 10:19:34
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

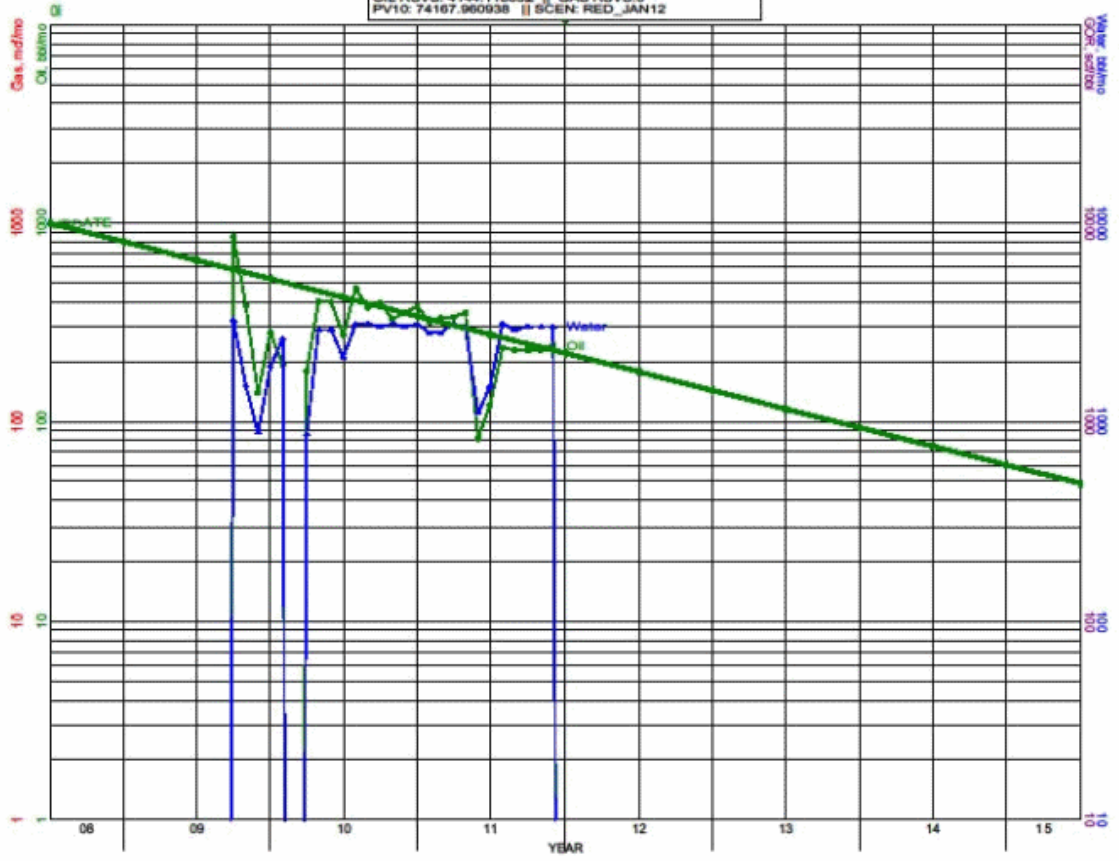
AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	0.899	0.000	0.702	0.000	88.160	0.000	61.854	0.000	61.854
12-2013	0.780	0.000	0.608	0.000	88.160	0.000	53.602	0.000	53.602
12-2014	0.676	0.000	0.527	0.000	88.160	0.000	46.452	0.000	46.452
12-2015	0.585	0.000	0.457	0.000	88.160	0.000	40.255	0.000	40.255
12-2016	0.507	0.000	0.396	0.000	88.160	0.000	34.885	0.000	34.885
12-2017	0.440	0.000	0.343	0.000	88.160	0.000	30.231	0.000	30.231
12-2018	0.260	0.000	0.203	0.000	88.160	0.000	17.879	0.000	17.879
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	4.147	0.000	3.235	0.000	88.160	0.000	285.159	0.000	285.159
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	4.147	0.000	3.235	0.000	88.160	0.000	285.159	0.000	285.159

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	4.948	0.000	23.400	0.000	0.000	0.000	33.505	33.505	32.019
12-2013	4.288	0.000	23.400	0.000	0.000	0.000	25.914	59.420	54.538
12-2014	3.716	0.000	23.400	0.000	0.000	0.000	19.336	78.755	69.818
12-2015	3.220	0.000	23.400	0.000	0.000	0.000	13.635	92.390	79.619
12-2016	2.791	0.000	23.400	0.000	0.000	0.000	8.694	101.085	85.307
12-2017	2.419	0.000	23.400	0.000	0.000	0.000	4.413	105.498	87.939
12-2018	1.430	0.000	15.600	0.000	0.000	0.000	0.849	106.346	88.408
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	22.813	0.000	156.000	0.000	0.000	0.000	106.346	106.346	88.408
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	106.346	88.408
TOTAL	22.813	0.000	156.000	0.000	0.000	0.000	106.346	106.346	88.408

	OIL	GAS		P.W. %	P.W., M\$	
GROSS WELLS	1.0	0.0	LIFE, YRS.	6.67	5.00	96.509
GROSS ULT., MB & MMF	17.727	0.000	DISCOUNT %	10.00	9.00	89.910
GROSS CUM., MB & MMF	13.580	0.000	UNDISCOUNTED PAYOUT, YRS.	0.00	10.00	88.408
GROSS RES., MB & MMF	4.147	0.000	DISCOUNTED PAYOUT, YRS.	0.00	12.00	85.560
NET RES., MB & MMF	3.235	0.000	UNDISCOUNTED NET/INVEST.	0.00	15.00	81.645
NET REVENUE, M\$	285.159	0.000	DISCOUNTED NET/INVEST.	0.00	20.00	75.930
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	240.00	40.00	59.963
INITIAL N.I., PCT.	78.000	0.000	INITIAL W.I., PCT.	100.000	60.00	50.310
					120.00	35.893
					240.00	25.545

LUKASSEN NO.:
 CABLE FIELD
 KIMBALL CO., NE
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 4144.118652 || GAS RSVS: 0
 PV10: 74167.960938 || SCEN: RED_JAN12



LUKASSEN
 FIELD: CABLE
 COUNTY: KIMBALL STATE: NE
 OPERATOR: RECOVERY ENERGY INCOR
 1PDP

DATE : 03/06/2012
 TIME : 10:19:34
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	2.149	0.000	1.676	0.000	88.160	0.000	147.754	0.000	147.754
12-2013	1.396	0.000	1.089	0.000	88.160	0.000	95.979	0.000	95.979
12-2014	0.907	0.000	0.707	0.000	88.160	0.000	62.347	0.000	62.347
12-2015	0.589	0.000	0.459	0.000	88.160	0.000	40.500	0.000	40.500
12-2016	0.273	0.000	0.213	0.000	88.160	0.000	18.765	0.000	18.765

12-2017
 12-2018
 12-2019
 12-2020
 12-2021

12-2022
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S TOT	5.313	0.000	4.144	0.000	88.160	0.000	365.346	0.000	365.346
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	5.313	0.000	4.144	0.000	88.160	0.000	365.346	0.000	365.346

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	2.866	4.433	60.000	0.000	0.000	0.000	80.455	80.455	77.195
12-2013	1.862	2.879	60.000	0.000	0.000	0.000	31.238	111.693	104.550
12-2014	1.210	1.870	60.000	0.000	0.000	0.000	-0.733	110.960	104.130
12-2015	0.786	1.215	60.000	0.000	0.000	0.000	-21.501	89.459	88.816
12-2016	0.364	0.563	40.000	0.000	0.000	0.000	-22.162	67.297	74.168

12-2017
 12-2018
 12-2019
 12-2020
 12-2021

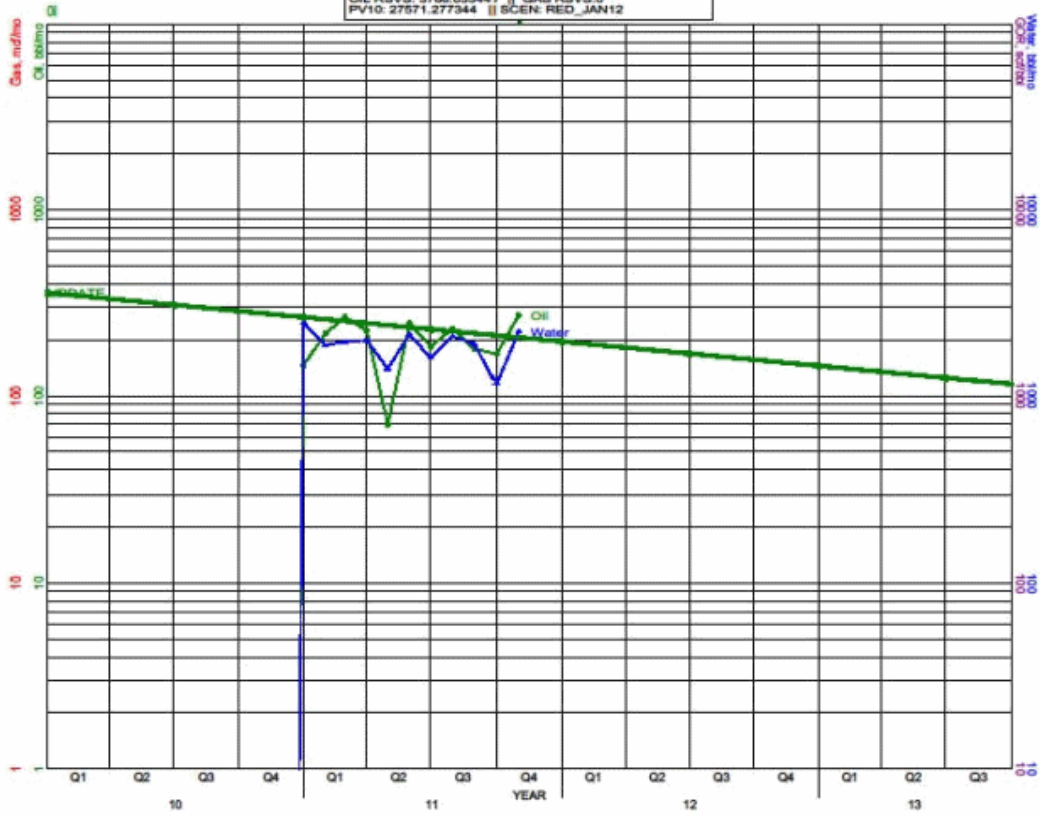
12-2022
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S TOT	7.088	10.960	280.000	0.000	0.000	0.000	67.297	67.297	74.168
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	67.297	74.168
TOTAL	7.088	10.960	280.000	0.000	0.000	0.000	67.297	67.297	74.168

	OIL	GAS		P.W. %	P.W., M\$	
GROSS WELLS	1.0	0.0	LIFE, YRS.	4.67	5.00	71.389
GROSS ULT., MB & MMF	11.796	0.000	DISCOUNT %	10.00	9.00	73.698
GROSS CUM., MB & MMF	6.483	0.000	UNDISCOUNTED PAYOUT, YRS.	0.00	10.00	74.168
GROSS RES., MB & MMF	5.313	0.000	DISCOUNTED PAYOUT, YRS.	0.00	12.00	74.997
NET RES., MB & MMF	4.144	0.000	UNDISCOUNTED NET/INVEST.	0.00	15.00	75.995
NET REVENUE, M\$	365.346	0.000	DISCOUNTED NET/INVEST.	0.00	20.00	77.124
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	240.00	40.00	77.688
INITIAL N.I., PCT.	78.000	0.000	INITIAL W.I., PCT.	100.000	60.00	75.531
					120.00	67.061
					240.00	55.505

MALM 42-34 NO.: 42-34
 UNNAMED FIELD
 LARAMIE CO., WY
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 3766.033447 || GAS RSVS: 0
 PV10: 27571.277344 || SCEN: RED_JAN12



MALM 42-34
 FIELD: UNNAMED
 COUNTY: LARAMIE STATE: WY
 OPERATOR: RECOVERY ENERGY INCOR
 1PDF

DATE : 03/06/2012
 TIME : 10:19:34
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

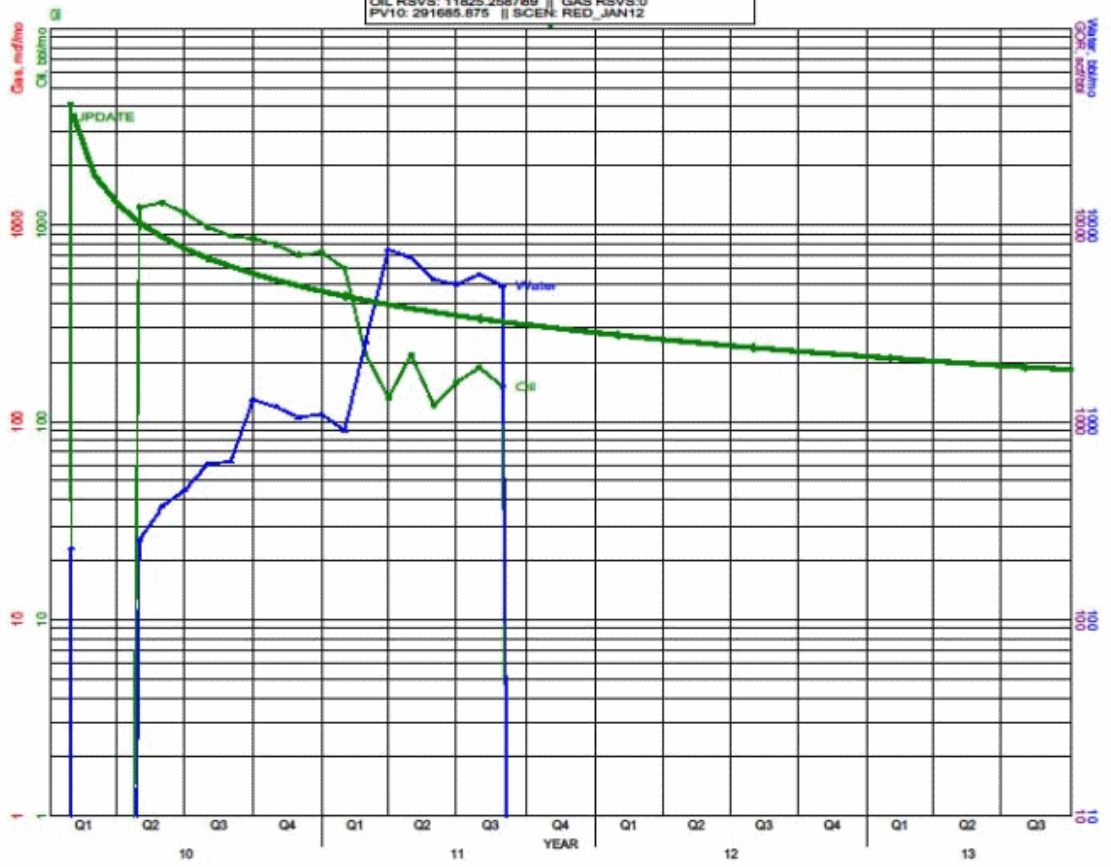
AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	2.028	0.000	1.156	0.000	88.160	0.000	101.882	0.000	101.882
12-2013	1.500	0.000	0.855	0.000	88.160	0.000	75.372	0.000	75.372
12-2014	1.110	0.000	0.632	0.000	88.160	0.000	55.759	0.000	55.759
12-2015	0.821	0.000	0.468	0.000	88.160	0.000	41.250	0.000	41.250
12-2016	0.607	0.000	0.346	0.000	88.160	0.000	30.516	0.000	30.516
12-2017	0.449	0.000	0.256	0.000	88.160	0.000	22.576	0.000	22.576
12-2018	0.093	0.000	0.053	0.000	88.160	0.000	4.658	0.000	4.658
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	6.609	0.000	3.766	0.000	88.160	0.000	332.014	0.000	332.014
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	6.609	0.000	3.766	0.000	88.160	0.000	332.014	0.000	332.014

