

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

RECEIVED OCD

OIL CONSERVATION DIVISION

2016 APR 22 P 2:45

**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**

**PRE-HEARING STATEMENT**

Applicant, Oil Conservation Division (hereinafter "OCD") is seeking an order declaring that Siana Operating, LLC (hereinafter "Siana") is out of compliance with OCD Rules and New Mexico law. Siana asserts that many of the alleged violations have been addressed and suggest that the progress made regarding a possible settlement is moving forward. Siana has been responsive to OCD's requests and are working diligently towards completing outstanding issues. Siana asserts that a compliance order is not necessary going forward and may actually hamper Siana's efforts towards compliance, however, if this tribunal determines that a compliance order is necessary then Siana would request an order acknowledging Siana's accomplishment of certain OCD requested compliance tasks, acknowledging Siana's ongoing efforts towards compliance, and recognizing that certain OCD compliance requirements necessitate an agreement between the State Land office and Siana, thus time requirements regarding those issues should be stayed pending an agreement between SLO and Siana. The following compliance issues have been resolved;

1. Siana has filed all missing C-115 forms.
2. Siana has addressed all releases and sent delineation plans to OCD.

The following Compliance issues are currently being addressed;

1. Siana is in the process of identifying the multiple owners of the Curry State #1 so that they can properly file the sundry notice for a workover or plug and abandon the well, this will require agreement between the multiple owners.
2. Siana and the State Land office have been unable to come to an agreement regarding APD Federal #1. The State Land office has demanded that the well be plugged and abandoned and reclamation move forward to address alleged releases. However, the State Land Office has required upfront monies as a non-negotiable condition of operation or reclamation. As the requested monies exceed the current operating capital available to Siana and proposed payments plans have been summarily denied, Siana is

- unable to offer this tribunal a reasonable course of action regarding APD Federal #1.
3. Siana agrees to verify the packer setting on APD Federal #1, in the event it is returned to operational status.
  4. Siana is in the process of applying for an extension on the additional nine hundred feet of the Curry Federal well. Siana's subcontractor on this matter has been in continual contact with the BLM regarding this matter. However, the stalemate between Siana and the State Land office has effectively shut this process down pending resolution.

There exists a legitimate disagreement regarding Siana's operational activities during the period of February 19, 2016 and March 9, 2016; this disagreement directly affects the imposition of penalties regarding operations. Specifically, the OCD claims that it revoked Siana's authority to inject or transport for failure to provide required monthly production reports after July 2015. Siana does not agree with the assertion that ***all injection and transportation*** authority was revoked, they further contend that the OCD estimates regarding releases have been inflated.

Siana requests that any compliance order take into consideration the complexities regarding ongoing issues between Siana and the State Land office, and that said compliance order should not include a timeframe for completion, but should direct the State Land office to take the ***necessary and reasonable steps*** to promote and allow compliance, reclamation and payment of past due royalties over time, including but not limited to implementation of a reasonable payment plan regarding reclamation, penalty assessment and future operations.

#### **RESPONDANT'S PROPOSED EVIDENCE**

##### **WITNESS:**

**ESTIMATED TIME: 40 minutes**

Mark Crosswell, CFO Siana Operating, LLC

Testimony on Siana Operations and compliance.

##### **RECALL WITNESS:**

**ESTIMATED TIME: 40 minutes**

Thomas Oberding, NMOCD District 1, Environmental Specialist

Testimony on condition of well sites and compliance with OCD Rules.

### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing pleading was sent electronically to the following parties on April 22, 2016.

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