



East Cheyenne Expects 8 BCF of Working Gas Capacity in 2013

Reservoir Development Ahead of Schedule

Based on the continuing positive developments associated with growing the working gas capacity at our East Cheyenne Gas Storage (ECGS) Facility in Peetz, Colorado, ECGS expects 8 BCF of working gas capacity to be available for the 2013 injection season. ECGS will begin construction on the second phase of development at the Site this Fall, which will include the addition of new injection/withdrawal



View of ECGS Pipe Racks and Gas Cooling

wells and associated surface and processing equipment. ECGS is actively pursuing firm storage sales of the expected working gas capacity. If your company is interested in contracting for firm storage space beginning in 2013, please contact either Scott Smith or Kevin Legg (contact info provided on Page 3).

COMMERCIAL OPPORTUNITIES ALERT!!!!!!

PARKING CAPACITY AVAILABLE FOR WINTER & ADDITIONAL PAD GAS SUPPLY REQUIRED
Please contact us for availability

Second Withdrawal Test Successfully Completed

As part of the continued reservoir development of the West Peetz reservoir, ECGS completed the second withdrawal test of the Facility in July 2012. ECGS physically withdrew over 750,000 Dth of previously injected pad gas and found that the withdrawal capability of the existing wells performed much better than expected.

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Special points of interest:

East Cheyenne Gas Storage receives an outstanding Operator award at this year's Colorado Oil and Gas Conference.

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COGCC Award

COLORADO OIL AND GAS CONSERVATION COMMISSION RECOGNIZES OUTSTANDING OPERATORS FOR 2011

East Cheyenne Gas Storage was selected by the COGCC as one of the outstanding operators in Colorado based on reclamation activities that ECGS performed at the Site. ECGS purchased the West Peetz and Lewis Creek Oil Fields in Logan County – fields originally developed in the 1950s - for conversion to a gas storage facility. In the conversion process, 26 old wells were re-entered to abandon or rework, and old equipment removed to an authorized exploration and production waste facility. Contaminated soil from old pits was land-farmed on site. Clean top soil was placed at the well site for re-vegetation. The work provided both a second life for a depleted oil field as well as the reclamation of an historic oil field. COGCC director, Matt Lepore, commented, “We want to highlight examples of companies that are moving the industry forward and showing exceptional leadership when it comes to protection of the environment, and in working productively with the communities in which they operate.”

ECGS Sponsors Night show at the Logan County Fair!

East Cheyenne’s visibility in Logan County got a huge public boost with its sponsorship of the concluding concert at the 2012 Logan County Fair. The Night Show is the largest community event in Northeast Colorado, drawing people from a seven county area for an evening of loud country music with a light show and bands struttin’ their stuff in and around the rodeo arena. The six thousand or so who attended the musical extravaganza this year could see the ECGS logo on two 10 x 27 foot banners ... waving in the evening breeze. It almost didn’t happen, though. As the stage crew was making final sound and set up preparations for the concert, the wind came up. It was no ordinary wind, but a driving blast lasting the better part of an hour and carrying sand and dust with it. The crews scrambled to bring the scrimms down as quickly as possible, to keep them from tearing. Needless to say, with so much at stake for ECGS, panic would have been in order! A phone call to Marilee Johnson, head event coordinator, got the scrimms back in place by the time Dierks Bentley came onto the stage.

SPECIAL TICKETS FOR SEVERAL PEOPLE

ECGS made some lifelong memories, for a few people this year. In addition to the tickets for various fair events that came with ECGS’s sponsorship of the Night Show, ECGS received 8 tickets to a “Meet and Greet” with Dierks Bentley backstage, prior to the concert. One of ECGS’s local vendors is the parent of a developmentally disabled young woman named Ashlee, who was able to meet with Dierks and his band.



Operations Profile - Scott Smith, Chief Commercial Officer

In May of this year, Scott R. Smith joined Merchant Energy Holdings as Chief Commercial Officer to lead all development and commercial activities. Scott's initial emphasis has been supporting the MEH team's commercial start-up of East Cheyenne Gas Storage. Additional activities include the development of MEH's Tallulah Gas Storage project in Louisiana and due diligence leadership for asset acquisitions.

Scott has over twenty-five years of energy industry experience that includes energy marketing & trading, business development, market analysis, energy asset valuation and optimization, business strategy development, risk management, and gas processing operations. Prior to joining Merchant Energy Holdings, Scott was a Vice President and Executive Director, Industry Verticals with Black & Veatch Enterprise Management Solutions. In previous Black & Veatch positions, Mr. Smith led Enterprise Management Solution's Strategy consulting practice and the Market Analysis consulting practice. Prior to joining Black & Veatch, Mr. Smith was Sr. Vice President and founding partner of Lukens Energy Group, an energy consultancy based in Houston. In addition, he was Vice President of Marketing at Southern Company Energy Marketing, L.P., a joint venture between Southern Company and Vastar Resources, Inc. Mr. Smith also served in several leadership positions in marketing & trading and gas processing at Vastar Resources and Atlantic Richfield Company.

Scott has a B.S. in Chemical Engineering from the University of Texas at Austin and an M.B.A. from Southern Methodist University. Scott lives in Houston with his wife of 29 years, Katie. Scott and Katie have two children that are attending the University of Texas at Austin.



Marketing Contacts



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