



KANSAS CORPORATION COMMISSION 1032149  
OIL & GAS CONSERVATION DIVISION

Form CDP-1  
April 2004  
Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate

Operator Name: Shelby Resources LLC		License Number: 31725	
Operator Address: P.O. Box 1213		Hays KS 67601	
Contact Person: Chris Gottschalk		Phone Number: 785-623-1524	
Lease Name & Well No.: Cromer 1-9		Pit Location (QQQQ): SW - SE - NE - 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 <i>(If WP Supply API No. or Year Drilled)</i>		Pit is: <input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing If Existing, date constructed: 9/14/09 Pit capacity: 5,000 (bbls)	
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? Drilling mud			
Pit dimensions (all but working pits): _____ 70 _____ Length (feet) _____ 70 _____ Width (feet)		<input type="checkbox"/> N/A: Steel Pits	
Depth from ground level to deepest point: _____ 5 _____ (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 _____ 832 _____ feet    Depth of water well _____ 160 _____ feet		Depth to shallowest fresh water _____ 66 _____ 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: mud _____ Number of working pits to be utilized: _____ 1 _____ Abandonment procedure: Allow liquids to evaporate, let cuttings dry and then backfill. _____ Drill pits must be closed within 365 days of spud date.	
Submitted Electronically			
<b>KCC OFFICE USE ONLY</b>			
Date Received: 10/14/2009		Permit Number: 15-151-22343-00-00	
Permit Date: 10/15/2009		Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Steel Pit <input type="checkbox"/>		RFAC <input checked="" type="checkbox"/> RFAS <input checked="" type="checkbox"/>	

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



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

### 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 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.

## ASSIGNMENT OF OIL AND GAS LEASE

KNOWN ALL MEN BY THESE PRESENTS:

For and in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, **CAPTIVA ENERGY, LLC, 445 Union Boulevard, Suite 208, Lakewood, CO 80228** sometimes hereinafter referred to as "Assignor," does hereby grant, sell, assign, transfer, convey and deliver unto the parties listed below, sometimes hereinafter referred to as "Assignee," its successors and assigns, in the proportion indicated below its right, title and interest in and to the oil and gas leases (the "Leases") situated in Pratt County, Kansas and set forth and described on Exhibit "A" attached hereto and made a part hereof; subject to the following terms, covenants, and conditions:

<u>ASSIGNEE</u>	<u>INTEREST</u>
Caddis Resources, Inc. P.O. Box 219 Carbondale, CO 81623-0219	1.50% of 8/8ths
Andrew C. Weygant 434 S. Saulsbury Street, #1E Lakewood, CO 80226	1.50% of 8/8ths
Max-Henry Operating, LLC 133 N. Glendale Wichita, KS 67208	7.50% of 8/8ths
Maple Properties, LLC 15216 W. Maple Ave. Golden, CO 80401	2.50% of 8/8ths
<b>TOTAL INTEREST CONVEYED</b>	<b>13.00% of 8/8ths</b>

1. The interests assigned hereby are subject to the lease royalties, overriding royalties, production payments, net profits obligations, carried working interests, and other payments out of or with respect to production which are of record and with which the Leases are encumbered as of the date of this Assignment.
2. This Assignment is made subject to all the terms and the express and implied covenants and conditions of the Leases and any intervening assignment(s) affecting same, to the extent of the rights hereby assigned, which terms, covenants and conditions the Assignee hereby assumes and agrees to perform with respect to the interests covered hereby. Said terms, covenants and conditions, insofar as the lease acreage is concerned, shall be binding on the Assignee, not only in favor of the lessors and any prior Assignors and their respective successors and assigns, but also in favor of the Assignor herein and its successors and assigns.
3. This Assignment is made without warranty of title either express or implied.
4. The terms, covenants and conditions hereof shall be binding upon, and shall inure to the benefit of Assignor and Assignee, and their respective successors and assigns, and such terms, covenants and conditions shall be covenants running with the land herein described and the interests herein assigned and with each transfer or assignment of said land, lease acreage or interests.



