

WATER DISPOSAL WELL AGREEMENT, EASEMENT AND RIGHT OF WAY AGREEMENT

Lands Covered: Township 11 North – Range 53 West
Section 26 SW SW/4

THIS AGREEMENT is entered into this 7th day of June, 2012 by and between Propst Bros. Incorporated whose mailing address is 5216 Highway 63, Atwood Colorado 80722 hereinafter collectively called Propst, and Western Operating Company 518 17th Street, Suite 200 Denver, CO 80202, hereinafter called Western.

1. Subject to the terms and conditions of this Agreement, Western shall have the right to re-enter an existing abandoned well, located on lands owned by Propst, and attempt to complete said well as a water disposal well, and upon completion, to thereafter inject and dispose of water into said well. The existing Shut-In well is known as the Propst #1 well and is located in the SWSW/4 Section 26-11N-53W Logan County, Colorado.
2. Upon execution hereof, Western shall pay Propst the sum of [REDACTED] which consideration shall give Western a period of two (2) years following the date stated above in which to commence operations to complete the Propst #1 well as a water disposal well. In the event that Western commences operations to complete the Propst #1 as a water disposal well prior to the expiration of the two year period, then this Agreement shall continue for so long thereafter as Western continues to utilize said well as a water disposal well; it being understood that temporary cessation of water disposal due to mechanical or physical conditions of the disposal well, the connecting water disposal lines, or the well from which the water is produced, shall not be deemed as abandonment of the disposal well, and shall not, therefore, be deemed a termination of this Agreement.
3.
 - (A.) Prior to the commencement of surface operations to complete the Propst #1 into a water disposal well, Western shall pay Propst an additional [REDACTED] in consideration for the access to said well, usage of the surface to complete and operate the water disposal well, burying the necessary underground pipelines across lands associated with producing wells and to connect the water disposal well, the right to bring in electric service to operate the injection well, and for burying the electric service lines necessary for water disposal operations on the injection well.
 - (B.) In addition to the foregoing, should the activities by Western, or its assigns, relating to re-entering the Propst #1 or the installation of pipelines or electric lines, cause actual damages to growing crops, then Western agrees that it shall pay the actual value of the crop so damaged.
4. Following the successful completion of the Propst #1 as a water disposal well, Western shall pay Propst, (or upon written notification of a sale, to pay their successor(s) in ownership of the well site, [REDACTED]) commencing on the date of the first injection of water into the well, and on each anniversary of that date until the well is plugged and abandoned.
5. Western agrees that the Propst #1 water disposal well will be completed in accordance with the procedures and the regulations of the Colorado Oil and Gas Conservation Commission, and that all work done in connection with said well shall be done in a workmanlike and prudent manner.
6. Upon cessation of the Propst #1 as a water disposal well, Western agrees that said well shall be properly plugged and abandoned in accordance with the rules and regulations of the Colorado Oil and Gas Conservation Commission.
7. During the term of this Agreement, Propst grants Western the rights of ingress and egress across the covered lands for the purpose of completing the Propst #1 well into a water disposal well, and for the purposes of operating, maintaining, repairing, reworking and other activities related to said water disposal well, said access to be the same route taken for the drilling of the Propst #1; and, further, grants Western easements and rights of way, as needed, for the following purposes:
 - (A.) Laying, installing, repairing and maintaining pipelines, across the covered lands, as required to connect the wells producing water to the Propst #1 water disposal well. Western agrees that all pipelines connecting to the water disposal well shall be buried deep enough as to not interfere with activities conducted upon the surface.

(B.) Installing, maintaining, and operating such surface equipment, including but not limited to pumps and storage tanks, on the described lands, as is necessary for the operation and maintenance of the water disposal well.

(C.) Installing, maintaining, and operating electrical lines across the described lands, in order to provide electrical service to the equipment needed for the water disposal well.

- 8. Western agrees to indemnify Propst against and hold Propst harmless from any and all claims, actions, expenses, damages, liabilities, losses and costs arising out of or related to the operations of Western in connection with the Propst #1 water disposal well, including the injection and disposal of water in said well.
- 9. This Agreement is applicable only for injection and disposal of water into the J and D sand formations of the Propst #1, and nothing in this Agreement shall, in any manner, affect formations above or below the formation into which the water is injected for disposal; and the owners of minerals in the covered lands shall, at all times, as between Propst and Western, be free to do with those minerals as they deem appropriate.
- 10. This Agreement shall be binding upon the parties hereto, and their respective successors, assigns and heirs.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

Propst Bros. Incorporated

Western Operating Company

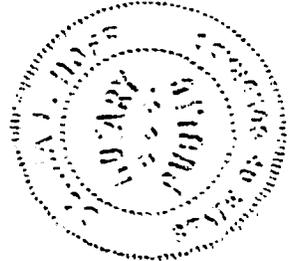
PROBST BROS. INC
 By: Ted Propst
 Title: VICE PRES.

[Signature]
 By: Stephen J. [Signature]
 Title: President

STATE OF COLORADO
 COUNTY OF LOGAN

ISS.

The foregoing instrument was acknowledged before me this 25th Day of JUNE, 2012 by TED PROBST as VICE-PRESIDENT of PROBST BROS INC
 Witness my hand and notarial seal this 25 Day of JUNE, 2012.



My Commission Expires: 10-9-14
 Address: 18389 ACOMA DR
FB. MORRIS, CO 80901

[Signature]

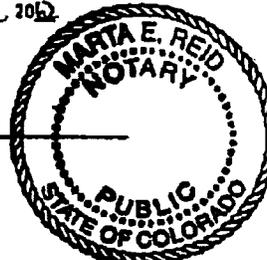
STATE OF Colorado
 COUNTY OF Denver

ISS.

The foregoing instrument was acknowledged before me this 25 Day of June, 2012, by Steven D. James as President of Western Operating Company.
 Witness my hand and notarial seal this 25 Day of June, 2012.

My Commission Expires: 2/22/2016
 Address: 512 17th Street Suite 200
Denver, CO 80202

[Signature]



My Commission Expires 02/22/2016