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	6.895	6.520	44.400	0.000	0.000	0.000	44.067	44.067	42.233
12-2013	5.101	4.824	44.400	0.000	0.000	0.000	21.047	65.115	60.618
12-2014	3.773	3.569	44.400	0.000	0.000	0.000	4.017	69.132	63.875
12-2015	2.792	2.640	44.400	0.000	0.000	0.000	-8.581	60.550	57.786
12-2016	2.065	1.953	44.400	0.000	0.000	0.000	-17.902	42.648	46.165
12-2017	1.528	1.445	44.400	0.000	0.000	0.000	-24.797	17.851	31.506
12-2018	0.315	0.298	11.100	0.000	0.000	0.000	-7.055	10.796	27.571
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	22.468	21.249	277.500	0.000	0.000	0.000	10.796	10.796	27.571
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	10.796	27.571
TOTAL	22.468	21.249	277.500	0.000	0.000	0.000	10.796	10.796	27.571

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	20.637
GROSS ULT., MB & MMF	9.230	0.000	DISCOUNT %	10.00	26.370
GROSS CUM., MB & MMF	2.621	0.000	UNDISCOUNTED PAYOUT, YRS.	0.00	27.571
GROSS RES., MB & MMF	6.609	0.000	DISCOUNTED PAYOUT, YRS.	0.00	29.737
NET RES., MB & MMF	3.766	0.000	UNDISCOUNTED NET/INVEST.	0.00	32.469
NET REVENUE, M\$	332.014	0.000	DISCOUNTED NET/INVEST.	0.00	35.921
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	240.00	41.804
INITIAL N.I., PCT.	56.980	0.000	INITIAL W.I., PCT.	74.000	60.00
				120.00	42.290
				240.00	37.992
					30.888

OLIVERIUS 41-33 NO.: 41-33
 UNNAMED FIELD
 LARAMIE CO., WY
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 11825.258789 || GAS RSVS: 0
 PV10: 291685.875 || SCEN: RED_JAN12



OLIVERIUS 41-33
 FIELD: UNNAMED
 COUNTY: LARAMIE STATE: WY
 OPERATOR: RECOVERY ENERGY INCOR
 1PDF

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	2.937	0.000	2.261	0.000	88.160	0.000	199.351	0.000	199.351
12-2013	2.320	0.000	1.787	0.000	88.160	0.000	157.509	0.000	157.509
12-2014	1.950	0.000	1.501	0.000	88.160	0.000	132.348	0.000	132.348
12-2015	1.698	0.000	1.307	0.000	88.160	0.000	115.259	0.000	115.259
12-2016	1.514	0.000	1.166	0.000	88.160	0.000	102.765	0.000	102.765
12-2017	1.372	0.000	1.057	0.000	88.160	0.000	93.163	0.000	93.163
12-2018	1.259	0.000	0.969	0.000	88.160	0.000	85.441	0.000	85.441
12-2019	1.158	0.000	0.892	0.000	88.160	0.000	78.604	0.000	78.604
12-2020	1.065	0.000	0.820	0.000	88.160	0.000	72.316	0.000	72.316
12-2021	0.085	0.000	0.065	0.000	88.160	0.000	5.759	0.000	5.759

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S TOT	15.357	0.000	11.825	0.000	88.160	0.000	1042.515	0.000	1042.515
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	15.357	0.000	11.825	0.000	88.160	0.000	1042.515	0.000	1042.515

MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	13.491	12.758	60.000	0.000	0.000	0.000	113.102	113.102	108.242
12-2013	10.659	10.081	60.000	0.000	0.000	0.000	76.770	189.872	174.995
12-2014	8.956	8.470	60.000	0.000	0.000	0.000	54.921	244.793	218.398
12-2015	7.800	7.377	60.000	0.000	0.000	0.000	40.083	284.876	247.192
12-2016	6.954	6.577	60.000	0.000	0.000	0.000	29.234	314.109	266.286
12-2017	6.305	5.962	60.000	0.000	0.000	0.000	20.896	335.005	278.695
12-2018	5.782	5.468	60.000	0.000	0.000	0.000	14.190	349.195	286.362
12-2019	5.319	5.031	60.000	0.000	0.000	0.000	8.254	357.450	290.424
12-2020	4.894	4.628	60.000	0.000	0.000	0.000	2.794	360.244	291.686
12-2021	0.390	0.369	5.000	0.000	0.000	0.000	0.000	360.244	291.686

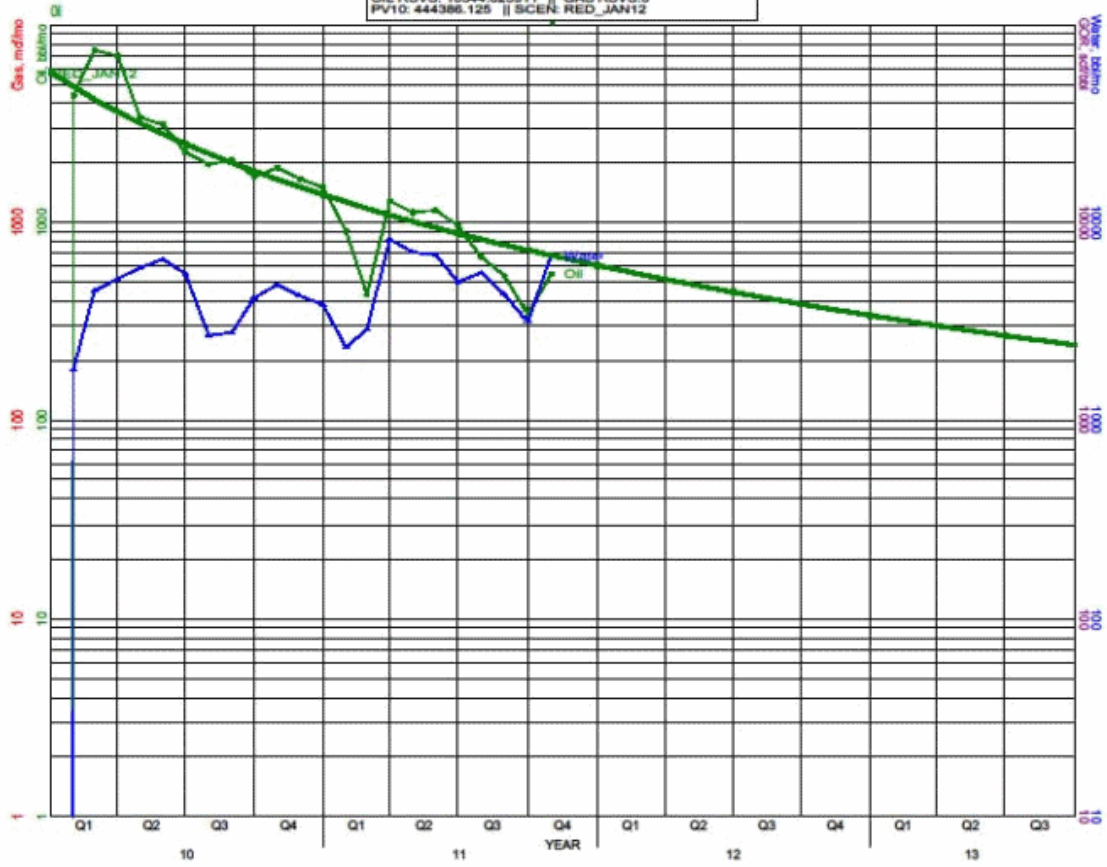
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S TOT	70.550	66.721	545.000	0.000	0.000	0.000	360.244	360.244	291.686
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	360.244	291.686
TOTAL	70.550	66.721	545.000	0.000	0.000	0.000	360.244	360.244	291.686

	OIL -----	GAS -----		P.W. % -----	P.W., M\$ -----
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	322.017
GROSS ULT., MB & MMF	36.162	0.000	DISCOUNT %	9.00	297.232
GROSS CUM., MB & MMF	20.804	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	291.686
GROSS RES., MB & MMF	15.357	0.000	DISCOUNTED PAYOUT, YRS.	12.00	281.269
NET RES., MB & MMF	11.825	0.000	UNDISCOUNTED NET/INVEST.	15.00	267.151
NET REVENUE, M\$	1042.515	0.000	DISCOUNTED NET/INVEST.	20.00	246.963
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	40.00	193.032
INITIAL N.I., PCT.	77.000	0.000	INITIAL W.I., PCT.	60.00	161.978
				120.00	117.046
				240.00	85.070

OLIVERIUS 42-33 NO.: 42-33
 UNNAMED FIELD
 LARAMIE CO., WY
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 10344.625977 || GAS RSVS: 0
 PV10: 444386.125 || SCEN: RED_JAN12



OLIVERIUS 42-33
 FIELD: UNNAMED
 COUNTY: LARAMIE STATE: WY
 OPERATOR: RECOVERY ENERGY INCOR
 1PDP

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	5.433	0.000	4.183	0.000	88.160	0.000	368.807	0.000	368.807
12-2013	3.244	0.000	2.498	0.000	88.160	0.000	220.185	0.000	220.185
12-2014	2.156	0.000	1.660	0.000	88.160	0.000	146.334	0.000	146.334
12-2015	1.536	0.000	1.183	0.000	88.160	0.000	104.303	0.000	104.303
12-2016	1.066	0.000	0.821	0.000	88.160	0.000	72.354	0.000	72.354

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S TOT	13.435	0.000	10.345	0.000	88.160	0.000	911.982	0.000	911.982
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	13.435	0.000	10.345	0.000	88.160	0.000	911.982	0.000	911.982

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	24.958	23.604	60.000	0.000	0.000	0.000	260.245	260.245	249.626
12-2013	14.901	14.092	60.000	0.000	0.000	0.000	131.192	391.437	363.972
12-2014	9.903	9.365	60.000	0.000	0.000	0.000	67.066	458.503	417.129
12-2015	7.058	6.675	60.000	0.000	0.000	0.000	30.569	489.072	439.194
12-2016	4.896	4.631	55.000	0.000	0.000	0.000	7.827	496.899	444.386

12-2017
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 12-2019
 12-2020
 12-2021

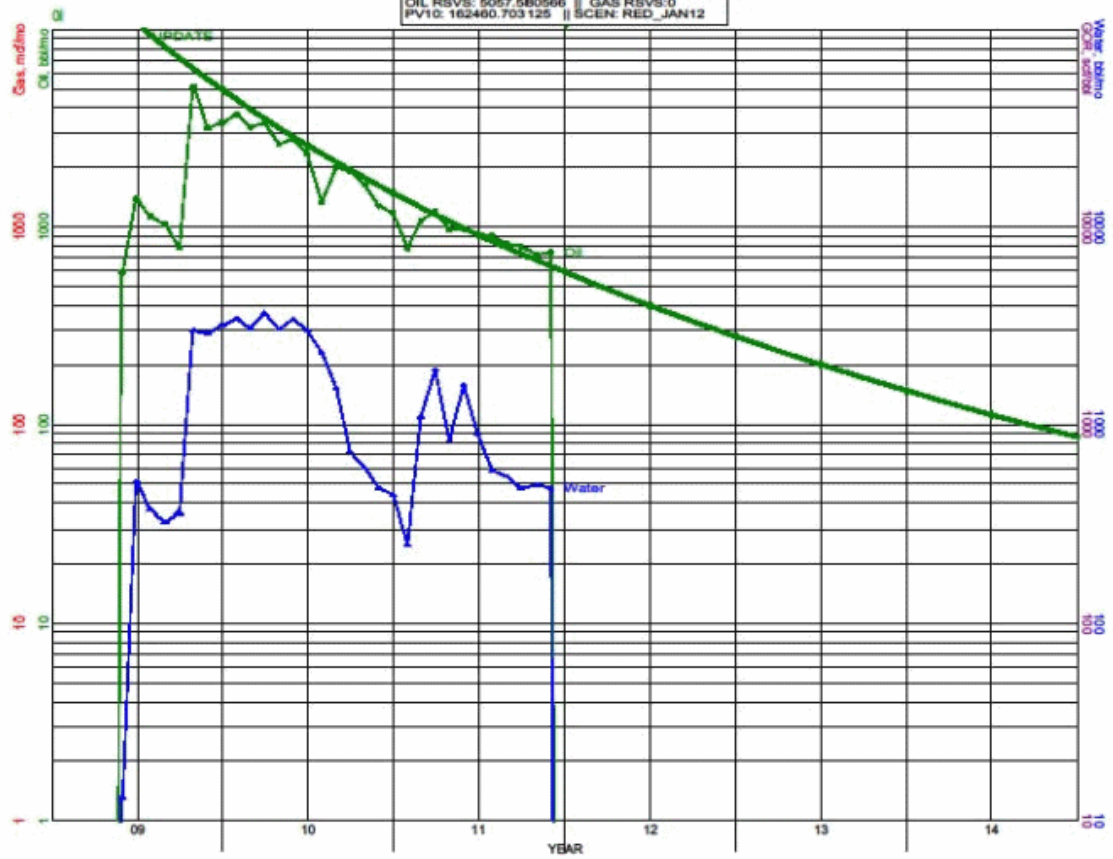
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S TOT	61.716	58.367	295.000	0.000	0.000	0.000	496.899	496.899	444.386
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	496.899	444.386
TOTAL	61.716	58.367	295.000	0.000	0.000	0.000	496.899	496.899	444.386

	OIL	GAS		P.W. %	P.W., M\$	
GROSS WELLS	1.0	0.0	LIFE, YRS.	4.92	5.00	468.748
GROSS ULT., MB & MMF	61.090	0.000	DISCOUNT %	10.00	9.00	448.992
GROSS CUM., MB & MMF	47.655	0.000	UNDISCOUNTED PAYOUT, YRS.	0.00	10.00	444.386
GROSS RES., MB & MMF	13.435	0.000	DISCOUNTED PAYOUT, YRS.	0.00	12.00	435.539
NET RES., MB & MMF	10.345	0.000	UNDISCOUNTED NET/INVEST.	0.00	15.00	423.111
NET REVENUE, M\$	911.982	0.000	DISCOUNTED NET/INVEST.	0.00	20.00	404.378
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	240.00	40.00	347.566
INITIAL N.I., PCT.	77.000	0.000	INITIAL W.I., PCT.	100.000	60.00	309.163
					120.00	243.785
					240.00	188.622

PALM NO.:
 ALBIN WEST FIELD
 BANNER CO., NE
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 5057.580566 || GAS RSVS: 0
 PV10: 162460.703125 || SCEN: RED_JAN12



