

**KANSAS CORPORATION COMMISSION  
OIL & GAS CONSERVATION DIVISION  
APPLICATION FOR SURFACE PIT**

Form CDP-1  
April 2004  
Form must be Typed

*Submit in Duplicate*

Operator Name: <b>Falcon Exploration, Inc.</b>		License Number: <b>5316</b>
Operator Address: <b>125 N MARKET STE 1252</b>		<b>WICHITA KS 67202</b>
Contact Person: <b>MIKE MITCHELL</b>		Phone Number: <b>316-262-1378</b>
Lease Name & Well No.: <b>WILLIS 1-4</b>		Pit Location (QQQQ): <b>W2 SW NE SE</b>
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input checked="" type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled)</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: <b>5,800</b> (bbls)	Sec. <b>5</b> Twp. <b>32</b> R. <b>21</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>1,650</b> Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section <b>1,115</b> Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section <b>Clark</b> County
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <small>(For Emergency Pits and Settling Pits only)</small>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		How is the pit lined if a plastic liner is not used? <b>NATIVE CLAY &amp; MUD</b>
Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Pit dimensions (all but working pits): <b>100</b> Length (feet) <b>80</b> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <b>4</b> (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.
Distance to nearest water well within one-mile of pit <b>768</b> feet    Depth of water well <b>80</b> feet		Depth to shallowest fresh water <b>37</b> feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR
<b>Emergency, Settling and Burn Pits ONLY:</b> Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>CHEMICAL MUD</b> Number of working pits to be utilized: <b>3</b> Abandonment procedure: <b>HAUL OFF FREE FLUIDS. LET DRY. THEN BACKFILL WHEN CONDITIONS ALLOW</b> Drill pits must be closed within 365 days of spud date.
I hereby certify that the above statements are true and correct to the best of my knowledge and belief.		
_____ Date	_____ Signature of Applicant or Agent	

<b>KCC OFFICE USE ONLY</b>		Steel Pit <input type="checkbox"/>	RFAC <input checked="" type="checkbox"/>	RFAS <input checked="" type="checkbox"/>
Date Received: <b>04/22/2008</b>	Permit Number: <b>15-025-21456-00-00</b>	Permit Date: _____	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

**HAUL-OFF PIT APPLICATION  
FILING REQUIREMENTS**

**82-3-607. DISPOSAL OF DIKE AND PIT CONTENTS.**

- (a) Each operator shall perform one of the following when disposing of dike or pit contents:
- (1) Remove the liquid contents to a disposal well or other oil and gas operation approved by the commission or to road maintenance or construction locations approved by the department;
  - (2) dispose of reserve pit waste down the annular space of a well completed according to the alternate requirements of K.A.R. 82-3-106, if the waste to be disposed of was generated during the drilling and completion of the well; or
  - (3) dispose of the remaining solid contents in any manner required by the commission. The requirements may include any of the following:
    - (A) Burial in place, in accordance with the grading and restoration requirements in K.A.R. 82-3-602 (f);
    - (B) removal and placement of the contents in an on-site disposal area approved by the commission;
    - (C) removal and placement of the contents in an off-site disposal area on acreage owned by the same landowner or to another producing lease or unit operated by the same operator, if prior written permission from the landowner has been obtained; or
    - (D) removal of the contents to a permitted off-site disposal area approved by the department.
- (b) Each violation of this regulation shall be punishable by the following:
- (1) A \$1,000 penalty for the first violation;
  - (2) a \$2,500 penalty for the second violation; and
  - (3) a \$5,000 penalty and an operator license review for the third violation.

**Complete and return with Haul-Off Pit Application, Form CDP1(2004)**

Haul-off pit will be located in an on-site disposal area:  Yes  No

Haul-off pit is located in an off-site disposal area on acreage owned by the same landowner:  
 Yes  No If yes, written permission from the landowner must be obtained. Attach written permission to haul-off pit application.

Haul-off pit is located in an off-site disposal area on another **producing** lease or unit operated by the same operator:  Yes  No If yes, written permission from the landowner must be obtained. Attach permission and a copy of the lease assignment that covers the acreage where the haul-off pit is to be located, to the haul-off pit application.

April 22, 2008

MIKE MITCHELL  
Falcon Exploration, Inc.  
125 N MARKET STE 1252  
WICHITA, KS67202-1719

Re: Haul-Off Pit Application  
WILLIS Lease Well No. 1-4  
Sec.05-32S-21W  
Clark County, Kansas

Dear MIKE MITCHELL:

District staff has inspected the above referenced location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has recommended that the haul-off be lined with native clay or bentonite, constructed **without slots**, the bottom shall be flat and reasonably level and the free fluids must be removed. The fluids are to be removed from the haul-off pit as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the haul-off pit has occurred and again after drilling operations have ceased.

