

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

AUG 18 2006
141
NMOCD-06-140

IN THE MATTER OF PREMIER OIL & GAS, INC.,

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico (hereinafter, "OCD") issues this Order to **PREMIER OIL & GAS, INC. (hereinafter, "Premier")** directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Premier is a for profit corporation doing business in New Mexico, SCC # 1510668. Premier is an active entity, with a principal and mailing address at P. O. Box 1246, Artesia, New Mexico 88210. Premier has been assigned OGRID # 17985.
3. Premier is the operator of the Dale H Parke A Tract 2 #8, Unit Letter N, Section 15, Township 17 S, Range 30 E, API # 30-015-04161, and the D H Parke B Tract C #4, Unit Letter H, Section 15, Township 17 S, Range 30 E, API # 30-015-04162, both are located in Eddy County, New Mexico.
4. On March 18, 2005, OCD Deputy Oil and Gas Inspector Gerry Guye performed a mechanical integrity test (hereinafter, "MIT") on the Dale H Parke A Tract 2 #8 and the D H Parke B Tract C #4 injection well. The wells were incapable of holding the required pressure during the MIT.
5. The wells are considered to have failed the requirements of the five-year pressure MIT.
6. By letter dated March 21, 2005, Premier was notified of the failed pressure tests, i.e., MITs. Premier was instructed to contact the OCD at least twenty-four hours prior to the date and time that the wells would be retested. Premier failed to reschedule the MITs.
7. OCD Rule 703 [19.15.9.703 NMAC] requires injection wells to be "equipped, operated, monitored, and maintained to facilitate periodic testing and to assure continued mechanical

integrity which will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement through vertical channels adjacent to the well bore.”

8. Premier knowingly and willfully violated Rule 703 by failing to repair the wells after having been given both written and verbal notice to do so.
9. As a result, on June 30, 2006, the OCD issued **Notice of Violation (2-06-12)** to Premier alleging one violation of OCD Rule 703.
10. On July 23, 2006, an administrative conference was held.
11. At the conference, Premier admitted they failed to bring the wells into compliance within the time frame set out in OCD’s September 19, 2005 Letter of Violation, but stated they have been working diligently on plugging other wells.
12. However, Premier did plug the D H Parke B Tract C #4 well on April 17, 2006. BLM approved the plugging procedures. Premier provided documentation for the plugging to the OCD during the conference.
13. Premier advised that it is making a determination whether to make the Dale H Parke A Tract 2 #8 a producing well, rather than an injection well; it will be able to make that decision by September 15, 2006.

II. CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Premier is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. Premier is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the D H Parke B Tract C #4 for knowing and willful violation of OCD Rule 703.
4. Premier is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Dale H Parke A Tract 2 #8 and the D H Parke B Tract C #4 for two knowing and willful violations of OCD Rule 703.

III. ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling Two Thousand Dollars (\$2,000.00) against Premier for two violations of OCD Rule 703 (failing a mechanical integrity test).
2. **One Thousand Dollars (\$1,000.00)** of this fine will be waived provided Premier meets all requirements and deadlines of this Order. Should Premier fail to meet any requirements of this Order, the waived **One Thousand Dollars (\$1,000.00)** shall be reinstated and due immediately.

3. The civil penalty shall be paid upon execution of this Order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505.
4. Premier shall bring the Dale H Parke A Tract 2 #8 into compliance with OCD Rule 703. By September 15, 2006, it shall have decided whether to have the well as a producing well or to plug the well. The well shall then be producing or plugged by November 1, 2006; all required paperwork associated with the well shall be completed and filed by November 1, 2006.
5. By signing this Order, Premier expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with Ordering paragraphs 2, 3 and 4;
 - c. waives any right pursuant to the Oil and Gas Act or otherwise to a hearing either prior or subsequent to the entry of this Order, or to an appeal from this Order; and
 - d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).
6. For good cause shown, Premier may request an extension to complete the requirements as set out in Ordering paragraph 4. Such notification ("notice") shall reasonably describe the circumstances encountered by Premier that prohibits it from meeting the deadlines set out herein.

Within ten (10) days of receipt of this notice, the OCD shall either approve the extended time requested by Premier by executing a written amendment to this Order, or notify Premier that it will not extend the deadline. The OCD's approval of a time extension shall not be unreasonably withheld.

Done at Santa Fe, New Mexico this 23rd day of August 2006.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Premier Oil & Gas, Inc. hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth therein.

PREMIER OIL & GAS, INC.

By: Rosalie Jones
Rosalie Jones

Title: President

Date August 18, 2006