PALM
 FIELD: ALBIN WEST
 COUNTY: BANNER STATE: NE
 OPERATOR: RECOVERY ENERGY INCOR
 1PDP

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLs---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLs---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	4.915	0.000	4.055	0.000	88.160	0.000	357.501	0.000	357.501
12-2013	1.215	0.000	1.002	0.000	88.160	0.000	88.375	0.000	88.375
12-2014									
12-2015									
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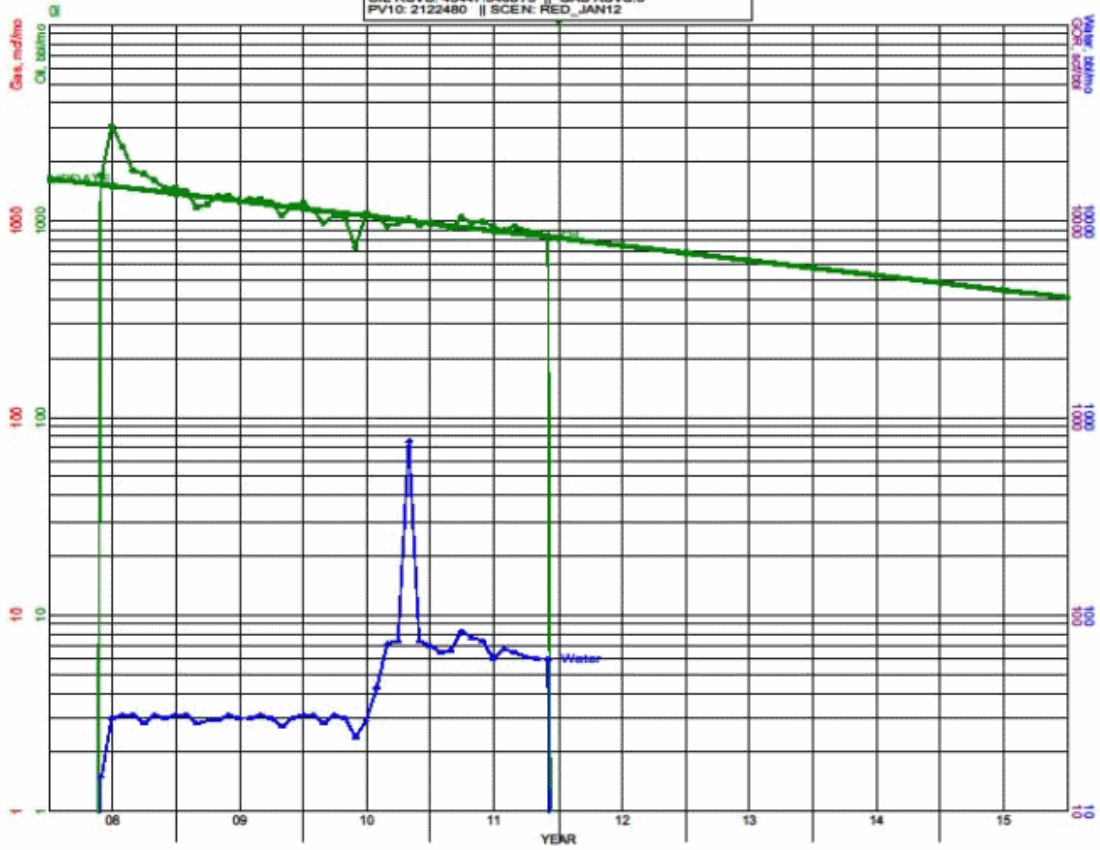
S TOT	6.130	0.000	5.058	0.000	88.160	0.000	445.876	0.000	445.876
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	6.130	0.000	5.058	0.000	88.160	0.000	445.876	0.000	445.876

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	6.936	10.725	180.000	0.000	0.000	0.000	159.841	159.841	154.366
12-2013	1.714	2.651	75.000	0.000	0.000	0.000	9.009	168.850	162.461
12-2014									
12-2015									
12-2016									
12-2017									
12-2018									
12-2019									
12-2020									
12-2021									
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12-2031									

S TOT	8.650	13.376	255.000	0.000	0.000	0.000	168.850	168.850	162.461
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	168.850	162.461
TOTAL	8.650	13.376	255.000	0.000	0.000	0.000	168.850	168.850	162.461

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	3.0	0.0	LIFE, YRS.	5.00	165.531
GROSS ULT., MB & MMF	56.275	0.000	DISCOUNT %	10.00	163.056
GROSS CUM., MB & MMF	50.145	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	162.461
GROSS RES., MB & MMF	6.130	0.000	DISCOUNTED PAYOUT, YRS.	12.00	161.296
NET RES., MB & MMF	5.058	0.000	UNDISCOUNTED NET/INVEST.	15.00	159.610
NET REVENUE, M\$	445.876	0.000	DISCOUNTED NET/INVEST.	20.00	156.955
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	40.00	147.903
INITIAL N.I., PCT.	82.500	0.000	INITIAL W.I., PCT.	60.00	140.721
				120.00	125.720
				240.00	109.132

PALM EGLE NO.:
 ALBIN WEST FIELD
 BANNER CO., NE
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 43447.046875 || GAS RSVS: 0
 PV10: 2122480 || SCEN: RED_JAN12



PALM EGLE
 FIELD: ALBIN WEST
 COUNTY: BANNER STATE: NE
 OPERATOR: RECOVERY ENERGY INCOR
 1PDP

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

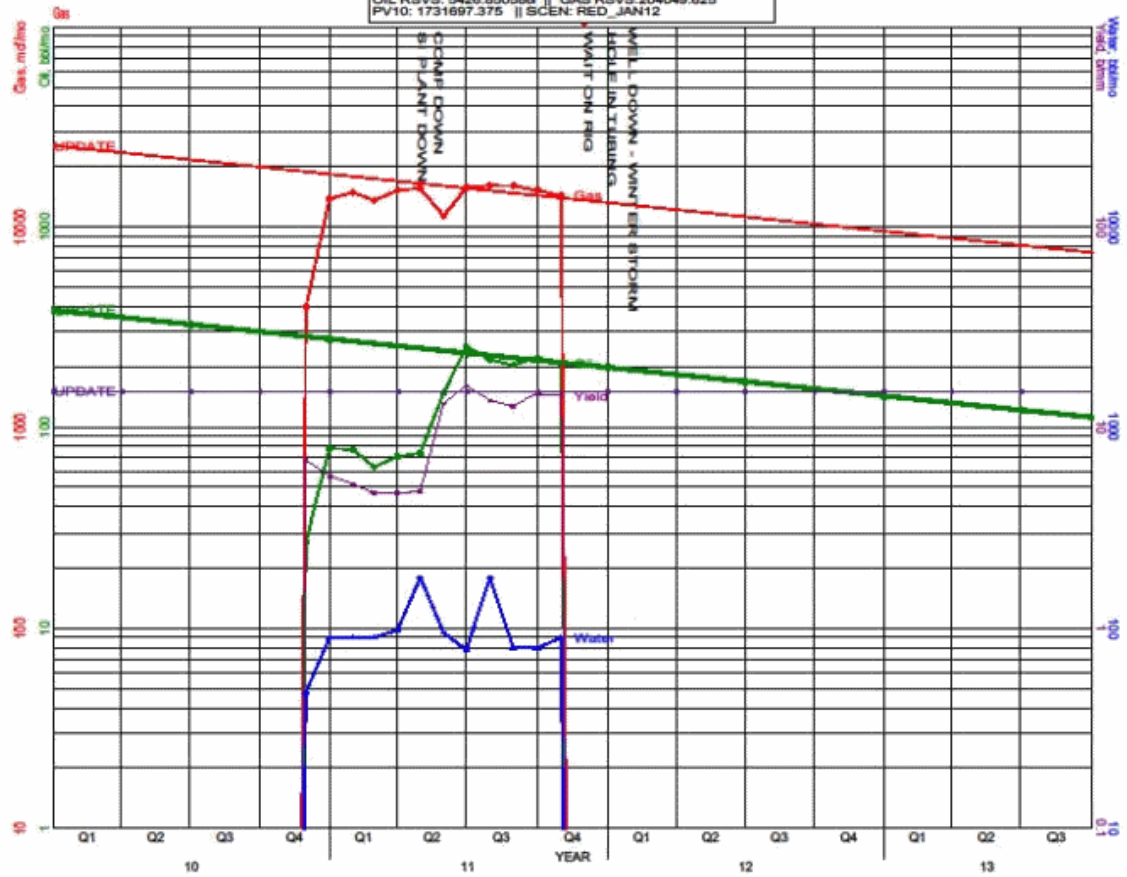
--END-- MO-YEAR	GROSS OIL PRODUCTION ----- ---MBBLS---	GROSS GAS PRODUCTION ----- ---MMCF---	NET OIL PRODUCTION ----- ---MBBLS---	NET GAS PRODUCTION ----- ---MMCF---	NET OIL PRICE ----- ---\$/BBL---	NET GAS PRICE ----- ---\$/MCF---	NET OIL SALES ----- ---M\$---	NET GAS SALES ----- ---M\$---	TOTAL NET SALES ----- ---M\$---
12-2012	9.004	0.000	7.428	0.000	88.160	0.000	654.877	0.000	654.877
12-2013	7.563	0.000	6.240	0.000	88.160	0.000	550.096	0.000	550.096
12-2014	6.353	0.000	5.241	0.000	88.160	0.000	462.081	0.000	462.081
12-2015	5.337	0.000	4.403	0.000	88.160	0.000	388.148	0.000	388.148
12-2016	4.483	0.000	3.698	0.000	88.160	0.000	326.044	0.000	326.044
12-2017	3.766	0.000	3.107	0.000	88.160	0.000	273.877	0.000	273.877
12-2018	3.163	0.000	2.610	0.000	88.160	0.000	230.057	0.000	230.057
12-2019	2.657	0.000	2.192	0.000	88.160	0.000	193.248	0.000	193.248
12-2020	2.232	0.000	1.841	0.000	88.160	0.000	162.328	0.000	162.328
12-2021	1.875	0.000	1.547	0.000	88.160	0.000	136.356	0.000	136.356
12-2022	1.575	0.000	1.299	0.000	88.160	0.000	114.539	0.000	114.539
12-2023	1.323	0.000	1.091	0.000	88.160	0.000	96.213	0.000	96.213
12-2024	1.111	0.000	0.917	0.000	88.160	0.000	80.818	0.000	80.818
12-2025	0.933	0.000	0.770	0.000	88.160	0.000	67.888	0.000	67.888
12-2026	0.784	0.000	0.647	0.000	88.160	0.000	57.026	0.000	57.026
12-2027	0.505	0.000	0.416	0.000	88.160	0.000	36.697	0.000	36.697
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	52.663	0.000	43.447	0.000	88.160	0.000	3830.292	0.000	3830.292
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	52.663	0.000	43.447	0.000	88.160	0.000	3830.292	0.000	3830.292

--END-- MO-YEAR	AD VALOREM TAX ----- ---M\$---	PRODUCTION TAX ----- ---M\$---	DIRECT OPER EXPENSE ----- ---M\$---	INTEREST PAID ----- ---M\$---	CAPITAL REPAYMENT ----- ---M\$---	EQUITY INVESTMENT ----- ---M\$---	FUTURE NET CASHFLOW ----- ---M\$---	CUMULATIVE CASHFLOW ----- ---M\$---	CUM. DISC. CASHFLOW ----- ---M\$---
12-2012	12.705	19.646	43.800	0.000	0.000	0.000	578.726	578.726	552.817
12-2013	10.672	16.503	43.800	0.000	0.000	0.000	479.122	1057.847	968.891
12-2014	8.964	13.862	43.800	0.000	0.000	0.000	395.454	1453.302	1281.097
12-2015	7.530	11.644	43.800	0.000	0.000	0.000	325.173	1778.475	1514.486
12-2016	6.325	9.781	43.800	0.000	0.000	0.000	266.138	2044.613	1688.145
12-2017	5.313	8.216	43.800	0.000	0.000	0.000	216.548	2261.160	1816.607
12-2018	4.463	6.902	43.800	0.000	0.000	0.000	174.892	2436.052	1910.932
12-2019	3.749	5.797	43.800	0.000	0.000	0.000	139.901	2575.954	1979.531
12-2020	3.149	4.870	43.800	0.000	0.000	0.000	110.509	2686.463	2028.798
12-2021	2.645	4.091	43.800	0.000	0.000	0.000	85.820	2772.282	2063.586
12-2022	2.222	3.436	43.800	0.000	0.000	0.000	65.080	2837.363	2087.573
12-2023	1.867	2.886	43.800	0.000	0.000	0.000	47.660	2885.022	2103.549
12-2024	1.568	2.425	43.800	0.000	0.000	0.000	33.026	2918.049	2113.618
12-2025	1.317	2.037	43.800	0.000	0.000	0.000	20.734	2938.782	2119.371
12-2026	1.106	1.711	43.800	0.000	0.000	0.000	10.408	2949.191	2122.004
12-2027	0.712	1.101	32.850	0.000	0.000	0.000	2.034	2951.226	2122.480
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	74.308	114.909	689.850	0.000	0.000	0.000	2951.226	2951.226	2122.480
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2951.226	2122.480
TOTAL	74.308	114.909	689.850	0.000	0.000	0.000	2951.226	2951.226	2122.480

	OIL -----	GAS -----	LIFE, YRS.	P.W. % -----	P.W., M\$ -----
GROSS WELLS	1.0	0.0	15.75	5.00	2468.155
GROSS ULT., MB & MMF	74.363	0.000	DISCOUNT %	9.00	2183.318
GROSS CUM., MB & MMF	21.700	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	2122.480
GROSS RES., MB & MMF	52.663	0.000	DISCOUNTED PAYOUT, YRS.	12.00	2010.999
NET RES., MB & MMF	43.447	0.000	UNDISCOUNTED NET/INVEST.	15.00	1865.538
NET REVENUE, M\$	3830.292	0.000	DISCOUNTED NET/INVEST.	20.00	1668.336
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	40.00	1197.957
INITIAL N.I., PCT.	82.500	0.000	INITIAL W.I., PCT.	60.00	959.502
				120.00	648.850

Ralph E. Davis Associates, Inc.
Texas Registered Engineering Firm F-1529

STATE-BRADBURY 13-36 NO.: 13-36
 PEACE PIPE FIELD
 ARAPAHOE CO., CO
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 5426.850586 | GAS RSVS: 204049.625
 PV10: 1731697.375 | SCEN: RED_JAN12



STATE-BRADBURY 13-36
 FIELD: PEACE PIPE
 COUNTY: ARAPAHOE STATE: CO
 OPERATOR: RECOVERY ENERGY INCOR
 IPDP

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	2.028	135.205	0.976	36.698	88.160	3.943	86.045	144.682	543.097
12-2013	1.460	97.347	0.703	26.423	88.160	3.943	61.952	104.171	391.030
12-2014	1.051	70.090	0.506	19.024	88.160	3.943	44.606	75.003	281.541
12-2015	0.757	50.465	0.364	13.697	88.160	3.943	32.116	54.002	202.710
12-2016	0.545	36.335	0.262	9.862	88.160	3.942	23.124	38.882	145.951
12-2017	0.392	26.161	0.189	7.101	88.160	3.942	16.649	27.995	105.085
12-2018	0.283	18.836	0.136	5.113	88.160	3.943	11.987	20.156	75.661
12-2019	0.203	13.562	0.098	3.681	88.160	3.943	8.631	14.512	54.476
12-2020	0.146	9.765	0.070	2.650	88.160	3.942	6.214	10.449	39.223
12-2021	0.105	7.030	0.051	1.908	88.160	3.942	4.474	7.523	28.240

12-2022	0.076	5.062	0.037	1.374	88.160	3.943	3.221	5.417	20.333
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									

S TOT	7.048	469.857	3.392	127.531	88.160	3.943	299.020	502.791	1887.346
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	7.048	469.857	3.392	127.531	88.160	3.943	299.020	502.791	1887.346

