

OIL & GAS AND STORAGE LEASE AND EASEMENT

THIS OIL & GAS AND STORAGE LEASE AND EASEMENT (the "Lease") is made and entered into December 10, 2008 (the "Effective Date") by and between RBSD Inc., a Colorado Corporation, (the "Lessor") with a principal address of P.O. Box 271, Sterling, CO 80751, and Merchant Energy Partners, LLC, a Delaware limited liability company (the "Lessee") with a principal address of 1775 Sherman Street, Suite 1200, Denver, CO 80203.

The Lessor, in consideration of Ten Dollars and other valuable consideration, the receipt of which is acknowledged, and the covenants and agreements contained in this Lease, hereby grants, demises, leases and lets exclusively to Lessee and its assigns, with the exclusive right of use and possession, for the purposes of: (i) mining, exploring for (including geophysical exploration activities), producing, treating, drilling for and operating for oil and gas, which for purposes of this Lease, includes all hydrocarbons and other substances produced or associated therewith (including coalbed methane); (ii) introducing and injecting natural gas into the strata and formations underlying the Premises, with no limitations as to depth or specific formations, (the "Formations"), wholly or partly, retaining title to and ownership of gas so injected, storing gas in the Formations, and removing gas so injected through wells now or subsequently located or drilled on the property or on other lands and (iii) constructing, operating, using, maintaining and removing on or from the Premises, as defined below, wells, pipelines, tanks, stations, roads, cathodic protection devices, water (except from Lessor's wells), oil and gas necessary for construction and operations, and other supplies, devices, structures, equipment and facilities that may be necessary or convenient in producing, withdrawing, storing and transporting oil and gas, whether located or stored on or under the Premises or lands contiguous with or with the proximity of the Premises, all that tract or parcel of land, together with any reversionary rights therein situated in Logan County, Colorado described as follows:

FOR DESCRIPTION OF LAND SEE EXHIBIT "A" ATTACHED HERETO AND HEREBY MADE A PART HEREOF.

regardless of how otherwise described and containing for the purpose of calculating rental and royalties, 320.12 acres whether containing more or less, including any and all parcels of land adjoining or the above described land and owned or claimed by Lessor, are hereby leased to Lessee. All land leased herein, including strata beneath the surface thereof, are referred to as "Premises".

IN CONSIDERATION OF THE PREMISES, the Parties agree as follows:

1. This Lease shall remain in full force and effect for period of ten (10) years from the date hereof (the "Primary Term") and as long thereafter so long as:

(a) Oil and gas exploration and production operations or natural gas storage operations are being continuously conducted on the Premises or on any lands pooled or unitized therewith; or

(b) An application for a drilling permit on the Premises or on any lands pooled or unitized therewith is pending with the appropriate authorities, and Lessee, after grant of such permit, commences drilling operations within a reasonable time thereafter and continues same with due diligence, provided said permit application was filed prior to the expiration of the Primary Term; or

(c) An application for the development, construction or operation of a natural gas storage facility on the Premises or on any lands pooled or unitized therewith is pending with the appropriate authorities, and Lessee, after grant of such permit, commences development, construction or operation of such natural gas storage facility within a reasonable time thereafter and continues same with due diligence, provided said permit application was filed prior to the expiration of the Primary Term; or

(d) Oil or gas is produced or withdrawn from any portion of the Premises or any lands pooled or unitized therewith; or

(e) A completed oil or gas well would be capable of producing oil or gas from any portion of the Premises or any lands pooled or unitized therewith, but for acts of God, unavailability or interruption of markets or pipelines, or any other causes, which have caused Lessee not to commence production from such well or to suspend production from such well; or

(f) This Lease is otherwise maintained in effect pursuant to the provisions hereof.

2. Upon execution of this Lease, Lessee shall pay Lessor a bonus payment (the "Bonus") of Forty Dollars (\$40.00) per acre. Notwithstanding other provisions in this Lease, Lessee shall pay Lessor an annual rental fee of Twenty Dollars (\$20.00) per acre (the "Storage Easement Fee"), due on each anniversary of the Effective Date and payable within thirty days following such anniversary.

