

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David F. Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David Catanach
Division Director
Oil Conservation Division



February 19, 2016

SIANA OPERATING LLC [OGRID 168687]
P.O. Box 10303
Midland, TX 79702

Via Certified Mail: 7012-0470-0000-0882- 4461

Dear Operator:

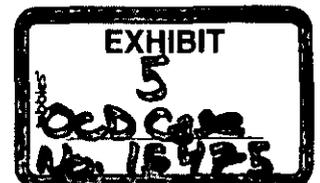
Rule 19.15.7.24 of the Oil Conservation Division (OCD) requires that C-115(s) (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115(s) for AUGUST 2015. It is the Operator's duty to file their monthly reports per 19.15.7.24 NMAC, and update the OCD with any change in contact information per 19.15.9.8 NMAC.

Despite our attempts to notify you of this issue, no reports has been received by the OCD. You are hereby being notified that effective immediately, the OCD has revoked your authorization to transport from or inject into all wells your company operates.

In addition to the State Land Office, the New Mexico Taxation and Revenue Department, and the Bureau of Land Management, we will also take steps to notify purchasers and transporters of this revocation. Any unauthorized transportation or injection will be in violation of the Oil and Gas Act (the Act) and the OCD will bring compliance actions against anyone participating in violations of the Act.

Immediate action is now required by you if you wish to restore your transportation and injection authority. If you wish to have your authority reinstated and your last report was within one year from the time you request reinstatement, please submit a written request at the address below, or Daniel.Sanchez@state.nm.us for review. In your request, please verify that your company has filed all missing C-115 reports and is currently in compliance with 19.15.5.9 NMAC. Operators who are more than one year out of compliance, or are not compliant with 19.15.5.9 NMAC, will require additional review. Please contact Daniel Sanchez at (505-476-3493) to discuss your company's compliance status.

1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3482 • www.emnrd.state.nm.us/ocd



SENDER: COMPLETE THIS SECTION

Complete Items 1, 2, and 3. Also complete Item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Sierra Operating
PO BOX 10303
Midland, TX
79702

A. Signature
X Agent
 Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from Item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number
 (Transfer from service label) **7012 0470 0000 0882 4461**

PS Form 3811, February 2004 Domestic Return Receipt 102585-02-01-1840

MAIL SERVICE



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◦ Sender: Please print your name, address, and ZIP+4 in this box ◦

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Siana Operating
PO BOX 10303
Midland, TX
79702

2. Article Number

(Transfer from service label)

7012 0470 0000 0882 4461

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *John Lelek*

- Agent
- Addressee

B. Received by (Printed Name)

John Lelek

C. Date of Delivery

2-25-16

D. Is delivery address different from item 1? Yes

If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

UNITED STATES POSTAL SERVICE



First-Class Mail
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 USPS
 Permit No. G-10

• Sender: Please print your name, address, and ZIP+4 in this box •

OIL CONSERVATION DIVISION
 1220 SOUTH ST. FRANCIS DRIVE
 SANTA FE, NEW MEXICO 87505



Herrmann, Keith, EMNRD

From: Herrmann, Keith, EMNRD
Sent: Friday, February 26, 2016 11:19 AM
To: 'sholloman@hobbsnmlaw.com'
Cc: 'Miano, Michelle'
Subject: Siana Operating
Attachments: SIANA OPERATING LLC [168687].pdf

Categories: Hearing

Mr. Holloman

I spoke with Michelle Miano at the State Land Office and we concurred that, though our agencies have separate issues, they are significantly related to discuss at a joint meeting. Because both the SLO's and the OCD issues are time sensitive we think it would be best to meet with your clients ASAP to identify the issues and determine a path forward.

Currently the OCD has revoked Siana's authority to transport from/inject to all wells they operate for failure to report monthly production, pursuant to 19.15.7.24 C. NMAC, effective February 19, 2016 (see attached letter). Continued transportation from or injection into of Siana's wells would be unauthorized and in violation of federal and state laws, and will lead to additional violations. Regardless of when we schedule a meeting, Siana will need to comply with the terms of the February 19 letter. I am working with our environmental staff to detail other current and ongoing violations that currently exist on the APD SWD well site which we are also concerned with. My field personnel with direct knowledge of the site are out today, so I will send that out early next week.

If you have any further questions or wish to coordinate to schedule a meeting, my contact information is below. Please Cc Michelle Miano on scheduling, and contact her directly for questions regarding the State Land Office.

Thanks

Keith Herrmann
Office of the General Counsel
Energy Minerals and Natural Resources Department
1220 S. St. Francis Dr.
Santa Fe, NM 87505
Tel: (505) 476-3463
Fax: (505) 476-3462
Keith.Herrmann@state.nm.us

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

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

ORDER NO. E-41

**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.**

EMERGENCY ORDER

The New Mexico Oil Conservation Division Compliance and Enforcement Bureau, pursuant to NMSA 1978 § 70-2-23 and 19.15.2.11 NMAC, applied for an emergency order requiring Siana Operating, LLC ("Operator") to shut-in all wells pending a compliance hearing. The division, being fully informed;

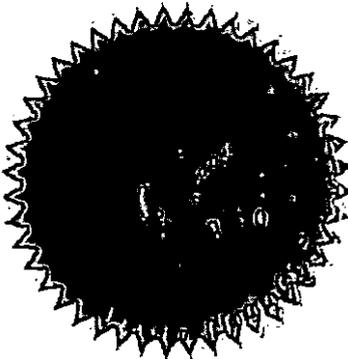
FINDS THAT:

- (1) Operator had authority transport from/inject to all wells they operate revoked on February 19, 2016 for violations of 19.15.7.24 NMAC.
- (2) As of March 9, 2016, Operator has continued injection and transportation activities on the following wells: APD Federal # 001, API No. 30-25-28554; Curry Federal #002, API No. 30-25-28647; Triple A Federal #002, API No. 30-25-27521; and possible other wells; in violation of a division directive.
- (3) The motion is well taken, and should be granted.

IT IS THEREFORE ORDERED THAT:

- (1) Pursuant to 19.15.2.11 NMAC, all of operator's wells shall be shut-in immediately, whether by closing a valve or disconnection or other means, and remain shut-in for no longer than 15 days.
- (2) The hearing on the application has been set for the March 31, 2016 Examiner docket.
- (3) Notice of the hearing shall be given at least fourteen days before the hearing, in lieu of the normal twenty-day notice period.

Done on March 9, 2016.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David Catanach
Director