Register of Deeds Pratt County, Kansas  
Sherry L. Henrich  
Book: 367 Page: 625  
Receipt #: 13488  
Pages Recorded: 3 Total Fees: \$15.00  
Date Recorded: 9/28/2009 10:15:00 AM



**EXHIBIT "A"**

<u>LESSOR</u>	<u>DATE</u>	<u>RECORDED</u>	<u>DESCRIPTION OF LANDS AFFECTED</u>
Mable E. Davis, a widow	07/16/2009	356/417	<u>TOWNSHIP 29 SOUTH, RANGE 14 WEST, 6<sup>TH</sup> P.M.</u> Section 34: NW¼
Mable E. Davis, a widow	07/16/2009	356/415	<u>TOWNSHIP 29 SOUTH, RANGE 14 WEST, 6<sup>TH</sup> P.M.</u> Section 34: SW¼
William Charles Bergner, et ux	07/29/2006	324/340	<u>TOWNSHIP 29 SOUTH, RANGE 14 WEST, 6<sup>TH</sup> P.M.</u> Section 34: NE¼
John Frederick Bergner, a single man	07/29/2006	324/334	<u>TOWNSHIP 29 SOUTH, RANGE 14 WEST, 6<sup>TH</sup> P.M.</u> Section 34: NE¼
James Robert Bergner, et ux	07/29/2006	324/331	<u>TOWNSHIP 29 SOUTH, RANGE 14 WEST, 6<sup>TH</sup> P.M.</u> Section 34: NE¼
Thomas William Berger, et ux	07/29/2006	324/337	<u>TOWNSHIP 29 SOUTH, RANGE 14 WEST, 6<sup>TH</sup> P.M.</u> Section 34: NE¼
Wayne Faidley, et ux	10/27/2006	329/106	<u>TOWNSHIP 29 SOUTH, RANGE 14 WEST, 6<sup>TH</sup> P.M.</u> Section 34: SE¼
Kerry T. Cromer, et ux	01/18/2007	335/197	<u>TOWNSHIP 29 SOUTH, RANGE 13 WEST, 6<sup>TH</sup> P.M.</u> Section 9: SE¼ EXCEPTING a tract of land described as beginning at the East Quarter Corner of said section Nine, thence West a distance of 570 feet along the half section line of said section, thence South parallel to East line of the section, a distance of 1,210 feet; thence East parallel to the half section line, a distance of 570 feet to the East line of said section, thence North along the East line of the section a distance of 1,210 feet to the point of beginning, containing an area of 15.83 acres, more or less
Cromer Livestock, Inc.	01/18/2007	335/185	<u>TOWNSHIP 29 SOUTH, RANGE 13 WEST, 6<sup>TH</sup> P.M.</u> Section 9: W½NE¼

**All in Pratt County, Kansas**

**MEMORANDUM OF AGREEMENT**

THIS **MEMORANDUM OF** is made and entered into this 13<sup>TH</sup> day of October, 2009( by and between **CAPTIVA ENERGY, LLC**, hereinafter referred to as "Cap'l...i.va", and **MABLE E. DAVIS**, hereinafter referred to as "Davis".

**WITNESSETH:**

**WHEREAS**, Captiva is an operator of oil and gas leases in the Pratt County and;

**WHEREAS**, Davis is the owner of the Northwest Quarter (NW/4) of Section 34, Township 29 South, Range 14 West of 6th P.M., Pratt County, Kansas;

**WHEREAS**, Captiva has heretofore drilled an oil and/or gas well located on the Davis property more particularly described above; and

**WHEREAS**, Captiva is the owner of an oil and gas lease covering the Southeast Quarter (SE/4) of Section 9/ Township 29 South, Range 13 West of 6th P.M., Pratt County, Kansas; and

