

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

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**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.**

CASE NO. 15475

APPLICATION

The New Mexico Oil Conservation Division Compliance and Enforcement Bureau, ("Bureau") through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD or Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Siana Operating, LLC ("Operator" or "Siana") is out of compliance with OCD rules 19.15.7.24 NMAC (reporting violations), 19.15.20 NMAC (transporting without an allowable), 19.15.25.8 NMAC (failure to properly plug and abandon wells), 19.15.26 NMAC (injecting without authority), 19.15.29 NMAC (release notification violations), and NMSA 1978, § 70-2-32 for sale of illegal oil; (2) requiring Operator to return to compliance with OCD statutes and rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E). In support of this application, the OCD states:

1. Operator is a foreign limited liability company that operates eleven wells in Lea County, New Mexico, under OGRID No. 168687. See *Exhibit 1: Well List*, attached hereto and incorporated by reference as if set forth in its entirety.

2. The New Mexico Secretary of State has Operator registered under corporation number 1922178, identifies Tom M. Ragsdale (Manager) as the organizer, and has no director listed.

3. The New Mexico Secretary of State has the address of Operator's agent as: Registered Agent Solutions, Inc., 530-B Harkle Rd., Ste. 100, Santa Fe, NM 87505.

4. Operator's corporate mailing address of record with OCD is: 11 Marchelle Court, Midland, TX 79705.

5. Operator has personally represented to the OCD that the following address is current: Siana Oil & Gas Co., LLC, 12012 Wickchester Lane, Suite 410, Houston, TX 77079.

6. Operator has a blanket plugging bond filed with the OCD in the amount of \$50,000.00 and a one well plugging bond in the amount of \$18,205.00 for well Curry State #001, API No. 30-025-26848. Both bonds are on deposit with RLI Insurance Co. ("Bank").

7. Bank's address of record is: 8 Greenway Plaza, STE 400, Houston, TX 77046.

8. Operator's monthly production report, OCD form C-115, for August 2015 was due on October 15, 2015, pursuant to 19.15.7.24 NMAC.

9. On or around December 15, 2015, OCD notified the Operator that its production report was over 60-days late, as required by 19.15.7.24.B NMAC.

10. Pursuant to 19.15.7.24 NMAC, on February 19, 2015, the OCD sent Operator notice via certified mail that that the OCD had revoked Operator's authority to transport from and inject into all wells it operates pursuant to 19.15.7.24 NMAC for failure to provide any monthly production reports since July, 2015.

11. Between February 19, 2016 and March 9, 2016, OCD inspectors, as well as representatives from the Bureau of Land Management and New Mexico State Land Office, witnessed continued injection and transportation activities on Siana's wells, in violation of the division directive issued on February 19, 2016, 19.15.20 NMAC (transporting without an allowable), 19.15.26 NMAC (injecting without authority), and NMSA 1978, § 70-2-32 for sale of illegal oil.

12. In response to the continued injection, the OCD issued Emergency Order E-41, requiring operator to shut-in all wells immediately, whether by closing a valve or disconnection or other means, and remain shut-in for no longer than 15 days.

13. Emergency Order E-41 scheduled a hearing on the matter for March 31, 2016, and required notice of the hearing to be given at least 14 days before the hearing, in lieu of the normal twenty-day notice period.

14. Releases on Operator's sites were first reported on September 28, 2015, when the State Land Office contacted the OCD regarding releases at the APD Federal salt water disposal well site.

15. Operator did not file a release notification, OCD form C-141, until January 11, 2016. The completed C141 indicated two barrels ("bbls") had been released and recovered. OCD immediately notified Operator that the completed C-141 did not

accurately reflect the status of the site because the amount witnessed was much greater than 2 bbls.

16. The Bureau conducted inspections of Operator's other well sites and found unreported releases of varying quantities and severity at the following well sites:

- a. APD Federal #001, API No. 30-025-28554, having a continuous release;
- b. Blue Dunn #001, API No. 30-025-33513, first witnessed on February 19, 2016;
- c. Curry Federal #002, API No. 30-025-24003, first witnessed on March 1, 2016;
- d. Newkumet Federal #001, API No. 30-025-32937, first witnessed on March 1, 2016; and
- e. Triple A Federal #002, API No. 30-025-27521, first witnessed on March 1, 2016.

17. During the inspection, the Bureau found evidence of unauthorized releases of oil, produced water, condensate or oil field waste, or other oil field related chemicals, contaminants or mixture of the chemicals or contaminant at the multiple well sites.

