



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

IN THE MATTER OF ALLEGED VIOLATIONS OF THE RULES) CAUSE NO. 1V
AND REGULATIONS OF THE COLORADO OIL AND GAS)
CONSERVATION COMMISSION BY **PREMIER OIL & GAS, INC.**,) ORDER NO. 1V-362
JEFFERSON COUNTY, COLORADO)

ORDER FINDING VIOLATIONS

FINDINGS

1. 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.

2. 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.

3. 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.

4. 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.

5. On November 29, 2010 and January 13, 2011, 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. The Commission should assess the following fines based on the associated rule violations for Premier’s operations at the Well:

Violation	Base Fine
Rule 206.	\$10,000
Rule 210.b.(1)	\$5,000
Rule 309.	\$10,000
Rule 319.b.(1)	\$10,000
Rule 326.b.(1)	\$10,000
Rule 604.d.	\$10,000
Rule 706.	\$10,000
Total Fines	\$65,000

12. Payment of the fine pursuant to this Order should not relieve the operator from its obligations to complete corrective actions set forth in the NOAV, as may be amended or modified by COGCC Staff.

13. Premier, or its successors or assigns, should be required to remain responsible for complying with this Order, in the event of any subsequent sale of property.

14. On January 13, 2011, this matter was considered by the Commission.

15. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.

16. The Commission has jurisdiction over the subject matter embraced in said Notice, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order pursuant to the Oil and Gas Conservation Act.

17. At hearing, COGCC Staff made an offer of proof in support of the proposed Order Finding Violation, summarizing the key factual findings described above, and proposing a total fine of Sixty Five Thousand dollars (\$65,000) payable within 30 days of the entry of the order.

18. The Commission should accept the recommendation of the COGCC Staff in this matter.

ORDER

NOW, THEREFORE, IT IS ORDERED, that Premier is 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 Church Ranch #1W Well, which is located in the NW¼ SW¼ of Section 9, Township 2 South, Range 70 West, 6th P.M., for those acts alleged in this Order.

IT IS FURTHER ORDERED, that Premier shall be assessed a total fine of **Sixty Five Thousand dollars (\$65,000)** for the Rule violations set forth above, which shall be payable within thirty (30) days of the date the order is approved by the Commission.

IT IS FURTHER ORDERED, that a knowing and willful pattern of violation exists because Premier has failed, for more than one year, to perform the abatement and corrective actions required by the NOAVs. 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 shall 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.

IT IS FURTHER ORDERED, that this Order does not relieve the operator from undertaking and completing abatement or corrective actions that may be required by the Notice of Alleged Violation described above, or any amendments or modifications thereto specified by the COGCC Staff.

IT IS FURTHER ORDERED, that the COGCC Staff is authorized to claim \$5,000 plugging/abandonment and reclamation bond posted by Premier to defray the expenses associated with plugging, abandoning and reclaiming the Well and well site.

IT IS FURTHER ORDERED, that the COGCC Staff shall plug and abandon the Well and perform any necessary reclamation of the well site, and supplement those costs associated with the plugging with funds from the Oil and Gas Conservation and Environmental Response Fund as may be necessary.

IT IS FURTHER ORDERED, that under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review within 30 days after the date this order is mailed by the Commission.

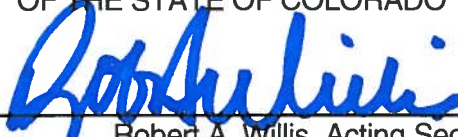
IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective forthwith.

IT IS FURTHER ORDERED, that the Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above orders.

ENTERED this 10th day of February, 2011, as of January 13, 2011.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Robert A. Willis, Acting Secretary

Dated at Suite 801
1120 Lincoln St.
Denver, Colorado 80203
February 10, 2011