


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

FEB 25 2008

CONSERVATION DIVISION
WICHITA, KS

Submit in Duplicate

Operator Name: Priority Oil & Gas LLC		License Number: 31609
Operator Address: PO Box 27798, Denver, CO 80227-0798		
Contact Person: Jess Andrews, Agent		Phone Number: 970-354-7495
Lease Name & Well No.: Benkeman Compressor Station		Pit Location (QQQQ): _____ - _____ - _____ - _____ NE Sec. 29 Twp. 4 R. 41 <input type="checkbox"/> East <input checked="" type="checkbox"/> West 100 Feet from <input checked="" type="checkbox"/> North / <input type="checkbox"/> South Line of Section 200 Feet from <input checked="" type="checkbox"/> East / <input type="checkbox"/> West Line of Section Cheyenne County
Type of Pit: <input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit <input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit <input checked="" type="checkbox"/> Workover Pit <input checked="" type="checkbox"/> Haul-Off Pit <small>(If WP Supply API No. or Year Drilled) multiple wells, see attached list</small>	Pit is: <input checked="" type="checkbox"/> Proposed <input type="checkbox"/> Existing If Existing, date constructed: _____ Pit capacity: _____ (bbls)	
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	Artificial Liner? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	How is the pit lined if a plastic liner is not used? plastic liner will be used
Pit dimensions (all but working pits): <u>15</u> Length (feet) <u>15</u> Width (feet) <input type="checkbox"/> N/A: Steel Pits Depth from ground level to deepest point: <u>6</u> (feet) <input type="checkbox"/> No Pit		
If the pit is lined give a brief description of the liner material, thickness and installation procedure. A plastic liner will be used to line the pit.		Describe procedures for periodic maintenance and determining liner integrity, including any special monitoring. fluid will be pumped out of pit and injected down a disposal well; when solids are dry, the plastic liner will be removed from the pit and the solids will be buried in place
Distance to nearest water well within one-mile of pit <u>N/A</u> ^{483'} feet Depth of water well <u>150</u> feet	Depth to shallowest fresh water <u>130</u> ⁸⁶ 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: <u>compressed air (workover)</u> Number of working pits to be utilized: <u>1</u> Abandonment procedure: <u>fluid will be pumped out of pit and injected down a disposal well; when solids are dry, the plastic liner will be removed from the pit and the solids will be buried in place</u> 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.		
<u>2/21/08</u> Date	 Signature of Applicant or Agent	

15-023-20530H

KCC OFFICE USE ONLY		Steel Pit <input type="checkbox"/>	RFAC <input type="checkbox"/>	RFAS <input type="checkbox"/>
Date Received: <u>2/25/08</u>	Permit Number: <u>15-023-20530</u>	Permit Date: <u>2/27/08</u>	Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	

PRIORITY OIL & GAS 2008 WELL CLEANOUTS

API	WELL NAME	TWN	RGE	SEC	QTR/QTR/QTR
15-023-20530-0000	Menhusen 2-7	5S	41W	7	SW-SE-SW
15-023-20603-0000	Zweygardt 2-20	4S	41W	20	NW-SW-NW
15-023-20622-0000	Rhoades 2-8	5S	41W	8	SW-SW
15-023-20159-0000	Schorzman 1-6	4S	40W	6	NE-NW-SE
15-023-20676-0000	DeGood 2-31	3S	40W	31	NE-SE-NW
15-023-20741-0000	DeGood 2-33	4S	40W	33	NW-SW-NW
15-023-20652-0000	Northrup Trust 5-18	4S	40W	18	
15-023-20532-0000	Rueb 2-23	3S	42W	23	N/2-SW-SW-SE



February 26, 2008

Attn: Kathy Hanes
KCC
Conservation Division
130 S. Market, Room 2078
Wichita, KS 67202

RE: Application for Surface Pit
Benkleman Compressor Station

Dear Ms. Hanes,

Enclosed you will find a copy of the Quitclaim Deed between KN Gas Gathering Inc. and Priority Oil & Gas LLC for the land where our Benkleman Compressor yard is located. You can see by this deed that Priority does, in fact, own this land in Cheyenne County. We are requesting approval to use a surface pit on this land to hold fluid and sand from nearby wells we plan to workover beginning March 10, 2008. Once the workovers are complete the water will be hauled away to a disposal well, the liner will be removed, and any solids will be buried.

Jess Andrews, from LaRana Resources LLC has submitted the appropriate forms on behalf of Priority. Please contact her or myself if there is anything else you need.

Sincerely,

A handwritten signature in cursive script that reads 'Melissa Gray'.