NO completion fluids or non-exempt wastes shall be placed in the haul-off pit.

The fluids should be taken to an authorized disposal well. Please call the District Office at (620) 225-8888 when the fluids have been removed. Please file form CDP-5, Exploration and Production Waste Transfer, within 30 days of fluid removal. Conservation division forms are available through our office and on the KCC web site: [kcc.ks.gov/conservation/forms/](http://kcc.ks.gov/conservation/forms/)

**A copy of this letter should be posted in the doghouse along with the approved Intent to Drill.** If you have any questions or concerns please feel free to contact the District Office at (620) 225-8888.



For KCC Use:  
 Effective Date: 04/21/2008  
 District # 1  
 SGA?  Yes  No

KANSAS CORPORATION COMMISSION 1018164  
 OIL & GAS CONSERVATION DIVISION

Form C-1  
 October 2007  
 Form must be Typed  
 Form must be Signed  
 All blanks must be Filled

**NOTICE OF INTENT TO DRILL**

Must be approved by KCC five (5) days prior to commencing well

Expected Spud Date: 04/18/2008  
month day year

OPERATOR: License# 5316  
 Name: Falcon Exploration, Inc.  
 Address 1: 125 N MARKET STE 1252  
 Address 2:  
 City: WICHITA State: KS Zip: 67202 + 1719  
 Contact Person: MIKE MITCHELL  
 Phone: 316-262-1378

CONTRACTOR: License# 5822  
 Name: Val Energy, Inc.

<b>Well Drilled For:</b>	<b>Well Class:</b>	<b>Type Equipment:</b>
<input checked="" type="checkbox"/> Oil	<input type="checkbox"/> Enh Rec	<input checked="" type="checkbox"/> Mud Rotary
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Storage	<input type="checkbox"/> Air Rotary
<input type="checkbox"/> Seismic ; _____ # of Holes	<input type="checkbox"/> Disposal	<input type="checkbox"/> Cable
<input type="checkbox"/> Other: _____	<input checked="" type="checkbox"/> Wildcat	
	<input type="checkbox"/> Infield	
	<input type="checkbox"/> Pool Ext.	
	<input type="checkbox"/> Other	

If OWWO: old well information as follows:  
 Operator: \_\_\_\_\_  
 Well Name: \_\_\_\_\_  
 Original Completion Date: \_\_\_\_\_ Original Total Depth: \_\_\_\_\_

Directional, Deviated or Horizontal wellbore?  Yes  No  
 If Yes, true vertical depth: \_\_\_\_\_  
 Bottom Hole Location: \_\_\_\_\_  
 KCC DKT #: \_\_\_\_\_

**Oil & Gas leases w/pooling clauses attached.**

Spot Description: \_\_\_\_\_  
 NE - NE - NW - SW Sec. 4 Twp. 32 S. R. 21  E  W  
(0/0/0/0) 2,600 feet from  N /  S Line of Section  
1,000 feet from  E /  W Line of Section

Is SECTION:  Regular  Irregular?  
 (Note: Locate well on the Section Plat on reverse side)

County: Clark  
 Lease Name: WILLIS Well #: 1-4  
 Field Name: WC

Is this a Prorated / Spaced Field?  Yes  No  
 Target Formation(s): MRW;MISS;VIOLA

Nearest Lease or unit boundary line (in footage): 40  
 Ground Surface Elevation: 1961 feet MSL

Water well within one-quarter mile:  Yes  No  
 Public water supply well within one mile:  Yes  No

Depth to bottom of fresh water: 100  
 Depth to bottom of usable water: 180

Surface Pipe by Alternate:  I  II  
 Length of Surface Pipe Planned to be set: 680

Length of Conductor Pipe (if any): 80  
 Projected Total Depth: 6600

Formation at Total Depth: ARBUCKLE  
 Water Source for Drilling Operations:

Well  Farm Pond  Other: \_\_\_\_\_  
 DWR Permit #: APPLY FOR

(Note: Apply for Permit with DWR )  
 Will Cores be taken?  Yes  No  
 If Yes, proposed zone: \_\_\_\_\_

**AFFIDAVIT**

The undersigned hereby affirms that the drilling, completion and eventual plugging of this well will comply with K.S.A. 55 et. seq.  
 It is agreed that the following minimum requirements will be met:

1. Notify the appropriate district office **prior** to spudding of well;
2. A copy of the approved notice of intent to drill **shall be** posted on each drilling rig;
3. The minimum amount of surface pipe as specified below **shall be set** by circulating cement to the top; in all cases surface pipe **shall be set** through all unconsolidated materials plus a minimum of 20 feet into the underlying formation.
4. If the well is dry hole, an agreement between the operator and the district office on plug length and placement is necessary **prior to plugging**;
5. The appropriate district office will be notified before well is either plugged or production casing is cemented in;
6. If an ALTERNATE II COMPLETION, production pipe shall be cemented from below any usable water to surface within **120 DAYS** of spud date. Or pursuant to Appendix "B" - Eastern Kansas surface casing order #133,891-C, which applies to the KCC District 3 area, alternate II cementing must be completed within 30 days of the spud date or the well shall be plugged. **In all cases, NOTIFY district office** prior to any cementing.

