



SANDLIN OIL CORPORATION

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COGCC

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**REQUEST FOR HEARING
BEFORE THE OIL AND GAS CONSERVATION COMMISSION
VARIANCE FROM FINANCIAL ASSURANCE REQUIREMENTS
AUGUST 8-9, 2011
DENVER, COLORADO**

On March 15, 2011, Sandlin Oil Corporation received a letter from the State of Colorado Oil and Gas Conservation Commission regarding "Noncompliance with Financial Assurance Rule Series 700 as Amended December 17, 2008".

The revised rules modified the amount of financial surety required for plugging blanket for an additional \$30,000.00.

Upon discussion with the Financial Assurance Supervisor Sandlin Oil Corporation was advised we could post said additional \$30,000 as follows: 1- CD with a PDPA Bank, 2- Cashier's Check 3- Bond from an insurance company (which requires \$30,000 of collateral to the insurance company and on a personal basis, not corporate, since we do not have stock that is traded on the stock exchange). All of these options are a cash outlay for a small independent operator such as Sandlin Oil Corporation.

Under Rule 502.b (1), an operator may seek a variance from these financial assurance requirements.

Sandlin Oil Corporation has discussed this issue with its banking institution and has been advised an Open Ended or Perpetual Letter of Credit in the amount of \$30,000 can be provided to the Oil and Gas Conservation Commission on behalf of Sandlin Oil Corporation to satisfy the additional financial surety in the amount of \$30,000.

Further testimony can be provided at the hearing if needed.

Dated this 17th day of May, 2011.

ATTEST:

Kathie D. Sandlin
Kathie D. Sandlin
Secretary

SANDLIN OIL CORPORATION

Gary Sandlin
Gary Sandlin
President