

PURCHASE AND SALE AGREEMENT
(of Oil and Gas Properties and Related Assets)

Seller: **Robinhood L.L.C.**
 P.O. Box 1089
 Hobbs, New Mexico 88241

Buyer: **Blugrass Energy Inc.**
 7609 Ralston Road
 Arvada, Colorado 80002

Seller and Buyer, named above, are entering into this Purchase and Sale Agreement (the "Agreement"), as evidence of Seller's agreement to sell, and Buyer's agreement to buy the properties described in and subject to this Agreement.

In consideration of the mutual covenants, conditions and considerations provided below, Buyer and Seller agree as follows:

1. The Properties. Seller shall assign and convey to Buyer all of Seller's interest in and to the following, all of which are collectively referred to in this Agreement as (the "Properties"):

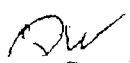
 a. All of Seller's rights, title and interests (of whatever kind or character, whether legal or equitable, and whether vested or contingent) in and to the oil, gas and other minerals in and under and that may be produced from the lands described in Exhibit "A" including, without limitation, interests in oil, gas and/or mineral leases covering any part of the lands, overriding royalty interests, production payments, and net profits interests in any part of the lands or leases, fee royalty interests, fee mineral interests, and other interests in oil, gas and other minerals in any part of the lands, whether the lands are described in any of the descriptions set out in Exhibit "A" or by reference to another instrument for description, even though the Seller's interests may be incorrectly described in, or omitted from, Exhibit "A";

 b. All right, title, and interests of Seller in all presently existing and valid oil, gas and/or mineral unitization, pooling, and/or communitization agreements, declarations, and/or orders and the properties covered or included in the units (including, without limitation, units formed under orders, rules, regulations, or other official acts of any federal, state or other authority having jurisdiction, voluntary unitization agreements, designations, and/or declarations, and any "working interest units" (created under operating agreements or otherwise) which relate to any of the Properties described in subparagraph a. above;

 c. All rights, title and interests of Seller in all presently existing and valid production sales (and sales related) contracts, operating agreements, and other agreements and contracts which relate to any of the Properties described in subparagraphs

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Case No. 14393
Marks & Garner Production., Ltd.,
Company
~~Blugrass Energy Inc.~~
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a. and b. above, or which relate to the exploration, development, operation, or maintenance of the Properties or the treatment, storage, transportation, or marketing of production from or allocated to the Properties; and,

d. All rights, title and interests of Seller in and to all materials, supplies, machinery, equipment, improvements, and other personal property and fixtures (including, but not limited to the Properties, all wells, wellhead equipment, pumping units, flow lines, tanks, buildings, injection facilities, salt water disposal facilities, compression facilities, gathering systems, and other equipment), all easements, rights-of-way, surface leases, and other surface rights, all permits and licenses, and all other appurtenances, used or held for use in connection with or related to the exploration, development, operation, or maintenance of any of the Properties described in subparagraphs a. and b. above, or the treatment, storage, transportation, or marketing of production from or allocated to the Properties.

2. Purchase Price. Buyer shall pay to Seller the cash amount of \$550,000.00 to be structured in the following manner, subject to the adjustment provided for below:


- Cash Payment of \$100,000.00 to be paid on or before October 12, 2009
- Cash Payment of \$100,000.00 to be paid on or before November 30, 2009
- Cash Payment of \$100,000.00 to be paid on or before December 31, 2009
- Cash Payment of \$100,000.00 to be paid on or before January 31, 2010
- Cash Payment of \$150,000.00 to be paid on or before February 28, 2010

3. Closing. The sale and purchase of the Properties (the "Closing") shall be on October 12, 2009 at Seller's offices in Hobbs, New Mexico, or such other place as Buyer and Seller shall mutually agree. At the date of Closing (the "Closing Date"), Seller shall deliver to Buyer executed instruments of conveyance of the Properties in form acceptable to Buyer and Buyer shall deliver to Seller the Purchase Price provided in Section 2.