**Submitted Electronically**

**For KCC Use ONLY**  
 API # 15 - 15-025-21456-00-00  
 Conductor pipe required 0 feet  
 Minimum surface pipe required 200 feet per ALT.  I  II  
 Approved by: Rick Hestermann 04/16/2008  
 This authorization expires: 04/16/2009  
 (This authorization void if drilling not started within 12 months of approval date.)  
 Spud date: \_\_\_\_\_ Agent: \_\_\_\_\_

**Remember to:**

- File Drill Pit Application (form CDP-1) with Intent to Drill;
- File Completion Form ACO-1 within 120 days of spud date;
- File acreage attribution plat according to field proration orders;
- Notify appropriate district office 48 hours prior to workover or re-entry;
- Submit plugging report (CP-4) after plugging is completed (within 60 days);
- Obtain written approval before disposing or injecting salt water.
- If this permit has expired (See: authorized expiration date) please check the box below and return to the address below.

Well Not Drilled - Permit Expired Date: \_\_\_\_\_  
 Signature of Operator or Agent: \_\_\_\_\_

4  
 32  
 21  
 E  
 W



1018164

**IN ALL CASES PLOT THE INTENDED WELL ON THE PLAT BELOW**

*Plat of acreage attributable to a well in a prorated or spaced field*

**If the intended well is in a prorated or spaced field, please fully complete this side of the form.** If the intended well is in a prorated or spaced field complete the plat below showing that the well will be properly located in relationship to other wells producing from the common source of supply. Please show all the wells and within 1 mile of the boundaries of the proposed acreage attribution unit for gas wells and within 1/2 mile of the boundaries of the proposed acreage attribution unit for oil wells.

API No. 15 - 15-025-21456-00-00  
Operator: Falcon Exploration, Inc.  
Lease: WILLIS  
Well Number: 1-4  
Field: WC

Location of Well: County: Clark  
2,600 feet from  N /  S Line of Section  
1,000 feet from  E /  W Line of Section  
Sec. 4 Twp. 32 S. R. 21  E  W

Number of Acres attributable to well: \_\_\_\_\_  
QTR/QTR/QTR/QTR of acreage: NE - NE - NW - SW

