

Form PTO-1595 (Rev. 07/05)
OMB No. 0651-0027 (exp. 6/30/2008)

U.S. DEPARTMENT OF COMMERCE
United States Patent and Trademark Office

RECORDATION FORM COVER SHEET PATENTS ONLY

To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies)

Direct Petroleum Exploration, Inc.
1401 17th Street, Suite 510
Denver, Colorado 80202

Additional name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies)

Name: Persistency

Internal Address: _____

Street Address: 850 Seventh Avenue, Suite 701

City: New York

State: NY

Country: USA Zip: 10019

Additional name(s) & address(es) attached? Yes No

3. Nature of conveyance/Execution Date(s):

Execution Date(s) April 26, 2006

- Assignment Merger
- Security Agreement Change of Name
- Joint Research Agreement
- Government Interest Assignment
- Executive Order 9424, Confirmatory License
- Other _____

4. Application or patent number(s):

This document is being filed together with a new application.

A. Patent Application No.(s)

B. Patent No.(s)

6,442,489

Additional numbers attached? Yes No

5. Name and address to whom correspondence concerning document should be mailed:

Name: Jonathon Taylor, Esq.

Internal Address: _____

Street Address: 1675 Broadway, Suite 750

City: Denver

State: CO Zip: 80202

Phone Number: (303) 672-0104

Fax Number: (303) 672-0101

Email Address: jtaylor@kkofirm.com

6. Total number of applications and patents involved: 1**7. Total fee (37 CFR 1.21(h) & 3.41) \$ 40.00**

- Authorized to be charged by credit card
- Authorized to be charged to deposit account
- Enclosed
- None required (government interest not affecting title)

8. Payment Information

a. Credit Card Last 4 Numbers 9217
Expiration Date 03/09

b. Deposit Account Number _____

Authorized User Name _____

9. Signature:

Jonathon Taylor

Signature

5-2-06

Date

Name of Person Signing

Total number of pages including cover sheet, attachments, and documents: 10

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, V.A. 22313-1450

OP \$40.00 6442489

THIS CONVERTIBLE PROMISSORY NOTE (THE "NOTE") HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NO SALE OR DISPOSITION MAY BE EFFECTED EXCEPT IN COMPLIANCE WITH RULE 144 UNDER THE SECURITIES ACT OR AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE SO THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT.

CONVERTIBLE SECURED SUBORDINATED PROMISSORY NOTE

§ [REDACTED]

April 26, 2006
Denver, Colorado

For value received DIRECT PETROLEUM EXPLORATION, INC., a Colorado corporation, with offices at 1401 17th Street, Suite 510, Denver, Colorado 80202 ("Payor"), hereby unconditionally promises to pay, in lawful money of the United States of America, to PERSISTENCY, a Cayman Islands company, with offices at 850 Seventh Avenue, Suite 701, New York, NY 10019 c/o Chasm Lake, or its assigns ("Holder"), the principal sum of \$ [REDACTED] with interest on the outstanding principal amount at the rate of [REDACTED] % per annum, compounded annually based on a 365-day year, provided that if this Note has not been paid in full or converted pursuant to Section 2 below within sixty (60) days of the date hereof, the entire principal balance and all unpaid accrued interest shall bear interest at the rate of [REDACTED] % per annum retroactive to the date of this Note. Interest shall commence on the date that the principal amount is received by Payor and shall continue on the outstanding principal until paid in full.

1. **Payment; Maturity.** At any time on or after September 30, 2006, if this Note has not been paid in full or converted in accordance with the terms of Sections 2(a) below, Holder may demand payment of the entire outstanding principal balance of this Note and all unpaid accrued interest thereon (the "Accrued Amount"). All payments shall be applied (i) first to any expenses incurred by Holder in connection with preparation, issuance, enforcement or collection of the Note, (ii) second, to accrued interest, and (iii) thereafter to principal.

2. **Conversion.**

(a) In the event that the Payor issues and sells shares of its Equity Securities to investors (the "Investors") on or before the Maturity Date in one or more transactions with aggregate gross proceeds to the Payor of not less than \$20,000,000 (including the conversion of the Note or other debt) at a "pre-money" valuation of not more than \$200,000,000 (a "Qualified Financing"), then the outstanding principal balance of this Note and all unpaid accrued interest shall automatically convert in whole without any further action by the Holders into such Equity Securities at a conversion price equal to eighty percent (80%) of the price per share paid by the Investors purchasing the Equity Securities and otherwise on the same terms and conditions as given to the Investors. For purposes of this Note, the term "Equity Securities" shall mean the Payor's Common Stock or Preferred Stock or any securities conferring the right to purchase the Payor's Common Stock or Preferred Stock or securities convertible into, or exchangeable for (with or without additional consideration), the Payor's Common Stock or Preferred Stock, in each case issued in the Qualified Financing following the date hereof.

