

MEMORANDUM OF WATER MANAGEMENT AGREEMENT

State: Wyoming
 County: Sheridan
 Owner: S R CATTLE COMPANY, A WYOMING CORPORATION
 1317 Stone Gate Drive
 Sheridan, Wyoming 82801
 Operator: Storm Cat Energy Operating (USA) Corporation
 1125 17th Street, Suite 2310
 Denver, CO 80202
 Effective Date: March 23, 2007

On the Effective Date, stated above, the named Owner and Operator entered into a water management agreement in which Operator owns leasehold interests in Oil & Gas Leases covering the lands described in Exhibit "A" to the Memorandum, for the purposes of exploring for and producing coalbed methane gas.

This Memorandum is executed by Owner and Operator and recorded in the records of the county where the Lands are located to serve as notice of the existence of the Agreement, and the Lands it covers. Owner and Operator each acknowledge they are bound by all the terms and conditions of the agreement.

A complete copy of the Water Management Agreement is maintained in the offices of the Operator, at the address above, and any person or persons desiring to deal with the Lands may contact Operator to obtain information as to all the terms of the Agreement.

OWNER:
 S R CATTLE COMPANY, A WYOMING CORPORATION

Charles Kane
 Charles Kane - President

OPERATOR:
 STORM CAT ENERGY OPERATING (USA) CORPORATION

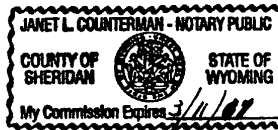
Keith Knapstad
 Keith Knapstad

State of WYOMING)
)ss. Acknowledgement for use by corporation
 County of SHERIDAN)

The foregoing instrument was acknowledged before me this 23rd of March, 2007, by Charles Kane being duly sworn before me, did say that he is the President of S R Cattle Company.

Witness my hand and official seal.

My commission expires: 3/16/2011
Janet L. Counterman



Notary Public

State of Colorado)
)ss. Acknowledgement for use by corporation
 County of _____)

The foregoing instrument was acknowledged before me this _____ of _____, 2007, by Keith Knapstad being duly sworn before me, did say that he is the _____ of Storm Cat Energy Operating (USA) Corporation

Witness my hand and official seal.

My commission expires: _____

 Notary Public

"Exhibit A"

State Lands

Township 57 North, Range 81 West. 6th P.M.

Section 18: All

Section 19: E/2

Section 29: SW/4

Section 30: E/2, N/2NW/4

Sheridan County, Wyoming

Fee Lands

Township 57 North, Range 81 West. 6th P.M.

Section 6: E/2SW/4 & SE/4

Section 7: All

Section 8: SW/4SW/4

Section 17: W/2

Section 20: E/2SW/4

Section 29: E2NW/4