



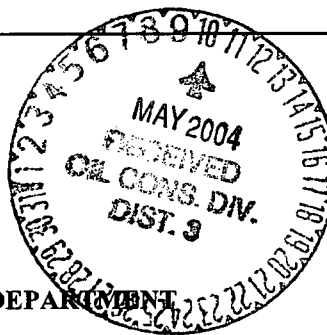
NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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 04-02

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 July 3, 2003, OCD Deputy Inspector, Bruce Martin, discovered that Richardson's Navajo H Well No. 13 (API No. 30-045-08280), located in the NE/4 SW/4 (Unit Letter K) of Sec-13-T29N-R14W, San Juan County, New Mexico, was operating in violation of OCD order SWD 215 as amended by IPI 178. Deputy Inspector Martin observed that the high pressure Murphy kill switch (pressure-limiting device) was broken and reading 0 psi injection pressure.

5. Deputy Inspector Martin installed a gauge on the discharge line at the wellhead and it read 600 psi. The pressure-limiting device was ineffective because the shutdown pressure was set to 1000 psi instead of the maximum permitted injection pressure of 550 psi.
6. Deputy Inspector Martin contacted Richardson representative, John Durham, and notified him that Richardson was in violation of its injection permit. Mr. Durham arrived shortly thereafter and tried to fix the pressure-limiting device. Deputy Inspector Martin directed Mr. Durham to discontinue injection until the pressure-limiting device and discharge pressure were in compliance with the permit.
7. The history of previous permit violations on this well includes the following:
 - a. On December 3, 2002, Deputy Inspector Martin observed that the pressure-limiting device was inoperative due to a closed isolation valve and that the pressure-limiting device was set 50 psi above maximum permitted pressure. Richardson representative, Kenny Whithorn, was called, and he made adjustments. Injection was allowed to resume.
 - b. On November 20, 2002, Deputy Inspector Martin observed that the pressure-limiting device was broken in that the pin on the shutoff arm was missing. The pressure-limiting device was set to 1600 psi. The Richardson representative at the site was told to replace the switch before resuming injection.
 - c. On September 19, 2002, Deputy Inspector Martin observed that the pressure-limiting device was set to 650 psi.
 - d. On January 25, 2002, Deputy Inspector Martin observed that the pressure-limiting device was broken. Richardson representative, John Whistler, was called and told to replace switch before resuming injection.
8. 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.
9. OCD Rule 704.B. [19.15.9.704.B NMAC] provides (in pertinent part):

Monitoring - Injection wells shall be so equipped that the injection pressure . . . may be determined at the wellhead

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 Navajo H Well No. 13 to operate as an injection well in excess of permitted pressure and without a functioning monitoring device or shut-off device on at least four (4) 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 hereof 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 Navajo H Well No. 13 to ensure that the injection pressure does not exceed the requirements of Permit SWD 215, as amended, 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 Four Thousand Dollars (\$4,000). 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.

2-23-04
DATE

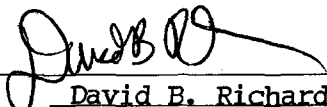
By 
LORI WROTENBERY, Director

ACCEPTANCE

Richardson Operating Company hereby accepts the above and foregoing Order No. NMOCD - OGA 04-02, and agrees to all of the terms and provisions therein set forth.

Dated Feb 16, 2004, 2004

RICHARDSON OPERATING COMPANY

By 
David B. Richardson
Its President