

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

**APPLICATION FOR AN ACCOUNTING FROM
MEWBOURNE OIL COMPANY UNDER ORDER
NOS. R-21292 AND R-21293 AND TO DECLARE
CERTAIN ACCOUNTING PRACTICES IMPROPER**

Case No. 22378

**MEWBOURNE OIL COMPANY'S RESPONSE IN OPPOSITION TO
SIANA OIL AND GAS COMPANY'S EMERGENCY MOTION TO SUSPEND TIME
FOR PAYING ESTIMATED COSTS**

For its Response in Opposition to Siana Oil and Gas Company's ("Siana") Emergency Motion to Suspend Time for Paying Estimated Costs ("Emergency Motion"), Mewbourne Oil Company ("Mewbourne") states the following.

1. Siana's Emergency Motion seeks additional time to pay estimated costs to participate in new wells being drilled by Mewbourne in the units that are the subject of Order Nos. R-21805¹, R-21292, and R-21293. There is no basis for the Division to enter an Order delaying payments that are expressly required by Order Nos. R-21292 and R-21293 and the Division's rules.

2. Siana claims that it should not be required to timely pay cash calls for Mewbourne's infill wells because Siana is seeking an accounting order in this case and, as a result, Mewbourne's proposal to drill three additional wells was made in bad faith. *See* Emergency Motion at ¶ 4. However, the Orders at issue specifically authorize Mewbourne to propose wells under their terms. *See* Order No. R-21292 at ¶ 21; Order No. R-21293 at ¶ 21 ("The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable."). The Division's Rules state that whenever "an applicable pool order authorizes one or more infill wells within a proration or

¹ Order No. R-21805 is the subject of Case No. 22439, while Order Nos. R-21292 and R-21293 are the subject of Case No. 22378.

spacing unit pooled by division or commission order...either the operator or an owner of a pooled working interest may, at any time after completion of the initial well provided in the pooling order, propose drilling of an infill well.” 19.15.13.9 NMAC.

3. Mewbourne’s well proposals, attached as Exhibit A to the Emergency Motion, propose three infill wells in the spacing units pooled by Order Nos. R-21805, R-21292, and R-21293. In accordance with 19.15.13.10 NMAC, Mewbourne notified Siana of the proposal and provided the location and depth of the proposed wells, a schedule of estimated well costs, and the percentage of Siana’s record interest. *See* 19.15.13.10(A) NMAC; *see also* Exhibit A to the Emergency Motion. In its well proposal letter, Mewbourne requested that Siana sign and return the AFEs within 30 days of receipt and remit payment for its portion of the well “within 60 days from receipt of the letter” should Siana elect to participate in the proposed wells. *See* Exhibit A to Emergency Motion. These requirements comply with the Division’s Rules, which provide that “[e]ach pooled working interest owner may elect to participate in the proposed infill well by notice in writing to the operator within 30 days after the owner receives the proposal,” and that “the owner so electing pays to the operator the amount of the owner’s share of estimated well costs within 30 days after the date of transmission of its notice of election to participate.” 19.15.13.10(B) NMAC. Contrary to Siana’s claims, Mewbourne has acted in good faith and its infill well proposals are expressly authorized by the Orders.

4. Furthermore, Siana’s request for an accounting in Case No. 22378 does not provide a basis for its request to delay payment of the estimated well costs. Siana has not requested that the Division reopen Order Nos. R-21292 or R-21293, and Siana does not appear to have any issue with the actual well proposals. The relief requested in the Emergency Motion – an order suspending the time for paying estimated costs for the infill wells to 60 days after final resolution

of Case No. 22378 – would require the Division to amend Order Nos. R-21292 and R-21293, which incorporate the Infill Well Rules. The Division does not have jurisdiction to grant Siana's request. The Oil and Gas Act delegates to the Division the authority to prevent waste and protect correlative rights. NMSA 1978, § 70-2-11. No provision of the Act authorizes the Division to consider private contractual disputes or suspend payment deadlines established by its rules and pooling orders. There is no basis for Siana's requested relief.

5. For the reasons set forth above, Siana's Emergency Motion should be denied.

Respectfully submitted,

HINKLE SHANOR LLP

/s/ Dana S. Hardy

Dana S. Hardy

Jaclyn M. McLean

P.O. Box 2068

Santa Fe, NM 87501

(505) 982-4554

dhardy@hinklelawfirm.com

jmclean@hinklelawfirm.com

Certificate of Service

I hereby certify that on April 8, 2022, I caused a true and correct copy of the foregoing to be emailed to:

Sharon Shaheen
sshaheen@montand.com
Attorney for Siana Oil & Gas Co.

James Bruce
jamesbruc@aol.com
Attorney for Mewbourne Oil Company (Case No. 22439)

/s/ Dana S. Hardy

Dana S. Hardy