15-193-20780-0000



KANSAS CORPORATION COMMISSION
OIL & GAS CONSERVATION DIVISION

1050310

Form CDP-1 May 2010 Form must be Typed

APPLICATION FOR SURFACE PIT

Submit in Duplicate Operator Name: Credo Petroleum Corporation License Number: 8628 Operator Address: 1801 BROADWAY # 900 DENVER CO 80202 Contact Person: JACK RENFRO 303-297-2200 Phone Number: Lease Name & Well No.: Hemmert 1-30 Pit Location (QQQQ): Type of Pit: Pit is: Emergency Pit Burn Pit Proposed X Existing East X West Settling Pit If Existing, date constructed: 11/30/2010 **Drilling Pit** 1,160 Feet from North / X South Line of Section Workover Pit X Haul-Off Pit 330 Feet from East / X West Line of Section (If WP Supply API No. or Year Drilled) Pit capacity: 320 Graham (bbls) County Is the pit located in a Sensitive Ground Water Area? Yes X No Chloride concentration: mg/l (For Emergency Pits and Settling Pits only) Is the bottom below ground level? **Artificial Liner?** How is the pit lined if a plastic liner is not used? X Yes No Yes X No SOIL COMPACTION 100 100 Pit dimensions (all but working pits): Length (feet) Width (feet) N/A: Steel Pits Depth from ground level to deepest point: _ (feet) No Pit If the pit is lined give a brief description of the liner Describe procedures for periodic maintenance and determining material, thickness and installation procedure. liner integrity, including any special monitoring. 75 Distance to nearest water well within one-mile of pit: Depth to shallowest fresh water feet. Source of information: 4145 measured well owner electric log X KDWR feet Depth of water well. feet Emergency, Settling and Burn Pits ONLY: Drilling, Workover and Haul-Off Pits ONLY: WATER-BASED MUD Type of material utilized in drilling/workover:_ Producing Formation: _ Number of working pits to be utilized: Number of producing wells on lease: _ **EVAPORATION / FILL** Barrels of fluid produced daily:_ Abandonment procedure: Does the slope from the tank battery allow all spilled fluids to flow into the pit? Yes No Drill pits must be closed within 365 days of spud date. Submitted Electronically KCC OFFICE USE ONLY RFAC Liner Steel Pit RFAS 15-193-20780-00-00 02/03/2011 02/03/2011 Lease Inspection: X Yes 🔲 No Date Received: Permit Date: Permit Number

Kansas Corporation Commission Oil & Gas Conservation Division

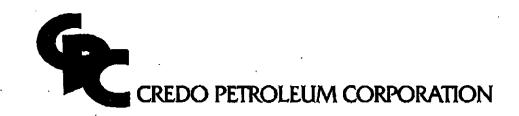
HAUL-OFF PIT APPLICATION FILING REQUIREMENTS

82-3-607.	DISPOSAL OF DIKE AND PIT CONTENTS.
OF 0-001.	DISCUSAL OF DIRE AND FIT 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 writter 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 \sumbole 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.



DISPOSAL AGREEMENT

Now on this ______ day of January, 2011, this Agreement is executed and delivered by Harold Werth, Trustee of the Harold Werth Living Trust dated 5-3-2007 and the Betty Werth Living Trust dated 5-3-2007, HC-2, Box 23, Quinter, Kansas, 67752 hereinafter called WERTH, and Credo Petroleum Corporation, 1801 Broadway, Suite 900, Denver, Colorado 80202 hereinafter called CREDO.

The parties agree as follows:

 Werth and Credo have entered into an oil and gas lease dated August 5, 2009, and filed in Book 241 Page 661 of Records in the Graham County Register of Deeds Office covering:

The Southwest Quarter (SW/4) of Section Thirty-one (31), Township Nine (9) South, Range Twenty-five (25) West of the 6th P.M. Graham County, Kansas.

- 2. Credo has drilled an exploratory oil well and has established the drill site location including disposal pits on the above-referenced property.
- Credo has an additional drill site location in the Southwest Quarter (SW/4) of Section Thirty (30), Range Ten (10) South, Township Thirty-one (31) West, Thomas County Kansas, and desires to haul off the products of this test well to the Werth location.
- 4. Credo will pay Werth One Thousand Dollars (\$1,000.00) for his allowing of this disposal on his property. The disposal will consist of twelve (12) to fifteen (15) loads of drilling mud and other solid and water-waste.

This agreement shall be binding upon the heirs, administrators, executors, successors, and assigns of Werth and Credo.

In witness whereof, this instrument is signed on the date and year first above mentioned.

CREDO:

WERTH:

Harold Werth, Trustee of the Harold Werth Living Trust dated 5-3-2007 and the Betty Werth Living Trust dated 5-3-2007

John B. Parker, Landman Credo Petroleum Corporation

PAWord Processing Department/Dept-Landt.35-Mise Agreements/CPC-Worth Disposal Agreement (S31-9S-25W, Graham Cnty, OK) 1-27-11-iP.doc