

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

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

OCD CASE NO. 15475

AMENDMENT TO SETTLEMENT AGREEMENT

Pursuant to Section IV, paragraph 3 of the Settlement Agreement (the
“Agreement”) between Siana Operating, LLC, (“Operator” or “Siana”) and the Director
of the Oil Conservation Division (“Division” or “OCD”), both parties wish to amend the
Agreement to reflect mutually agreed upon modifications by entering into this
Amendment to Settlement Agreement (“Amendment”).

I. AMENDMENTS

1. Section III. Settlement Agreement paragraph 1. subparagraph c. is
amended as follows:

- c. Siana shall file a sundry notice to return the Curry State #001 to
compliance with 19.15.25.8 NMAC by October 5, 2016:
 - i. If Siana chooses to plug and abandon the Curry State No. 1, it
shall be done in accordance with OCD rules and approvals,
including the timeframes specified in 19.15.25 NMAC; or
 - ii. Siana shall commence work on the Curry State No. 1 no later
than 90 days after Siana files the sundry.

2. Section III. Settlement Agreement paragraph 1. subparagraph d. is
amended as follows:

- d. Siana shall address releases at the Blue Dunn #1, the Curry Federal #2, the Triple A Federal #2, the Newkumet Federal, and the Curry State #5 (collectively, "Sites) in accordance with a remediation or abatement plan Siana shall submit in accordance the following deadlines:
- i. Submit a work plan to delineate the Sites before close of business on September 30, 2016.
 - ii. Perform the field work detailed in the site specific work plan before close of business on December 2, 2016.
 - iii. Submit a field report to the OCD Environmental Bureau staff before close of business on January 2, 2017. If full delineation for any particular site is not achieved to the OCD's satisfaction, the OCD will notify Siana within five business days of receipt with additional requirements and revised deadlines to achieve full delineation.
 - iv. Submit a work plan for remediation or abatement as required by the OCD to address the releases in accordance with 19.15.29 and 19.15.30 NMAC as required, before close of business on February 2, 2017, which shall include a timeline by which Siana will complete the remediation or abatement. In the event ground water is not impacted at the site, the time to complete the remediation or abatement shall not exceed 90 days from commencement of remediation or abatement.

- v. Commence work to remediate or abate the Sites within one week of the Division's approval of the work plan.
- vi. Complete work on the Sites within 90 days.
- vii. Submit closure reports for the Sites within 30 days of completion of remediation or abatement.
- viii. The timeframe in subparagraph iv. is contingent upon ground water not being impacted on a site. If ground water is impacted, the 90-day timeframe in subparagraph iv. will not apply to the affected site and Siana shall include a timeline in the work plan for completion of remediation or abatement that is subject to OCD's approval. In the event OCD does not approve a timeframe under this Paragraph in which ground water is impacted, OCD shall, after reasonable efforts to reach a timeframe with Siana, set a reasonable timeframe for Siana using OCD's sole and reasonable judgment.

3. Section III. Settlement Agreement paragraph 1. subparagraph e. is amended as follows:

- e. Siana shall address the APD Federal #001 release in accordance with the following schedule:
 - i. Submit a work plan to delineate the site before close of business on September 30, 2016.
 - ii. Perform the field work detailed in the site specific work plan before close of business on December 2, 2016.

- iii. Submit a field report to the OCD Environmental Bureau staff before close of business on January 2, 2017. If full delineation for the site is not achieved to the OCD's satisfaction, the OCD will notify Siana within five business days of receipt with additional requirements and revised deadlines to achieve full delineation.
- iv. Submit a work plan for remediation or abatement as required by the OCD to address the releases in accordance with 19.15.29 and 19.15.30 NMAC as required, before close of business on February 2, 2017, which shall include a timeline by which Siana will complete the remediation or abatement. In the event ground water is not impacted at the site the time to complete the remediation or abatement shall not exceed 90 days from commencement of remediation or abatement.
- v. Commence work to remediate the site within one week of the Division's approval of the work plan.
- vi. Complete remediation or abatement work on the site within 90 days.
- vii. Submit a closure report within 30 days of completion of remediation or abatement.
- viii. The timeframe in subparagraph iv. is contingent upon the ground water not being impacted on site. If ground water is impacted, the 90-day timeframe in subparagraph iv. will not apply to the affected site and Siana shall include a timeline in the work plan for