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	54.310	0.000	74.028	0.000	0.000	0.000	414.759	414.759	396.663
12-2013	39.103	0.000	57.080	0.000	0.000	0.000	294.847	709.606	653.019
12-2014	28.154	0.000	44.878	0.000	0.000	0.000	208.510	918.115	817.836
12-2015	20.271	0.000	36.092	0.000	0.000	0.000	146.347	1064.462	923.008
12-2016	14.595	0.000	29.766	0.000	0.000	0.000	101.590	1166.052	989.385

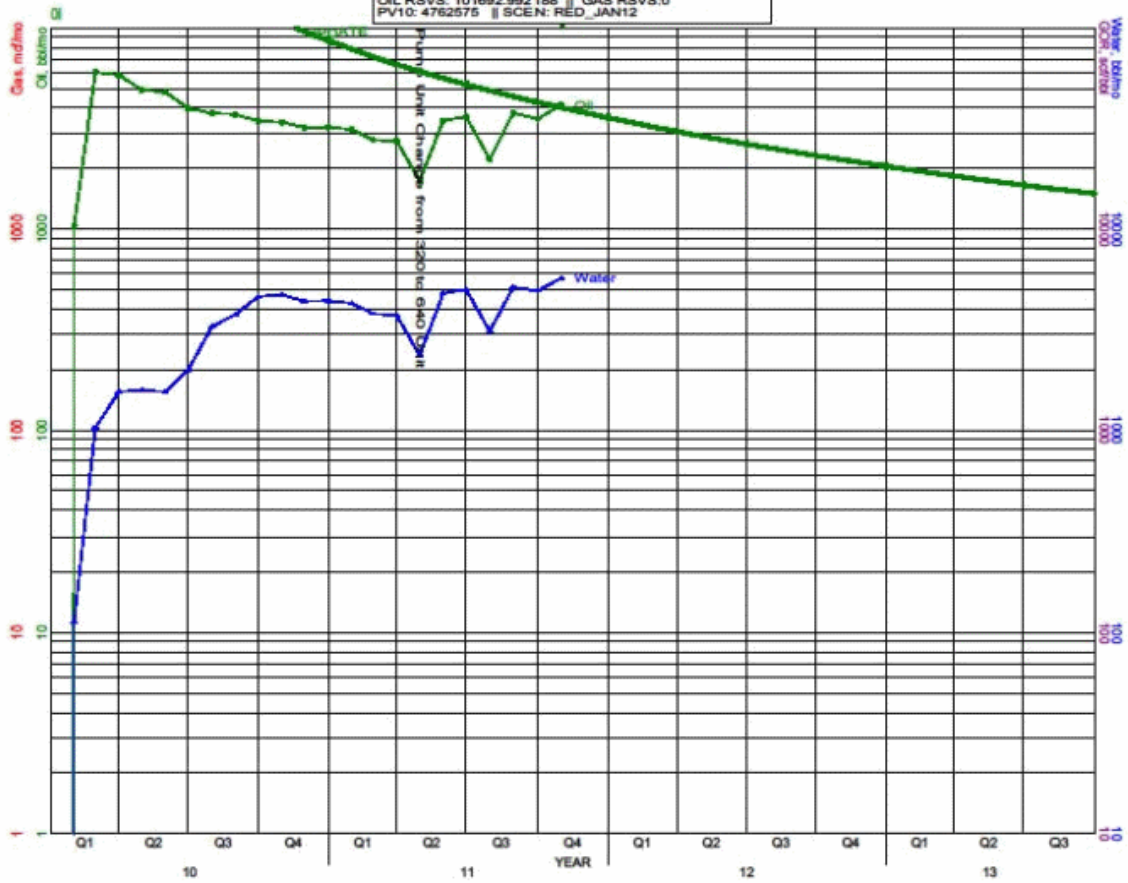
12-2017	10.508	0.000	25.212	0.000	0.000	0.000	69.365	1235.417	1030.593
12-2018	7.566	0.000	21.932	0.000	0.000	0.000	46.163	1281.579	1055.530
12-2019	5.448	0.000	19.571	0.000	0.000	0.000	29.457	1311.036	1070.002
12-2020	3.922	0.000	17.871	0.000	0.000	0.000	17.429	1328.465	1077.793
12-2021	2.824	0.000	16.647	0.000	0.000	0.000	8.769	1337.234	1081.364

12-2022	2.033	0.000	15.766	0.000	0.000	0.000	2.534	1339.768	1082.311
12-2023									
12-2024									
12-2025									
12-2026									

S TOT	188.735	0.000	358.843	0.000	0.000	0.000	1339.768	1339.768	1082.311
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1339.768	1082.311
TOTAL	188.735	0.000	358.843	0.000	0.000	0.000	1339.768	1339.768	1082.311

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	0.0	1.0	LIFE, YRS.	5.00	1195.790
GROSS ULT., MB & MMF	8.459	588.751	DISCOUNT %	10.00	1103.018
GROSS CUM., MB & MMF	1.411	118.893	UNDISCOUNTED PAYOUT, YRS.	0.00	1082.311
GROSS RES., MB & MMF	7.048	469.857	DISCOUNTED PAYOUT, YRS.	0.00	1043.468
NET RES., MB & MMF	3.392	127.531	UNDISCOUNTED NET/INVEST.	0.00	990.911
NET REVENUE, M\$	299.020	502.791	DISCOUNTED NET/INVEST.	0.00	915.905
INITIAL PRICE, \$	88.160	3.943	RATE-OF-RETURN, PCT.	240.00	715.879
INITIAL N.I., PCT.	48.125	48.125	INITIAL W.I., PCT.	60.00	600.480
				120.00	432.567
				240.00	312.441

WENZEL 12-34 NO.: 12-34
 UNNAMED FIELD
 LARAMIE CO., WY
 OPERATOR: RECOVERY ENERGY INCORPORATED
 OIL RSVS: 101692.992188 || GAS RSVS: 0
 PV10: 4762575 || SCEN: RED_JAN12



WENZEL 12-34
 FIELD: UNNAMED
 COUNTY: LARAMIE STATE: WY
 OPERATOR: RECOVERY ENERGY INCOR
 1PDP

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

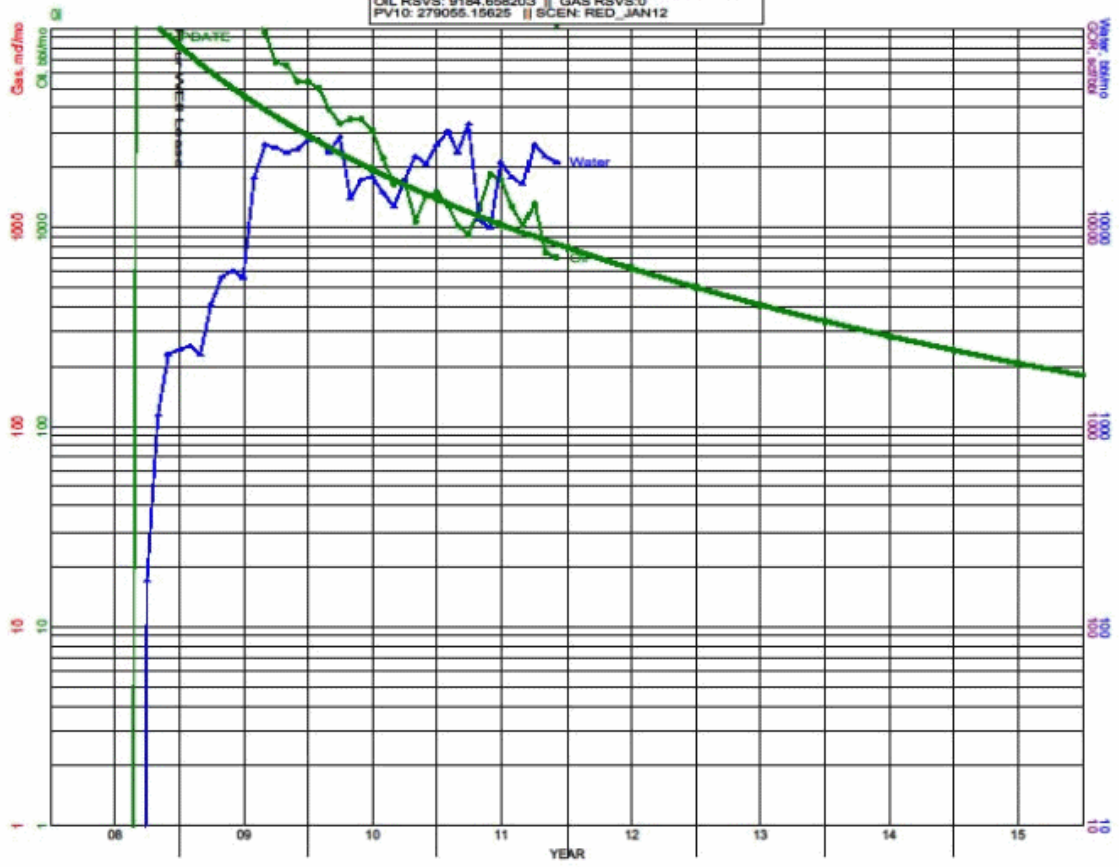
AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MMBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MMBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	32.366	0.000	24.922	0.000	88.160	0.000	2197.118	0.000	2197.118
12-2013	20.027	0.000	15.421	0.000	88.160	0.000	1359.493	0.000	1359.493
12-2014	13.917	0.000	10.716	0.000	88.160	0.000	944.741	0.000	944.741
12-2015	10.377	0.000	7.990	0.000	88.160	0.000	704.395	0.000	704.395
12-2016	8.112	0.000	6.246	0.000	88.160	0.000	550.689	0.000	550.689
12-2017	6.562	0.000	5.053	0.000	88.160	0.000	445.478	0.000	445.478
12-2018	5.447	0.000	4.194	0.000	88.160	0.000	369.783	0.000	369.783
12-2019	4.614	0.000	3.553	0.000	88.160	0.000	313.207	0.000	313.207
12-2020	3.972	0.000	3.058	0.000	88.160	0.000	269.625	0.000	269.625
12-2021	3.465	0.000	2.668	0.000	88.160	0.000	235.222	0.000	235.222
12-2022	3.057	0.000	2.354	0.000	88.160	0.000	207.509	0.000	207.509
12-2023	2.722	0.000	2.096	0.000	88.160	0.000	184.801	0.000	184.801
12-2024	2.444	0.000	1.882	0.000	88.160	0.000	165.921	0.000	165.921
12-2025	2.210	0.000	1.702	0.000	88.160	0.000	150.027	0.000	150.027
12-2026	2.011	0.000	1.548	0.000	88.160	0.000	136.497	0.000	136.497
12-2027	1.839	0.000	1.416	0.000	88.160	0.000	124.870	0.000	124.870
12-2028	1.690	0.000	1.302	0.000	88.160	0.000	114.741	0.000	114.741
12-2029	1.555	0.000	1.197	0.000	88.160	0.000	105.562	0.000	105.562
12-2030	1.431	0.000	1.102	0.000	88.160	0.000	97.117	0.000	97.117
12-2031	1.316	0.000	1.013	0.000	88.160	0.000	89.347	0.000	89.347
S TOT	129.136	0.000	99.434	0.000	88.160	0.000	8766.144	0.000	8766.144
AFTER	2.933	0.000	2.259	0.000	88.160	0.000	199.111	0.000	199.111
TOTAL	132.069	0.000	101.693	0.000	88.160	0.000	8965.255	0.000	8965.255

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	148.685	140.616	60.000	0.000	0.000	0.000	1847.817	1847.817	1770.454
12-2013	92.001	87.008	60.000	0.000	0.000	0.000	1120.484	2968.302	2745.326
12-2014	63.933	60.463	60.000	0.000	0.000	0.000	760.344	3728.646	3346.333
12-2015	47.668	45.081	60.000	0.000	0.000	0.000	551.646	4280.292	3742.573
12-2016	37.267	35.244	60.000	0.000	0.000	0.000	418.178	4698.470	4015.562
12-2017	30.147	28.511	60.000	0.000	0.000	0.000	326.820	5025.291	4209.477
12-2018	25.024	23.666	60.000	0.000	0.000	0.000	261.093	5286.383	4350.290
12-2019	21.196	20.045	60.000	0.000	0.000	0.000	211.966	5498.349	4454.204
12-2020	18.246	17.256	60.000	0.000	0.000	0.000	174.123	5672.472	4531.800
12-2021	15.918	15.054	60.000	0.000	0.000	0.000	144.250	5816.722	4590.236
12-2022	14.043	13.281	60.000	0.000	0.000	0.000	120.186	5936.908	4634.496
12-2023	12.506	11.827	60.000	0.000	0.000	0.000	100.468	6037.375	4668.130
12-2024	11.228	10.619	60.000	0.000	0.000	0.000	84.074	6121.450	4693.718
12-2025	10.153	9.602	60.000	0.000	0.000	0.000	70.272	6191.722	4713.161
12-2026	9.237	8.736	60.000	0.000	0.000	0.000	58.524	6250.246	4727.882
12-2027	8.450	7.992	60.000	0.000	0.000	0.000	48.428	6298.674	4738.957
12-2028	7.765	7.343	60.000	0.000	0.000	0.000	39.633	6338.307	4747.197
12-2029	7.144	6.756	60.000	0.000	0.000	0.000	31.662	6369.969	4753.184
12-2030	6.572	6.215	60.000	0.000	0.000	0.000	24.329	6394.298	4757.367
12-2031	6.046	5.718	60.000	0.000	0.000	0.000	17.583	6411.880	4760.117
S TOT	593.229	561.033	1200.000	0.000	0.000	0.000	6411.880	6411.880	4760.117
AFTER	13.474	12.743	155.000	0.000	0.000	0.000	17.894	6429.774	4762.575
TOTAL	606.704	573.776	1355.000	0.000	0.000	0.000	6429.774	6429.774	4762.575

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	5437.901
GROSS ULT., MB & MMF	217.222	0.000	DISCOUNT %	9.00	4879.789
GROSS CUM., MB & MMF	85.153	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	4762.575
GROSS RES., MB & MMF	132.069	0.000	DISCOUNTED PAYOUT, YRS.	12.00	4549.233
NET RES., MB & MMF	101.693	0.000	UNDISCOUNTED NET/INVEST.	15.00	4273.068
NET REVENUE, M\$	8965.256	0.000	DISCOUNTED NET/INVEST.	20.00	3900.844
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	40.00	3003.097
INITIAL N.I., PCT.	77.000	0.000	INITIAL W.I., PCT.	60.00	2526.188
				120.00	1855.209
				240.00	1374.863

WILKE NO.:
DILL EAST FIELD
KIMBALL CO., NE
OPERATOR: RECOVERY ENERGY INCORPORATED
OIL RSVS: 9184.658203 || GAS RSVS: 0
PV10: 279055.15625 || SCEN: RED_JAN12



WILKE
 FIELD: DILL EAST
 COUNTY: KIMBALL STATE: NE
 OPERATOR: RECOVERY ENERGY INCOR
 1PDF

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	7.550	0.000	5.153	0.000	88.160	0.000	454.280	0.000	454.280
12-2013	4.936	0.000	3.369	0.000	88.160	0.000	297.011	0.000	297.011
12-2014	0.971	0.000	0.663	0.000	88.160	0.000	58.428	0.000	58.428
12-2015									
12-2016									
12-2017									
12-2018									
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									

S TOT	13.457	0.000	9.185	0.000	88.160	0.000	809.720	0.000	809.720
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	13.457	0.000	9.185	0.000	88.160	0.000	809.720	0.000	809.720

