

Davidson, Florene, EMNRD

From: Herrmann, Keith, EMNRD
Sent: Thursday, March 24, 2016 4:49 PM
To: Goetze, Phillip, EMNRD
Cc: McMillan, Michael, EMNRD; Jones, William V, EMNRD; Davidson, Florene, EMNRD; Bob.stranahan@gknet.com
Subject: OCD Case 15475

Mr. Goetze,

The OCD Compliance and Enforcement Bureau respectfully requests a continuance of OCD Case 15475 to the April 14, 2016, Examiner hearing docket. Counsel for Siana concurs with to this request.

Thanks

Keith Herrmann
Office of the General Counsel
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From: Stranahan, Bob A. [mailto:bob.stranahan@gknet.com]
Sent: Thursday, March 24, 2016 4:40 PM
To: Herrmann, Keith, EMNRD
Subject: RE: New Mexico C-115

Keith,

I am writing you as counsel for Siana Oil L.L.C. to confirm that Siana agrees to remain shut-in and confirm our agreement regarding the continuance of the hearing so we may continue discussions on outstanding issues.

Respectfully,

Bob Stranahan
Counsel for Siana Oil Company L.L.C.

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From: Herrmann, Keith, EMNRD [<mailto:Keith.Herrmann@state.nm.us>]
Sent: Wednesday, March 23, 2016 5:21 PM
To: Mark Crosswell
Cc: Tom Ragsdale; Stranahan, Bob A.; Sanchez, Daniel J., EMNRD; Griswold, Jim, EMNRD
Subject: RE: New Mexico C-115

Mark,

Upon review of Siana's injection permits, we discovered several instances of missing or incomplete information. These also need to be resolved prior to settling this case.

The APD Federal has no information regarding the bridge plugs and the perforations were put in the location described in the permit. These issues would be resolved by plugging and abandoning per the SLO's request.

The Curry federal has an additional 900' of perforations that upon review, indicate it is injecting out of interval. The additional perforations will have to either be plugged, or Siana will have to reapply for injection authority to allow for the actual interval.

We also reviewed some of the sites and discovered additional releases for the Curry States #1, and #5. If it is your intention to P&A the #1, we will not need a C-141, as the clean-up is part of the P&A process, but the #5 has a release that will need to be addressed by the C-141 process.

At the moment, I am still preparing to go to hearing on the 3/31 because I'm not sure we will be able to resolve this by tomorrow when prehearing statements are due. However if Siana agrees to remain shut-in, I would agree to a continuance so we may continue discussions. Please let me know how you would like to proceed tomorrow.

Thanks
Keith

From: Mark Crosswell [<mailto:mcrosswell@sianaoil.com>]
Sent: Wednesday, March 23, 2016 11:31 AM
To: Herrmann, Keith, EMNRD; Sanchez, Daniel J., EMNRD
Cc: Tom Ragsdale
Subject: RE: New Mexico C-115

Keith

Attached is the signed ROE for your files. We discussed a changing the OCD settlement to one that is not linked to the state land office as they do not appear to want to grant us a lease. Do you have any other ideas. We are working with Commissioner Dunn, but that may take a while and just did not want it to slow us down. He wants about \$300,000 by Friday and that simply cannot happen and I am not sure how he will respond. I have attached a letter from SLO that outlines his demands.

Tell Jim Griswold that from an environmental standpoint we are moving fast and have requested a delineation work plan to submit to you guys as soon as possible. I have talked to our contractor already twice today.

Please let me know how you want to proceed.

From: Herrmann, Keith, EMNRD [<mailto:Keith.Herrmann@state.nm.us>]
Sent: Wednesday, March 16, 2016 12:01 PM
To: Mark Crosswell <mcrosswell@sianaoil.com>; Sanchez, Daniel J., EMNRD <daniel.sanchez@state.nm.us>

Cc: Lannie Stimson <lstimson@banksinfo.com>

Subject: RE: New Mexico C-115

Mark,

Before we reinstate Siana's injection and transportation authority, we will need to resolve the outstanding compliance issues that we discussed last Monday. To resolve these issues, I propose the following settlement offer.

Within 30-days, Siana must:

1. File a sundry notice to return the Curry State No. 1 to compliance with OCD Rule 19.15.25.8 NMAC;
 - a. If Siana chooses to plug and abandon the Curry State No. 1, that it be done in accordance with OCD rules and approvals;
 - b. Work on well shall commence no later than 60 days after the sundry is filed;
2. Siana shall address releases in accordance with a remediation plan submitted to and approved by the division or with an abatement plan submitted in accordance with 19.15.30 NMAC within 30 days in accordance with 19.15.30 NMAC;
3. Pay a civil penalty of \$1,000 per day for 19 days from February 19 to March 9, for violating the directive in the OCD's letter revoking Siana's authority to transport and inject, for a total of \$19,000;
4. Pay a civil penalty of \$1,000 per day for any missed deadlines or requirements specified in a settlement agreement.

In return, the OCD will:

1. Dismiss the claims in the March 31 OCD hearing for violating OCD rules 19.15.7.24 NMAC (reporting violations), 19.15.20 NMAC (transporting without an allowable), 19.15.26 NMAC (injecting without authority), 19.15.29 NMAC (release notification violations), and NMSA 1978 section 70-2-32 for sale of illegal oil, 19.15.25.8 for failing to plug the Curry State No. 1, and agree not to pursue civil penalties through an action in district court;
2. Reinstate Siana's injection and transportation authority.

This is contingent on Siana getting an access agreement in place with the SLO to perform the required remediation of the APD Federal No. 1, and Siana must also comply with all other state and federal laws regarding injection practices, including obtaining a valid lease from the State Land Commissioner to operate the APD Federal No. 1. If no lease is granted, Siana will be required to plug and abandon the well in accordance with 19.15.25.8 NMAC within 60 days of the suspension of activity.

If this is acceptable, please let us know ASAP. I strongly recommend you consult your own attorney before you enter into a binding settlement agreement. I represent the OCD in this matter and cannot provide you legal advice, and you cannot substitute my opinion for legal advice from your own attorney.

Sincerely

Keith Herrmann

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Keith.Herrmann@state.nm.us

From: Mark Crosswell [<mailto:mcrosswell@sianoil.com>]

Sent: Tuesday, March 15, 2016 11:49 AM

To: Sanchez, Daniel J., EMNRD

Cc: Herrmann, Keith, EMNRD; Lannie Stimson

Subject: New Mexico C-115

Dear Daniel,

It is my understanding that we are now caught up on all C-115 (incl Jan 2016). We now wish to restore our transportation and injection authority for all wells except for the APD well that has the other issues.

Please advise what else we need to do to get that authority reinstated. I have copied Lannie Stimson who helped file those reports.

Thanks

Mark Crosswell

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