3. In the event that production of oil, gas, or their constituents is interrupted and not marketed for a period of six or more months, and there is no producing well on the Premises ("Shut-In Period"), Lessee shall thereafter, as royalty for constructive production, pay \$ 2.00 per acre for each twelve month period of non-production ("Shut-In Royalty"), until such time as production is re-established, and said payment shall maintain this Lease in full force and effect to the same extent as payment of Royalty, as defined below. During the Shut-In Period, Lessee shall have the right to rework, stimulate, or deepen any well on the Premises or drill a new well on the Premises in an effort to re-establish production, whether from an original producing formation or from a different formation. In the event that production from the only producing well on the Premises is interrupted for a period of less than six months, this lease shall remain in full force and effect without payment of Royalty or Shut-In Royalty.

4. Notwithstanding any other provision herein, at the end of the Primary Term, Lessee shall release from the terms of this Lease all acreage attributable to zones or Formations not then being produced or committed to a producing unit or being used for the operation of a natural gas storage facility, but this Lease shall continue in full force and effect as to any acreage not so released.

5. As a payment on all oil and gas ("Royalty"), Lessee covenants and agrees:

(a) As to oil, including, but not limited to condensate and distillate: (i) to deliver to the credit of Lessor at or into the pipeline or other point of delivery to which Lessee may connect its wells, 12.5% of all oil produced, saved and sold from the Premises, after deducting an amount equal to any production, severance and other similar taxes and Post Production Costs, as defined below, attributable to Lessor's oil; or (ii) at the Lessee's option, to pay Lessor for such 12.5% of oil produced, saved and sold the applicable price set forth in a publicly published and available index prevailing on the day the oil is run to the point of delivery, for oil of like grade and gravity in the field or the geographical area in which the leased premises are located, adjusted for transportation to the hub or trading point that serves as the basis for such index price, after deducting any production, severance and other similar taxes and Post Production Costs, as defined below, attributable to the oil.

(b) As to gas of whatsoever nature or kind, including gas produced from coal-bearing formations and casinghead gas and all constituents: to pay Lessor 12.5% of either:

(i) the net proceeds received from the sale of any gas that is produced and saved and sold in the gas phase, wherever sold, whether on or off the Premises, including residue gas that is sold after processing and any entrained liquids and liquefiable natural gas products, after deducting from the gross sales price any production, severance and other similar taxes and any Post Production Costs, as defined below, attributable to the gas, *provided that*, when the gas is sold to an affiliate of Lessee, the net proceeds shall not be less than those derived from the applicable price set forth in a publicly published and available index prevailing on the day the gas is sold, for gas of similar quantity and quality in the field or the nearest geographical area in which the leased premises is located, less any of the above specified taxes and Post Production Costs, as defined below; or

(ii) the market value at the well for gas used by the Lessee off the Premises or used and consumed by the Lessee in the manufacture of products from the gas, which in the case of gas used or consumed in the manufacture of products includes the portion or constituents of the gas that is processed into the products themselves or otherwise consumed in the manufacturing process, but not any residue gas, after deducting any production, severance and other similar taxes and any Post Production Costs, as defined below, attributable to the gas.

(iii) In the case of gas used by the Lessee off the Premises or used or consumed by the Lessee in the manufacture of products from the gas, the market value at the well shall be the unit price received by Lessee for the sale by Lessee, if any, of raw or un-processed gas in the gas phase from the well or, if there is no such sale of raw gas from the well, the sale by Lessee of the residue gas or other gas associated with the gas so used or consumed, *provided that*, if there is no such sale, than market value shall be the applicable publicly available index price set forth above on the day the gas is used or consumed, less any production, severance and other similar taxes and Post Production Costs, as defined below. In the case that neither such sales nor publicly available index prices exist, then and only then, market value will be determined based on comparable sales in the area of the leased premises or, in the case where there are no such sales, those comparable sales closest to the area of the leased premises, for gas of similar quantity and quality less any of the above specified taxes and Post Production Costs, as defined below.

(iv) The Lessor stipulates and agrees that any natural gas injected into and withdrawn or produced during the operation of a natural gas storage facility on the Premises or on any lands pooled or unitized therewith shall be presumed to be gas owned by the Lessee or third parties. In the case of a storage project or unit that utilizes a reservoir or formation that contains native oil or gas, Lessee shall pay Royalty on such native hydrocarbon as provided above, provided that for all purposes it shall be presumptively concluded that gas injected or introduced by Lessee for storage purposes shall be the first produced.