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	8.813	13.628	210.000	0.000	0.000	0.000	221.839	221.839	213.089
12-2013	5.762	8.910	210.000	0.000	0.000	0.000	72.339	294.178	276.564
12-2014	1.134	1.753	52.500	0.000	0.000	0.000	3.042	297.219	279.055
12-2015									
12-2016									
12-2017									
12-2018									
12-2019									
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									

S TOT	15.709	24.292	472.500	0.000	0.000	0.000	297.219	297.219	279.055
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	297.219	279.055
TOTAL	15.709	24.292	472.500	0.000	0.000	0.000	297.219	297.219	279.055

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	4.0	0.0	LIFE, YRS.	5.00	287.694
GROSS ULT., MB & MMF	54.861	0.000	DISCOUNT %	10.00	280.718
GROSS CUM., MB & MMF	41.404	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	279.055
GROSS RES., MB & MMF	13.457	0.000	DISCOUNTED PAYOUT, YRS.	12.00	275.820
NET RES., MB & MMF	9.185	0.000	UNDISCOUNTED NET/INVEST.	15.00	271.181
NET REVENUE, M\$	809.720	0.000	DISCOUNTED NET/INVEST.	20.00	263.971
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	40.00	240.296
INITIAL N.I., PCT.	68.250	0.000	INITIAL W.I., PCT.	60.00	222.484
				120.00	187.942
				240.00	153.707

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Economic Cash Flow Presentations
Individual Wells for Non-Producing Properties
Proved Non-Producing

Proved Non-Producing



RECOVERY ENERGY
 PROVED DEVELOPED NON-PRODUCING R
 NON ESCALATED SEC PRICES
 AS OF 12/31/2012

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ----- ---MBBLS---	GROSS GAS PRODUCTION ----- ---MMCF---	NET OIL PRODUCTION ----- ---MBBLS---	NET GAS PRODUCTION ----- ---MMCF---	NET OIL PRICE ----- ---\$/BBL---	NET GAS PRICE ----- ---\$/MCF---	NET OIL SALES ----- ---M\$---	NET GAS SALES ----- ---M\$---	TOTAL NET SALES ----- ---M\$---
12-2012	19.298	0.000	0.627	0.000	88.160	0.000	55.293	0.000	55.293
12-2013	8.581	0.000	0.279	0.000	88.160	0.000	24.588	0.000	24.588
12-2014	5.368	0.000	0.174	0.000	88.160	0.000	15.381	0.000	15.381
12-2015	3.916	0.000	0.127	0.000	88.160	0.000	11.220	0.000	11.220
12-2016	3.085	0.000	0.100	0.000	88.160	0.000	8.838	0.000	8.838
12-2017	2.545	0.000	0.083	0.000	88.160	0.000	7.292	0.000	7.292
12-2018	2.166	0.000	0.070	0.000	88.160	0.000	6.207	0.000	6.207
12-2019	1.886	0.000	0.061	0.000	88.160	0.000	5.404	0.000	5.404
12-2020	1.670	0.000	0.054	0.000	88.160	0.000	4.785	0.000	4.785
12-2021	1.498	0.000	0.049	0.000	88.160	0.000	4.293	0.000	4.293
12-2022	1.359	0.000	0.044	0.000	88.160	0.000	3.893	0.000	3.893
12-2023	1.243	0.000	0.040	0.000	88.160	0.000	3.561	0.000	3.561
12-2024	1.143	0.000	0.037	0.000	88.160	0.000	3.274	0.000	3.274
12-2025	1.051	0.000	0.034	0.000	88.160	0.000	3.012	0.000	3.012
12-2026	0.331	0.000	0.011	0.000	88.160	0.000	0.950	0.000	0.950
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									

S TOT	55.141	0.000	1.792	0.000	88.160	0.000	157.991	0.000	157.991
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	55.141	0.000	1.792	0.000	88.160	0.000	157.991	0.000	157.991

--END-- MO-YEAR	AD VALOREM TAX ----- ---M\$---	PRODUCTION TAX ----- ---M\$---	DIRECT OPER EXPENSE ----- ---M\$---	INTEREST PAID ----- ---M\$---	CAPITAL REPAYMENT ----- ---M\$---	EQUITY INVESTMENT ----- ---M\$---	FUTURE NET CASHFLOW ----- ---M\$---	CUMULATIVE CASHFLOW ----- ---M\$---	CUM. DISC. CASHFLOW ----- ---M\$---
12-2012	3.742	3.539	0.000	0.000	0.000	0.000	48.013	48.013	46.035
12-2013	1.664	1.574	0.000	0.000	0.000	0.000	21.350	69.363	64.634
12-2014	1.041	0.984	0.000	0.000	0.000	0.000	13.356	82.719	75.192
12-2015	0.759	0.718	0.000	0.000	0.000	0.000	9.743	92.462	82.189
12-2016	0.598	0.566	0.000	0.000	0.000	0.000	7.674	100.136	87.197
12-2017	0.493	0.467	0.000	0.000	0.000	0.000	6.332	106.468	90.952
12-2018	0.420	0.397	0.000	0.000	0.000	0.000	5.390	111.857	93.857
12-2019	0.366	0.346	0.000	0.000	0.000	0.000	4.692	116.550	96.156
12-2020	0.324	0.306	0.000	0.000	0.000	0.000	4.155	120.704	98.007
12-2021	0.291	0.275	0.000	0.000	0.000	0.000	3.728	124.432	99.516
12-2022	0.263	0.249	0.000	0.000	0.000	0.000	3.380	127.812	100.760
12-2023	0.241	0.228	0.000	0.000	0.000	0.000	3.092	130.904	101.794
12-2024	0.222	0.210	0.000	0.000	0.000	0.000	2.843	133.747	102.659
12-2025	0.204	0.193	0.000	0.000	0.000	0.000	2.616	136.363	103.382
12-2026	0.064	0.061	0.000	0.000	0.000	0.000	0.825	137.188	103.596
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									

S TOT	10.692	10.111	0.000	0.000	0.000	0.000	137.188	137.188	103.596
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	137.188	103.596
TOTAL	10.692	10.111	0.000	0.000	0.000	0.000	137.188	137.188	103.596

	OIL ----- -----	GAS ----- -----		P.W. % ----- -----	P.W., M\$ ----- -----
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	117.336
GROSS ULT., MB & MMF	55.141	0.000	DISCOUNT %	9.00	105.988
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	103.596
GROSS RES., MB & MMF	55.141	0.000	DISCOUNTED PAYOUT, YRS.	12.00	99.239
NET RES., MB & MMF	1.792	0.000	UNDISCOUNTED NET/INVEST.	15.00	93.600
NET REVENUE, M\$	157.991	0.000	DISCOUNTED NET/INVEST.	20.00	86.017
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	40.00	67.878
INITIAL N.I., PCT.	3.250	0.000	INITIAL W.I., PCT.	60.00	58.273
				120.00	44.447
				240.00	33.944

FORNSTROMS 33-32
 FIELD: UNNAMED
 COUNTY: LARAMIE STATE: WY
 OPERATOR: BEAR OIL AND GAS
 2PNP

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	19.298	0.000	0.627	0.000	88.160	0.000	55.293	0.000	55.293
12-2013	8.581	0.000	0.279	0.000	88.160	0.000	24.588	0.000	24.588
12-2014	5.368	0.000	0.174	0.000	88.160	0.000	15.381	0.000	15.381
12-2015	3.916	0.000	0.127	0.000	88.160	0.000	11.220	0.000	11.220
12-2016	3.085	0.000	0.100	0.000	88.160	0.000	8.838	0.000	8.838
12-2017	2.545	0.000	0.083	0.000	88.160	0.000	7.292	0.000	7.292
12-2018	2.166	0.000	0.070	0.000	88.160	0.000	6.207	0.000	6.207
12-2019	1.886	0.000	0.061	0.000	88.160	0.000	5.404	0.000	5.404
12-2020	1.670	0.000	0.054	0.000	88.160	0.000	4.785	0.000	4.785
12-2021	1.498	0.000	0.049	0.000	88.160	0.000	4.293	0.000	4.293
12-2022	1.359	0.000	0.044	0.000	88.160	0.000	3.893	0.000	3.893
12-2023	1.243	0.000	0.040	0.000	88.160	0.000	3.561	0.000	3.561
12-2024	1.143	0.000	0.037	0.000	88.160	0.000	3.274	0.000	3.274
12-2025	1.051	0.000	0.034	0.000	88.160	0.000	3.012	0.000	3.012
12-2026	0.331	0.000	0.011	0.000	88.160	0.000	0.950	0.000	0.950
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	55.141	0.000	1.792	0.000	88.160	0.000	157.991	0.000	157.991
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	55.141	0.000	1.792	0.000	88.160	0.000	157.991	0.000	157.991
--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	3.742	3.539	0.000	0.000	0.000	0.000	48.013	48.013	46.035
12-2013	1.664	1.574	0.000	0.000	0.000	0.000	21.350	69.363	64.634
12-2014	1.041	0.984	0.000	0.000	0.000	0.000	13.356	82.719	75.192
12-2015	0.759	0.718	0.000	0.000	0.000	0.000	9.743	92.462	82.189
12-2016	0.598	0.566	0.000	0.000	0.000	0.000	7.674	100.136	87.197
12-2017	0.493	0.467	0.000	0.000	0.000	0.000	6.332	106.468	90.952
12-2018	0.420	0.397	0.000	0.000	0.000	0.000	5.390	111.857	93.857
12-2019	0.366	0.346	0.000	0.000	0.000	0.000	4.692	116.550	96.156
12-2020	0.324	0.306	0.000	0.000	0.000	0.000	4.155	120.704	98.007
12-2021	0.291	0.275	0.000	0.000	0.000	0.000	3.728	124.432	99.516
12-2022	0.263	0.249	0.000	0.000	0.000	0.000	3.380	127.812	100.760
12-2023	0.241	0.228	0.000	0.000	0.000	0.000	3.092	130.904	101.794
12-2024	0.222	0.210	0.000	0.000	0.000	0.000	2.843	133.747	102.659
12-2025	0.204	0.193	0.000	0.000	0.000	0.000	2.616	136.363	103.382
12-2026	0.064	0.061	0.000	0.000	0.000	0.000	0.825	137.188	103.596
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	10.692	10.111	0.000	0.000	0.000	0.000	137.188	137.188	103.596
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	137.188	103.596
TOTAL	10.692	10.111	0.000	0.000	0.000	0.000	137.188	137.188	103.596
		OIL	GAS				P.W. %	P.W., M\$	
GROSS WELLS		1.0	0.0	LIFE, YRS.		14.33	5.00	117.336	
GROSS ULT., MB & MMF		55.141	0.000	DISCOUNT %		10.00	9.00	105.988	
GROSS CUM., MB & MMF		0.000	0.000	UNDISCOUNTED PAYOUT, YRS.		0.00	10.00	103.596	
GROSS RES., MB & MMF		55.141	0.000	DISCOUNTED PAYOUT, YRS.		0.00	12.00	99.239	
NET RES., MB & MMF		1.792	0.000	UNDISCOUNTED NET/INVEST.		0.00	15.00	93.600	
NET REVENUE, M\$		157.991	0.000	DISCOUNTED NET/INVEST.		0.00	20.00	86.017	
INITIAL PRICE, \$		88.160	0.000	RATE-OF-RETURN, PCT.		240.00	40.00	67.878	
INITIAL N.I., PCT.		3.250	0.000	INITIAL W.I., PCT.		0.000	60.00	58.273	
							120.00	44.447	
							240.00	33.944	

Economic Cash Flow Presentations
Individual Wells for Non-Producing Properties
Proved Undeveloped

RECOVERY ENERGY
 PROVED UNDEVELOPED RESERVES
 NON ESCALATED SEC PRICES
 AS OF 12/31/2012

DATE : 03/06/2012
 TIME : 10:19:36
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	71.452	0.000	56.512	0.000	88.160	0.000	4982.078	0.000	4982.078
12-2013	89.769	0.000	68.915	0.000	88.160	0.000	6075.512	0.000	6075.512
12-2014	61.860	0.000	47.755	0.000	88.160	0.000	4210.124	0.000	4210.124
12-2015	47.262	0.000	36.641	0.000	88.160	0.000	3230.260	0.000	3230.260
12-2016	38.375	0.000	29.848	0.000	88.160	0.000	2631.426	0.000	2631.426
12-2017	32.422	0.000	25.284	0.000	88.160	0.000	2229.042	0.000	2229.042
12-2018	28.145	0.000	21.995	0.000	88.160	0.000	1939.068	0.000	1939.068
12-2019	24.907	0.000	19.497	0.000	88.160	0.000	1718.837	0.000	1718.837
12-2020	19.431	0.000	15.314	0.000	88.160	0.000	1350.046	0.000	1350.046
12-2021	14.178	0.000	11.085	0.000	88.160	0.000	977.267	0.000	977.267
12-2022	10.676	0.000	8.263	0.000	88.160	0.000	728.468	0.000	728.468
12-2023	8.969	0.000	6.945	0.000	88.160	0.000	612.239	0.000	612.239
12-2024	7.761	0.000	6.010	0.000	88.160	0.000	529.833	0.000	529.833
12-2025	7.235	0.000	5.600	0.000	88.160	0.000	493.686	0.000	493.686
12-2026	6.761	0.000	5.231	0.000	88.160	0.000	461.142	0.000	461.142
12-2027	6.333	0.000	4.897	0.000	88.160	0.000	431.713	0.000	431.713
12-2028	5.945	0.000	4.594	0.000	88.160	0.000	405.001	0.000	405.001
12-2029	5.591	0.000	4.318	0.000	88.160	0.000	380.680	0.000	380.680
12-2030	5.269	0.000	4.066	0.000	88.160	0.000	358.475	0.000	358.475
12-2031	4.974	0.000	3.836	0.000	88.160	0.000	338.153	0.000	338.153
S TOT	497.315	0.000	386.604	0.000	88.160	0.000	34083.051	0.000	34083.051
AFTER	7.764	0.000	5.940	0.000	88.160	0.000	523.683	0.000	523.683
TOTAL	505.079	0.000	392.545	0.000	88.160	0.000	34606.734	0.000	34606.734

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	123.617	168.454	312.750	0.000	0.000	8480.500	-4103.242	-4103.242	-4012.474
12-2013	191.300	233.988	479.250	0.000	0.000	0.000	5170.975	1067.733	488.046
12-2014	125.239	156.986	479.250	0.000	0.000	0.000	3448.648	4516.381	3213.890
12-2015	91.505	117.219	479.250	0.000	0.000	0.000	2542.286	7058.667	5039.619
12-2016	71.549	93.381	479.250	0.000	0.000	0.000	1987.247	9045.914	6336.544
12-2017	58.564	77.662	479.250	0.000	0.000	0.000	1613.567	10659.480	7293.632
12-2018	49.502	66.542	479.250	0.000	0.000	0.000	1343.774	12003.254	8018.118
12-2019	42.833	58.247	479.250	0.000	0.000	0.000	1138.507	13141.761	8576.071
12-2020	33.940	45.959	432.000	0.000	0.000	0.000	838.147	13979.908	8950.422
12-2021	25.407	33.860	391.500	0.000	0.000	0.000	526.500	14506.408	9164.082
12-2022	19.582	25.693	270.000	0.000	0.000	0.000	413.193	14919.601	9316.208
12-2023	13.907	19.797	238.500	0.000	0.000	0.000	340.036	15259.637	9430.125
12-2024	10.279	15.895	216.000	0.000	0.000	0.000	287.659	15547.296	9517.636
12-2025	9.578	14.811	216.000	0.000	0.000	0.000	253.298	15800.594	9587.690
12-2026	8.946	13.834	216.000	0.000	0.000	0.000	222.362	16022.956	9643.599
12-2027	8.375	12.951	216.000	0.000	0.000	0.000	194.386	16217.342	9688.033
12-2028	7.857	12.150	216.000	0.000	0.000	0.000	168.994	16386.336	9723.152
12-2029	7.385	11.420	216.000	0.000	0.000	0.000	145.874	16532.211	9750.713
12-2030	6.954	10.754	216.000	0.000	0.000	0.000	124.766	16656.977	9772.144
12-2031	6.560	10.145	216.000	0.000	0.000	0.000	105.449	16762.426	9788.612
S TOT	912.878	1199.748	6727.500	0.000	0.000	8480.500	16762.426	16762.426	9788.612
AFTER	10.159	15.710	342.000	0.000	0.000	0.000	155.813	16918.238	9809.886
TOTAL	923.037	1215.458	7069.500	0.000	0.000	8480.500	16918.238	16918.238	9809.886