(b) No fractional shares of Payor's capital stock will be issued upon conversion of this Note. In lieu of any fractional share to which Holder would otherwise be entitled, Payor will pay to Holder in cash the amount of the unconverted principal and interest balance of this Note that would otherwise be converted into such fractional share. Upon conversion of this Note pursuant to Section 2(a) above, the Holder shall surrender this Note, duly endorsed, at the principal office of the Payor, and the Payor shall, at its expense, upon receipt of this Note, duly endorsed, promptly deliver or cause to be delivered to the Holder a certificate or certificates (bearing such legends as may be required) representing that number of fully paid and non-assessable shares of the equity securities into which this Note may be converted, and any other securities or property to which the Holder may be entitled to receive upon conversion of this Note, including a check payable to the Holder for fractional shares as described above. The conversion of this Note shall be deemed to have been made on the date of the closing of the Qualified Financing pursuant to Section 2(a) above and the Holder shall be treated for all purposes as the record holder of such shares of equity securities as of such applicable date.

(c) **Right to Participate in Qualified Financing.** Holder (by itself or through one or more of its affiliates) shall have the right, but not the obligation, to purchase up to 50% of the Equity Securities to be sold by the Payor in the Qualified Financing (excluding the Equity Securities to be received upon conversion of this Note) on the same terms and conditions as the Investors in such financing, provided, however, that in no event will Holder (by itself or through one or more of its affiliates) have the right to invest more than \$25 million (in addition to any amounts converted pursuant to this Note) pursuant to this Section 2(c) in such Qualified Financing unless the Payor otherwise agrees in writing. This right is in lieu of and not in addition to any rights of first refusal Holder may have, directly or indirectly, as a result of its ownership position in DPE Opportunity, LLC pursuant to the terms of that certain Shareholders Agreement, dated August 15, 2005. If the Payor proposes to issue any Equity Securities in a Qualified Financing, it shall give Holder written notice of its intention, describing the Equity Securities, the price and the terms and conditions upon which the Payor proposes to issue the same. Holder shall have three (3) business days from the giving of such notice to agree to purchase shares of the Equity Securities pursuant to this Section 2(c) for the price and upon the general terms and conditions specified in the notice by giving written notice to the Payor and stating therein the quantity of Equity Securities to be purchased.

3. Default; Remedies.

(a) Upon the occurrence and during the continuance of any Event of Default, any Accrued Amount and all other amounts owing hereunder shall, at the option of Holder, be immediately due, payable and collectible.

(b) Upon the occurrence and during the continuance of any Event of Default, Payor shall pay all reasonable attorneys' fees and costs and other expenses incurred by Holder in enforcing and collecting this Note.

(c) Each of the following shall constitute an event of default (each, an "Event of Default") under this Note:

(i) Payor fails to pay within two (2) business days of a demand made by Holder, at any time following the Maturity Date, the Accrued Amount.

(ii) Payor is in breach of any of its obligations under this Note and such breach is not cured within fifteen (15) days of written notice by the Holder;

(iii) Payor files, or consents to the filing of, any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any general assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing;

(iv) An involuntary petition is filed against Payor (unless such petition is dismissed or discharged within forty-five (45) days) under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors (or other similar official) is appointed to take possession, custody or control of a material portion of the assets of Payor;

(v) Payor's stockholders or board of directors affirmatively vote to liquidate, dissolve, or wind up Payor or Payor otherwise ceases to carry on its ongoing business operations;

(vi) If (x) a material portion of Payor's assets is attached, seized, levied on, or comes into possession of a trustee or receiver and the attachment, seizure or levy is not removed in 10 days, (y) Payor is enjoined, restrained, or prevented by a court order or other order of a governmental body from conducting its business, or (z) notice of lien, levy, or assessment is filed against a material portion of Payor's assets by any court order or other order of any governmental body and it is not paid within 30 days after Payor received notice thereof; or

(vii) If, at any time, this Note shall be unenforceable or shall not be in full force and effect, or if, at any time, Holder ceases to have a valid and perfected security interest in any material portion of the Collateral (as defined in Section 4 hereof) purported to be covered hereby, subject only to Permitted Liens (as defined in Section 4 hereof).

(viii) If Payor defaults on any other debt it has to any party and such default is not cured within the applicable time period, if any, and the holder of such debt accelerates the maturity date of any such debt or pursues any other remedies against the Payor.

