



KANSAS CORPORATION COMMISSION 1080981
OIL & GAS CONSERVATION DIVISION

Form CDP-1
May 2010
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: Falcon Exploration, Inc.		License Number: 5316
Operator Address: 125 N MARKET STE 1252		WICHITA KS 67202
Contact Person: CYNDE WOLF		Phone Number: 316-262-1378
Lease Name & Well No.: MOORE-AMERICAN 1-36(SE)		Pit Location (QQQQ): SE SE SE NW
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 type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing If Existing, date constructed: 10/04/2011 Pit capacity: 8500 (bbls)	Sec. 36 Twp. 27 R. 31 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 2340 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 2740 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Haskell County
Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" 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	Artificial Liner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	How is the pit lined if a plastic liner is not used? NATIVE CLAY AND MUD
Pit dimensions (all but working pits): 120 Length (feet) 100 Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: 4 (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: 867 feet Depth of water well 432 feet		Depth to shallowest fresh water 317 feet. Source of information: <input type="checkbox"/> measured <input type="checkbox"/> well owner <input type="checkbox"/> electric log <input checked="" type="checkbox"/> KDWR
Emergency, Settling and Burn Pits ONLY: 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		Drilling, Workover and Haul-Off Pits ONLY: Type of material utilized in drilling/workover: CHEMICAL MUD Number of working pits to be utilized: 1 Abandonment procedure: ALLOW TO DRY COMPLETELY THEN BACKFILL Drill pits must be closed within 365 days of spud date.
Submitted Electronically		

KCC OFFICE USE ONLY			
Date Received: 05/12/2012	Permit Number: 15-081-21986-00-00	Permit Date: 05/15/2012	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input checked="" type="checkbox"/> RFAC <input type="checkbox"/> RFAS	

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

Kansas Corporation Commission Oil & Gas Conservation Division

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 I 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 land owner 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 land owner 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.

CONSERVATION DIVISION

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

FALCON EXPLORATION, INC.
OIL & GAS EXPLORATION

125 N. MARKET, SUITE 1252
WICHITA, KANSAS 67202

TELEPHONE: (316)262-1378
FAX: (316)265-3354

May 10, 2012

Garetson Brothers,
A Kansas General Partnership
301 E. Clifton Ave
Montezuma, Kansas 67687

Re: Moore-American #1-36 (SE)
SW NW SE SE Section 36-27S-31W
Haskell County, Kansas

Gentlemen:

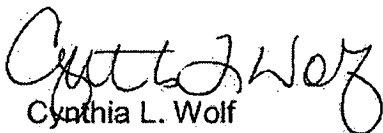
As you are aware Falcon Exploration Inc. is preparing to drill the above captioned well. We wish to re-use the haul off pit that was used in the drilling of the Garetson Brothers #1-36(NE).

As evidence for the Kansas Corporation Commission that Falcon has obtained your permission to use this pit please sign one copy of this letter and return to the undersigned. The extra copy may be retained for your files and information.

Should you have any questions or concerns please do not hesitate to give me a call.

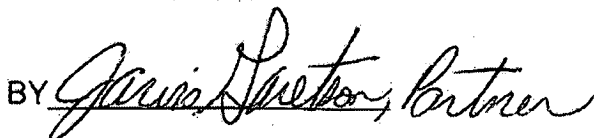
Sincerely,

FALCON EXPLORATION INC.


Cynthia L. Wolf

Agreed to this 11th day of May, 2012 to allow Falcon Exploration to re-use the existing pit on the Garetson Brothers #1-36(NE) for the haul off pit in the drilling of the Moore-American #1-36(SE), SW NW SE SE Section 36-27S-31W, Haskell County, KS.