completion of remediation or abatement that is subject to OCD's approval. In the event OCD does not approve a timeframe under this Paragraph in which ground water is impacted, OCD shall, after reasonable efforts to reach a timeframe with Siana, set a reasonable timeframe for Siana using OCD's sole and reasonable judgment.

- ix. If SLO imposes access restrictions, Siana and OCD agree to meet to amend this Agreement to address those restrictions which materially impacts Siana's ability to perform under this Agreement within 14 days of Siana having written notice of any access restrictions.
- x. Siana may include the information in the required plans and reports for the APD Federal #001 along with Siana's submittals for the Sites listed in Settlement Agreement paragraph 1. subparagraph d.

4. Section III. Settlement Agreement paragraph 2. subparagraph c. is amended as follows:

- c. Siana will pay a civil penalty of \$1,000 per day until compliance with the Agreement, and any amendments thereto, is achieved for each missed deadline or requirements specified in this Agreement, unless the OCD grants an extension in writing prior to the expiration of the deadline. OCD will not unreasonably withhold approval of reasonable extensions for good cause shown, provided Siana requests extensions five business days before the expiration of the deadline, and remains in

compliance with the other terms of the Agreement, the Act, and the rules promulgated in accordance with the Act.

5. Under the terms of the Agreement, as of August 10, 2016, Siana owes OCD a penalty amount of \$10,000. OCD agrees to stay \$9,000 of the \$10,000 penalty due and owing OCD, provided Siana satisfies all terms of this Amendment. Further, Siana will pay \$1,000 for violating the Agreement within 45 days of the execution of this Amendment. If Siana does not meet any of the new deadlines set forth in this Amendment, Siana shall pay the full \$10,000 as set forth in the August 10, 2016 demand letter (see *Exhibit 1* hereto) no later than 30 days after the missed deadline. The \$1,000/day penalty provision shall also apply. All other deadlines will remain unaffected.

6. In the event any one or more of the provisions in this Amendment or the Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Amendment or the Agreement.

7. This Amendment and the Agreement shall be governed by the laws of the State of New Mexico.

8. Any dispute, legal proceeding, or litigation arising in connection with this Amendment or the Agreement shall be brought in Santa Fe County, New Mexico and the parties consent to the jurisdiction of such courts.

9. This Amendment may be executed in counterparts, each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

10. Siana and OCD hereby agree the Agreement is hereby modified by this Amendment. Except as expressly modified herein, said Agreement shall remain unchanged and in full force and effect.

11. The effective date of this Amendment shall be the date of the signature of the last signatory to this Amendment.

Done at Santa Fe, New Mexico this 6th day of October, 2016.

By: David Catanach
David Catanach
Director, Oil Conservation Division

ACCEPTANCE

SIANA OPERATING, LLC. (OGRID No. 168687), operator of record of the wells identified in *Exhibit 1*, hereby accepts the foregoing Amendment to Settlement Agreement, and agrees to all of the terms and provisions as set forth in the Agreement as amended.

SIANA OPERATING, LLC.

By: H. Mark Crosswell
Name: H. Mark Crosswell
Title: CEO
Date: 9-26-2016

NEW MEXICO SPECIAL ASSISTANT ATTORNEY GENERAL, representing the Oil Conservation Division of the Energy, Minerals and Natural Resources Department, hereby accepts the foregoing Amendment to Settlement Agreement, and agrees to all of the terms and provisions as set forth in the Agreement as amended, and retains jurisdiction to enforce the Agreement as amended should the provisions not be complied with.

