



Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

Certified Mail Return Receipt Requested; Receipt No.: 7012 3460 0003 1309 8308

February 19, 2016

Mr. Tom M. Ragsdale
Siana Operating, LLC
P.O. Box 10303
Midland, TX 79702

Re: Effective Immediately – Cease and Desist Trespass on N.M. State Trust Land

Dear Mr. Ragsdale:

The New Mexico State Land Office (SLO) has been working for some time to bring Siana Operating, LLC (Siana) into compliance with the saltwater disposal well easement requirements appropriate for the commercial activities Siana is conducting without permit on state trust lands. In recent months, SLO reached out to you on multiple occasions as well as through Mr. Anthony Rikken without success in achieving a resolution to this compliance issue.

Because SLO determined Siana was operating a commercial saltwater disposal well after the expiration of Siana's Business Lease No. BL-1407 on December 23, 2011, SLO required Siana to secure a commercial saltwater disposal well easement under 19.2.11 NMAC, and pay an annual rate of \$10,000.00 plus a disposal fee of \$0.10/bbl. Siana did indeed apply for the easement, however it requested a discounted annual rental amount of \$2,500.00 and an injection fee of \$0.015/bbl. SLO rejected this amount and sent a letter to Siana on May 4, 2012 reiterating SLO's original rate and fee as its final offer. Since then, Siana has not secured the commercial saltwater disposal well easement, nor has it ceased salt water disposal operations. Further, the SLO Field Division has documented multiple spills on state trust land associated with this activity.

By having no current lease, easement or other authority for its commercial saltwater disposal operations, neither Siana nor any other party has authority from SLO to enter and conduct such operations on this land, and therefore, these operations are in trespass. Under New Mexico law, trespass on state trust land is a misdemeanor, punishable by a fine of not more than five hundred dollars (\$500) and imprisonment up to six (6) months (per NMSA 1978, Section 19-6-3).

Thus, Siana is **hereby enjoined** from any further entry or production on state trust lands associated with its commercial saltwater activities, and Siana must immediately enter into

negotiations with SLO to:

(1) Obtain a valid lease, right-of-way or right-of-entry to state trust lands with the goal of remediating associated spills from its commercial saltwater disposal well operations; and

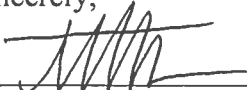
(2) Pay the applicable trespass penalty for Section 10, Township 23S, Range 34E (calculated below).

- **2012-2013:** \$10,000.00 base rent; \$2061.30 disposal fee
- **2013-2014:** 10,000.00 bas rent; \$14,663.30 disposal fee
- **2014-2015:** \$10,000.00 base rent; \$21,333.70 disposal fee
- **2015-2016:** \$10,000.00 base rent; \$15,444.60 (injection volumes are complete only through July 2015 per N.M. Oil Conservation Division)
- **Total:** \$93,502.90 x 1000% trespass penalty per 19.2.10.9(D)(1)(d) NMAC = **\$935,029.00**

Siana must resolve the above issues with SLO by March 18, 2016, otherwise SLO will consider pursuing criminal trespass or other enforcement options.

You or your attorney may contact me at (505) 827-5702 or mmiano@slo.state.nm.us. Thank you for assisting SLO in fulfilling our trust responsibilities to the beneficiaries, and we look forward to working with you to resolving these issues as soon as possible.

Sincerely,



Michelle Miano, Associate Counsel

cc: Aubrey Dunn, Commissioner of Public Lands
Clyde Ward, Assistant Commissioner, Commercial Resources Division
Keith Herrmann, Esq., N.M. Oil Conservation Division
Kellie Jones, N.M. Oil Conservation Division