(c) As to both oil and gas, for all purposes under this Lease, Lessor expressly agrees that Lessee's obligations, whether express or implied, to reasonably market or sell the oil or gas or to make it merchantable shall not under any circumstances extend to or require that Lessee bear at its sole expense any Post Production Costs, as defined below, attributable to the Royalty share or value of the oil and gas.

(d) As to both oil and gas, for all purposes under this Lease, "Post Production Costs" shall mean any costs, (including the use of oil or gas), incurred by Lessee after production to the surface, (which shall mean the point of initial separation and delivery of the oil or gas production to a tank or meter for initial measurement), up to the point of first sale, including, but not limited to processing, dehydrating, gathering, marketing or compressing and transporting, expressly including any transportation necessary to reach the point of first sale.

6. Lessee shall pay Lessor for any damages Lessee may cause to the surface as a result of its operations, and to restore as much as possible, all surface used by Lessee to its condition existing prior to drilling.

7. Lessee shall drill no well within two hundred (200) feet of any dwelling or barn now on the Premises without the written consent of the Lessor.

8. Lessor shall erect no dwelling or barn within two hundred (200) feet of any producing well drilled on the Premises or any acreage pooled or unitized therewith, or within fifty (50) feet of any pipeline, without the written consent of the Lessee.

9. If the Premises is owned by two or more parties, or the ownership of any interest therein should hereafter be transferred by sale, devise or operation of law, such land, nevertheless, may be held, developed and operated as an entirety, and the rentals and royalties shall be divided among and paid to such several owners in the proportion that the acreage owned by each such owner bears to the entire leased acreage.

10. Lessee shall have the right at any time to redeem for Lessor, or otherwise acquire for payment, any mortgage or any other liens or encumbrances upon the Premises that may in any manner affect the Lessee's interest therein, and Lessee shall be subrogated in full to all the rights of the holder thereof the same as if Lessee were the original owner of said mortgage, lien or encumbrance, and Lessee may reimburse itself by applying to the discharge of any such mortgage, lien or other encumbrance any royalty or rental owed or accruing hereunder.

11. Lessee shall have the exclusive right to employ all or any of the Formations for the storage of gas, and may reopen and reclaim any and all abandoned wells on the Premises that may have penetrated said strata, or drill new wells on the Premises, for the purpose of freely introducing and storing gas in such strata and recovering gas therefrom. A well need not be drilled, reopened or reclaimed on the Premises in order for gas to be stored in the Premises. Lessee shall be the sole judge as to whether gas is being stored in the Premises, and its determination shall be final and conclusive. Storage of gas hereunder shall not diminish any of Lessee's other rights under this Lease.

12. Lessee agrees to bury all pipelines, flowlines or injection lines as required by law or by prevailing industry standard. Lessee also agrees to pay a one-time payment of \$10 per linear foot for installation of pipelines, flowlines, injection lines or electric utility lines provided that Lessee may, for all purposes including the one-time payment, install such lines in a common corridor or corridors (the "Utility Corridor"). Any pipeline, flowline, injection line or electric utility line that is paid for under this section shall survive the termination or release by Lessee of this Lease.

13. Lessee covenants and agrees: (i) to pay Lessor a one-time fee of \$10,000 (the "Well Fee") for each new well drilled by the Lessee on the Lands on or after the Effective Date; and (ii) to restore the immediate surface area surrounding such well following the Lessee's cessation of natural gas storage facility operations on the Lands. Lessor agrees to accept the Well Fee in full release of all surface damage claims accruing on or after the Effective Date.

14. The rights granted in this Lease shall not include the right to construct dwellings, office buildings, warehouse yards, central compressor stations or compressor stations exceeding three hundred (300) square feet and garages.

15. If Lessor owns less than all of the oil and gas rights in the Premises, Lessor shall be entitled to only a share of the rentals and royalties equivalent to the proportion of such oil and gas rights owned by Lessor. If Lessor own less than all of the storage rights in the Premises, Lessor shall be entitled to a proportionate share of storage rentals equivalent to the proportion of such storage rights owned by Lessor. Unless deeds of conveyance or other instruments of record otherwise provide, storage rentals shall be apportioned equally between ownership of the surface of the Premises and ownership of the gas rights therein. If Lessee makes rental or Royalty payments to Lessor in excess of Lessor's entitlement thereto, Lessor shall refund to Lessee such part of all such payments made by Lessee under this Lease as shall be proportionate to the title not held by Lessor, and Lessee may reduce subsequent payments in the same proportion. If Lessor does not timely provide such refund, Lessee may also reduce payments to Lessor by the amount that should have been refunded.