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	9.0	0.0	LIFE, YRS.	22.00	12666.878
GROSS ULT., MB & MMF	505.079	0.000	DISCOUNT %	10.00	10302.962
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.79	9809.884
GROSS RES., MB & MMF	505.079	0.000	DISCOUNTED PAYOUT, YRS.	1.89	8916.126
NET RES., MB & MMF	392.545	0.000	UNDISCOUNTED NET/INVEST.	2.99	7767.521
NET REVENUE, M\$	34606.730	0.000	DISCOUNTED NET/INVEST.	2.20	6238.650
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	81.33	2703.976
INITIAL N.I., PCT.	79.091	0.000	INITIAL W.I., PCT.	98.105	979.477
				120.00	-1123.306

Ralph E. Davis Associates, Inc.
Texas Registered Engineering Firm F-1529

LARSON 24-20
 PROSPECT: PIERRE-PAUL
 COUNTY: KIMBALL STATE: NE
 OPERATOR: RECOVERY ENERGY COMPA
 3PUD

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	10.181	0.000	8.145	0.000	88.160	0.000	718.050	0.000	718.050
12-2013	7.190	0.000	5.752	0.000	88.160	0.000	507.064	0.000	507.064
12-2014	5.655	0.000	4.524	0.000	88.160	0.000	398.817	0.000	398.817
12-2015	4.704	0.000	3.764	0.000	88.160	0.000	331.792	0.000	331.792
12-2016	4.052	0.000	3.242	0.000	88.160	0.000	285.774	0.000	285.774
12-2017	3.573	0.000	2.859	0.000	88.160	0.000	252.022	0.000	252.022
12-2018	3.206	0.000	2.565	0.000	88.160	0.000	226.098	0.000	226.098
12-2019	2.914	0.000	2.331	0.000	88.160	0.000	205.497	0.000	205.497
12-2020	2.147	0.000	1.717	0.000	88.160	0.000	151.394	0.000	151.394
12-2021	0.817	0.000	0.653	0.000	88.160	0.000	57.607	0.000	57.607

12-2022
 12-2023
 12-2024
 12-2025
 12-2026

12-2027
 12-2028
 12-2029
 12-2030
 12-2031

S TOT	44.438	0.000	35.550	0.000	88.160	0.000	3134.115	0.000	3134.115
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	44.438	0.000	35.550	0.000	88.160	0.000	3134.115	0.000	3134.115

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	13.930	21.542	54.000	0.000	0.000	850.000	-221.422	-221.422	-248.245
12-2013	9.837	15.212	54.000	0.000	0.000	0.000	428.015	206.594	123.808
12-2014	7.737	11.965	54.000	0.000	0.000	0.000	325.115	531.709	380.576
12-2015	6.437	9.954	54.000	0.000	0.000	0.000	261.401	793.110	568.193
12-2016	5.544	8.573	54.000	0.000	0.000	0.000	217.657	1010.768	710.181
12-2017	4.889	7.561	54.000	0.000	0.000	0.000	185.572	1196.339	820.215
12-2018	4.386	6.783	54.000	0.000	0.000	0.000	160.929	1357.268	906.953
12-2019	3.987	6.165	54.000	0.000	0.000	0.000	141.346	1498.614	976.204
12-2020	2.937	4.542	54.000	0.000	0.000	0.000	89.915	1588.529	1016.572
12-2021	1.118	1.728	40.500	0.000	0.000	0.000	14.261	1602.790	1022.486

12-2022
 12-2023
 12-2024
 12-2025
 12-2026

12-2027
 12-2028
 12-2029
 12-2030
 12-2031

S TOT	60.802	94.023	526.500	0.000	0.000	850.000	1602.790	1602.790	1022.486
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1602.790	1022.486
TOTAL	60.802	94.023	526.500	0.000	0.000	850.000	1602.790	1602.790	1022.486

	OIL -----	GAS -----		P.W. % -----	P.W., M\$ -----
GROSS WELLS	1.0	0.0	LIFE, YRS.	9.75	5.00
GROSS ULT., MB & MMF	44.438	0.000	DISCOUNT %	10.00	9.00
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.52	10.00
GROSS RES., MB & MMF	44.438	0.000	DISCOUNTED PAYOUT, YRS.	1.67	12.00
NET RES., MB & MMF	35.550	0.000	UNDISCOUNTED NET/INVEST.	2.89	15.00
NET REVENUE, M\$	3134.115	0.000	DISCOUNTED NET/INVEST.	2.20	20.00
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	72.83	40.00
INITIAL N.I., PCT.	80.000	0.000	INITIAL W.I., PCT.	100.000	60.00
					120.00
					-189.779
					240.00
					-373.964

LUKASSEN 41-18
 PROSPECT: WILKE
 COUNTY: BANNER STATE: NE
 OPERATOR: RECOVERY ENERGY INCOR
 3PUD

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ----- ---MBELS---	GROSS GAS PRODUCTION ----- ---MMCF---	NET OIL PRODUCTION ----- ---MBELS---	NET GAS PRODUCTION ----- ---MMCF---	NET OIL PRICE ----- ---\$/BBL---	NET GAS PRICE ----- ---\$/MCF---	NET OIL SALES ----- ---M\$---	NET GAS SALES ----- ---M\$---	TOTAL NET SALES ----- ---M\$---
12-2012	1.043	0.000	0.782	0.000	88.160	0.000	68.938	0.000	68.938
12-2013	10.035	0.000	7.526	0.000	88.160	0.000	663.532	0.000	663.532
12-2014	7.306	0.000	5.479	0.000	88.160	0.000	483.054	0.000	483.054
12-2015	5.815	0.000	4.361	0.000	88.160	0.000	384.468	0.000	384.468
12-2016	4.863	0.000	3.648	0.000	88.160	0.000	321.571	0.000	321.571
12-2017	4.199	0.000	3.149	0.000	88.160	0.000	277.646	0.000	277.646
12-2018	3.707	0.000	2.780	0.000	88.160	0.000	245.084	0.000	245.084
12-2019	3.326	0.000	2.494	0.000	88.160	0.000	219.897	0.000	219.897
12-2020	3.022	0.000	2.266	0.000	88.160	0.000	199.786	0.000	199.786
12-2021	2.773	0.000	2.079	0.000	88.160	0.000	183.325	0.000	183.325
12-2022	2.565	0.000	1.924	0.000	88.160	0.000	169.581	0.000	169.581
12-2023	2.388	0.000	1.791	0.000	88.160	0.000	157.918	0.000	157.918
12-2024	2.237	0.000	1.677	0.000	88.160	0.000	147.886	0.000	147.886
12-2025	2.105	0.000	1.578	0.000	88.160	0.000	139.158	0.000	139.158
12-2026	1.989	0.000	1.491	0.000	88.160	0.000	131.488	0.000	131.488
12-2027	1.886	0.000	1.414	0.000	88.160	0.000	124.691	0.000	124.691
12-2028	1.794	0.000	1.346	0.000	88.160	0.000	118.622	0.000	118.622
12-2029	1.712	0.000	1.284	0.000	88.160	0.000	113.167	0.000	113.167
12-2030	1.637	0.000	1.228	0.000	88.160	0.000	108.236	0.000	108.236
12-2031	1.569	0.000	1.177	0.000	88.160	0.000	103.754	0.000	103.754
S TOT	65.968	0.000	49.476	0.000	88.160	0.000	4361.804	0.000	4361.804
AFTER	2.932	0.000	2.199	0.000	88.160	0.000	193.865	0.000	193.865
TOTAL	68.900	0.000	51.675	0.000	88.160	0.000	4555.668	0.000	4555.668

--END-- MO-YEAR	AD VALOREM TAX ----- ---M\$---	PRODUCTION TAX ----- ---M\$---	DIRECT OPER EXPENSE ----- ---M\$---	INTEREST PAID ----- ---M\$---	CAPITAL REPAYMENT ----- ---M\$---	EQUITY INVESTMENT ----- ---M\$---	FUTURE NET CASHFLOW ----- ---M\$---	CUMULATIVE CASHFLOW ----- ---M\$---	CUM. DISC. CASHFLOW ----- ---M\$---
12-2012	1.337	2.068	4.500	0.000	0.000	1355.000	-1293.968	-1293.968	-1185.936
12-2013	12.873	19.906	54.000	0.000	0.000	0.000	576.754	-717.214	-684.180
12-2014	9.371	14.492	54.000	0.000	0.000	0.000	405.191	-312.023	-364.030
12-2015	7.459	11.534	54.000	0.000	0.000	0.000	311.475	-0.547	-140.411
12-2016	6.238	9.647	54.000	0.000	0.000	0.000	251.686	251.139	23.807
12-2017	5.386	8.329	54.000	0.000	0.000	0.000	209.930	461.069	148.304
12-2018	4.755	7.353	54.000	0.000	0.000	0.000	178.977	640.046	244.781
12-2019	4.266	6.597	54.000	0.000	0.000	0.000	155.034	795.080	320.746
12-2020	3.876	5.994	54.000	0.000	0.000	0.000	135.917	930.997	381.284
12-2021	3.556	5.500	54.000	0.000	0.000	0.000	120.268	1051.265	429.980
12-2022	3.290	5.087	54.000	0.000	0.000	0.000	107.203	1158.469	469.437
12-2023	3.064	4.738	54.000	0.000	0.000	0.000	96.117	1254.585	501.597
12-2024	2.869	4.437	54.000	0.000	0.000	0.000	86.581	1341.166	527.932
12-2025	2.700	4.175	54.000	0.000	0.000	0.000	78.283	1419.449	549.577
12-2026	2.551	3.945	54.000	0.000	0.000	0.000	70.993	1490.442	567.422
12-2027	2.419	3.741	54.000	0.000	0.000	0.000	64.531	1554.973	582.168
12-2028	2.301	3.559	54.000	0.000	0.000	0.000	58.762	1613.735	594.375
12-2029	2.195	3.395	54.000	0.000	0.000	0.000	53.577	1667.312	604.492
12-2030	2.100	3.247	54.000	0.000	0.000	0.000	48.889	1716.202	612.885
12-2031	2.013	3.113	54.000	0.000	0.000	0.000	44.628	1760.830	619.851
S TOT	84.619	130.854	1030.500	0.000	0.000	1355.000	1760.830	1760.830	619.851
AFTER	3.761	5.816	108.000	0.000	0.000	0.000	76.288	1837.117	630.225
TOTAL	88.380	136.670	1138.500	0.000	0.000	1355.000	1837.117	1837.117	630.225

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	22.00	5.00
GROSS ULT., ME & MMF	68.900	0.000	DISCOUNT %	10.00	9.00
GROSS CUM., ME & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	4.00	10.00
GROSS RES., ME & MMF	68.900	0.000	DISCOUNTED PAYOUT, YRS.	4.86	12.00
NET RES., ME & MMF	51.675	0.000	UNDISCOUNTED NET/INVEST.	2.36	15.00
NET REVENUE, M\$	4555.668	0.000	DISCOUNTED NET/INVEST.	1.51	20.00
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	27.43	40.00
INITIAL N.I., PCT.	75.000	0.000	INITIAL W.I., PCT.	100.000	60.00
				120.00	-351.046

240.00

-293.577

Ralph E. Davis Associates, Inc.
Texas Registered Engineering Firm F-1529

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LUKASSEN 42-7
 PROSPECT: WILKE
 COUNTY: BANNER STATE: NE
 OPERATOR: RECOVERY ENERGY INCOR
 3PUD

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

---END--	GROSS OIL	GROSS GAS	NET OIL	NET GAS	NET OIL	NET GAS	NET	NET	TOTAL
MO-YEAR	PRODUCTION	PRODUCTION	PRODUCTION	PRODUCTION	PRICE	PRICE	OIL SALES	GAS SALES	NET SALES
-----	---MBELS---	---MMCF---	---MBELS---	---MMCF---	---\$/BBL---	---\$/MCF---	----M\$----	----M\$----	----M\$----
12-2012	2.044	0.000	1.533	0.000	88.160	0.000	135.139	0.000	135.139
12-2013	9.722	0.000	7.291	0.000	88.160	0.000	642.808	0.000	642.808
12-2014	7.149	0.000	5.362	0.000	88.160	0.000	472.716	0.000	472.716
12-2015	5.720	0.000	4.290	0.000	88.160	0.000	378.195	0.000	378.195
12-2016	4.799	0.000	3.599	0.000	88.160	0.000	317.328	0.000	317.328
12-2017	4.153	0.000	3.114	0.000	88.160	0.000	274.570	0.000	274.570
12-2018	3.671	0.000	2.753	0.000	88.160	0.000	242.743	0.000	242.743
12-2019	3.298	0.000	2.473	0.000	88.160	0.000	218.052	0.000	218.052
12-2020	2.999	0.000	2.249	0.000	88.160	0.000	198.290	0.000	198.290
12-2021	2.754	0.000	2.065	0.000	88.160	0.000	182.086	0.000	182.086
12-2022	2.549	0.000	1.912	0.000	88.160	0.000	168.537	0.000	168.537
12-2023	2.375	0.000	1.781	0.000	88.160	0.000	157.025	0.000	157.025
12-2024	2.225	0.000	1.669	0.000	88.160	0.000	147.113	0.000	147.113
12-2025	2.094	0.000	1.571	0.000	88.160	0.000	138.481	0.000	138.481
12-2026	1.980	0.000	1.485	0.000	88.160	0.000	130.891	0.000	130.891
12-2027	1.878	0.000	1.408	0.000	88.160	0.000	124.159	0.000	124.159
12-2028	1.787	0.000	1.340	0.000	88.160	0.000	118.146	0.000	118.146
12-2029	1.705	0.000	1.279	0.000	88.160	0.000	112.738	0.000	112.738
12-2030	1.631	0.000	1.223	0.000	88.160	0.000	107.846	0.000	107.846
12-2031	1.564	0.000	1.173	0.000	88.160	0.000	103.398	0.000	103.398
S TOT	66.096	0.000	49.572	0.000	88.160	0.000	4370.259	0.000	4370.259
AFTER	2.804	0.000	2.103	0.000	88.160	0.000	185.408	0.000	185.408
TOTAL	68.900	0.000	51.675	0.000	88.160	0.000	4555.667	0.000	4555.667

