

15-193-20780-0000



KANSAS CORPORATION COMMISSION 1050310  
OIL & GAS CONSERVATION DIVISION

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   |   | Phone Number: 303-297-2200  |  |
| Lease Name & Well No.: Hemmert 1-30   |   | Pit Location (QQQQ):<br>N2 SE SW SW<br>Sec. 37 Twp. 18 R. 3E<br>1,160 Feet from <input type="checkbox"/> North / <input checked="" type="checkbox"/> South Line of Section<br>330 Feet from <input type="checkbox"/> East / <input checked="" type="checkbox"/> West Line of Section<br>Graham County |  |
| Type of Pit:<br><input type="checkbox"/> Emergency Pit <input type="checkbox"/> Burn Pit<br><input type="checkbox"/> Settling Pit <input type="checkbox"/> Drilling Pit<br><input type="checkbox"/> Workover Pit <input checked="" type="checkbox"/> Haul-Off Pit<br><i>(If WP Supply API No. or Year Drilled)</i>  | Pit is:<br><input type="checkbox"/> Proposed <input checked="" type="checkbox"/> Existing<br>If Existing, date constructed:<br>11/30/2010<br>Pit capacity:<br>320 (bbbls) |   |  |
| Is the pit located in a Sensitive Ground Water Area? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  |   | Chloride concentration: _____ mg/l<br><i>(For Emergency Pits and Settling Pits only)</i>  |  |
| Is the bottom below ground level?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No  | Artificial Liner?<br><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No  | How is the pit lined if a plastic liner is not used?<br>SOIL COMPACTION   |  |
| Pit dimensions (all but working pits): 100 Length (feet) 100 Width (feet)<br>Depth from ground level to deepest point: 5 (feet)   |   | <input type="checkbox"/> N/A: Steel Pits<br><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:<br>4145 feet Depth of water well 92 feet   |   | Depth to shallowest fresh water 75 feet.<br>Source of information:<br><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><br>Producing Formation: _____<br>Number of producing wells on lease: _____<br>Barrels of fluid produced daily: _____<br>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><br>Type of material utilized in drilling/workover: WATER-BASED MUD<br>Number of working pits to be utilized: 3<br>Abandonment procedure: EVAPORATION / FILL<br>Drill pits must be closed within 365 days of spud date.                              |  |
| Submitted Electronically  |   |   |  |

|   |                                   |                         |   |
|---|-----------------------------------|-------------------------|---|
| <b>KCC OFFICE USE ONLY</b>  |                                   |                         |   |
| Date Received: 02/03/2011   | Permit Number: 15-193-20780-00-00 | Permit Date: 02/03/2011 | Lease Inspection: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| <input type="checkbox"/> Liner <input type="checkbox"/> Steel Pit <input 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 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.



# CREDO PETROLEUM CORPORATION

## DISPOSAL AGREEMENT

Now on this 2 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:

1. 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  
6<sup>th</sup> 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.
3. 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.

WERTH:

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

CREDO:

John B. Parker  
John B. Parker, Landman  
Credo Petroleum Corporation