

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

NMOCD-OGA-04-___

34-SF

**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"), 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 ("OCD") issues this Order to Richardson Operating Company ("Richardson") 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. Richardson is a Colorado corporation doing business in New Mexico, registered with the Public Regulatory Commission under number 1469584. Richardson is an active entity with a principal New Mexico address at 3100 La Plata Hwy, Farmington New Mexico 87401 and mailing address at 4601 DTC Blvd Ste 470, Denver, Colorado 80237. Its registered agent for service of process in New Mexico is CT Corporation System 123 East Marcy Santa Fe New Mexico 87501.
3. On August 2, 2004, New Mexico Oil Conservation Division (OCD) Deputy Inspector Bruce Martin found that Harpole Construction Company (Harpole) was disposing of produced water on access roads and well locations operated by Richardson.
4. An OCD investigation of the sites and review of relevant documents established the following facts:
 - a) At the direction of Richardson personnel, Mike Folk and Tom Bergin, Harpole removed eight (8) sixty (60) barrel loads of produced water from the Richardson NV Navajo #27 well site and disposed of those loads on several different Richardson well locations and access roads.
 - b) A check of the "H2O Daily Log" for Harpole's water truck for July 31, 2004, and August 2, 2004, shows a total of eight loads of produced water transported by Harpole and disposed on the roads six (6) times on July 31, 2004, and two (2) times on August 2, 2004.

- c) Harpole did not hold a valid C-133, Authorization to Move Produced Water.
- d) Produced water was disposed of on the ground at six well sites and access roads in Sections 26, 35, and 36, all in Township 29 North, Range 14 West.
- e) OCD Rule 709.C. reads, "No owner or operator shall permit produced water to be removed from its leases or field facilities by motor vehicle except by a person possessing an approved form C-133."
- f) OCD Rule 710.A. reads in pertinent part, "No person, including any transporter, may dispose of produced water on the surface of the ground . . ."
- g) Richardson violated Rule 709.C. because it permitted produced water to be removed from its field facilities by a person who did not possess a C-133.
- h) Richardson violated Rule 710.A. because it disposed of produced water on the ground.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Richardson is a person as defined by NMSA 1978, Section 70-2-33(A) subject to civil penalties under NMSA 1978, Section 70-2-31(A) for knowing and willful violations of the Oil and Gas Act or OCD Rules.
3. Richardson is subject to civil penalties under NMSA 1978, Section 70-2-31(A) for violating OCD Rule 709.C's prohibition against allowing produced water to be removed from its facilities by a person who does not have a C-133. This violation occurred for two days.
4. Richardson is subject to civil penalties under NMSA 1978, Section 70-2-31(A) for violating OCD Rule 710.A's prohibition against the disposal of produced water on the surface of the ground because it disposed of produced water on six well sites and access roads. This violation occurred for two days.
5. Richardson has filed a C-141 for the releases and no further remedial action will be required on the access roads or well sites.

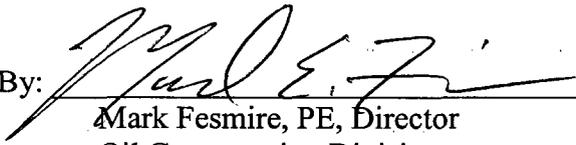
ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling four thousand dollars (\$4,000) against Richardson.
2. The civil penalty shall be paid within sixty days of receipt 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.

3. By signing this order, Richardson expressly:
- a. acknowledges the correctness of the Findings and Conclusions set forth in this order;
 - b. agrees to comply with ordering paragraph 2;
 - 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).

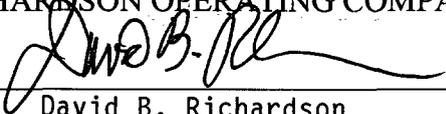
Done at Santa Fe, New Mexico, this 31st day of October ~~September~~ 2004.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Richardson Operating Company hereby accepts the foregoing order, and agrees to all of the terms and provisions set forth in the order.

RICHARDSON OPERATING COMPANY

By: 
David B. Richardson

Title: President

Date 10/26/04