4. Security Interest.

(a) **Grant of Security Interest.** As collateral security for the full, prompt, complete and final payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all of the Payor's obligations hereunder (the "Secured Obligations") and in order to induce the Holder to purchase this Note, the Payor hereby assigns, conveys, mortgages, pledges, hypothecates and transfers to the Holder a first lien security interest (or second lien security interest in respect of the assets securing the Senior Indebtedness, as defined below (such assets being the "Anschutz Assets") in all the Payor's right, title and

interest in, to and under all of the Payor's tangible and intangible assets, whether now owned or hereafter acquired, and any proceeds thereof sufficient for the payment of the obligations under this Note (all of which being collectively referred to herein as the "Collateral").

(b) **Perfection.** The Payor hereby authorizes the Holder, at Payor's expense, to file any financing statement or continuation statement (including "in lieu" continuation statements) to perfect the security interest of the Holder in the Collateral without the signature of the Payor.

(c) **Further Assurances.** At any time and from time to time, upon the written request of Holder, and at the sole expense of the Payor, the Payor shall promptly and duly execute and deliver any and all such further instruments and documents and take such further action as Holder may reasonably deem necessary or desirable to perfect and continue perfected or better perfect the Holder's liens in the Collateral.

(d) **Holder's Rights and Liabilities.** The Holder, may exercise in addition to all other rights and remedies granted to it under this Note, all rights and remedies of a secured party under the law, including the Colorado Uniform Commercial Code. The Holder shall not have any obligation or liability hereunder with respect to the Collateral.

6. **Subordination.** The indebtedness evidenced by this Note is hereby expressly subordinated, to the extent and in the manner hereinafter set forth, in right of payment to the prior payment in full of the Senior Indebtedness.

"*Senior Indebtedness*" shall mean the principal of, unpaid interest on and amounts reimbursable, fees, expenses, costs of enforcement and other amounts due in connection with that certain Standby Credit Agreement, dated December 5, 2005, by and between Payor and Persistency and any such indebtedness or any debentures, notes or other evidence of indebtedness issued to Persistency in exchange for such Senior Indebtedness, or any indebtedness arising from the satisfaction of such Senior Indebtedness by a guarantor.

7. **Representations and Warranties of the Payor.** The Payor hereby represents and warrants that:

(a) **Corporate Power and Authorization.** The Payor has all requisite corporate power and has taken all necessary corporate action to execute and deliver this Note and to carry out and perform its obligations under the terms of this Note. The Note, when executed and delivered by the Payor, shall constitute a valid and binding obligation of the Payor enforceable in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, the relief of debtors. The Equity Securities of the Payor, when issued in compliance with the provisions of the Note, will be validly issued, fully paid and nonassessable and free of any liens or encumbrances. The issuance of the Note will not violate any preemptive rights or rights of first refusal granted by the Payor, and the Note will be issued in compliance with all applicable federal and state securities laws, and will be free of any liens or encumbrances, other than any liens or encumbrances created by or imposed upon the Holder through no action of the Payor; provided, however, that the Note may be subject to restrictions

on transfer under state and/or federal securities laws as set forth herein or as otherwise required by such laws at the time the transfer is proposed.

(b) **Litigation.** There is no action, suit, proceeding or investigation pending or to the Payor's knowledge currently threatened against the Payor, nor is the Payor aware that there is any basis for any of the foregoing.

(c) **Governmental Consents.** All consents, approvals, orders, or authorizations of, or registrations, qualifications, designations, declarations, or filings with, any governmental authority, required on the part of the Payor in connection with the offer, sale or issuance of the Note and the equity securities issuable upon conversion of the Note shall have been obtained and will be effective as of the date hereof, except for notices required or permitted to be filed with certain state and federal securities commissions, which notices will be filed on a timely basis.

(d) **Offering.** The offer, issue, and sale of the Note is exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, and has been registered or qualified (or are exempt from registration and qualification) under the registration, permit, or qualification requirements of all applicable state securities laws.

(e) **Valid Security Interest.** The Payor represents and warrants that, except for the security interests granted pursuant to the Senior Indebtedness to Persistency (the "**Secured Party**") under that certain Standby Credit Agreement (the "**Permitted Liens**"), the Payor is the sole legal and equitable owner of each item of the Collateral in which it purports to grant a security interest hereunder. No effective security agreement, financing statement, equivalent security or lien instrument or continuation statement covering all or any part of the Collateral exists, except such as may have been filed by the Payor in favor of the Holder pursuant to this Note and except for the Permitted Liens. This Note creates a legal and valid security interest on and in all of the Collateral in which the Payor now has rights.