Melissa Gray
Business Director

Cc: Jess Andrews, LaRana Resources LLC

P.O. Box 27798
Denver, CO 80227-0798 USA
303.296.3435
fax 303.296.3436
Email PriorityOG@aol.com

CORPORATION DEED - Quitclaim

DEED - QUITCLAIM

FROM
K N Gas Gathering, Inc.

TO
Priority Oil & Gas LLC

Entered in Transfer Record
in my office this 28th day of June, 2001, A.D.

[Signature]
County Clerk

STATE OF KANSAS)
Cheyenne County) ss

This instrument was filed for record on the
28th day of June, 2001, A.D.
at 11:30 o'clock A. M., and duly recorded in
Book 124 of Deeds, at Page 284-285

[Signature]
Register of Deeds

BY _____ Deputy

FEES

Register of Deeds for recording \$ 8.00

County Clerk for transfer \$ _____

TOTAL \$ _____

Re: Kinder Morgan, Lakewood, Co

THIS INDENTURE, Made this 4th day of April, 2001, to be effective April 1, 2001 (the "Effective Date") between **K N Gas Gathering, Inc.**, a Colorado corporation, a subsidiary of Kinder Morgan, Inc., f/k/a K N Energy, Inc., f/k/a Kansas-Nebraska Natural Gas Company, Inc., a Kansas corporation, with its principal office at 370 Van Gordon Street, Lakewood, Colorado 80228-8304 (hereinafter "Grantor"), and unto **Priority Oil & Gas LLC**, with offices at 633 17th St., Suite 1520, Denver, CO 80202 (hereinafter the "Grantee").

WITNESSETH,
that Grantor, in consideration of the sum of One and No/100 Dollars (\$1.00), the receipt and adequacy of which are hereby acknowledged, does by these presents remise, release and quitclaim unto Grantee, its heirs, successors and assigns, all of the following-described real estate situated in Cheyenne County, Kansas, together with the appurtenances and all of the estate, right, title, interest and claim of said Grantor therein subject to the terms and conditions herein contained,
to-wit:



✓Tract 1: Township 4 South, Range 40 West, 6th P.M.
(No Name) Section 17: Part of the Northwest Quarter (pt. NW/4), being more fully described as follows:

Beginning at the Northwest Corner of said section; thence East along the North Line of said section, a distance of 435 feet; thence South parallel to the West Line of said section, a distance of 400 feet; thence West, parallel to the North Line of said section a distance of 435 feet; thence North along and on the West Line of said section, a distance of 400 feet to the original place of beginning, containing 3.99 acres, more or less.

✓Tract 2: Township 4 South, Range 41 West, 6th P.M.
(Benklerman) Section 29: Part of the Northeast Quarter (pt. NE/4), being more fully described as follows:

Beginning at a point 33 feet West of the Northeast Corner of said Section 29; thence West, parallel to the North Line of said property, a distance of 300 feet; thence South, parallel to the East Line, a distance of 400 feet; thence East, parallel to the North Line, a distance of 300 feet; thence North, a distance of 400 feet to the original point of beginning, containing 2.75 acres, more or less.

TO HAVE AND TO HOLD all and singular the above described premises unto Grantee, its heirs, successors and assigns, forever.

Grantor and Grantee agree: (a) as to any personal property conveyed or used in conjunction with the above described real estate that WITHOUT LIMITING THE OTHER EXPRESS PROVISIONS HEREOF, THE GRANTEE SPECIFICALLY AGREES THAT THE GRANTOR IS SELLING AND TRANSFERRING ANY SUCH PERSONAL PROPERTY "AS-IS," "WHERE-IS," "WITH ALL FAULTS," IN ITS PRESENT CONDITION AND STATE OF REPAIR WITHOUT REPRESENTATION OR WARRANTY CONCERNING SAID PERSONAL PROPERTY, EITHER EXPRESS OR IMPLIED, WHETHER ARISING IN CONTRACT, TORT OR ANY OTHER THEORY OF LAW, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY, COMPLIANCE OR FITNESS FOR A GENERAL OR PARTICULAR PURPOSE, STATE OF REPAIR, DESIGN OR CONSTRUCTION SPECIFICATIONS, QUALITY, CONDITION, OPERATION OR SAFE USE NOR DOES GRANTOR REPRESENT OR WARRANT, AND; (b) as to the above described real estate GRANTOR DOES HEREBY EXPRESSLY NEGATE AND DISCLAIM ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED AS TO THE ADEQUACY OR COMPLETENESS OF THE UNDERLYING REAL PROPERTY INTERESTS ASSOCIATED WITH OR USED IN CONNECTION WITH THE PERSONAL PROPERTY, INCLUDING BUT NOT LIMITED TO FEE PROPERTIES, EASEMENTS AND RIGHTS-OF-WAY.