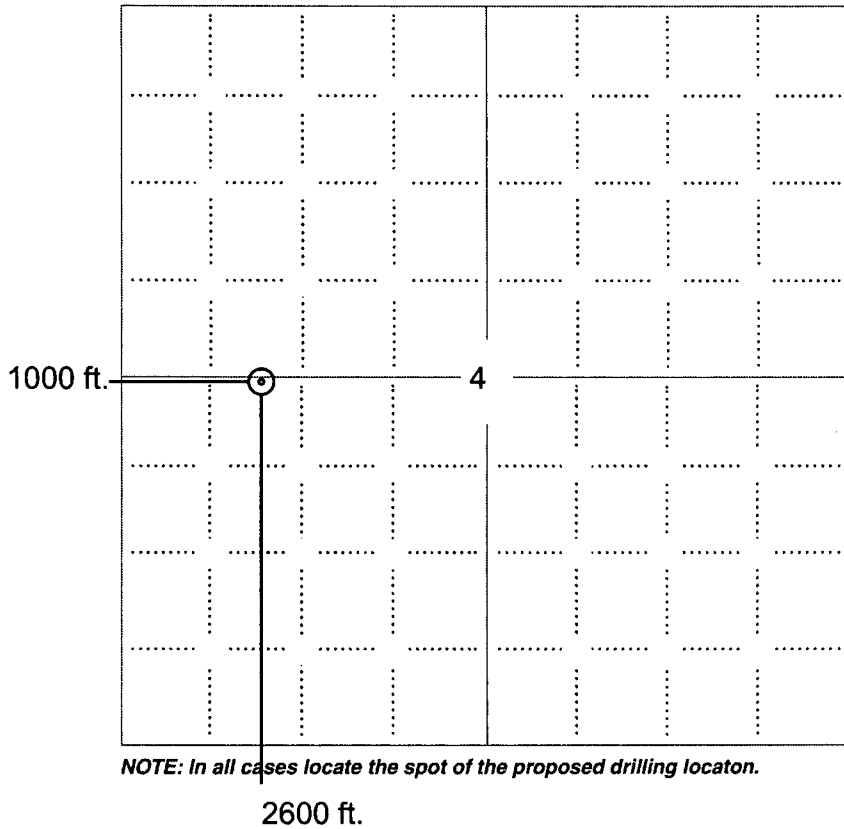
Is Section:  Regular or  Irregular

**If Section is irregular, locate well from nearest corner boundary.**

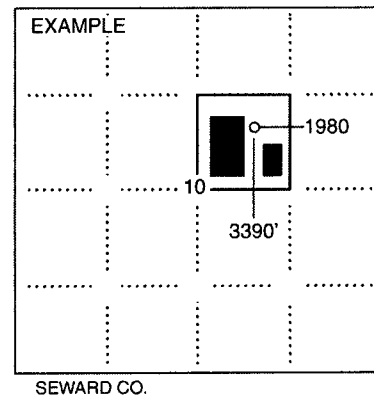
Section corner used:  NE  NW  SE  SW

**PLAT**

*(Show location of the well and shade attributable acreage for prorated or spaced wells.)  
(Show footage to the nearest lease or unit boundary line.)*



**NOTE: In all cases locate the spot of the proposed drilling location.**



**In plotting the proposed location of the well, you must show:**

1. The manner in which you are using the depicted plat by identifying section lines, i.e. 1 section, 1 section with 8 surrounding sections, 4 sections, etc.
2. The distance of the proposed drilling location from the south / north and east / west outside section lines.
3. The distance to the nearest lease or unit boundary line (in footage).
4. If proposed location is located within a prorated or spaced field a certificate of acreage attribution plat must be attached: (C0-7 for oil wells; CG-8 for gas wells).



KANSAS CORPORATION COMMISSION 1018164  
 OIL & GAS CONSERVATION DIVISION  
**APPLICATION FOR SURFACE PIT**

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 April 2004  
 Form must be Typed

Submit in Duplicate

Operator Name: <b>Falcon Exploration, Inc.</b>		License Number: <b>5316</b>
Operator Address: <b>125 N MARKET STE 1252</b>		<b>WICHITA KS 67202</b>
Contact Person: <b>MIKE MITCHELL</b>		Phone Number: <b>316-262-1378</b>
Lease Name & Well No.: <b>WILLIS 1-4</b>		Pit Location (QQQQ): <b>NE NE NW SW</b>
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input checked="" type="checkbox"/> Drilling Pit <input type="checkbox"/> Workover Pit <input type="checkbox"/> Haul-Off Pit <i>(If WP Supply API No. or Year Drilled)</i>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: <b>5,600</b> (bbls)	Sec. <b>4</b> Twp. <b>32</b> R. <b>21</b> <input type="checkbox"/> East <input checked="" type="checkbox"/> West <b>2,600</b> Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section <b>1,000</b> Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section <b>Clark</b> County
Is the pit located in a Sensitive Ground Water Area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Chloride concentration: _____ mg/l <i>(For Emergency Pits and Settling Pits only)</i>
Is the bottom below ground level? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? <b>NATIVE CLAY AND MUD</b>
Pit dimensions (all but working pits): <b>100</b> Length (feet) <b>80</b> Width (feet) <input type="checkbox"/> N/A: Steel Pits		Depth from ground level to deepest point: <b>4</b> (feet) <input type="checkbox"/> No Pit
If the pit is lined give a brief description of the liner material, thickness and installation procedure.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring.
Distance to nearest water well within one-mile of pit <b>1258</b> feet    Depth of water well <b>100</b> feet		Depth to shallowest fresh water <b>75</b> feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR
<b>Emergency, Settling and Burn Pits ONLY:</b> Producing Formation: _____ Number of producing wells on lease: _____ Barrels of fluid produced daily: _____ Does the slope from the tank battery allow all spilled fluids to flow into the pit? <input type="checkbox"/> Yes <input type="checkbox"/> No		<b>Drilling, Workover and Haul-Off Pits ONLY:</b> Type of material utilized in drilling/workover: <b>CHEMICAL MUD</b> Number of working pits to be utilized: <b>3</b> Abandonment procedure: <b>LET DRY COMPLETELY. THEN BACKFILL WHEN CONDITIONS ALLOW.</b> Drill pits must be closed within 365 days of spud date.
<b>Submitted Electronically</b>		

<b>KCC OFFICE USE ONLY</b>		Steel Pit <input checked="" type="checkbox"/>	RFAC <input checked="" type="checkbox"/>	RFAS <input type="checkbox"/>
Date Received: <b>04/14/2008</b>	Permit Number: <b>15-025-21456-00-00</b>	Permit Date: <b>04/15/2008</b>	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

