



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

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



NMOCD - OGA 04-01

IN THE MATTER OF RICHARDSON OPERATING COMPANY,
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"), the Director of the Oil Conservation Division ("OCD") issues this Order to RICHARDSON OPERATING COMPANY ("Richardson"), to enforce the Act and the OCD Rules.

FINDINGS:

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Richardson is a corporation incorporated in Colorado and authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") SCC number 1469584.
3. According to PRC records, Richardson is an active corporation in good standing with a principal and mailing address in Colorado of 1700 Lincoln, Suite 1700, Denver, Colorado 80203, and a Principal address in New Mexico of 3100 La Plata Hwy, Farmington New Mexico 87401.
4. On May 23, 2003, OCD Deputy Inspector, Bruce Martin, discovered that Richardson's Salty Dog SWD Well No. 2 (API No. 30-045-30812), located in the NW/4 SE/4 (Unit Letter J) of Sec-5-T29N-R14W, San Juan County, New Mexico, was operating in violation of OCD order SWD 811-0. Deputy Inspector Martin observed that the electrical wiring from the pressure-limiting device, a Murphy pressure switch, was disconnected. If the pressure-limiting device had been connected it

would have been ineffective because the shutdown pressure was set to 1700 psi instead of the maximum permitted injection pressure of 1300 psi.

5. Deputy Inspector Martin contacted Richardson Operations Manager, Drew Carnes, and notified him that Richardson was in violation of injection permit SWD-811-0. Mr. Tom Bergin arrived, reconnected the wiring, and reset the kill switch to the permitted pressure.
6. The history of previous permit violations on this well includes the following:
 - a. On November 12, 2002, Deputy Inspector Martin, while inspecting the Salty Dog SWD Well No. 2 observed that injection pressure was 1080 psi: the pressure-limiting device was set to 1050 psi, but the injection pump was running, even though the pressure-limiting device was signaling the pump to stop. Deputy Inspector Martin contacted Richardson representative, John Durham, and notified him that Richardson was in violation of permit SWD-811-0. Mr. Durham shut down the pump and stated that he would bring the facility back into compliance. Deputy Inspector Martin gave verbal approval to resume injection after these violations were addressed.
 - b. On November 14, 2002, when Deputy Inspector Martin revisited the Salty Dog SWD Well No. 2 to verify compliance, he observed that the injection pressure was 1100 psi, the pressure reading on the pressure-limiting device was 1680 psi, the pressure setting on the pressure-limiting device to shut down the pump was set to more than 2000 psi, and the ball valve to the pressure-limiting device was closed. Deputy Inspector Martin contacted John Durham and notified him that Richardson was still in violation of their injection permit. Deputy Inspector Martin directed that Richardson shut in the well until they could fully meet all of the permit requirements. Mr. Durham arrived, shut off the pump, and locked the wellhead closed. Deputy Inspector Martin called Richardson Operations Manager, Drew Carnes, and informed him that this was the second occurrence of this violation within 48 hours.
7. OCD Rule 701. A. [19.15.9.701.A NMAC] prohibits injection of water into any formation for the purpose of disposal except in accordance with an OCD permit.

CONCLUSIONS:

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Richardson is a "person" as defined by OCD Rule 7.P (19.15.1.7.P NMAC).
3. Richardson has allowed its Salty Dog SWD Well No. 2 to operate as an injection well in excess of permitted pressure and without a functioning and properly set shut-off device on at least three (3) separate occasions.
4. OCD contends that Richardson's actions were knowingly and willfully done. Richardson denies this, but by acceptance of this order agrees to comply with the terms of this order and to pay the penalty assessed herein in settlement regardless of whether or not its acts were knowing or willful.

COMPLIANCE ORDER:

Richardson shall regularly monitor the Salty Dog SWD Well No. 2 to ensure that the injection pressure does not exceed the requirements of Permit SWD 811-0, and that the pressure monitoring and shut-off devices are correctly set and properly functioning. Failure to do so shall be grounds for cancellation of the permit.

CIVIL PENALTY:

NMSA 1978, Section 70-2-31.B (as amended) authorizes the assessment of civil penalties of up to one thousand dollars (\$1,000) per day per violation against anyone who knowingly and willfully violates the Oil and Gas Act or any rule adopted pursuant to that act. Having considered the nature of the above-described violations and the repetition thereof over an extended period, the response of Richardson and extenuating circumstances deemed relevant, the Division hereby assesses a civil penalty against Richardson in the amount of One Thousand Dollars (\$1,000). Richardson shall pay this penalty by remittance to "Director - Oil Conservation Division - Energy, Minerals and Natural Resources Department of the State of New Mexico." Payment shall be due not later than thirty (30) days after service upon Richardson of a fully executed copy of this Order.

3/25/04
DATE

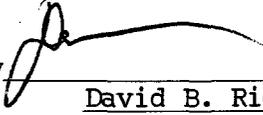
By *Lori Wrotenbery*
LORI WROTENBERY, Director
Acting

ACCEPTANCE

Richardson Operating Company hereby accepts the above and foregoing Order No. NMOCD - OGA 04-01, and agrees to all of the terms and provisions therein set forth.

Dated 03/17/, 2004

RICHARDSON OPERATING COMPANY

By 

David B. Richardson

Its President