(f) **No Violations.** The execution, delivery and performance by the Payor of this Note and the compliance with the provisions hereof by the Payor does not violate, conflict with or constitute or result in a breach or default under (or an event which with notice of passage of time or both would constitute a default) or give rise to any right of termination, cancellation or acceleration under, or result in the creation of any Encumbrance (as defined below) upon any properties or assets of the Payor under (i) the Articles of Incorporation or bylaws of the Payor, (ii) applicable law, statute, rule or regulation, or any ruling, writ, injunction, order, judgment or decree of any court, arbitrator, administrative agency or other governmental body applicable to the Payor or any of its properties or assets or (iii) any contract or agreement affecting the Payor, except, with respect to clauses (ii) and (iii), in each case, where such violation, conflict, breach, default, termination, cancellation, acceleration or Encumbrance would not, individually or in the aggregate, have a material adverse effect on the Payor. As used herein, the term "**Encumbrance**" shall mean any lien, charge, encumbrance, equity, claim, option, proxy, pledge, security interest, or other similar right of any nature other than statutory liens securing payments not yet due and payable or due but not yet delinquent.

8. Covenants of the Payor.

(a) **Compliance with Law.** The Payor shall comply with all laws, ordinances and regulations to which it and its property is subject, the noncompliance of which could have a material adverse effect on the business, property or financial condition of the Payor.

(b) **Notification.** The Payor shall give written notice to the Holder of (i) any event which, with or without notice or passage of time or both would constitute an Event of Default, or the occurrence of an Event of Default within five (5) business days of becoming aware of the same, or (ii) any event which has had or would reasonably be expected to have a material adverse effect on the business, properties or financial condition of the Payor.

(c) **Collateral.** The Payor shall not sell, lease, transfer or otherwise dispose of any of the Collateral other than in the ordinary course of business. The Payor shall not change the Payor's jurisdiction of organization without at least seven (7) days prior notice to the Holder. The Payor shall not, directly or indirectly, create, permit or suffer to exist, and shall defend the Collateral against and take such other action as is necessary to remove, any lien on the Collateral, except (a) Permitted Liens and (b) the lien granted to the Holder under this Note.

9. **Waiver; Payment of Fees and Expenses.** Payor waives presentment and demand for payment, notice of dishonor, protest and notice of protest of this Note, and shall pay all costs of collection when incurred, including, without limitation, reasonable attorneys' fees, costs and other expenses. The right to plead any and all statutes of limitations as a defense to any demands hereunder is hereby waived to the full extent permitted by law. No delay by Holder shall constitute a waiver, election or acquiescence by Holder.

10. **Cumulative Remedies.** Holder shall have all rights and remedies not inconsistent herewith as provided under the Colorado Uniform Commercial Code, by law or in equity. No exercise by Holder of one right or remedy shall be deemed an election, and no waiver by Holder of any Event of Default shall be deemed a continuing waiver.

11. **Miscellaneous.**

(a) **Governing Law.** The terms of this Note shall be construed in accordance with the laws of the State of New York.

(b) **Successors and Assigns; Assignment.** The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. The Payor may not assign this Note or delegate any of Payor's obligations hereunder without the written consent of the Holder. Holder may not assign this Note and Holder's rights hereunder without the written consent of Payor.

(c) **Titles and Subtitles.** The titles and subtitles used in this Note are used for convenience only and are not to be considered in construing or interpreting this Note.

(d) **Notices.** All notices required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit with the United States Post Office or Federal Express, postage prepaid, addressed to the appropriate party at such party's address set forth on the first page hereof, or at such other address as such party may designate by ten (10) days advance written notice to the other party.

(e) Modification; Waiver. No modification or waiver of any provision of this Note or consent to the departure therefrom shall be effective without the written consent of Payor and Holder, and then it shall be effective only in the specific instance and for the specific purpose for which it was given.

(f) Attorney's Fees and Costs. Payor shall promptly pay all attorney's fees and associated costs of the Holder in negotiating this Note and the related documentation, perfecting and maintaining the security interests contemplated hereby, and in enforcing Holders rights under this Agreement.


Apr 26 06 12:56p

DIRECT PETROLEUM

(303) 534-2922

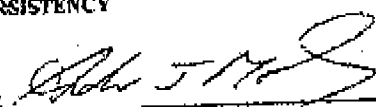
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DIRECT PETROLEUM EXPLORATION, INC.

By: 
Edward Gendelman
Chief Executive Officer

Agreed to and Accepted by:

PERSISTENCY

By: 
Andrew J. Morris, Director

[Signature Page to \$3,000,000 Convertible Secured Subordinated Promissory Note]