

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12704
ORDER NO. R-11672**

**APPLICATION OF TIFFANY GAS COMPANY, L.L.C. APPEALING ORDER
ASSESSING A CIVIL PENALTY, SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 9, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of October, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) On May 31, 2001, the New Mexico Oil Conservation Division (NMOCD), upon the recommendation of the supervisor of the Division's Aztec District Office ("Aztec Office"), issued an "*Order Assessing a Civil Penalty*" (Order No. NMOGA 01-2) against Tiffany Gas Company, L.L.C. ("Tiffany"), for filing a false bradenhead test report ("2000 test report") for its Navajo "18" Well No. 3 (**API No. 30-045-20299**) located 1155 feet from the North line and 2475 feet from the East line (Unit B) of Section 18, Township 29 North, Range 16 West, NMPM, San Juan County, New Mexico. The "*Order Assessing a Civil Penalty*" levied a fine in the amount of \$1,000.00 against Tiffany for this violation.

(3) Pursuant to the provisions of Order No. NMOGA 01-2, Tiffany, being the applicant in this case, has exercised its right to a hearing in this matter, and seeks to set aside Order No. NMOGA 01-2.

(4) A representative of the Aztec Office appeared at the hearing and offered testimony in this case. In addition, legal counsel and a witness for Tiffany appeared and testified at the hearing by telephone.

(5) The evidence presented in this case demonstrates that:

(a) the Navajo "18" No. 3 was drilled in 1968 by W. C. Imbt. The well was drilled to a total depth of 824 feet, and was completed in the open-hole interval from 815 feet to 824 feet in the Hogback-Dakota Pool;

(b) the well is constructed as follows:

<u>Casing Size</u>	<u>Depth Set</u>	<u>Cement</u>
7.0 inch	96 feet	10 sacks
4.5 inch	816 feet	50 sacks

(c) the Navajo "18" No. 3 is not equipped with a bradenhead valve on the surface/production casing annulus. The well is equipped with a surface valve on the production casing; and

(d) the Navajo "18" No. 3 is currently owned and operated by Tiffany, and is currently producing from the Hogback-Dakota Pool.

(6) By memorandum dated December 15, 1999, the Aztec Office ordered Tiffany, as well as other operators in the San Juan Basin, to conduct a bradenhead test on wells located within a certain area of the basin, which included the Navajo "18" No. 3. Pursuant to the directives contained within the memorandum, the bradenhead test was to be conducted by November 1, 2000, and the results of the test were to be provided to the Aztec Office within 30 days of the completion of the test.

(7) The purpose of a bradenhead test is to ascertain the mechanical integrity of a well by detecting leaks or pressure buildups within the various casing strings.

(8) A bradenhead test cannot be conducted on a well unless the well is equipped with bradenhead valves at the surface.

(9) On June 28, 2000, the Aztec Office received the completed 2000 test report from Tiffany for the Navajo "18" No. 3. The 2000 test report indicated that the well was producing, and noted the following test data:

Tubing Pressure:	20
Intermediate:	N/A
Casing Pressure:	45
Bradenhead:	0

(10) The Aztec Office testified that given the current mechanical configuration of the Navajo "18" No. 3, it is not possible to obtain a bradenhead pressure on the well.

(11) The Aztec Office further asserts that Tiffany intentionally and knowingly filed the 2000 test report containing material false information.

(12) Tiffany submitted as evidence an affidavit from Mr. Jimmy D. Hicks ("Mr. Hicks"), a contract pumper for the Navajo "18" No. 3. In addition, Mr. Hicks testified at the hearing.

(13) Mr. Hicks testified that:

- (a) since 1986, he is the person responsible for filing the bradenhead test report for the Navajo "18" No. 3;
- (b) on at least two occasions since 1986, he has spoken with various Aztec Office personnel and advised them that the Navajo "18" No. 3 was not equipped with a bradenhead. Two individuals previously employed as field inspectors with the Aztec Office advised Mr. Hicks that it was acceptable to file the test report showing "0" pressure on the bradenhead;
- (c) the Navajo "18" No. 3 is not equipped with tubing and in the past, he has reported that the tubing and casing pressures on the well were identical; and
- (d) it was simply a mistake on his part that the 2000 test report showed a tubing pressure of 20 and a casing pressure of 45.

- (14) The evidence presented in this case demonstrates that:
- (a) a bradenhead test report for the Navajo "18" No. 3 was filed by Mr. Hicks on four separate occasions in 1991, 1994, 1997 and 2000;
 - (b) on all four test reports, a pressure of "0" was shown on the bradenhead;
 - (c) the Aztec Office accepted the bradenhead test reports for 1991, 1994 and 1997 for the Navajo "18" No. 3, apparently with the knowledge that the well was not equipped with a bradenhead;
 - (d) the Aztec Office, prior to 2000, did not advise Mr. Hicks that the bradenhead test reports for 1991, 1994 and 1997 were filed with inaccurate data; and
 - (e) on separate occasions prior to 2000, Aztec Office personnel may have actually advised Mr. Hicks that it was acceptable to file the test reports showing "0" pressure on the bradenhead.

(15) The evidence presented by both parties in this case demonstrates that Tiffany's 2000 test report contains data that is not accurate.

(16) The evidence further demonstrates however, that Tiffany's filing of the 2000 test report with inaccurate data appears to be a result of miscommunication and/or misinformation between Tiffany and the Aztec Office, rather than an intentional act by Tiffany to willfully and knowingly file false information.

(17) The "*Order Assessing a Civil Penalty*" (No. NMOGA 01-2) against Tiffany should be set aside.

(18) Tiffany should consult with the Aztec Office in order to ascertain the proper method and procedures for conducting and reporting bradenhead tests in the San Juan Basin in order that these tests may be conducted and reported properly in the future.

IT IS THEREFORE ORDERED THAT:

(1) The “*Order Assessing a Civil Penalty*” (No. NMOGA 01-2) issued by the New Mexico Oil Conservation Division upon the recommendation of the supervisor of the Division’s Aztec District Office against Tiffany Gas Company, L.L.C., for filing a false bradenhead test report for its Navajo “18” Well No. 3 (API No. 30-045-20299) located 1155 feet from the North line and 2475 feet from the East line (Unit B) of Section 18, Township 29 North, Range 16 West, NMPM, San Juan County, New Mexico, is hereby set aside.

(2) Tiffany Gas Company, L.L.C. shall consult with the Aztec District Office in order to ascertain the proper method and procedures for conducting and reporting bradenhead tests in the San Juan Basin in order that these tests may be conducted and reported properly in the future.

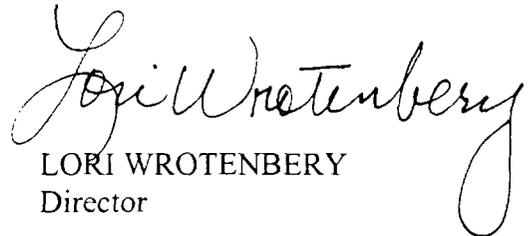
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director