**WHEREAS**, the Kansas Corporation Commission has requested that Captiva use steel pits on the drilling of the oil and gas well on the Southeast Quarter (SE/4) of Section 9, Township 29 South, Range 13 West of 6th P.M., Pratt County, Kansas, said lease being referred to as the Cromer Lease; and

**WHEREAS**, Captiva would like to dispose of all rock cuttings from the Cromer well into the reserve pit previously excavated by Captiva on the Davis property; and

**WHEREAS**, the parties desire to place their agreement in writing to avoid future misunderstandings.

**NOW, THEREFORE**, in consideration of the mutual covenants, stipulations and agreements hereinafter contained, the parties agree as follows:

1. In consideration of the payment of \$500.00, Mable E. Davis hereby agrees to allow Captiva Energy, LLC to dispose of all rock cuttings from the Kerry Cromer well located on the Southeast Quarter (SE/4) of Section 9, Township 97 South, Range 13 West of 6th P.M., Pratt County, Kansas, into the reserve pits

**Memorandum of Agreement**

previously drilled by Captiva on the Davis property located in the Northwest Quarter (NW/4) of Section 34, Township 29 South, Range 14 West of 6th P.M., Pratt County, Kansas.

2. The parties stipulate, covenant and agree that Captiva shall comply with any and all rules and regulations promulgated by the Kansas Corporation Commission in disposing of said rock cuttings in the reserve pits located on the Davis property.

3. The parties further covenant and agree this Memorandum of Agreement shall extend to and be binding upon the parties hereto, their heirs, administrators, successors and assigns.

This Agreement may be executed in any number of counterparts with the same force and effect as *if* there were only one single instrument. Failure of any party hereto to execute this Agreement shall not render *it* ineffective as to any part which does execute the same. If counterparts of this Agreement are executed, the signatures and acknowledgments of the parties as affixed thereto may be combined by Captiva, and treated and given effect for all purposes as a single instrument.

**IN WITNESS WHEREOF**, the parties hereto have set their hand the day and year first above written.

**"Captiva"**

**"Davis"**

**Captiva Energy, LLC**

By: \_\_\_\_\_  
George O. Mallon, III,  
Attorney-In-Fact

By: Mable E. Davis  
Mable E. Davis

Memorandum of Agreement

STATE OF COLORADO )
COUNTY OF JEFFERSON ) ss:

BE IT REMEMBERED, that on this day of October, 2009, before me, the undersigned, a Notary Public, in and for the County and state aforesaid, personally appeared George O. Mallon, III, known to me to be the person who executed the foregoing instrument as Attorney-In-Fact for Captiva Energy, LLC, and such person duly acknowledged to me the execution of the same for the purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above-written.

Notary Public

My Commission Expires:

STATE OF Kansas )
OF BENO » ss:

BE IT REMEMBERED, that on this 13th day of October, 2009, before me, the undersigned, a Notary Public, in and for the County and State aforesaid, personally appeared Mable E. Davis, known to me to be the person who executed the foregoing instrument of writing and such person duly acknowledged to me the execution of the same for the purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year last above-written.

Notary Public

My Commission Expires: 12-02-2009

State of Kansas - Notary Public
Jeffrey R. Zoller
My Commission Expires 12-02-2009





*Mark Parkinson, Governor  
Thomas E. Wright, Chairman  
Michael C. Moffet, Commissioner  
Joseph F. Harkins, Commissioner*

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October 15, 2009

Chris Gottschalk  
Shelby Resources LLC  
P.O. Box 1213  
Hays, KS67601

Re: Drilling Pit Application  
Cromer 1-9  
Sec.34-29S-14W  
Pratt County, Kansas

Dear Chris Gottschalk:

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 as soon as the Hutchinson Salt section has been drilled through and displacement of the fluids into the Haul-Off pit has occurred. The fluids should be removed again as soon as practical 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 (August 2008), Exploration and Production Waste Transfer, through SOLAR 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.

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/>