GARETSON BROTHERS

BY 

OIL AND GAS LEASE

KNN KS-09

O KRAMER, NORDLING, & NORDLING, LLC

THIS AGREEMENT, entered into this 1st day of February, 2010 between Garetson Brothers, a Kansas General Partnership, by Jay R. Garetson, General Partner, with a mailing address at 301 E. Clifton Ave., Montezuma, KS 67867, hereinafter called Lessor, and Harris Energies, Inc., with mailing address at P. O. Box 489, Elkhart, KS 67950, hereinafter called Lessee, does witness:

1. **Grant of Leased Premises.** That Lessor, for and in consideration of the sum of Ten Dollars (\$10.00), and other good and valuable consideration, in hand paid, and of the covenants and agreements hereinafter contained to be performed by the Lessee, has this day granted and leased and hereby grants, leases and lets unto the Lessee, for the purpose of mining and operating for and producing oil and gas, liquid hydrocarbons, condensate, distillate, casinghead gas, helium, and all other gases and related liquids, including their constituent parts, ("Oil and Gas Substances") under the terms specified below, from the following described tract of land in the County of Haskell, State of Kansas, to wit:

A tract of Land in the N/2 further described in Exhibit A.

in Section 36, Township 27, Range 31, West, and containing 245.33 acres, more or less. Lessor reserves all rights to grant, lease, mine and/or produce any minerals from said lands except Oil and Gas Substances.

2. **Term of Lease.** This lease shall remain in force for a term of Eighteen (18) month(s) from the date hereof, ending August 1, 2011 (the "primary term"), and as long thereafter as Oil and Gas Substances, as defined in Paragraph 1 above, or any of them is produced (the "secondary term"). If, however, after the expiration of the primary term, production of oil or gas should cease from any cause, this lease shall not terminate if Lessee commences additional drilling or reworking operations within one hundred-twenty (120) days thereafter, or if at the expiration of the primary term, oil or gas is not being produced on said land, but Lessee is then engaged in drilling or reworking operations thereon, then in either event, this lease shall remain in force so long as operations are prosecuted either on the same well or any other well thereafter commenced with no cessation of more than one hundred-twenty (120) consecutive days, and if they result in production of oil or gas, this lease shall remain in effect so long thereafter as there is production of oil or gas under any provision of this lease.

3. **Royalty Payments.** Lessee shall pay Lessor, on a monthly basis, royalties on Oil and Gas Substances, as follows:

- Lessee shall pay Lessor, as royalty, for three-sixteenths (3/16) of all oil produced from the leased premises, at the average monthly market price for oil of like grade and gravity prevailing in the month such oil is sold, and shall be free of cost into such pipeline or storage tanks.
- Lessee shall pay Lessor monthly royalties for gas, condensate, distillate, casinghead gas, helium, and all other gases and related liquids, including their constituent parts, produced and sold from the leased premises or on acreage consolidated with any of the leased premises, on three-sixteenth (3/16) of the gross proceeds received by Lessee, or its affiliates, from an arms-length sale (to an unaffiliated third party).
- Lessee shall not charge Lessor for purchase or rentals of any equipment involved in the production of oil or gas, including, but not limited to production units, compression units or dehydrators.

4. **Shut-in Royalty.** Where gas from a well or wells capable of producing gas 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 \$10.00 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. **Payment Reductions.** In the case said Lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said Lessor only in the proportion which his/her interest bears to the whole and undivided fee.

6. **Entirety Clause.** If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such 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 be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate to defeat or affect this lease in so far as it covers a part or parts of said land upon which the said Lessee or any assignee hereof shall make due payment of said rentals.

7. **Consolidation.** (a) 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.

(b) 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 given 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

Conservation Division
Finney State Office Building
130 S. Market, Rm. 2078
Wichita, KS 67202-3802



Phone: 316-337-6200
Fax: 316-337-6211
<http://kcc.ks.gov/>

Mark Sievers, Chairman
Ward Loyd, Commissioner
Thomas E. Wright, Commissioner

Sam Brownback, Governor

May 15, 2012

CYNDE WOLF
Falcon Exploration, Inc.
125 N MARKET STE 1252
WICHITA, KS 67202-1719

Re: Drilling Pit Application
MOORE-AMERICAN 1-36(SE)
Sec.36-27S-31W
Haskell County, Kansas

Dear CYNDE WOLF:

District staff has inspected the above referenced location and has determined that the Haul-Off pit shall be 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 within 96 hours of completion of drilling operations.

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 (August 2008), Exploration and Production Waste Transfer, through KOLAR within 30 days of fluid removal.

If you have any questions or concerns please feel free to contact the District Office at (620) 225-8888.