4. Conveyance Effective Date. The conveyance by Seller shall be effective as of 7 a.m. local time, where the Properties are located, on October 12, 2009 (the "Effective Date").

4.1 Ownership of Production Following Effective Date. All production from the Properties and all proceeds from the sale of production on and after the Effective Date shall be the property Buyer.

4.2 Operation of the Properties Following Effective Date. Seller agrees and obligates itself to continue usual and customary operation, consistent with past practice, of the Properties for up to thirty (30) days following Closing. Buyer shall reimburse Seller for expenses incurred in Seller's operation of the Properties for the operation interval, not more than thirty (30) days, following the Effective Date. Prior to reimbursement, Seller shall provide an accounting acceptable to Buyer of expenses incurred in the operation of the Properties for the interval, up to thirty (30) days, following the Effective Date. In no event shall Buyer be obligated to reimburse seller for



expenses greater than \$15,000.00 incurred in the operation of the Properties for the thirty (30) day interval following the Effective Date.

4.3 For so long as Seller operates the Properties following the Effective Date, Seller agrees to maintain liability insurance, report to Buyer any event that may result in an infraction of environmental rules and/or regulations, report to Buyer any event that may result in a loss of production, provide to Buyer daily production, sales and well status reports.

5. Taxes. Seller shall be responsible for all taxes relating to the Properties prior to the Effective Date. Buyer shall be responsible for all taxes (exclusive of federal, state or local income taxes due by Seller) relating to the Property from and after the Effective Date.

6. Indemnity. Seller shall indemnify and hold Buyer, its directors, officers, employees, and agents harmless from and against any and all liability, liens, demands, judgments, suits, and claims of any kind or character arising out of, in connection with, or resulting from Seller's ownership of the Properties, for all periods prior to the Effective Date. Seller shall remain responsible for all claims relating to the drilling, operating, production, and sale of hydrocarbons from the Properties and the proper accounting and payment to parties for their interests and any retroactive payments, refunds, or penalties to any party or entity, insofar as any claims relate to periods of time prior to the Effective Date and any periods following the Effective Date in which Seller operates the Properties under paragraph 4.2 above.

Buyer shall indemnify and hold Seller harmless from and against any and all liability, liens, demands, judgments, suits, and claims of any kind or character arising out of, in connection with, or resulting from Buyer's ownership of the Properties, for periods from and after the Effective Date. Buyer shall be responsible for all claims relating to the drilling, operating, production, and sale of hydrocarbons from the Properties and the proper accounting and payment to parties for their interests, and any retroactive payments, refunds, or penalties to any party or entity as such claims relate to periods from and after the Effective Date.

Buyer and Seller shall have the right to participate in the defense of any suit in which one of them may be a party without relieving the other party of the obligation to defend the suit.

7. Representations and Warranties of Seller. Seller represents and warrants to Buyer as follows:

7.1. Organization. Seller is a limited liability company, validly existing, and in good standing under the laws of the State of New Mexico. Seller is qualified to do business in and is in good standing under the laws of each state in which the Properties are located.



7.2. Authority and Conflicts. Seller has full power and authority to carry on its business as presently conducted, to enter into this Agreement, and to perform its obligations under this Agreement. The execution and delivery of this Agreement by Seller does not, and the consummation of the transactions contemplated by this Agreement shall not: (a) violate, conflict with, or require the consent of any person (b) conflict with, result in a breach of, constitute a default (or an event that with the lapse of time or notice or both would constitute a default) or require any consent, authorization, or approval under any agreement or instrument to which Seller is a party or to which any of the Properties or Seller is bound; (c) violate any provision of or require any consent, authorization, or approval under any judgment, decree, judicial or administrative order, award, writ, injunction, statute, rule, or regulation applicable to Seller; or, (d) result in the creation of any lien, charge, or encumbrance on any of the Properties.

