

## Salt Water Disposal Agreement

THIS AGREEMENT, made and entered into this 10<sup>th</sup> day of June, 2005, by and between Margaret Hosler, hereinafter called "Lessor", and Bear Petroleum, Inc., hereinafter called "Lessee".

WITNESSETH:

THAT WHERE AS, Lessor is the owner of the following described real estate in Butler County, Kansas, to-wit:

The east half (E ½) of the North Half (N ½) of the Northwest Quarter (NW ¼) of section Thirty-two (32), Township Twenty-six (26), Range Five (5) East.

WHEREAS, Lessee has obtained production under oil and gas lease covering adjacent property, and,

WHEREAS, Lessee is producing salt water from such leases, and,

WHEREAS, a well has previously been drilled on the real estate of Lessor first hereinabove described and it is necessary and to the mutual benefit and advantage of the parties hereto to convert such well into a salt water disposal well for the purpose of disposing of salt water produced by Lessee from the adjacent oil and gas leases.


NOW THEREFORE, in consideration of the premises, it is agreed by and between the parties hereto as follows:


1. Lessor hereby grants to Lessee, its successors and assigns, the right, privilege and easement to convert the above described well into a salt water disposal well for the purpose of injecting therein, at the Arbuckle level only, salt water produced by Lessee and its assigns from adjacent oil and gas leases together with the right to lay, construct, operate, repair, and remove such tanks, lines, which shall be buried, and other equipment necessary for the transportation of salt water to and treating and injection the same into such salt water disposal well, and to set a tank battery on the property at a location of Lessor's choice.
2. Lessee and its assigns shall have the right to use such salt water disposal well for such purposes so long as it, its successors and assigns, is producing salt water from the adjacent oil and gas leases.
3. Lessee and its assigns agree to pay Lessor for the use of such salt water disposal well on a yearly basis, in the month of December, \$1200.00 for the use of the disposal well, and \$300.00 a year for the rent of said property where tank battery is located, to total \$1500.00 per year.
4. The parties agree that Lessee shall have a 14 day right of first refusal to lease the subject property for oil and gas purposes.
5. Should the subject property be leased to a third party for oil and gas purposes, the parties agree that the third party may use the salt water disposal well at the prevailing rate, if the well can take the additional salt water.
6. Upon the final abandonment of said salt water disposal well, Lessee, its successors and assigns, shall remove all of the surface equipment from the surface of such real estate and so much of the equipment from the sub-

surface thereof as it is able to recover and shall then plug such well and restore the surface of said land as nearly as reasonably possible to the original condition thereof, unless Lessee agrees to take control of said disposal well.

7. The covenants hereof shall be available to and binding upon the parties hereto, and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed these presents in duplicate, each copy to be treated as an original, the day and year first above written.

  
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R. A. Schremmer for Bear  
Petroleum, Inc.  
(Lessee)

  
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Margaret Hosler  
(Lessor)