16. In case of a conveyance or reservation of all or a part of or an undivided interest in the Premises, Lessee shall apportion all entitlements or benefits under the Lease according to interest, acreage, or the terms of the conveyance as the case may be, but Lessee may continue to pay or provide all such entitlements or benefits to Lessor until furnished with the original or a certified copy of the deed of conveyance or other documents or proof of conveyance, so that Lessee may identify the land or interests conveyed as being all or part of the Premises. In case of notice of an adverse claim to the Premises or any portion thereof or interest therein, whether or not in connection with a conveyance, Lessee may withhold any or all entitlements or benefits under this Lease until such claims, and the entitlement and benefits are, in Lessee's sole discretion, decided by compromise, or by final decree of a court of competent jurisdiction, and to this end Lessee may file a petition for interpleader.

17. Lessee shall at any time, upon payment of all monies due hereunder up to such time, have the right to surrender this Lease as to all or part of the Premises, and shall thereupon be released and discharged from all payments, obligations, terms, conditions and covenants contained herein, whereupon this Lease shall be null and void as to the entire Premises or the part thereof as to which this surrender was made, and rental and Royalty payments shall cease or be reduced accordingly.

18. Lessee is hereby granted the right to pool or unitize all or any part of the Premises with any other leases, lands, mineral estates, or any of them whether owned by the Lessee or others, so as to create one or more drilling, production, enhanced recovery or storage units. Such units shall not exceed 640 acres in extent for drilling units, but may comprise a greater acreage if promulgated, ordered or allowed by a regulatory agency with jurisdiction or if necessary, in the Lessee's discretion, to reasonably achieve the purpose of an enhanced recovery or storage unit. Lessee shall record a copy of the unit operation designation in the county in which the Premises are located, and mail a copy thereof to Lessor. In order to give effect to the known limits of the oil and gas pool, as such limits may be determined from available geological or scientific information or drilling operations, Lessee may at any time increase or decrease that portion of the Premises that is included in any drilling or production unit, or exclude it altogether, provided that written notice thereof shall be given to Lessor. As to each such unit, Lessor agrees to accept, in lieu of the Royalty herein described, such proportion of such Royalty as the acreage in the Premises in such unit bears to the total acreage included in such unit. The commencement, drilling, completion of or production from a well on any portion of a unit including all or some of the Premises shall have the same effect upon the terms and conditions of this Lease as if a well were commenced, drilled, completed or producing on the Premises.

19. The covenants of this Lease shall be subject to all federal, state and local laws, orders, rules and regulations. If Lessee is unable to fulfill any covenant hereunder because of such laws, orders, rules or regulations, acts of God (such as natural disasters), wars, civil disturbances, insurrections, riots, epidemics, equipment or pipeline breakdown or freeze-up, or similar causes not reasonably within the control of Lessee, for such time as such situation exists, the term of this Lease shall be extended for an equal period of time, and Lessee's obligation to fulfill its covenants under this Lease shall be suspended for such period of time.

20. This Lease may be executed in counterparts each having the same validity as the original. Should any one or more of the parties named as Lessor or owning a mineral interest in the Premises fail to execute this Lease, it nevertheless shall be binding upon all such parties who do execute it as Lessor. This Lease contains all of the covenants between the parties hereto and there shall be no implied covenants of any party.

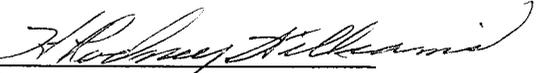
21. Lessor shall notify Lessee in writing of facts alleged to constitute a breach of a covenant of this Lease, and Lessee shall have 60 days to comply with said obligations; such notice shall be a condition precedent to the bringing of any legal action by the Lessor on the Lease for any cause. Nevertheless, it is agreed that this Lease shall never be forfeited or canceled for failure to perform, in whole or in part, any of the covenants, condition, or stipulations, including payment of any rentals and royalties due under this Lease, until it shall have been first finally judicially determined that such failure exists, by a final order of a court of competent jurisdiction and after such final determination, Lessee is given a reasonable time therefrom to comply with any such covenants, conditions, or stipulations.

