

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

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**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST SIANA OPERATING, LLC FOR WELLS OPERATED IN LEA
COUNTY, NEW MEXICO.**

2015 APR -7 P 4: 23

CASE NO. 15475

PRE-HEARING STATEMENT

Applicant Oil Conservation Division ("OCD" or "Division") is seeking an order declaring:

1. That operator Siana Operating, LLC ("Siana" or "Operator") is out of compliance with OCD Rules 19.15.7.24, 19.15.20, 19.15.25.8, 19.15.26, 19.15.29, and NMSA 1978, § 70-2-32;
2. That Operator must comply with the conditions set forth below and with all OCD Rules within 30 days of the issuance of a division order. Specifically, Siana must:
 - a. File any and all missing C-115 reports;
 - b. File a sundry notice to return the Curry State No. 1 well to compliance with OCD Rule 19.15.25.8 NMAC, and:
 - i. If Operator chooses to plug and abandon the Curry State No. 1, that it be done in accordance with OCD rules and approvals;
 - ii. That work on well shall commence no later than 60 days after the sundry notice is filed;
 - c. That Operator shall address all releases in accordance with a remediation plan submitted within 30 days, and approved by the Division, or, with an abatement plan submitted in accordance with 19.15.30 NMAC;
 - d. If the APD Fed. No. 1 well is to be plugged and abandoned, that a sundry notice be filed within 30 days of the SLO granting access to the site, and work commenced no later than 60 days after the sundry notice is filed;
 - e. If the APD Fed. No. 1 is returned to injection, that Operator must verify packer setting;
 - f. The Curry Federal well has 900' of additional perforations that must either be applied for and approved, or squeezed off to prevent injection out of interval;
3. If Operator does not comply with the Division order, finding that Operator is out of compliance with a Division order, and the division declare all violating wells abandoned, and authorize the OCD to plug and abandon Operator's wells and recover costs from Operator in accordance with OCD Rule 19.15.8.13 NMAC.

The OCD supports the approval of the compliance order because of the following:

1. Notice of Hearing was properly served as required by 19.15.4.9 and 19.15.4.10 NMAC.
2. As of February 19, 2016, pursuant to 19.15.7.24 NMAC, Operator's authority to transport from and inject into wells was revoked by the OCD for failure to provide required monthly production reports after July 2015.
3. Between February 19, 2016 and March 9, 2016, OCD inspectors, as well as representatives from the Bureau of Land Management ("BLM") and the New Mexico State Land Office ("SLO"), witnessed continued injections and transportation activities on Operator's wells.
4. In response to Operator's continued injection and transportation activities after the February 19, 2016 revocation of authority to inject and transport, the OCD issued Emergency Order E-41, requiring Operator to shut-in all wells immediately.
5. During inspection, the OCD found evidence of unauthorized and unreported releases of oil, produced water, condensate or oil field waste, or other field related chemicals, contaminants, or mixtures of chemicals or contaminants at multiple well sites.
6. Despite initial reports by the SLO on September 28, 2015 of releases at APD Fed. No. 1, Operator did not report releases to OCD until January 11, 2016, at which time it falsely reported only a 2 bbls release of fluid;
7. Additional releases at Operator's sites were not reported until March 9, 2016.
8. Operator has not submitted a Division-approved remediation or abatement plan to address releases in violation of 19.15.29.11 and 19.15.30 NMAC.
9. Operator has one well in Temporary Abandonment status that Operator has not properly plugged or abandoned in violation of 19.15.25.8 and 19.15.25.12 NMAC.
10. Further review of Operators injection permits revealed that the APD Fed. No. 1 is missing required documentation to verify the packer setting; and
11. The Curry Federal well currently has 900' of additional perforations for which the OCD has no record of any request to increase the injection interval. These additional perforations need to either be applied for and approved, or squeezed off to prevent injection out of interval.

PETITIONERS'S PROPOSED EVIDENCE

WITNESS: ESTIMATED TIME: 15 minutes
Daniel Sanchez, NMOCD Compliance & Enforcement Manager
Testimony on compliance with OCD Rules.

WITNESS: ESTIMATED TIME: 15 minutes
Kellie Jones, NMOCD District 1 Environmental Specialist
Testimony on condition of subject well sites and compliance with OCD rules.

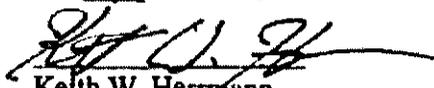
WITNESS: ESTIMATED TIME: 15 minutes
Tomas Oberding, NMOCD District 1 Environmental Specialist
Testimony on condition of subject well sites and compliance with OCD rules.

WITNESS: ESTIMATED TIME: 15 minutes
Amber Groves, New Mexico State Land Office District Resource Specialist
Testimony on condition of subject well sites.

PROCEDURAL MATTERS

None.

Respectfully submitted
this 7 day of April, 2016 by

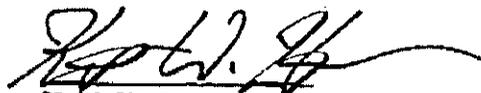


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Attorney for the Oil Conservation Division
Compliance and Enforcement Bureau

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was sent electronically to the following party on April 7, 2016:

Robert A. Stranahan, IV
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Keith W. Herrmann