---END--	AD VALOREM	PRODUCTION	DIRECT OPER	INTEREST	CAPITAL	EQUITY	FUTURE NET	CUMULATIVE	CUM. DISC.
MO-YEAR	TAX	TAX	EXPENSE	PAID	REPAYMENT	INVESTMENT	CASHFLOW	CASHFLOW	CASHFLOW
-----	----M\$----	----M\$----	----M\$----	----M\$----	----M\$----	----M\$----	----M\$----	----M\$----	----M\$----
12-2012	2.622	4.054	9.000	0.000	0.000	1355.000	-1235.536	-1235.536	-1142.062
12-2013	12.470	19.284	54.000	0.000	0.000	0.000	557.053	-678.483	-657.500
12-2014	9.171	14.181	54.000	0.000	0.000	0.000	395.364	-283.120	-345.132
12-2015	7.337	11.346	54.000	0.000	0.000	0.000	305.512	22.392	-125.800
12-2016	6.156	9.520	54.000	0.000	0.000	0.000	247.652	270.044	35.783
12-2017	5.327	8.237	54.000	0.000	0.000	0.000	207.006	477.050	158.543
12-2018	4.709	7.282	54.000	0.000	0.000	0.000	176.751	653.802	253.820
12-2019	4.230	6.542	54.000	0.000	0.000	0.000	153.280	807.082	328.924
12-2020	3.847	5.949	54.000	0.000	0.000	0.000	134.495	941.577	388.829
12-2021	3.532	5.463	54.000	0.000	0.000	0.000	119.091	1060.667	437.048
12-2022	3.270	5.056	54.000	0.000	0.000	0.000	106.211	1166.878	476.140
12-2023	3.046	4.711	54.000	0.000	0.000	0.000	95.268	1262.146	508.015
12-2024	2.854	4.413	54.000	0.000	0.000	0.000	85.845	1347.992	534.126
12-2025	2.687	4.154	54.000	0.000	0.000	0.000	77.640	1425.632	555.594
12-2026	2.539	3.927	54.000	0.000	0.000	0.000	70.425	1496.056	573.296
12-2027	2.409	3.725	54.000	0.000	0.000	0.000	64.026	1560.082	587.926
12-2028	2.292	3.544	54.000	0.000	0.000	0.000	58.309	1618.391	600.039
12-2029	2.187	3.382	54.000	0.000	0.000	0.000	53.168	1671.560	610.080
12-2030	2.092	3.235	54.000	0.000	0.000	0.000	48.518	1720.078	618.409
12-2031	2.006	3.102	54.000	0.000	0.000	0.000	44.291	1764.369	625.321
S TOT	84.783	131.108	1035.000	0.000	0.000	1355.000	1764.369	1764.369	625.321
AFTER	3.597	5.562	103.500	0.000	0.000	0.000	72.749	1837.118	635.251
TOTAL	88.380	136.670	1138.500	0.000	0.000	1355.000	1837.118	1837.118	635.251

	OIL	GAS		P.W. %	P.W., M\$
	-----	-----		-----	-----
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	1078.032
GROSS ULT., MB & MMF	68.900	0.000	DISCOUNT %	9.00	707.463
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	3.93	635.251
GROSS RES., MB & MMF	68.900	0.000	DISCOUNTED PAYOUT, YRS.	4.78	509.026
NET RES., MB & MMF	51.675	0.000	UNDISCOUNTED NET/INVEST.	2.36	355.895
NET REVENUE, M\$	4555.667	0.000	DISCOUNTED NET/INVEST.	1.51	168.570
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	27.42	-184.735
INITIAL N.I., PCT.	75.000	0.000	INITIAL W.I., PCT.	100.000	-306.495
				120.00	-374.886
				240.00	-325.096



MALM 32-34
 PROSPECT: STATE LINE
 COUNTY: BANNER STATE: NE
 OPERATOR: RECOVERY ENERGY COMPA
 3FUD

DATE : 03/06/2012
 TIME : 10:19:35
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	12.470	0.000	9.851	0.000	88.160	0.000	868.489	0.000	868.489
12-2013	6.602	0.000	5.216	0.000	88.160	0.000	459.814	0.000	459.814
12-2014	4.911	0.000	3.880	0.000	88.160	0.000	342.018	0.000	342.018
12-2015	4.026	0.000	3.181	0.000	88.160	0.000	280.406	0.000	280.406
12-2016	3.465	0.000	2.737	0.000	88.160	0.000	241.323	0.000	241.323
12-2017	3.071	0.000	2.426	0.000	88.160	0.000	213.865	0.000	213.865
12-2018	2.775	0.000	2.193	0.000	88.160	0.000	193.297	0.000	193.297
12-2019	2.543	0.000	2.009	0.000	88.160	0.000	177.082	0.000	177.082
12-2020	2.339	0.000	1.848	0.000	88.160	0.000	162.908	0.000	162.908
12-2021	2.152	0.000	1.700	0.000	88.160	0.000	149.876	0.000	149.876
12-2022	1.980	0.000	1.564	0.000	88.160	0.000	137.886	0.000	137.886
12-2023	1.821	0.000	1.439	0.000	88.160	0.000	126.855	0.000	126.855
12-2024	1.676	0.000	1.324	0.000	88.160	0.000	116.706	0.000	116.706
12-2025	1.542	0.000	1.218	0.000	88.160	0.000	107.370	0.000	107.370
12-2026	1.418	0.000	1.120	0.000	88.160	0.000	98.780	0.000	98.780
12-2027	1.305	0.000	1.031	0.000	88.160	0.000	90.878	0.000	90.878
12-2028	1.200	0.000	0.948	0.000	88.160	0.000	83.608	0.000	83.608
12-2029	1.104	0.000	0.872	0.000	88.160	0.000	76.919	0.000	76.919
12-2030	1.016	0.000	0.803	0.000	88.160	0.000	70.766	0.000	70.766
12-2031	0.935	0.000	0.738	0.000	88.160	0.000	65.104	0.000	65.104
S TOT	58.351	0.000	46.097	0.000	88.160	0.000	4063.949	0.000	4063.949
AFTER	0.996	0.000	0.787	0.000	88.160	0.000	69.402	0.000	69.402
TOTAL	59.348	0.000	46.885	0.000	88.160	0.000	4133.351	0.000	4133.351

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	16.849	26.055	54.000	0.000	0.000	858.000	-86.414	-86.414	-115.684
12-2013	8.920	13.794	54.000	0.000	0.000	0.000	383.100	296.685	217.620
12-2014	6.635	10.261	54.000	0.000	0.000	0.000	271.122	567.807	431.810
12-2015	5.440	8.412	54.000	0.000	0.000	0.000	212.554	780.361	584.385
12-2016	4.682	7.240	54.000	0.000	0.000	0.000	175.401	955.762	698.811
12-2017	4.149	6.416	54.000	0.000	0.000	0.000	149.300	1105.062	787.337
12-2018	3.750	5.799	54.000	0.000	0.000	0.000	129.748	1234.810	857.267
12-2019	3.435	5.312	54.000	0.000	0.000	0.000	114.334	1349.144	913.283
12-2020	3.160	4.887	54.000	0.000	0.000	0.000	100.861	1450.005	958.208
12-2021	2.908	4.496	54.000	0.000	0.000	0.000	88.472	1538.476	994.034
12-2022	2.675	4.137	54.000	0.000	0.000	0.000	77.074	1615.551	1022.409
12-2023	2.461	3.806	54.000	0.000	0.000	0.000	66.588	1682.139	1044.697
12-2024	2.264	3.501	54.000	0.000	0.000	0.000	56.941	1739.080	1062.024
12-2025	2.083	3.221	54.000	0.000	0.000	0.000	48.066	1787.146	1075.323
12-2026	1.916	2.963	54.000	0.000	0.000	0.000	39.901	1827.047	1085.360
12-2027	1.763	2.726	54.000	0.000	0.000	0.000	32.389	1859.435	1092.768
12-2028	1.622	2.508	54.000	0.000	0.000	0.000	25.477	1884.912	1098.068
12-2029	1.492	2.308	54.000	0.000	0.000	0.000	19.119	1904.032	1101.685
12-2030	1.373	2.123	54.000	0.000	0.000	0.000	13.270	1917.302	1103.969
12-2031	1.263	1.953	54.000	0.000	0.000	0.000	7.888	1925.190	1105.205
S TOT	78.841	121.918	1080.000	0.000	0.000	858.000	1925.190	1925.190	1105.205
AFTER	1.346	2.082	63.000	0.000	0.000	0.000	2.974	1928.163	1105.632
TOTAL	80.187	124.001	1143.000	0.000	0.000	858.000	1928.163	1928.163	1105.632

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	1430.260
GROSS ULT., MB & MMF	59.348	0.000	DISCOUNT %	10.00	1160.962
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.23	1105.632
GROSS RES., MB & MMF	59.348	0.000	DISCOUNTED PAYOUT, YRS.	1.35	1006.137
NET RES., MB & MMF	46.885	0.000	UNDISCOUNTED NET/INVEST.	3.25	879.807
NET REVENUE, M\$	4133.351	0.000	DISCOUNTED NET/INVEST.	2.29	714.263
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	92.27	338.728
INITIAL N.I., PCT.	79.000	0.000	INITIAL W.I., PCT.	100.000	152.152
				120.00	-99.577
				240.00	-276.729

OLIVERIUS 32-33
 PROSPECT: STATE LINE
 COUNTY: LARAMIE STATE: NE
 OPERATOR: RECOVERY ENERGY COMPA
 3PUD

DATE : 03/06/2012
 TIME : 10:19:36
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	8.229	0.000	6.336	0.000	88.160	0.000	558.582	0.000	558.582
12-2013	22.410	0.000	17.255	0.000	88.160	0.000	1521.244	0.000	1521.244
12-2014	13.294	0.000	10.236	0.000	88.160	0.000	902.433	0.000	902.433
12-2015	8.800	0.000	6.776	0.000	88.160	0.000	597.385	0.000	597.385
12-2016	6.256	0.000	4.817	0.000	88.160	0.000	424.647	0.000	424.647
12-2017	4.675	0.000	3.600	0.000	88.160	0.000	317.368	0.000	317.368
12-2018	3.627	0.000	2.792	0.000	88.160	0.000	246.183	0.000	246.183
12-2019	2.895	0.000	2.229	0.000	88.160	0.000	196.532	0.000	196.532
12-2020	2.365	0.000	1.821	0.000	88.160	0.000	160.526	0.000	160.526
12-2021	1.968	0.000	1.515	0.000	88.160	0.000	133.585	0.000	133.585
12-2022	1.663	0.000	1.281	0.000	88.160	0.000	112.901	0.000	112.901
12-2023	0.619	0.000	0.477	0.000	88.160	0.000	42.042	0.000	42.042
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	76.800	0.000	59.136	0.000	88.160	0.000	5213.429	0.000	5213.429
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	76.800	0.000	59.136	0.000	88.160	0.000	5213.429	0.000	5213.429

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	37.801	35.749	13.500	0.000	0.000	858.000	-386.468	-386.468	-371.225
12-2013	102.947	97.360	54.000	0.000	0.000	0.000	1266.938	880.469	732.666
12-2014	61.070	57.756	54.000	0.000	0.000	0.000	729.607	1610.076	1310.015
12-2015	40.427	38.233	54.000	0.000	0.000	0.000	464.726	2074.802	1644.132
12-2016	28.737	27.177	54.000	0.000	0.000	0.000	314.733	2389.535	1849.764
12-2017	21.477	20.312	54.000	0.000	0.000	0.000	221.579	2611.114	1981.341
12-2018	16.660	15.756	54.000	0.000	0.000	0.000	159.767	2770.881	2067.576
12-2019	13.300	12.578	54.000	0.000	0.000	0.000	116.654	2887.535	2124.814
12-2020	10.863	10.274	54.000	0.000	0.000	0.000	85.389	2972.925	2162.904
12-2021	9.040	8.549	54.000	0.000	0.000	0.000	61.995	3034.920	2188.046
12-2022	7.640	7.226	54.000	0.000	0.000	0.000	44.035	3078.955	2204.285
12-2023	2.845	2.691	22.500	0.000	0.000	0.000	14.007	3092.962	2209.101
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	352.807	333.659	576.000	0.000	0.000	858.000	3092.962	3092.962	2209.101
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3092.962	2209.101
TOTAL	352.807	333.659	576.000	0.000	0.000	858.000	3092.962	3092.962	2209.101

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	11.42	5.00
GROSS ULT., MB & MMF	76.800	0.000	DISCOUNT %	10.00	9.00
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.31	10.00
GROSS RES., MB & MMF	76.800	0.000	DISCOUNTED PAYOUT, YRS.	1.34	12.00
NET RES., MB & MMF	59.136	0.000	UNDISCOUNTED NET/INVEST.	4.60	15.00
NET REVENUE, M\$	5213.429	0.000	DISCOUNTED NET/INVEST.	3.74	20.00
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	240.00	40.00
INITIAL N.I., PCT.	77.000	0.000	INITIAL W.I., PCT.	100.000	60.00
					120.00
					240.00
					58.506

PALM 42-20
 PROSPECT: STATE LINE
 COUNTY: BANNER STATE: NE
 OPERATOR: RECOVERY ENERGY COMPA
 3PUD

DATE : 03/06/2012
 TIME : 10:19:36
 DBS : DEMD
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	9.679	0.000	7.985	0.000	88.160	0.000	703.971	0.000	703.971
12-2013	5.260	0.000	4.340	0.000	88.160	0.000	382.606	0.000	382.606
12-2014	4.163	0.000	3.435	0.000	88.160	0.000	302.792	0.000	302.792
12-2015	3.574	0.000	2.949	0.000	88.160	0.000	259.965	0.000	259.965
12-2016	3.190	0.000	2.632	0.000	88.160	0.000	232.029	0.000	232.029
12-2017	2.912	0.000	2.402	0.000	88.160	0.000	211.794	0.000	211.794
12-2018	2.679	0.000	2.210	0.000	88.160	0.000	194.816	0.000	194.816
12-2019	2.464	0.000	2.033	0.000	88.160	0.000	179.230	0.000	179.230
12-2020	2.267	0.000	1.870	0.000	88.160	0.000	164.892	0.000	164.892
12-2021	2.086	0.000	1.721	0.000	88.160	0.000	151.701	0.000	151.701
12-2022	1.919	0.000	1.583	0.000	88.160	0.000	139.565	0.000	139.565
12-2023	1.765	0.000	1.456	0.000	88.160	0.000	128.399	0.000	128.399
12-2024	1.624	0.000	1.340	0.000	88.160	0.000	118.128	0.000	118.128
12-2025	1.494	0.000	1.233	0.000	88.160	0.000	108.677	0.000	108.677
12-2026	1.375	0.000	1.134	0.000	88.160	0.000	99.983	0.000	99.983
12-2027	1.265	0.000	1.043	0.000	88.160	0.000	91.984	0.000	91.984
12-2028	1.164	0.000	0.960	0.000	88.160	0.000	84.626	0.000	84.626
12-2029	1.070	0.000	0.883	0.000	88.160	0.000	77.856	0.000	77.856
12-2030	0.985	0.000	0.812	0.000	88.160	0.000	71.627	0.000	71.627
12-2031	0.906	0.000	0.747	0.000	88.160	0.000	65.897	0.000	65.897
S TOT	51.842	0.000	42.769	0.000	88.160	0.000	3770.538	0.000	3770.538
AFTER	1.031	0.000	0.851	0.000	88.160	0.000	75.008	0.000	75.008
TOTAL	52.873	0.000	43.620	0.000	88.160	0.000	3845.546	0.000	3845.546