7.3. Authorization. The execution and delivery of this Agreement has been, and the performance of this Agreement and the transactions contemplated by this Agreement shall be at the time required to be performed, duly and validly authorized by all requisite action on the part of Seller.

7.4. Enforceability. This Agreement has been duly executed and delivered on behalf of Seller and constitutes the legal and binding obligation of Seller enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, reorganization, or moratorium statutes, equitable principles, or other similar laws affecting the rights of creditors generally ("Equitable Limitations"). At Closing, all documents and instruments required to be executed and delivered by Seller shall be duly executed and delivered and shall constitute legal, valid, enforceable, and binding obligations of Seller, except as enforceability may be limited by Equitable Limitations.

7.5 Title.

7.5.1. Seller has Marketable title to the Property. For the purposes of this Agreement, "Marketable Title" means such title will enable Buyer, as Seller's successor in title, to receive from each of the Properties at least the "Net Revenue Interest" for the Wells identified on Exhibit "A" associated with each of the Properties, without reduction, suspension, or termination throughout the productive life of the Wells, except for any reduction, suspension, or termination: (a) caused by Buyer, any of its affiliates successors in title or assigns; (b) caused by orders of the appropriate regulatory agency having jurisdiction over a Property that are promulgated after the Effective Date and that concern pooling, unitization, communitization, or spacing matters affecting a Property; (c) caused by any Contract containing a sliding-scale royalty clause or other similar clause with respect to a production burden associated with a particular Property; or, (d) otherwise set out in Exhibit "A." "Marketable Title" also means title as will obligate Buyer, as Seller's successor in title, to bear no greater "Working Interest" than the Working Interest for each of the Wells identified on Exhibit "A" as being associated with each of the Properties, without increase throughout the productive life of the Wells, except for any increase: (a) caused by Buyer, any of its affiliates, successors in title or assigns; (b) that also results in the Net Revenue Interest associated with the Well being proportionately

increased; (c) caused by contribution requirements provided for in any valid and existing Operating Agreement; (d) caused by orders of the appropriate regulatory agency having jurisdiction over a Property that are promulgated after the Effective Date and that concern pooling, unitization, communitization, or spacing matters affecting a particular Property; or, (e) otherwise set forth in Exhibit "A." "Marketable Title" means the Properties are free and clear of all encumbrances, liens, claims, easements, rights, agreements, instruments, obligations, burdens, or defects (collectively the "Liens"), except for Permitted Encumbrances.

7.5.2 For the purposes of this Agreement, "Permitted Encumbrances" means: (a) liens for taxes not yet delinquent; (b) lessor's royalties, overriding royalties, reversionary interests, and similar burdens that do not operate to reduce the Net Revenue Interest of Seller in any of the Properties to less than the amount set forth on Exhibit "A"; (c) the consents and rights described in Exhibit "A" insofar as such contracts and agreements do not operate to increase the Working Interest of Seller or decrease the Net Revenue Interest of Seller, as set forth on Exhibit "A," for any of the Properties.

7.5.3 Seller has good and defensible title, subject to the Permitted Encumbrances, to all of the Properties.

7.5.4 Seller warrants all rights, title and interest and further warrants that no Quit Claims or "Blanket Conveyances" have been executed by the Seller which cover, or could be construed to cover the Properties. Buyer shall have a period of twelve (12) consecutive months from the Effective Date for full recourse of the purchase price, as well as any funds deployed for capital expenditures, should a discrepancy of ownership arise.

7.5.5 Seller warrants that all Oil and Gas Leases subject to this Agreement are in full force and effect, are valid and subsisting and cover the entire estates they purport to cover.

7.6. Contracts. Buyer agrees and warrants that all contracts and agreements pertaining to the operation of the Property and purchase or sale of oil and gas produced from the property, including, but not limited to, exploration, development, operation, or maintenance of the Properties or the treatment, storage, transportation, or marketing of production from or allocated to the Properties, shall be transferred to Seller and remain in full force and effect upon the Effective Date.