Mail to: KCC - Conservation Division, 130 S. Market - Room 2078, Wichita, Kansas 67202

STATE OF KANSAS }  
 County of Clark } SS:  
 This instrument filed for record this  
17<sup>th</sup> day of Feb 2005  
11:35 o'clock A.M. and  
 recorded in Book 130 Page 152  
 Fees \$ 20.00  
Melissa L. Young  
 Melissa L. Young, Register of Deeds

RECORDED

(Prod. Pooling)(Kansas, Oklahoma)(640 Shut-In)(Paid-Up)

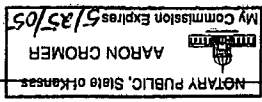
**OIL AND GAS LEASE**  
 (Paid-up)

AGREEMENT, made and entered into this 10th day of February, 2005, by and between, **Willis M. Harden and Velma R. Harden, husband and wife, Box 746, Ashland, KS 67831**, party of the first part, hereinafter called Lessor (whether one or more), and **Wint Harris, P. O. Box 489, Elkhart, KS 67950**, party of the second part, hereinafter called Lessee.

WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars, cash in hand paid, and other good and valuable consideration receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does exclusively grant, demise, lease and let unto the said Lessee, for the sole and only purpose of exploring by geophysical and other methods; mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipelines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Clark, State of Kansas, described as follows, to-wit:

Lot 1(39.58), Lot 2(39.57) and the South Half of the Northeast Quarter (S/2NE/4); the Southeast Quarter of the Northwest Quarter (SE/4NW/4); the South Half of the Southwest Quarter of the Northwest Quarter (S/2SW/4NW/4)  
 All in Section 4, Township 32 South, Range 21 West: Containing 239.15 acres more or less.

1. It is agreed that this lease shall remain in force for a term of Two (2) years from date (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land or lands pooled therewith
2. In consideration of the premises the said Lessee covenants and agrees:
  - A. To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, a 1/8th part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.
  - B. To pay Lessor for gas (including casinghead gas) and all other substances covered hereby, a royalty of 1/8th of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the production, severance and other excise taxes and the cost incurred by lessee in producing, compressing, dehydrating, transporting, and marketing, or otherwise making such gas or other substances ready for sale or use, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the later of ninety (90) days following the date of shut in or the anniversary date of this lease during the period such well is shut in, to the Lessor. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.
3. If, at the expiration of the primary term, there is no production in paying quantities on the leased land or on lands pooled therewith but Lessee is conducting operations for drilling, completing or reworking a well, this lease nevertheless shall continue as long as such operations are prosecuted or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than one hundred eighty (180) days, and if production is discovered, this lease shall continue as long thereafter as oil or gas are produced. In addition, if at any time or times after the primary term, there is a total cessation of all production, for any cause (other than an event of force majeure), this lease shall not terminate if Lessee commences or resumes any drilling or reworking operations or production within one hundred eighty (180) days after such cessation. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work other than surveying or staking the location is done thereon which is necessary for such operations.
4. Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall permit or prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so permitted or prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located unless the pooling or unitization results from governmental order or rule, in which case no such written designation shall be required. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.
5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.
6. If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises may nonetheless be developed and operated as one lease, and all royalties accruing hereunder shall be divided among and paid to such separate owners



*Aaron Cromer*  
Notary Public

5/25/05

My Commission expires:

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of February, 2005, by Willis M. Harden and Velmarie R Harden, husband and wife.

STATE OF KANSAS )  
COUNTY OF CLARK )  
SS. )  
(ACKNOWLEDGMENT FOR INDIVIDUAL)

Willis M. Harden (Willis M. Harden)  
Velmarie R. Harden (Velmarie R. Harden)

See Exhibit "A" attached hereto and made a part hereof.

IN TESTIMONY WHEREOF, we sign this the 16<sup>th</sup> day of February, 2005.

15. The Lessee's failure to comply with any covenant or obligation of this lease shall not result in the forfeiture of the lease unless and until lessor has provided lessee notice of such default and gives Lessee sixty (60) days in which to cure such default.
  14. Lessor hereby warrants and agrees to defend the title to the lands herein described and to indemnify Lessee of all adverse claims thereto, and all expenses incurred by Lessee in defending such claims, including reasonable attorney fees, and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes, or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.
  13. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to lessor, or by placing a release of record in the proper County.
  12. This lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.
  11. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation, or operation of force majeure.
  10. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforesaid lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. Any top lease granted by Lessor in violation of this provision shall be null and void. Nothing in this paragraph shall interfere with Lessee's rights during the term of this lease.
  9. If the estate of either party hereto is assigned, and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease, in whole or in part, Lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.
  8. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.
  7. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessor.
- in the portion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may now or hereafter be divided by sale, devise, descent or otherwise, or to furnish separate measuring or receiving tanks.



### Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated February 10, 2005 by and between Willis M. Harden and Velmaree R. Harden, husband and wife, as Lessor, and Wint Harris, as Lessee.

1. The provisions of this addendum shall control and supersede the terms of the attached oil and gas lease when such terms conflict.
2. In accordance with the terms of the oil and gas lease for unitization of gas. In the event Lessee drills a gas well on the leased premises and a gas unit is to be established, Lessee agrees to create a gas unit that is comprised of, no less than 50% of lessor's property, regardless of whether the contributed acreage to said unit is on this lease or in combination with another lease given by Lessor. In the event Lessee drills a gas well on offsetting acreage and a gas unit is to be established, Lessee agrees to create a gas unit that consists of, no less than 25% of Lessor's property, regardless of whether the contributed acreage to said unit is on this lease or in combination with another lease given by Lessor. Lessee agrees to consult with Lessor in regard to the gas unit to be created.
3. In the event Lessee drills an oil well on the leased premises, Lessee agrees to prudently develop said lands and drill as many wells needed to adequately deplete the reservoir in a diligent manner and in accordance with the geological information obtained in the exploration process. In accordance with the terms of the oil and gas lease for unitization (pooling) of oil. In the event Lessee drills an oil well on the leased premises and an oil unit is to be established, Lessee agrees to create an oil unit that is comprised of, no less than 50% of lessor's property, regardless of whether the contributed acreage to said unit is on this lease in combination with another lease give by Lessor. In the event Lessee drills an oil well on offsetting acreage and an oil unit is to be established, Lessee agrees to create an oil unit that consists of, no less than 25% of Lessor's property, regardless of whether the contributed acreage to said unit is on this lease or in combination with another lease give by Lessor. Lessee agrees to consult with Lessor in regard to the oil unit to be created.
4. Where gas from a well or wells capable of producing gas only is not sold for a period of one (1) year from the end of the primary term and the well is "shut in", Lessee shall pay Lessor a shut-in royalty of \$7.50 per net mineral acre per year. Payment of shut-in royalty will not extend the lease for more than three (3) additional years from the date the well is shut-in, however it is understood that the well may be shut-in from time to time and that the three (3) year period provided for herein is not cumulative, but each shut-in period shall constitute the beginning of a new three (3) year period. This provision applies only to any shut-in period(s) after the primary term of this lease or any extension(s) have expired.
5. No well drilled upon the leased premises shall be used for disposal of salt water and other wastes without the written consent of Lessor and without compensating Lessor for its use, except for water production on the leased premises or on lands unitized herewith.
6. Lessee shall pay Lessor for any and all damages caused by Lessee's oil and gas exploration, operations, production or development, including, but not limited to, damage to improvements, livestock, personal property, land, soil, grass and crops. Lessee shall pay Lessor at least \$1,500.00, as a minimum, for each drill site location on the leased premises. Lessor may require prepayment of this amount prior to commencement of any drilling operations.
7. Lessee shall, upon the completion of any "dry-hole" test drilling operations, or upon the abandonment of any producing well, restore the surface of the land, including topsoil, to its original condition as nearly as is reasonably possible and remove all equipment, fixtures, structures and hard surface areas within six (6) months.
8. Lessee shall consult with Lessor regarding the route of ingress and egress on or through the lease premises relative to exploration, drilling, production and other lease operations prior to engaging in such operations.
9. Lessor reserves the right to pre-approve the location of all access roads, tank batteries and pipelines of any type prior to installation. Such approval shall not be unreasonably withheld.
10. In the event of production and continued use of the surface, Lessee, or its Assigns, will maintain, restore and repair the land area affected by the lease operations.
11. Lessee shall drill as many wells as are prudent and justified by facts and to the depths necessary for the effective protection against undue drainage by any well on adjacent land or leases owned by third parties.

STATE OF KANSAS } SS:  
County of Clark

This instrument filed for record this  
15<sup>th</sup> day of Feb 2005  
4:38 o'clock P.M. and  
recorded in Book 130 Page 145  
Fees \$ 20.00  
Melissa L. Young, Register of Deeds

PHOTOCOPIED

(Prod. Pooling)(Kansas, Oklahoma)(640 Shut-In)(Paid-Up)

**OIL AND GAS LEASE**  
(Paid-up)

AGREEMENT, made and entered into this 10th day of February, 2005, by and between, Willis M. Harden and Velmarie R. Harden, husband and wife, Box 746, Ashland, KS 67831, party of the first part, hereinafter called Lessor (whether one or more), and Wint Harris, P. O. Box 489, Elkhart, KS 67950, party of the second part, hereinafter called Lessee.