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	13.657	21.119	54.000	0.000	0.000	853.000	-237.805	-237.805	-260.363
12-2013	7.423	11.478	54.000	0.000	0.000	853.000	309.706	71.900	8.936
12-2014	5.874	9.084	54.000	0.000	0.000	853.000	233.834	305.734	193.585
12-2015	5.043	7.799	54.000	0.000	0.000	853.000	193.123	498.857	332.161
12-2016	4.501	6.961	54.000	0.000	0.000	853.000	166.567	665.424	440.788
12-2017	4.109	6.354	54.000	0.000	0.000	853.000	147.331	812.755	528.124
12-2018	3.779	5.844	54.000	0.000	0.000	853.000	131.192	943.947	598.824
12-2019	3.477	5.377	54.000	0.000	0.000	853.000	116.376	1060.323	655.841
12-2020	3.199	4.947	54.000	0.000	0.000	853.000	102.746	1163.070	701.605
12-2021	2.943	4.551	54.000	0.000	0.000	853.000	90.207	1253.276	738.133
12-2022	2.708	4.187	54.000	0.000	0.000	853.000	78.670	1331.947	767.095
12-2023	2.491	3.852	54.000	0.000	0.000	853.000	68.057	1400.003	789.874
12-2024	2.292	3.544	54.000	0.000	0.000	853.000	58.292	1458.295	807.612
12-2025	2.108	3.260	54.000	0.000	0.000	853.000	49.309	1507.604	821.254
12-2026	1.940	2.999	54.000	0.000	0.000	853.000	41.044	1548.648	831.579
12-2027	1.784	2.760	54.000	0.000	0.000	853.000	33.440	1582.088	839.228
12-2028	1.642	2.539	54.000	0.000	0.000	853.000	26.445	1608.533	844.728
12-2029	1.510	2.336	54.000	0.000	0.000	853.000	20.010	1628.543	848.513
12-2030	1.390	2.149	54.000	0.000	0.000	853.000	14.089	1642.632	850.938
12-2031	1.278	1.977	54.000	0.000	0.000	853.000	8.642	1651.274	852.292
S TOT	73.148	113.116	1080.000	0.000	0.000	853.000	1651.274	1651.274	852.292
AFTER	1.455	2.250	67.500	0.000	0.000	853.000	3.803	1655.076	852.836
TOTAL	74.604	115.366	1147.500	0.000	0.000	853.000	1655.076	1655.076	852.836

	OIL	GAS		P.W. %	P.W. , M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	1166.540
GROSS ULT., MB & MMF	52.873	0.000	DISCOUNT %	9.00	905.956
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.77	10.00
GROSS RES., MB & MMF	52.873	0.000	DISCOUNTED PAYOUT, YRS.	1.97	12.00
NET RES., MB & MMF	43.620	0.000	UNDISCOUNTED NET/INVEST.	2.94	15.00
NET REVENUE, M\$	3845.546	0.000	DISCOUNTED NET/INVEST.	2.00	20.00
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	56.55	40.00
INITIAL H.I., PCT.	82.500	0.000	INITIAL W.I., PCT.	100.000	60.00
				120.00	-236.772
				240.00	-380.733

VRTAKO 12-1
 PROSPECT: MANNING
 COUNTY: BANNER STATE: NE
 OPERATOR: RECOVERY ENERGY COMPA
 3PUD

DATE : 03/06/2012
 TIME : 10:19:36
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MMBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MMBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	10.181	0.000	8.908	0.000	88.160	0.000	785.367	0.000	785.367
12-2013	7.190	0.000	6.291	0.000	88.160	0.000	554.602	0.000	554.602
12-2014	5.655	0.000	4.948	0.000	88.160	0.000	436.206	0.000	436.206
12-2015	4.704	0.000	4.116	0.000	88.160	0.000	362.897	0.000	362.897
12-2016	4.052	0.000	3.545	0.000	88.160	0.000	312.566	0.000	312.566
12-2017	3.573	0.000	3.127	0.000	88.160	0.000	275.649	0.000	275.649
12-2018	3.206	0.000	2.805	0.000	88.160	0.000	247.295	0.000	247.295
12-2019	2.914	0.000	2.549	0.000	88.160	0.000	224.763	0.000	224.763
12-2020	2.147	0.000	1.878	0.000	88.160	0.000	165.587	0.000	165.587
12-2021	0.882	0.000	0.771	0.000	88.160	0.000	68.000	0.000	68.000

12-2022
 12-2023
 12-2024
 12-2025
 12-2026

12-2027
 12-2028
 12-2029
 12-2030
 12-2031

S TOT	44.503	0.000	38.940	0.000	88.160	0.000	3432.932	0.000	3432.932
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	44.503	0.000	38.940	0.000	88.160	0.000	3432.932	0.000	3432.932

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	15.236	23.561	54.000	0.000	0.000	825.000	-132.430	-132.430	-162.002
12-2013	10.759	16.638	54.000	0.000	0.000	0.000	473.204	340.775	249.321
12-2014	8.462	13.086	54.000	0.000	0.000	0.000	360.657	701.432	534.152
12-2015	7.040	10.887	54.000	0.000	0.000	0.000	290.970	992.402	742.986
12-2016	6.064	9.377	54.000	0.000	0.000	0.000	243.125	1235.527	901.583
12-2017	5.348	8.269	54.000	0.000	0.000	0.000	208.032	1443.559	1024.932
12-2018	4.798	7.419	54.000	0.000	0.000	0.000	181.078	1624.637	1122.526
12-2019	4.360	6.743	54.000	0.000	0.000	0.000	159.659	1784.297	1200.748
12-2020	3.212	4.968	54.000	0.000	0.000	0.000	103.407	1887.703	1247.153
12-2021	1.319	2.040	45.000	0.000	0.000	0.000	19.641	1907.345	1255.272

12-2022
 12-2023
 12-2024
 12-2025
 12-2026

12-2027
 12-2028
 12-2029
 12-2030
 12-2031

S TOT	66.599	102.988	531.000	0.000	0.000	825.000	1907.345	1907.345	1255.272
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1907.345	1255.272
TOTAL	66.599	102.988	531.000	0.000	0.000	825.000	1907.345	1907.345	1255.272

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	9.83	5.00
GROSS ULT., MB & MMF	44.503	0.000	DISCOUNT %	10.00	9.00
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.28	10.00
GROSS RES., MB & MMF	44.503	0.000	DISCOUNTED PAYOUT, YRS.	1.39	12.00
NET RES., MB & MMF	38.940	0.000	UNDISCOUNTED NET/INVEST.	3.31	15.00
NET REVENUE, M\$	3432.932	0.000	DISCOUNTED NET/INVEST.	2.52	20.00
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	97.68	40.00
INITIAL N.I., PCT.	87.500	0.000	INITIAL W.I., PCT.	100.000	60.00
					120.00
					-96.467
					240.00
					-300.200

VRTATKO 44-22
 PROSPECT: MANNINGHAM
 COUNTY: BANNER STATE: NE
 OPERATOR: RECOVERY ENERGY COMPA
 3PUD

DATE : 03/06/2012
 TIME : 10:19:36
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

R E S E R V E S A N D E C O N O M I C S

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ---MBBLS---	GROSS GAS PRODUCTION ---MMCF---	NET OIL PRODUCTION ---MBBLS---	NET GAS PRODUCTION ---MMCF---	NET OIL PRICE ---\$/BBL---	NET GAS PRICE ---\$/MCF---	NET OIL SALES ---M\$---	NET GAS SALES ---M\$---	TOTAL NET SALES ---M\$---
12-2012	10.181	0.000	7.890	0.000	88.160	0.000	695.611	0.000	695.611
12-2013	7.190	0.000	5.572	0.000	88.160	0.000	491.219	0.000	491.219
12-2014	5.655	0.000	4.382	0.000	88.160	0.000	386.354	0.000	386.354
12-2015	4.704	0.000	3.646	0.000	88.160	0.000	321.423	0.000	321.423
12-2016	4.052	0.000	3.140	0.000	88.160	0.000	276.844	0.000	276.844
12-2017	3.573	0.000	2.769	0.000	88.160	0.000	244.146	0.000	244.146
12-2018	3.206	0.000	2.484	0.000	88.160	0.000	219.032	0.000	219.032
12-2019	2.914	0.000	2.258	0.000	88.160	0.000	199.076	0.000	199.076
12-2020	2.147	0.000	1.664	0.000	88.160	0.000	146.663	0.000	146.663
12-2021	0.748	0.000	0.579	0.000	88.160	0.000	51.088	0.000	51.088
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	44.369	0.000	34.386	0.000	88.160	0.000	3031.456	0.000	3031.456
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	44.369	0.000	34.386	0.000	88.160	0.000	3031.456	0.000	3031.456

--END-- MO-YEAR	AD VALOREM TAX ---M\$---	PRODUCTION TAX ---M\$---	DIRECT OPER EXPENSE ---M\$---	INTEREST PAID ---M\$---	CAPITAL REPAYMENT ---M\$---	EQUITY INVESTMENT ---M\$---	FUTURE NET CASHFLOW ---M\$---	CUMULATIVE CASHFLOW ---M\$---	CUM. DISC. CASHFLOW ---M\$---
12-2012	13.495	20.868	54.000	0.000	0.000	802.000	-194.752	-194.752	-220.660
12-2013	9.530	14.737	54.000	0.000	0.000	0.000	412.953	218.200	138.304
12-2014	7.495	11.591	54.000	0.000	0.000	0.000	313.268	531.468	385.718
12-2015	6.236	9.643	54.000	0.000	0.000	0.000	251.545	783.013	566.263
12-2016	5.371	8.305	54.000	0.000	0.000	0.000	209.168	992.181	702.713
12-2017	4.736	7.324	54.000	0.000	0.000	0.000	178.085	1170.266	808.310
12-2018	4.249	6.571	54.000	0.000	0.000	0.000	154.212	1324.479	891.429
12-2019	3.862	5.972	54.000	0.000	0.000	0.000	135.241	1459.720	957.690
12-2020	2.845	4.400	54.000	0.000	0.000	0.000	85.417	1545.137	996.045
12-2021	0.991	1.533	36.000	0.000	0.000	0.000	12.564	1557.702	1001.262
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	58.810	90.944	522.000	0.000	0.000	802.000	1557.702	1557.702	1001.262
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1557.702	1001.262
TOTAL	58.810	90.944	522.000	0.000	0.000	802.000	1557.702	1557.702	1001.262

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	5.00	1241.234
GROSS ULT., MB & MMF	44.369	0.000	DISCOUNT %	9.00	1044.375
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	10.00	1001.262
GROSS RES., MB & MMF	44.369	0.000	DISCOUNTED PAYOUT, YRS.	12.00	921.249
NET RES., MB & MMF	34.386	0.000	UNDISCOUNTED NET/INVEST.	15.00	814.837
NET REVENUE, M\$	3031.456	0.000	DISCOUNTED NET/INVEST.	20.00	666.859
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	40.00	296.617
INITIAL N.I., PCT.	77.500	0.000	INITIAL W.I., PCT.	60.00	100.145
				120.00	-164.550
				240.00	-342.218

WILKE 43-5
 PROSPECT: STATE LINE
 COUNTY: KIMBALL STATE: NE
 OPERATOR: RECOVERY ENERGY COMPA
 3PUD

DATE : 03/06/2012
 TIME : 10:19:36
 DBS : DEMO
 SETTINGS : RED_JAN12
 SCENARIO : RED_JAN12

RESERVES AND ECONOMICS

AS OF DATE: 01/2012

--END-- MO-YEAR	GROSS OIL PRODUCTION ----- ---MBLS---	GROSS GAS PRODUCTION ----- ---MMCF---	NET OIL PRODUCTION ----- ---MBLS---	NET GAS PRODUCTION ----- ---MMCF---	NET OIL PRICE ----- ---\$/BBL---	NET GAS PRICE ----- ---\$/MCF---	NET OIL SALES ----- ---M\$---	NET GAS SALES ----- ---M\$---	TOTAL NET SALES ----- ---M\$---
12-2012	7.445	0.000	5.081	0.000	88.160	0.000	447.931	0.000	447.931
12-2013	14.170	0.000	9.671	0.000	88.160	0.000	852.623	0.000	852.623
12-2014	8.073	0.000	5.510	0.000	88.160	0.000	485.735	0.000	485.735
12-2015	5.214	0.000	3.559	0.000	88.160	0.000	313.728	0.000	313.728
12-2016	3.645	0.000	2.488	0.000	88.160	0.000	219.344	0.000	219.344
12-2017	2.692	0.000	1.837	0.000	88.160	0.000	161.983	0.000	161.983
12-2018	2.070	0.000	1.412	0.000	88.160	0.000	124.521	0.000	124.521
12-2019	1.641	0.000	1.120	0.000	88.160	0.000	98.708	0.000	98.708
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	44.949	0.000	30.678	0.000	88.160	0.000	2704.572	0.000	2704.572
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL	44.949	0.000	30.678	0.000	88.160	0.000	2704.572	0.000	2704.572

--END-- MO-YEAR	AD VALOREM TAX ----- ---M\$---	PRODUCTION TAX ----- ---M\$---	DIRECT OPER EXPENSE ----- ---M\$---	INTEREST PAID ----- ---M\$---	CAPITAL REPAYMENT ----- ---M\$---	EQUITY INVESTMENT ----- ---M\$---	FUTURE NET CASHFLOW ----- ---M\$---	CUMULATIVE CASHFLOW ----- ---M\$---	CUM. DISC. CASHFLOW ----- ---M\$---
12-2012	8.690	13.438	15.750	0.000	0.000	724.500	-314.447	-314.447	-306.297
12-2013	16.541	25.579	47.250	0.000	0.000	0.000	763.253	448.806	359.072
12-2014	9.423	14.572	47.250	0.000	0.000	0.000	414.489	863.296	687.195
12-2015	6.086	9.412	47.250	0.000	0.000	0.000	250.980	1114.276	867.709
12-2016	4.255	6.580	47.250	0.000	0.000	0.000	161.258	1275.534	973.114
12-2017	3.142	4.859	47.250	0.000	0.000	0.000	106.731	1382.265	1036.526
12-2018	2.416	3.736	47.250	0.000	0.000	0.000	71.120	1453.384	1074.941
12-2019	1.915	2.961	47.250	0.000	0.000	0.000	46.582	1499.966	1097.820
12-2020									
12-2021									
12-2022									
12-2023									
12-2024									
12-2025									
12-2026									
12-2027									
12-2028									
12-2029									
12-2030									
12-2031									
S TOT	52.469	81.137	346.500	0.000	0.000	724.500	1499.966	1499.966	1097.820
AFTER	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1499.966	1097.820
TOTAL	52.469	81.137	346.500	0.000	0.000	724.500	1499.966	1499.966	1097.820

	OIL	GAS		P.W. %	P.W., M\$
GROSS WELLS	1.0	0.0	LIFE, YRS.	8.00	5.00
GROSS ULT., MB & MMF	44.949	0.000	DISCOUNT %	10.00	9.00
GROSS CUM., MB & MMF	0.000	0.000	UNDISCOUNTED PAYOUT, YRS.	1.41	10.00
GROSS RES., MB & MMF	44.949	0.000	DISCOUNTED PAYOUT, YRS.	1.46	12.00
NET RES., MB & MMF	30.678	0.000	UNDISCOUNTED NET/INVEST.	3.07	15.00
NET REVENUE, M\$	2704.572	0.000	DISCOUNTED NET/INVEST.	2.60	20.00
INITIAL PRICE, \$	88.160	0.000	RATE-OF-RETURN, PCT.	183.80	40.00
INITIAL N.I., PCT.	68.250	0.000	INITIAL W.I., PCT.	87.500	60.00
					120.00
					92.612
					240.00
					-39.839

