



**Aubrey Dunn, State Land Commissioner
State of New Mexico**

In Case You Missed It:

New Mexico wrestles with cleanup costs at oil wells

By Morgan Lee, Associated Press

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<http://www.abqjournal.com/792144/new-mexico-settles-with-texas-well-operator.html>

SANTA FE, N.M. — New Mexico regulators overseeing oil leases on state trust lands are seeking to set aside more funding as they grapple with repairing damage in the wake of spills of oily salt water by a Texas-based company.

State Land Commissioner Aubrey Dunn unveiled proposed legislation Wednesday to create a fund that could accumulate up to \$5 million to help restore state trust lands after unforeseen damage from oil-industry spills along with illegal dumping, wildfires and even invasive plant species.

Dunn said the restoration and remediation fund would divert 1 percent of revenues from the state's land maintenance fund, or roughly \$700,000 a year. The maintenance fund receives money from renewable resources — such as grazing, rights-of-way and business leases — along with rental payments from oil and natural gas developers. It is the source of the State Land Office's operating budget.

“We need to build up a fund to handle things that aren't going to be covered by annual appropriations” from the state general fund, Dunn told the Associated Press. “Our goal at the Land Office is to maintain the land for future generations. We feel like we need that type of fund.”

The State Land Office is locked in litigation with Siana Operating of Midland, Texas, on accusations that the company trespassed and spilled waste at a well site on state trust lands where it stopped making lease payments several years ago.

In all, the agency says it is owed \$284,000 in fees, cleanup costs and penalties. Siana Operating representatives could immediately be reached. The company is disputing the claims.

“We’re suing the company and I think we have an opportunity to be successful,” Dunn said. “In the event that we aren’t, the funds will be available to go in there and clean it up” if the proposed is approved during the 2017 legislative session.

Dunn says other alternatives such as raising bonding requirement for oil well operators would require complex revisions to state statutes.

The State Land Office has collected \$10,000 from a bond that Siana posted in 2012 to guarantee lease payments and address potential damages.

Separately, the New Mexico Oil Conservation Division reached a settlement with Siana this month that provides a timeline for the company to pay a \$19,000 fine and clean up spills at two clusters of wells outside Eunice, in the southeastern corner of New Mexico.

The settlement agreement with the Oil Conservation Division describes how Siana for months ignored warnings from state regulators on spills and continued to operate wells after its authority was revoked.

The company has a year to pay the penalty and can resume operations at most of its wells.

Those terms may help keep Siana solvent, as it attempts to satisfy creditors including a Texas-based bank. Frost Bank has filed a lawsuit against Siana and affiliate Siana Oil & Gas to ensure recovery of \$13 million in debts after the company defaulted on loan payments.

The water-injection well on state trust land remains in limbo. Dunn said the State Land Office has refused a request from Siana to reinstate operations.

Siana has been a major provider of wastewater disposal services in New Mexico, operating two wells that injected over 13 million gallons underground in 2014, with relatively small-scale oil and natural gas extraction operations at nine wells.

Wastewater from drilling operations is typically delivered by truck to disposal sites like Siana’s, where most oil is skimmed off before water is injected deep underground. Oil wells in southern New Mexico also draw up salt water from an ancient, underground aquifer.

New Mexico’s oil and natural gas reclamation fund ensures abandoned wells are plugged if a company goes bankrupt.

To ensure its wells would be capped if needed, Siana has posted bonds of \$50,000 and \$18,000 with the Oil Conservation Division.