Grantee represents and warrants to Grantor that Grantee is sophisticated in the operation of the compression facilities and associated machinery operated by Grantor, and its predecessors in interest, on the above-described real estate. Grantee has physically inspected such equipment and is fully aware of its condition. In entering into and performing this agreement, Grantee has relied, and will rely, solely upon its independent investigation of, and judgment with respect to the above-described real estate's value, use and condition. Grantee shall assume sole responsibility and liability for any and all environmental risks and liabilities pertaining to the above-described real estate relating to contaminating events and the resulting environmental condition of the above-described real estate, whether caused by Grantor or any predecessor of Grantor, or by Grantee, or Grantee's affiliates, and whether for the period prior to or after the Effective Date, and

MA

Grantee shall forever defend, indemnify and hold harmless Grantor and its affiliates, its directors, officers and employees from any and all claims and liabilities arising out of or related to any and all environmental risks and liabilities pertaining to the above-described real estate relating to contaminating events and the resulting environmental condition of the above-described real estate, whether caused by Grantor or any predecessor in interest of Grantor, or by Grantee, or Grantee's affiliates, and whether for the period prior to or after the Effective Date. Grantee agrees to assume, perform and to discharge all obligations, covenants and liabilities with respect to the above-described real estate from and after the Effective Date and Grantee shall indemnify and hold harmless Grantor from any and all such responsibility.

IN WITNESS WHEREOF, said Grantor has caused this Deed to be signed on its behalf by its President, thereunto duly authorized so to do, and has caused its corporate seal to be hereunto affixed on the day and year first above written.

ATTEST

K N GAS GATHERING, INC

[Signature]
Name:
Assistant Secretary

[Signature]
Carter G. Mathies, President

ATTEST

PRIORITY OIL & GAS LLC

[Signature]
Name:
Assistant Secretary

[Signature]

STATE OF Colorado

COUNTY OF Jefferson

On this 4th day of April, 2001, before me personally appeared Carter G. Mathies, as President of K N Gas Gathering, Inc., known to me to be the person who executed the foregoing instrument on behalf of K N Gas Gathering, Inc., and acknowledged to me that he executed the same in the capacity and for the consideration and purposes therein stated and as the free act and deed of K N Gas Gathering, Inc.

MY COMMISSION EXPIRES:

9-15-2001

[Signature]
Notary Public



STATE OF Colorado

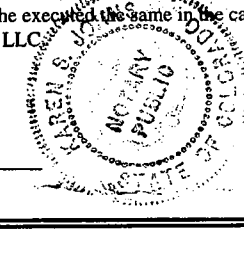
COUNTY OF Jefferson

On this 4th day of April, 2001, before me personally appeared Robbie Gries, as President of Priority Oil & Gas LLC, known to me to be the person who executed the foregoing instrument on behalf of Priority Oil & Gas LLC, and acknowledged to me that he executed the same in the capacity and for the consideration and purposes therein stated and as the free act and deed of Priority Oil & Gas LLC.

MY COMMISSION EXPIRES:

9-15-2001

[Signature]
Notary Public





*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.



February 21, 2008

ATTN: Kathy Hanes
KCC
Conservation Division
130 S. Market, Room 2078
Wichita, KS 67202

RECEIVED
KANSAS CORPORATION COMMISSION

FEB 25 2008

CONSERVATION DIVISION
WICHITA, KS

RE: CDP-1
Benkleman Compressor Station

Dear Ms. Hanes,

Per our conversation today, enclosed you will find a Form CDP-1 (Application for Surface Pit) in duplicate for the Benkleman Compressor Station. Priority Oil & Gas LLC will be cleaning out fluid and sand (working over) several Niobrara gas wells in Cheyenne County. The scheduled start date is March 10, 2008.

The coiled tubing units we will be using have a portable above-ground steel tank which we will use to capture fluids and/or solids from the wellbores. The tank is not large enough to hold the fluid for all the wells we are cleaning out at once, so we are going to utilize a workover pit in Priority's Benkleman Compressor Station yard to accommodate the expected fluid and solids. When the cleanouts are complete, a water truck will haul the fluid from the pit to a disposal well. The solids will be dried in the pit, the liner removed, and the solids buried in place. Priority will submit a Waster Transfer Form and a Closure of Surface Pit Form at the appropriate times.

If you anticipate approval of the surface pit to extend beyond our March 10, 2008 start date, please contact me as soon as possible. Also, please feel free to contact me with any questions you may have.

Sincerely,

Priority Oil & Gas LLC

Jessica S. Andrews
Contract Consultant

Cc: Melissa Gray, Priority Oil & Gas LLC

P.O. Box 27798
Denver, CO 80227-0798 USA
303.296.3435
fax 303.296.3436
Email PriorityOG@aol.com