

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF THE)	CAUSE NO. 1V
RULES AND REGULATIONS OF THE COLORADO OIL)	
AND GAS CONSERVATION COMMISSION BY PREMIER)	DOCKET NO. 1011-OV-15
OIL & GAS, INC. , JEFFERSON COUNTY, COLORADO)	

NOTICE OF CONTINUATION OF ORDER FINDING VIOLATION HEARING

According to the Colorado Secretary of State, Premier Oil & Gas, Inc. (“Premier”) (Operator No. 10236) is a foreign corporation, located in Nevada. On February 25, 2008, Premier submitted a Form 1A, Designation of Agent, which lists Allen Stout and Melvin Richards as Consultants for Premier.

On or about December 24, 2007, Premier drilled and cased the Church Ranch #1W Well (API No. 05-059-06026) (the “Well”), which is located in the NW¼ SW¼ of Section 9, Township 2 South, Range 70 West, 6th P.M. Total depth for the Well of was reached on December 25, 2007, with the production casing planned run to approximately 11,000 feet below surface. Premier has posted a \$5,000 Individual Plugging Financial Assurance for the Well.

As of November 30, 2010, Premier is delinquent in submitting a Drilling Completion Report, Form 5. There have been four requests by the Colorado Oil and Gas Conservation Commission (“COGCC” or “Commission”) Staff (the “Staff”) for completion paperwork information. Additionally, Premier has not provided adequate financial assurance to COGCC for plugging and reclamation as is required by Rule 706. Further, the Well has been temporarily abandoned without the approval of the Director. Furthermore, Premier is delinquent in performing a mechanical integrity test on the Well, and has not posted a well sign or installed Best Management Practices (“BMPs”) at the wellhead.

On December 24, 2009, COGCC Staff issued Notice of Alleged Violation (“NOAV”) #1769738 for alleged violations of the following COGCC rules:

a. Rule 206., which requires operators from time to time to file accurate and complete reports containing such information and covering such geographic areas or periods as the Commission or Director shall require;

b. Rule 210.b.(1), which requires that within sixty (60) days after completion of a well, a permanent sign must be located at the wellhead and contain information to identify the well and provide its legal location;

c. Rule 309., which requires operators to file with the Commission, within forty-five (45) days after the month in which production occurs, a report on Operator’s Monthly Production Report, Form 7, containing all information required by said form;

d. Rule 319.b.(1), which specifies that a well may be temporarily abandoned when completed, upon approval of the Director, for a period not to exceed six (6) months provided the hole is cased or left in such a manner as to prevent migration of oil, gas, water or other substance from the formation or horizon in which it originally occurred. If an operator requests temporary abandonment status in excess of six (6) months the operator shall state the reason for requesting such extension and state plans for future operation. A Sundry Notice, Form 4, or other form approved by the Director, shall be submitted annually stating the method the well is closed to the atmosphere and plans for future operation;

e. Rule 326.b.(1), which requires that a mechanical integrity test must be performed on each shut-in well within two (2) years of the initial shut-in date;

f. Rule 604.d., which requires that all valves, pipes and fittings must be securely fastened, inspected at regular intervals, and maintained in good mechanical condition; and

g. Rule 706., which requires an operator, prior to commencing the drilling of a well, to provide financial assurance to the Commission to ensure the protection of the soil, the proper plugging and abandonment of the well, and the reclamation of the site in accordance with COGCC regulations which is Twenty Thousand dollars (\$20,000) per well for wells greater than or

equal to 3,000 feet in total depth.

The NOAV required certain abatement or corrective actions to be taken by the operator by February 1, 2010. The actions required Premier to: submit a sundry notice to include a request for continued shut-in status detailing the reason for the extension and future plans for the Well; submit a Form 5, Drilling Completion Report; bring all production reports current; implement and maintain BMPs; and submit acceptable financial assurance to the COGCC per Rule 706. The Well was to be either: (1) put on production, (2) pass a mechanical integrity test, or (3) be properly plugged and abandoned by May 1, 2010.

On November 29, 2010, this matter came before the Commission for an Order Finding Violation hearing. Premier failed to appear and defend against the allegations made by the COGCC Staff. The Commission continued the matter to consider evidence that Premier is responsible for a pattern of violation of COGCC rules.

Rule 523. specifies a base fine of One Thousand dollars (\$1,000) for each day of violation of Rules 206., 309., 319.b.(1), 326.b.(1), 604.d, and 706., and a base fine of Five Hundred dollars (\$500) for each day of violation of Rule 210.b.(1). Rule 523.a.(3) specifies that “the maximum penalty for any single violation shall not exceed Ten Thousand dollars (\$10,000) regardless of the number of days of such violation,” unless the violation results in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety or welfare or the environment.

Rule 525.b. provides that whenever the Commission or the Director has evidence that an operator is responsible for a pattern of violation of any provision of the Oil and Gas Conservation Act (§34-60-101, et seq.) (the “Act”), or of any rule, permit or order of the Commission, the Director shall issue a notice to the operator to appear for a hearing before the Commission. If the Commission finds after such hearing, that a knowing and willful pattern of violation exists, it may issue an order which shall prohibit the issuance of any new permits to the operator.

Premier should be found in violation of Rules 206., 210.b.(1), 309., 319.b.(1), 326.b.(1), 604.d., and 706., for its oil and gas operations at the Well and pay a fine as prescribed by Rule 523. Further, Premier should be ordered to complete abatement or corrective actions set forth in the NOAVs, as may be amended or modified by Staff.

Further, if Premier comes forward prior to the hearing of this matter, the Commission should require Premier to post an additional \$15,000 financial assurance, within 10 days of the date this Order is approved by the Commission, to ensure the protection of soil, the proper plugging and abandonment of the Well in accordance with COGCC Rules.

In the alternative, if Premier fails to come forward prior to the hearing of this matter or post the additional \$15,000 financial assurance, the Commission should authorize the Staff to foreclose the existing \$5,000 plugging bond, supplemented as may be necessary by funds from the Oil and Gas Conservation and Environmental Response Fund, to plug and abandon the Well and reclaim the Well site and associated facilities.

Furthermore, the Commission should find that a knowing and willful pattern of violation exists because Premier has violated a number of separate bonding, reporting, and maintenance requirements under the Rules; failed, for more than one year, to perform the abatement and corrective actions required by the NOAVs; and failed to respond to repeated communications from the COGCC Staff during this enforcement action. Until any fine assessed under this action is paid in full and all required abatement and corrective actions are performed by Premier for the Well, the Director should not approve any application for permit-to-drill, any Certificate of Clearance and/or Change of Operator, Form 10, or other permit for conducting oil and gas operations for Premier or any entity of which Allen Stout or Melvin Richards are principals, majority owners, operational or general managers, or in which Mr. Stout or Mr. Richards otherwise exercise control.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Thursday, January 13, 2011
 Friday, January 14, 2011

Time: 9:00 a.m.

Place: The Chancery Building, Suite 801
Denver, Colorado 80203

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 5139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Robert A. Willis, Acting Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
December 13, 2010

Premier Address of Record:
Melvin Richards/Allen Stout
Premier Oil & Gas, Inc.
3540 W. Sahara Ave., #336
Las Vegas, NV 89102