18. Operator did not report the releases to OCD until March 9, 2016.

19. 19.15.29 NMAC requires an operator to notify the Division's environmental bureau chief within 24 hours of a major release as defined by 19.15.29.7.A NMAC.

20. For releases that endanger public health or the environment, 19.15.29.11 NMAC requires the responsible person to address releases in accordance with a

remediation plan submitted to and approved by the division or with an abatement plan submitted in accordance with 19.15.30 NMAC.

21. Operator has not submitted a Division approved remediation or abatement plan as required by 19.15.29 and 19.15.30 NMAC.

22. NMSA 1978, Sections 70-2-12 and 70-2-38 authorize the Division to plug and abandon wells and restore and remediate the location of abandoned wells.

23. 19.15.25.8.B NMAC requires an operator to plug and abandon or temporarily abandon a well within 90 days after: (1) a 60 day period following the suspension of drilling activities; (2) a determination that a well is no longer usable for a beneficial purpose; or (3) a period of one year of continuous inactivity.

24. 19.15.8.13 NMAC authorizes the Division Director to order the Operator to plug and abandon any well not in compliance with 19.15.25.8 NMAC and restore and remediate the location by a date certain.

25. Operator has one well in Temporary Abandonment Status, the Curry State No. 1, API No. 30-25-26848, that expired on September 13, 2011, in violation of 19.15.25.8 and 19.15.25.12 NMAC.

WHEREFORE, the Bureau, by and through its compliance and enforcement manager, hereby applies to the Director to enter an Order:

- A. Determining that Operator violated a division directive, 19.15.20 NMAC (transporting without an allowable), 19.15.26 NMAC (injecting without authority), and NMSA 1978, § 70-2-32 for sale of illegal oil for a period of 19 days between February 19 and March 9, 2016;

- B. Determining that the Curry State No. 1, API No. 30-25-26848 has been inactive for a period in excess of one year plus 90 days and is not in compliance with 19.15.25.8 NMAC and requiring Operator to plug and abandon the violating well within 60 days;
- C. Determining that Operator is out of compliance with 19.15.29 NMAC for unreported release for the following wells from the respective dates:
- i. APD Federal #001, API No. 30-025-28554, having a continuous release;
 - ii. Blue Dunn #001, API No. 30-025-33513, first witnessed on February 19, 2016;
 - iii. Curry Federal #002, API No. 30-025-24003, first witnessed on March 1, 2016;
 - iv. Newkumet Federal #001, API No. 30-025-32937, first witnessed on March 1, 2016; and
 - v. Triple A Federal #002, API No. 30-025-27521, first witnessed on March 1, 2016.
- D. In the event of non-compliance with the sought Division order by the dates established by the Division, finding the Operator in violation of a Division order, declaring the violating wells abandoned, and authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program and restore and remediate the location and recover costs from the Operator's financial assurance as required by 19.15.8.13 NMAC and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

- E. For such other and further relief as the Director deems just and proper under the circumstances.

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RESPECTFULLY SUBMITTED,
this 17 day of March, 2016 by



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Case No. 15475. 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. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau in the above styled case seeks a compliance order (1) determining operator Siana Operating, LLC ("Operator") is out of compliance with OCD rules 19.15.7.24 NMAC (reporting violations), 19.15.20 NMAC (transporting without an allowable), 19.15.25.8 NMAC (failure to properly plug and abandon wells), 19.15.26 NMAC (injecting without authority), 19.15.29 NMAC (release notification violations), and NMSA 1978 § 70-2-32 for sale of illegal oil; (2) requiring Operator to return to compliance with OCD rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned, and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Exhibit 1: Well List

Well API No.	Name	Lease Type	Last Production	Well in violation of 19.15.8.9 NMAC?	Single Well Bond Amount	Bond in Place
30-025-28554	APD Federal #001	F	12/2015	No		
30-025-33513	Blue Dunn #001	P	11/2015	No		
30-025-33616	Blue Dunn #002	P	11/2015	No		
30-025-24003	Curry Federal #002	F	12/2015	No		
30-025-26848	Curry State #001	S	02/1993	No	\$18,205.00	\$18,205.00
30-025-28647	Curry State #002	S	12/2015	No		
30-025-39908	Curry State #005	S	12/2015	No		
30-025-41453	Curry State #006	S	12/2015	No		
30-025-32937	Newkumet Federal #001	F	12/2015	No		
30-025-34052	Royal Trude #001	P	11/2015	No		
30-025-27521	Triple A Federal #002	F	12/2015	No		