

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

NMOCD - OGA 03-01

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 June 13, 2002, New Mexico Oil Conservation Division (OCD) Deputy Inspector, Bruce Martin, found that produced water had been discharged on the surface at location of Richardson's Navajo 13 Well No. 1 (API # 30-045-30652), in the NE/4 NE/4 (Unit A) of Section 13, Township 29N, Range 14W, San Juan County New Mexico.
5. An OCD investigation determined the following facts:
 - a. Richardson holds a valid C-133 (Authorization to Move Produced Water) permit approved on 02/12/02.
 - b. Mr. Jose Soleto stated, during a telephone conversation on June 14, 2002 with Deputy Inspector Martin, that Tony (Watonna) Racawan was the driver hauling water to the Navajo 13 #1 location on the date in question.
 - c. During a personal interview on June 20, 2002, Mr. Watonna Racawan, a water truck driver for Richardson, stated that he had discharged produced water on the location and road for maintenance in the amount of about twenty "drums" (barrels) in the afternoon. He did not recall the date. Richardson's "H2O Daily Log" lists June 12, 2002 as the date produced water from Richardson's Navajo 13 Well No. 2 (API # 30-045-30653), located in the SW/4 NW/4 (Unit E) of Section 13, Township 29N, Range 14W, was discharged at the Navajo 13 #1 location in the afternoon.
 - d. Mr. Racawan stated he had used the water on his own initiative and that this was the first time he had used produced water for road maintenance.

- e. Jose Sotelo, Mr. Racawan's supervisor, who was also present at the interview, stated that "good" water would normally be used for compaction and that he was unaware of produced water being used on locations or roads.
 - f. A subsequent check of the "H2O Daily Log" for Richardson's two water trucks starting June 1, 2002 shows a total of seven additional instances of produced water being used for maintenance on location roads by Mr. Racawan's truck Unit #1 and one instance by the Unit #12 truck during the month of June.
 - g. The discharge of produced water on roads is listed in the Daily Log four times on June 5, 2002, twice on June 6, 2002, one time on June 9, 2002 and one time on June 11, 2002, plus the instance on June 12, 2002.
6. OCD Rule 710. A. [19.15.9.710.A NMAC] reads:
- No person, including any transporter, may dispose of produced water on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies.
7. OCD Rule 710.C. [19.15.9.710.C NMAC] reads:
- The supervisor of the appropriate district office of the Division may grant temporary exceptions to Paragraph A. above for emergency situations, for use of produced water in road construction or maintenance, or for use of produced waters for other construction purposes upon request and a proper showing by a holder of an approved Form C-133 (Authorization to Move Produced Water).
8. OCD Rule 710.D [19.15.9.710.D NMAC] reads:

Vehicular movement or disposition of produced water in any manner contrary to these rules shall be considered cause, after notice and hearing, for cancellation of Form C-133.

9. Richardson did not have permission from the District Supervisor or his representative to use produced water for roads or locations.
10. Richardson has agreed to conduct a training program for its employees regarding the proper handling and disposition of produced water.

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 personnel used produced water for road and location maintenance in violations of the above-cited rules on at least eight (8) 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 pay the penalty assessed herein in settlement regardless of whether or not its acts were knowing or willful.

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 Seventy-Five Hundred Dollars (\$7,500). 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

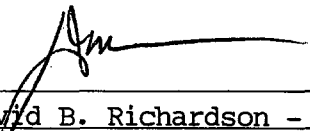
By 
~~LORI WROTENBERY~~, Director
Acting

ACCEPTANCE

Richardson Operating Company hereby accepts the above and foregoing Order No. NMOCD - OGA 03-01, and agrees to all of the terms and provisions therein set forth.

Dated 03/17, 2004

RICHARDSON OPERATING COMPANY

By 
David B. Richardson - President

Its _____