WITNESSETH, that the said Lessor, for and in consideration of Ten Dollars, cash in hand paid, and other good and valuable consideration receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of Lessee to be paid, kept and performed, has granted, demised, leased and let and by these presents does exclusively grant, demise, lease and let unto the said Lessee, for the sole and only purpose of exploring by geophysical and other methods, mining and operating for oil (including but not limited to distillate and condensate), gas (including casinghead gas and helium and all other constituents), and for laying pipelines, and building tanks, power stations and structures thereon, to produce, save and take care of said products, all that certain tract of land, together with any reversionary rights therein, situated in the County of Clark, State of Kansas, described as follows, to-wit:

The Southwest Quarter (SW/4); of Section 4, Township 32 South, Range 21 West.  
Containing 160.00 acres more or less.

1. It is agreed that this lease shall remain in force for a term of Two (2) years from date (herein called primary term) and so long thereafter as oil or gas, or either of them, is produced from said land or lands pooled therewith
2. In consideration of the premises the said Lessee covenants and agrees:
  - A. To deliver to the credit of Lessor free of cost, in the pipeline to which it may connect its wells, a 1/8th part of all oil (including but not limited to condensate and distillate) produced and saved from the leased premises.
  - B. To pay Lessor for gas (including casinghead gas) and all other substances covered hereby, a royalty of 1/8th of the proceeds realized by Lessee from the sale thereof, less a proportionate part of the production, severance and other excise taxes and the cost incurred by lessee in producing, compressing, dehydrating, transporting, and marketing, or otherwise making such gas or other substances ready for sale or use, said payments to be made monthly. During any period (whether before or after expiration of the primary term hereof) when gas is not being so sold or used and the well or wells are shut in and there is no current production of oil or operations on said leased premises sufficient to keep this lease in force, Lessee shall pay or tender a royalty of One Dollar (\$1.00) per year per net royalty acre retained hereunder, such payment or tender to be made, on or before the later of ninety (90) days following the date of shut in or the anniversary date of this lease during the period such well is shut in, to the Lessor. When such payment or tender is made it will be considered that gas is being produced within the meaning of the entire lease.
3. If, at the expiration of the primary term, there is no production in paying quantities on the leased land or on lands pooled therewith but Lessee is conducting operations for drilling, completing or reworking a well, this lease nevertheless shall continue as long as such operations are prosecuted or additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than one hundred eighty (180) days, and if production is discovered, this lease shall continue as long thereafter as oil or gas are produced. In addition, if at any time or times after the primary term, there is a total cessation of all production, for any cause (other than an event of force majeure), this lease shall not terminate if Lessee commences or resumes any drilling or reworking operations or production within one hundred eighty (180) days after such cessation. Drilling operations or mining operations shall be deemed to be commenced when the first material is placed on the leased premises or when the first work other than surveying or staking the location is done thereon which is necessary for such operations.
4. Lessee is hereby granted the right at any time and from time to time to unitize the leased premises or any portion or portions thereof, as to all strata or any stratum or strata, with any other lands as to all strata or any stratum or strata, for the production primarily of oil or primarily of gas with or without distillate. However, no unit for the production primarily of oil shall embrace more than 40 acres, or for the production primarily of gas with or without distillate more than 640 acres; provided that if any governmental regulation shall permit or prescribe a spacing pattern for the development of the field or allocate a producing allowable based on acreage per well, then any such unit may embrace as much additional acreage as may be so permitted or prescribed or as may be used in such allocation of allowable. Lessee shall file written unit designations in the county in which the leased premises are located unless the pooling or unitization results from governmental order or rule, in which case no such written designation shall be required. Operations upon and production from the unit shall be treated as if such operations were upon or such production were from the leased premises whether or not the well or wells are located thereon. The entire acreage within a unit shall be treated for all purposes as if it were covered by and included in this lease except that the royalty on production from the unit shall be as below provided, and except that in calculating the amount of any shut in gas royalties, only the part of the acreage originally leased and then actually embraced by this lease shall be counted. In respect to production from the unit, Lessee shall pay Lessor, in lieu of other royalties thereon, only such proportion of the royalties stipulated herein as the amount of his acreage placed in the unit, or his royalty interest therein on an acreage basis bears to the total acreage in the unit.
5. If said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid to the Lessor only in the proportion which his interest bears to the whole and undivided fee.
6. If the leased premises are now or shall hereafter be owned in severalty or in separate tracts, the premises may nonetheless be developed and operated as one lease, and all royalties accruing hereunder shall be divided among and paid to such separate owners in the portion that the acreage owned by each separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may now or hereafter be divided by

sale, devisee, descent or otherwise, or to furnish separate measuring or receiving tanks.

7. Lessee shall have the right to use, free of cost, gas, oil, and water produced on said land for its operations thereon, except water from wells of Lessor.

8. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

9. If the estate of either party hereto is assigned; and the privilege of assigning in whole or in part is expressly allowed, the covenants hereof shall extend to their heirs, executors, administrators, successors or assigns. However, no change or division in ownership of the land or royalties shall enlarge the obligations or diminish the rights of Lessee. No change in the ownership of the land or royalties shall be binding on the Lessee until after the Lessee has been furnished with a written transfer or assignment or a true copy thereof. In case Lessee assigns this lease, in whole or in part, lessee shall be relieved of all obligations with respect to the assigned portion or portions arising subsequent to the date of assignment.

10. If at any time within the primary term of this lease or any continuation thereof, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforescribed lands, Lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized reflecting all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt from Lessor of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer. Any top lease granted by Lessor in violation of this provision shall be null and void. Nothing in this paragraph shall interfere with Lessee's rights during the term of this lease.

11. All express or implied covenants of this lease shall be subject to all Federal and State Laws, Executive Orders, Rules and Regulations, and this lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith, if compliance is prevented by, or such failure is the result of any such Law, Order, Rule or Regulation, or operation of force majeure.

12. This lease shall be effective as to each Lessor on execution hereof as to his or her interest and shall be binding on those signing, notwithstanding some of the Lessors above named may not join in the execution hereof. The word "Lessor" as used in this lease means the party or parties who execute this lease as Lessor, although not named above.

13. Lessee may at any time and from time to time surrender this lease as to any part or parts of the leased premises by delivering or mailing a release thereof to lessor, or by placing a release of record in the proper County.

14. Lessor hereby warrants and agrees to defend the title to the lands herein described and to indemnify Lessee of all adverse claims thereto, and all expenses incurred by Lessee in defending such claims, including reasonable attorney fees, and agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes, or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof.

15. The Lessee's failure to comply with any covenant or obligation of this lease shall not result in the forfeiture of the lease unless and until lessor has provided lessee notice of such default and gives Lessee sixty (60) days in which to cure such default.

IN TESTIMONY WHEREOF, we sign this the 12<sup>th</sup> day of February, 2005.

See Exhibit "A" attached hereto and made a part hereof.

Willis M Harden  
(Willis M. Harden)

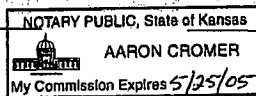
Velmaree R. Harden  
(Velmaree R. Harden)

STATE OF KANSAS )  
) SS. (ACKNOWLEDGMENT FOR INDIVIDUAL)  
COUNTY OF CLARK )

The foregoing instrument was acknowledged before me this 12<sup>th</sup> day of February, 2005, by Willis M. Harden and Velmaree R Harden, husband and wife.

My Commission expires:

5/25/05



Aaron Cromer  
Notary Public

### Exhibit "A"

Attached to and made a part of that certain Oil and Gas Lease dated February 10, 2005 by and between Willis M. Harden and Velma R. Harden, husband and wife, as Lessor, and Wint Harris, as Lessee.

1. The provisions of this addendum shall control and supersede the terms of the attached oil and gas lease when such terms conflict.
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11. Lessee shall drill as many wells as are prudent and justified by facts and to the depths necessary for the effective protection against undue drainage by any well on adjacent land or leases owned by third parties.



*Kathleen Sebelius, Governor  
Thomas E. Wright, Chairman  
Michael C. Moffet, Commissioner  
Joseph F. Harkins, Commissioner*

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April 15, 2008

MIKE MITCHELL  
Falcon Exploration, Inc.  
125 N MARKET STE 1252  
WICHITA, KS67202-1719

Re: Drilling Pit Application  
WILLIS Lease Well No. 1-4  
SW/4 Sec.04-32S-21W  
Clark County, Kansas

Dear MIKE MITCHELL:

District staff has inspected the location and has determined that an unsealed condition will present a pollution threat to water resources.

District staff has instructed that no earthen pits are to be used at this location. Steel pits are to be used. Please inform the Commission in writing as to which disposal well you utilized to dispose of the contents in the steel pits and the amount of fluid that was disposed. Please file form CDP-5 (August 2004), Exploration and Production Waste Transfer, within 30 days of fluid removal.

Should a haul-off pit be necessary please file form CDP-1 (April 2004), Application for Surface Pit. This location will have to be inspected prior to approval of the haul-off pit application. Conservation division forms are available through our office and on the KCC web site: [kcc.ks.gov/conservation/forms/](http://kcc.ks.gov/conservation/forms/).

CONSERVATION DIVISION

Finney State Office Building, 130 S. Market, Room 2078, Wichita, KS 67202-3802  
(316) 337-6200 • Fax: (316) 337-6211 • <http://kcc.ks.gov/>