22. Lessee shall have the right to assign this Lease or an interest therein, and the assignee of Lessee shall have corresponding rights, privileges and obligations with respect thereto. All terms, conditions and covenants between the parties hereto shall extend to their respective heirs, successors, personal representatives and assigns. If Lessee assigns this Lease or any interest therein, Lessor will look solely to assignee for fulfillment of all obligations of the Lease or of the interest assigned, as the case may be. Representations other than those contained herein shall not be binding on either party.

23. Lessee's exercise of any right or entitlement granted under this Lease shall continue this Lease in full force and effect as to all rights and entitlements granted herein, and each right and entitlement granted herein may be exercised by Lessee simultaneously with its exercise of one or more other rights and entitlements, or singly, on a continuing basis.

The Parties have executed this OIL & GAS AND STORAGE LEASE AND EASEMENT on the date first captioned above.

LESSOR
RBSD Inc., a Colorado Corporation

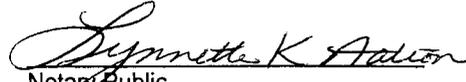
BY: 
H. Rodney Williams, General Manager and Secretary

LESSEE

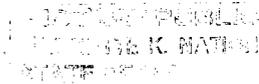

Merchant Energy Partners, LLC, a Delaware limited liability company
David W. Hooker
Directing Manager

COUNTY OF LOGAN
STATE OF COLORADO

The foregoing OIL & GAS AND STORAGE LEASE AND EASEMENT was acknowledged before me on Dec 10, 2008, by H. Rodney Williams, General Manager and Secretary of RBSD Inc., a Colorado Corporation, and who acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.


Notary Public

My Commission Expires: 12-22-2008

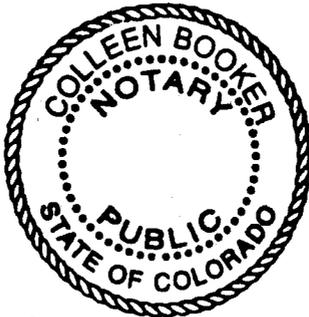


COUNTY OF
STATE OF COLORADO

The foregoing OIL & GAS AND STORAGE LEASE AND EASEMENT was acknowledged before me on December 15, 2008, by David W. Hooker, in his capacity as Directing Manager of Merchant Energy Partners, LLC, a Delaware limited liability company, on behalf of such company.


Notary Public

My Commission Expires: 2/22/2010



My Commission Expires 02/22/2010

Attached to and made a part of that certain Oil & Gas and Storage Lease and Easement dated December 10, 2008 by and between **RBSD Inc., a Colorado Corporation**, as Lessor and Merchant Energy Partners, LLC, a Delaware limited liability company, 1775 Sherman Street, Suite 1200, Denver, CO 80203, as Lessee.

EXHIBIT A

Township 11 North, Range 52 West, 6th P.M.

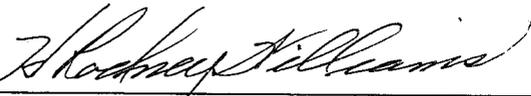
Section 5: Lot 3(39.95) EXCEPT a 0.08 acre tract more particularly described as all that portion of a tract of land situated in Lot 3, of Section 5, Township 11 North, Range 52 West of the Sixth Principal Meridian, Logan County, Colorado, being more particularly described as follows: Commencing at the North quarter corner of said Section 5; thence South 04° 06' 12" West for a distance of 242.60 feet to the point of beginning of said tract of land to be described; thence East for a distance of 170.00 feet; thence South for a distance of 75.00 feet, thence East for a distance of 96.08 feet; thence South 00° 11' 20" West for a distance of 327.92 feet; thence South for a distance of 121.08 feet; thence East for a distance of 190.00 feet; thence South for a distance of 168.00 feet; thence East for a distance of 215.00 feet; thence South for a distance of 250.00 feet; thence West for a distance of 250.00 feet; thence North for a distance of 78.00 feet; thence West for a distance of 275.00 feet; thence North for a distance of 515.00 feet; thence North 19° 49' 13" West for a distance of 169.01 feet; thence West for a distance of 87.69 feet; thence North for a distance of 170.00 feet to the point of beginning, Lot 4(40.25), S/2NW/4

Section 6: SE/4

Logan County, Colorado

Containing 320.12 acres, more or less

SIGNED FOR IDENTIFICATION:

BY: 

H. Rodney Williams, General Manager and Secretary of
R B S D, Inc, a Colorado Corporation