

Having Participated In About 75 Well Drills Over The Past 11 Years With Credo Petroleum Corporation, Marlis E. Smith Jr., Is Making A Smooth Transition As The Company's New CEO

**Basic Materials
 Independent Oil & Gas
 ("CRED"-NASDAQ)**



Marlis E. Smith Jr.
President and CEO

Company Profile:

Credo Petroleum Corporation is an independent exploration, development and production company based in Denver, Colorado. The company has significant operations in the Williston Basin of North Dakota, central Kansas, the Anadarko Basin of North Texas and north-west Oklahoma, and in southern Oklahoma. Credo uses advanced technologies to systematically explore for oil and gas and, through its patented Calliope Gas Recovery System, to recover stranded reserves from depleted gas reservoirs.

Interview conducted by:
Lynn Fosse, Senior Editor

CEOCFO: Mr. Smith, how long have you been with Credo and what brought you to the company?

Mr. Smith: I started as CEO of Credo back this last January, so I've been here now about eight months. However, I have a long history with the company. I actually have two entities and I have drilled with Credo through those two entities. One is SmithCo Properties, Inc. and the other is Smith/Drummond Holdings, LLP. I have drilled through those two entities with Credo over last decade. I have participated in approximately 75 wells during this time, and, as a result, have gotten to know the people here well along with the company properties. In short, I have participated in roughly all of the new drilling that Credo has done in the last decade, so it has been a smooth transition.

CEOCFO: What have the changes been under your leadership?

Mr. Smith: I am currently transitioning the company to more of an "oily" portfolio. Traditionally, Credo has been primarily a natural gas producer, but if you look at oil and gas on an energy equivalent basis, oil is trading for a much higher price than natural gas, and we decided to move to a more balanced production mix. Again, when you look at the two commodities on an energy equivalent basis, oil is currently three times a better investment than natural gas. We saw that trend coming at us several years ago and I am executing on that plan, to get us more involved in the oilier and/or liquids rich plays. Therefore, that has really where most of my effort has been directed.

CEOCFO: Has that affected your property focus?

Mr. Smith: To some extent, yes--it has made us more aggressive in our major oil

drilling plays, specifically Kansas and Nebraska, where we drill vertical wells in search of oil in carbonates, and where we are using 3-D seismic, which is our tool to image subtle oil-bearing structures at about 4,500 feet. That play is also complemented by our deeper horizontal drilling in the North Dakota Bakken/Three Forks Play, where we will drill down about 2 miles and then we will drill a horizontal leg about 2 miles. Through horizontal drilling and multi-stage fracturing or "fracing" as it is known in the industry, Bakken and Three Forks oil reserves are unlocked. So those two plays really complement one another. One is shallow and vertical, while the other is deeper and horizontal. In Kansas and Nebraska were are not having to compete so much with the really big companies. We are up in North Dakota, but we have a nice acreage position in both areas, and the economics of both plays are very attractive.

CEOCFO: Are you still working with your Calliope Gas Recovery System?

Mr. Smith: Yes, and we are actively marketing that to some major independent companies. It is a proven technology. We have all of the United States and Canadian patents for our Calliope Gas Recovery System, and the technology is great for finding and recovering stranded gas. There are thousands of potential Calliope candidates across the country, typically deeper wells (greater than 10,000 feet) that have already produced a large amount of gas. We have performed around two dozen successful Calliope installations.

CEOCFO: Are you involved with shale?

Mr. Smith: Yes, the Bakken, which I've already mentioned, is considered a shale

play, and the U.S. Geological Survey recently classified it as the largest continuous oil accumulation it has ever assessed. Credo looks forward to drilling scores of Bakken wells in coming years.

CEO CFO: Would you consider properties outside of the United States?

Mr. Smith: We have actually taken a look outside of the United States and there are rich opportunities north of the border in Canada, including gas wells that are potential Calliope candidates. There are also shale plays being mentioned around the world that have gotten our attention. For the near-term, however, we see plenty of opportunities onshore right here in the U.S.

CEO CFO: How do you come about your properties; is it through acquisitions or more organic?

Mr. Smith: Right now, my focus has been on drilling. So we are growing the company organically, where we acquire acreage and perform our own science to find and produce oil and gas. We have however, acquired made producing properties in the past to help grow our company, and we continue to look at prospective acquisitions. Right now, though, our primary focus is growth through the drill bit.

CEO CFO: Would you tell us about the financial position of Credo today?

Mr. Smith: Credo has a very strong balance sheet. We currently have cash in the bank and no debt. The company is over 30 years old now and it has a great track record of being financially strong, and I will certainly keep that traditional in perspective. We will continue to look hard at rates of return as we drill wells. This is not to say, however, that I would not employ debt financing if we were to come across an outstanding acquisition opportunity.

CEO CFO: How do you handle your investor outreach?

Mr. Smith: In several ways: first, we communicate with our shareholders. I don't mean just through press releases, but also through the personal touch. We have a loyal following of shareholders and we try to respond to all of them when they call. I have also made a point of meeting with energy investment bankers to communicate who we are and to grant interviews for prominent publications such as yours!

CEO CFO: Do you participate in road shows?

Mr. Smith: No, we haven't at this point. What I would first like to do is to achieve more results and build additional scale for the company.

To potential investors, first I would say that we are a company that has been around for three decades, so we have staying power. We are financially strong but small enough to significantly grow, and these two factors might make us attractive. We are a nimble company, able to make quick decisions. We do not borrow money to go drill wildcat wells. We are going to make sure that we have the cash flow to cover our drilling costs. In short, Credo can grow yet still be very fiscally responsible. - Marlis E. Smith Jr.

CEO CFO: Are you generating cash from any of your properties or is it strictly exploration and drilling at this point?

Mr. Smith: Yes, we generate great cash flow, absolutely—and we are plowing that cash flow back into our drilling program.

CEO CFO: So you keep rolling the money back into the company to continue its growth?

Mr. Smith: That is exactly right. The name of this game is to profitably grow production and reserves. If we can do that, our stock price will follow.

CEO CFO: We reach readers in the investment community worldwide and there may be some that do not understand Credo, its value and what you bring to the table: what would you say to them?

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CEO CFO: Would you tell us about your properties and if the infrastructure is in place?

Mr. Smith: That is an important question. We have traditionally drilled in places where infrastructure is in place, like in North Dakota where drilling has gone on for many decades. Billions of barrels of oil have been found in Kansas over the years, so there is plenty of infrastructure there and is the case with the Texas Panhandle. Therefore, infrastructure is important to us. We like to look for oil and gas where they already been found because the resulting infrastructure allows us to timely deliver our production to market.

CEO CFO: Do you ever have any problems with government regulations affecting your path to success?

Mr. Smith: We have not in the past, but the regulatory environment is always something we consider. We also make a point of exploring in areas that are oil and gas friendly. North Dakota, Kansas, Texas and Oklahoma fit that category.

**Credo Petroleum Corp.
1801 Broadway, Suite 900
Denver, CO 80202-3837
Phone: 303-297-2200**