NEW MEXICO SPECIAL
ASSISTANT ATTORNEY GENERAL

By: Keith Herrman
Name: Keith Herrman
Title: Special Assistant Attorney General
Date: 10/6/2016

Exhibit 1: August 10, 2016 Demand Letter

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David Catanach, Division Director
Oil Conservation Division



August 10, 2016

Robert Stranahan
1314 ½ Madrid Rd.
Santa Fe, NM 87505
Certified Mail Return Receipt No. 7013 1710 0001 1211 7429

Siana Oil and Gas Co., LLC
12012 Wickchester Lane, Ste. 410
Houston, Texas 77079
Certified Mail Return Receipt No. 7013 1710 0001 1211 7436

Re: Siana Operating, LLC Violation of June 3, 2016 Settlement Agreement

Dear Messrs. Stranahan and Crosswell:

Siana Operating, LLC ("Siana") entered into a Settlement Agreement with the Oil Conservation Division ("OCD") on June 3, 2016. Siana has failed to comply with the terms of the Settlement Agreement. Pursuant to Section III.1.d of the Settlement Agreement, Siana agreed to address the releases at the Blue Dunn #1, the Curry Federal #2, the Triple A Federal #2, and the Curry State #5 well sites in accordance with a remediation or abatement plan submitted to the OCD. Pursuant to Section III.1.d.i of the Settlement Agreement, Siana agreed to delineate the releases at the above sites within 30 days of the OCD's approval of the delineation plans. The OCD approved the delineation plans on July 1, 2016. Therefore, Siana was required to complete delineation by July 31, 2016. As of today, the sites remain only partially delineated to a depth of 10 feet, and not as OCD required in its approval of the delineation plans to a concentration of 250 mg/kg of chlorides vertically and 800 mg/kg horizontally.

In Section III.1.c of the Settlement Agreement, Siana also agreed to file a sundry notice to return the Curry State #001 to compliance with 19.15.25.8 NMAC within 30 days of the execution of the Settlement Agreement. Siana agreed that it would commence work on the Curry State #001 no later than 90 days after it filed the sundry. On July 5, 2016, Siana requested an extension to file the sundry. OCD granted the requested 30-day extension and noted the new deadlines of August 5, 2016 for the sundry to be submitted and work to commence on November 7, 2016.

On August 5, 2016 the OCD received a request from Siana to extend the deadline to file the sundry notice to return the Curry State #001 to compliance with 19.15.28.8 NMAC. Upon review, the OCD cannot grant this extension as Siana is not in compliance with the terms in Section III.1.d.i of the Settlement Agreement. As stated in Section III.2.c of the Settlement Agreement, the OCD will only grant extensions if Siana remains in compliance with the terms of the Settlement Agreement.

August 10, 2016

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Currently, the delineation of the Blue Dunn #1, the Curry Federal #2, the Triple A Federal #2, and the Curry State #5 well sites are each 10 days late, and the sundry notice for the Curry State #001 is five days late. Pursuant to Section III.2.c, Siana agreed to pay a civil penalty of \$1,000 per day for any missed deadlines or requirements specified in the Settlement Agreement, unless the OCD grants an extension in writing prior to the expiration of the deadline. The current penalty amount is \$10,000.

By this letter, the OCD demands that Siana comply with the terms of the Settlement Agreement and pay the penalty of \$10,000 within 45 days of Siana receiving this demand as required by Section III.2.d unless Siana is able to cure the violations to OCD's satisfaction. If Siana does not cure the violations, the \$1,000 per day penalty will continue to accrue as per the Settlement Agreement.

Siana shall make payment to the State of New Mexico General Fund by certified or corporate check and sent to the following address:

Director, Oil Conservation Division
New Mexico Energy, Minerals & Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505

If you have any questions, please contact me at (505) 476-3463.

Sincerely



Keith Herrmann
Special Assistant Attorney General
Keith.Herrmann@state.nm.us

7013 1710 0001 1211 7436

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PS Form 3800, August 2006 See Reverse for Instructions

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