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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Field Inspection Program

"Preserving the Integrity of Our Environment"

mailed 9-4-09 MK

03-Sep-09

LOV NO. 02-09-061

PREMIER OIL & GAS INC

PO BOX 1246

Artesia, NM 88210

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

EDDY FV STATE COM No.001

H-25-20S-27E

30-015-21758-00-00

Inspection Date	Type	Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
09/03/2009		Routine/Periodic	Kimberly Wilson	Yes	No	9/18/2009	iKMW092465711

Comments on Inspection: Idle well, expired TA, last reported production was 2-1997. Violation of NMAC 19.15.25.8

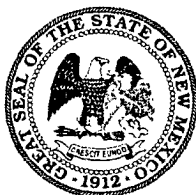
Operator must return well to beneficial use or submit P/A procedure to OCD District II office no later than September 18, 2009.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Kimberly M. Wilson
Sincerely,
Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas



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September 3, 2009

Premier Oil & Gas Inc.

P.O. Box 1246

Artesia, NM 88210

ATTN: Ken Jones

RE: Eddy FV State Com #1 (30-015-21758)

Dear Sir:

This office is in receipt of your C-103, request to continue T/A status for forementioned well. Your request has been denied. Our policies allow us to grant you a maximum extension of 7 years, beginning the year of last production. Our records indicate that this well has not been produced since 2-1997. This has been a period of 12 years. From here, you can return the well to production, or plug and abandon the well.

Please submit a C-103 to this office, describing your proposed operations.

If I may be of further service, or if you have any questions, please feel free to contact me.

Sincerely,

Darold Gray

Field Supervisor

NM OCD District II, Artesia

(505) 748-1283 ext 113

Cell (505) 626-0843

E-mail: darold.gray@state.nm.us