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State of New Mexico
Commissioner of Public Lands

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April 21, 2016

VIA HAND DELIVERY

Ms. Florene Davidson
Division Clerk
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, NM 87505

**Re: New Mexico State Land Office Pre-Hearing Statement
Case No. 15475**

Dear Ms. Davidson:

In accordance with Oil Conservation Division Rule 19.15.4.13(A), the Commissioner of Public Lands/New Mexico State Land Office hereby files two copies of its Pre-Hearing Statement for Case No. 15475.

Sincerely,

A handwritten signature in black ink, appearing to read "Miano", with a horizontal line extending to the right.

Michelle Miano
Associate Counsel

MM:js
cc: Allison Hedgecock, General Counsel
Enc. Pre-Hearing Statement (2 Copies)

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

2016 APR 21 A 9:34

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU
FOR THE PURPOSE OF CONSIDERING:

A COMPLIANCE ORDER AGAINST SIANA
OPERATING, LLC FOR WELLS OPERATED
IN LEA COUNTY, NEW MEXICO.

CASE NO. 15475

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by the Commissioner of Public Lands/New Mexico State Land Office as required by the Oil Conservation Division under 19.15.4.13 NMAC.

APPEARANCES OF PARTIES

APPLICANT

New Mexico Oil Conservation Division

APPLICANT'S ATTORNEY

Keith W. Herrmann

OPPONENT

Siana Operating, LLC

OPPONENT'S ATTORNEY

Robert A. Stranahan, IV

PARTY ENTITLED TO NOTICE

Commissioner of Public Lands/
New Mexico State Land Office

PARTY'S ATTORNEY

Michelle Miano

STATEMENT OF CASE

The Commissioner of Public Lands/New Mexico State Land Office ("SLO") supports the New Mexico Oil Conservation Division Compliance and Enforcement Bureau's ("OCD's") application for a compliance order against Siana Operating, LLC ("Siana") to: (1) determine

Siana's non-compliance with OCD rules 19.15.7.24 NMAC, 19.15.20 NMAC, 19.15.25.8 NMAC, 19.15.26 NMAC, 19.15.29 NMAC, and NMSA 1978, § 70-2-32; (2) require Siana's return to compliance with OCD rules; and (3) in the event of non-compliance with OCD's order, find Siana in violation of such order, declare the wells abandoned and authorize OCD to plug the violating wells in accordance with an OCD-approved plugging program, restore and remediate the location, recover costs from Siana's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

SLO supports the approval of a compliance order against Siana, particularly in the context of the APD Fed. No. 1 salt water disposal well, of which SLO is the surface owner at the well location. SLO surface inspections of the APD Fed. No. 1 well location uncovered widespread damage caused by Siana's salt water disposal operations, including leaking equipment, release and disposition of produced water, hydrocarbons and other contaminants, and pools of unknown fluids. SLO believes a compliance order issued by the OCD will be a critical step to remedy such damage, so that SLO may once again retain a leaseable parcel for its beneficiaries. As such, SLO requests OCD to order corrective action, particularly restoration and remediation of the surface damage at the APD Fed. No. 1 well location, to the full extent allowed under its authority.

Further, as SLO should be receiving a per barrel disposal fee from operations at the APD Fed. No. 1 salt water disposal well, it is in SLO's interest that Siana timely and accurately report all disposed of amounts to OCD.

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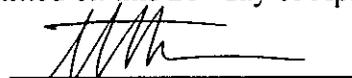
PROPOSED EVIDENCE

SLO relies on evidence presented by OCD, and requires no additional time to present expert witnesses.

PROCEDURAL MATTERS

No procedural matters need to be resolved.

Respectfully submitted on this 21st day of April, 2016,



Michelle Miano
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mmiano@slo.state.nm.us

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 21st day of April, 2016 by e-mail:

Keith W. Herrmann
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
Keith.Herrmann@state.nm.us

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Michelle Miano