7.7 Litigation and Claims. No claim, demand, filing, cause of action, administrative proceeding, lawsuit, or other litigation is pending, or to the best knowledge of Seller, threatened, that could now or later adversely affect the ownership or operation of any of the Properties, other than proceedings relating to the industry generally and to which Seller is not a named party. No written or oral notice from any governmental agency or any other person has been received by Seller: (a) claiming any violation or repudiation of all or any part of the Properties or any violation of any law or any environmental, conservation or other ordinance, code, rule or regulation; or, (b)

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require or calling attention to the need for any work, repairs, construction, alterations, or installations on or in connection with the Properties, with which Seller has not complied. Seller agrees to indemnify, defend and protect Buyer should any violation of any law or any environmental, conservation or other ordinance, code, rule or regulation be alleged to have occurred on the Properties at any time prior to six (6) months following the Effective Date.

7.8. Approvals and Preferential Rights. Seller warrants that it has obtained all approvals required to be obtained by Seller for the assignment of the Properties to Buyer and all preferential purchase rights that affect the Properties.

7.9. Compliance with Law and Permits. The Properties have been operated in compliance with the provision and requirements of the applicable oil and gas leases, and all laws, orders, regulations, rules, and ordinances issued or promulgated by all governmental authorities having jurisdiction with respect to the Properties. All necessary governmental certificates, consents, permits, licenses, or other authorizations with regard to the ownership or operation of the Properties have been obtained and no violations exist or have been recorded in respect of such licenses, permits or authorizations. None of the documents and materials filed with or furnished to any governmental authority with respect to the Properties contains any untrue statement of a material fact or omits any statement of a material fact necessary to make the statement not misleading.

7.10. Status of Contracts. All of the Contracts and other obligations of Seller relating to the Properties are in full force and effect. Seller and to the knowledge of Seller, any other party to the Contracts is in breach of or default, or with the lapse of time or the giving of notice, or both, would be in breach or default, with respect to any of its obligations to the extent that any breaches or defaults have an adverse impact on any of the Properties; has given or threatened to give notice of any default under or inquiry into any possible default under, or action to alter, terminate, rescind, or procure a judicial reformation of any Contract; and, Seller does not anticipate any other party to a Contract will be in breach of or default under or repudiate any of its obligations to the extent such breach or default will have an adverse impact on any of the Properties.

7.11. Production Burdens, Taxes, Expenses and Revenues. All rentals, royalties, excess royalty, overriding royalty interests, and other payments due under or with respect to the Properties have been properly and timely paid. All ad valorem, property, production, severance, and other taxes based on or measured by the ownership of the Properties or the production from the Properties have been properly and timely paid. All expenses payable under the terms of any contracts to which the Seller is obligated have been properly and timely paid except for expenses currently paid, prior to delinquency, in the ordinary course of business. All proceeds from the sale of production are being properly and timely paid to Seller by the purchasers of production, without suspense.

7.12. Pricing. The prices being received for production do not violate any contract, law or regulation. Where applicable, all of the wells and production from the wells have been properly classified under appropriate governmental regulations.

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title data, records and files relating to the Properties (including without limitation all well files and well logs) and information relating to the Properties as soon as possible after the execution of this Agreement. Seller will, at Seller's expense, use Seller's best efforts to promptly cure all title defects discovered by Buyer and obtain all consents and waivers of preferential or other rights to purchase from third parties and governmental authorities as in the opinion of Buyer may be desirable or necessary to the conveyance, assignment, and transfer to Buyer of the Properties. In the event title to the Properties is not satisfactory, or if the Properties are otherwise not as represented, Buyer may, at its option, within twelve (12) months following the Effective Date, either terminate this Agreement for full recourse of Purchase Price, or reduce the Purchase Price by an amount agreeable to both parties. Seller shall promptly furnish Buyer a copy of all gas contracts, gas transportation and treating agreements, operating agreements and all amendments to each, and provide a schedule showing the status of any gas balancing, take or pay, or other similar arrangements.

