

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 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 January 23, 2002, during an inspection of Richardson's Salty Dog SWD No. 1 (**API 30-045-29946**) (the "subject well"), located 1200 feet from the North line and 1380 feet from the East line (Unit 2) of Sec-01-T29N-R15W in San Juan County New Mexico, Deputy Inspector

Bruce Martin found that the injection pressure and pressure limiting device setting were in violation of OCD Administrative Order SWD-753.

5. An OCD investigation determined the following facts:
 - a. An initial mechanical integrity test was never conducted on the subject well.
 - b. Inspector Martin installed a gauge at the wellhead and verified that the pressure gauge at the pump was correct.
 - c. The gauge at the injection pump indicated that the well had been injecting at a pressure of 1250 psi.
 - d. The pressure-limiting device on the injection pump had been set at 1800 psi.
 - e. The maximum allowable injection pressure permitted for this well at that time was 405 psi, as set by OCD Administrative Order SWD-753.
 - f. Richardson was contacted, and the well was ordered shut-in.

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 operated the subject well without conducting the required mechanical integrity test.
4. Richardson operated the subject well above the maximum permitted injection pressure in violation of OCD Administrative Order SWD-753.
5. Richardson failed to monitor the devices designed to prevent violation of the maximum permitted injection pressure allowed by OCD Administrative Order SWD-753.

6. OCD contends that Richardson's actions were knowingly and willfully done. Richardson denies this, but by acceptance of this order agrees to pay the penalty assessed herein in settlement regardless of whether or not its acts were knowing or willful.

ORDER

Based on the foregoing findings and conclusions, Richardson is hereby ordered to take the following actions:

1. Conduct the required mechanical integrity test.
2. Take immediate steps to ensure that the pressure limiting devices are set and functioning as designed within the pressure limit now applicable to the subject well.

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, 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.

4-8-03
DATE

By Lori Wrotenbery
LORI WROTENBERY, Director

ACCEPTANCE

Richardson Operating Company hereby accepts the above and foregoing Order No.
03-02
NMOCD - OGA ~~02-02~~, and agrees to all of the terms and provisions therein set forth.

Dated 3/25/, 2002

RICHARDSON OPERATING COMPANY

By David B. Richardson
David B. Richardson, President