b. If Buyer's review and appraisal of the data, contracts and agreements reflects such data, contracts, or agreements are materially different, and that such difference results in a material difference in the value of the Properties, from those assumed by Buyer at the time of its September 20, 2009 offer, Buyer shall have the option to either terminate this Agreement without penalty or request renegotiations of the Purchase Price to reflect the adverse changes. Except for title matters, Buyer must exercise this option, if applicable, on or before twelve (12) months following the Effective Date, or any material differences shall be deemed waived, but without prejudice to Buyer's other rights under this Agreement.

10. Conditions. The consummation of the sale and purchase contemplated by this Agreement will be subject to the following conditions:

a. The representations and warranties by Seller set forth in Section 7 shall be true and correct in all material respects as of the date when made and as of the Closing.

b. There shall have been no material adverse change in the condition of the Properties except depletion through normal production within authorized allowables and rates of production, depreciation of equipment through ordinary wear and tear, and other transactions permitted under this Agreement or approved in writing by Buyer between the date of this Agreement and Closing.

c. All consents, approvals and authorizations of assignments, and waivers of preferential rights to purchase required by Buyer shall have been submitted to and approved by Buyer.

d. Seller and Buyer understand and agree that if: (1) title to the Properties is not satisfactory to Buyer; (2) Seller's actual interests in the Properties is different than as represented by Seller and the difference causes a diminution in Seller's net revenue interest; (3) contracts, claims or litigation to which Buyer takes exception are material; or, (4) Seller fails to comply with any of the conditions set forth in this Agreement; Buyer

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may, at its option, either terminate this Agreement within twelve (12) months following the date of closing for full recourse of Purchase Price, or reduce the Purchase Price by an amount agreeable to both parties. However, any reduction in Seller's net revenue interests below that which is represented in Exhibit "A" shall result in an automatic reduction in the Purchase Price commensurate with the reduction in such net revenue interest.

e. The parties shall have performed or complied with all agreements and covenants required by this Agreement of which performance or compliance is required prior to or at Closing.

f. All legal matters in connection with and the consummation of the transactions contemplated by this Agreement shall be approved by counsel for Buyer and there shall have been furnished by Seller such records and information as Buyer's counsel may reasonably request for that purpose.

g. Notwithstanding anything to the contrary in this Agreement, at Buyer's option, Buyer shall have the unilateral right to terminate this Agreement for full recourse of Purchase Price not later than twelve (12) months following the Effective Date if Buyer determines it does not have the rights to obtain and maintain the rights to be Operator of the Properties pursuant to existing Operating Agreements at Closing. Operations shall be transferred from Seller to Buyer at Closing.

h. Any Employment and Non-Competition Agreements requested by Buyer have been fully executed by Seller and/or Seller's employees.

11. Transfer, Documentary Taxes, and Commission, Brokerage Fees. Seller shall pay and bear all documentary or transfer taxes resulting from this transaction. No commission or brokerage fees will be paid by Buyer in connection with this transaction. Seller will indemnify and hold Buyer harmless from any claims of brokers or finders acting, or claiming to be have acted, on behalf of Seller.

12. Further Assurances, Intent. It is Seller's intent to convey to Buyer all of Seller's interests, legal, beneficial, or equitable in the Properties. Seller agrees to execute and deliver to Buyer all instruments, conveyances, and other documents and to do such other acts not inconsistent with this Agreement as may be necessary or advisable to carry out Seller's intent.

13. Notices. All notices and communications required or permitted under this Agreement shall be in writing, delivered to or sent by U.S. Mail or Express Delivery, postage prepaid, or by prepaid telegram, or facsimile addressed as follows:

Seller: Robinhood L.L.C., P.O. Box 1089, Hobbs, New Mexico 88241

Buyer: Blugrass Energy Inc., 7609 Ralston Road Arvada, Colorado 80002

