

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

**APPLICATION OF SIANA OIL & GAS CO.
FOR AN ACCOUNTING UNDER ORDER NOS. R- 21292
AND R-21293 AND TO DECLARE CERTAIN
ACCOUNTING PRACTICES IMPROPER,
LEA COUNTY, NEW MEXICO**

CASE NO. 22378

**APPLICATION OF SIANA OIL & GAS CO.
TO AMEND ORDER NOS. R-21804 AND R-21805
TO EXTEND TIME FOR PAYING ESTIMATED COSTS,
LEA COUNTY, NEW MEXICO**

**CASE NO. 22439
ORDER NO. R-22148**

**ORDER ON EMERGENCY MOTION TO SUSPEND TIME
FOR PAYING ESTIMATED COSTS**

This matter comes before the Director of the New Mexico Oil Conservation Division (“Division”) on an Emergency Motion to Suspend Time for Paying Estimated Costs (“Motion”), filed by Siana Oil & Gas Co. (“Siana”) on March 11, 2022. Mewbourne Oil Company (“Mewbourne”) filed a response and the parties presented arguments before a Division Hearing Examiner on April 21, 2022. The Director enters the following findings and order.

FINDINGS

1. Siana filed an application in Case No. 22378 requesting that the Division order Mewbourne to provide an accounting for the drilling and operation of the wells (“22378 Wells”) drilled and operated pursuant to Order Nos. R-21292 and R-21293 (“22378 Orders”), which were issued in Case Nos. 21156 and 21157.

2. Siana filed an application in Case No. 22439 requesting that the Division amend Order Nos. R-21804 and R-21805 (“22439 Orders”), which were issued in Case Nos. 22035 and 22036, to extend the time for paying estimated costs for the wells associated with the 22439 Orders (“22439 Wells”) until the accounting issues raised in Case No. 22378 have been resolved, Mewbourne has paid Siana for the improper charges on the 22378 Wells, and Mewbourne has provided Siana with its share of production from the 22378 Wells.

3. Siana filed the Motion in both Case No. 22378 and Case No. 22439 requesting immediate relief from the Division to suspend the time to pay estimated costs for both the 22378

Wells and the 22439 Wells until 60 days after both the final resolution of Case Nos. 22378 and 22439 and Mewbourne's compliance with any orders issued in Case Nos. 22378 and 22439.

4. Mewbourne filed responses in opposition to the Motion in both Case No. 22378 and Case No. 22439. Oral argument on the Motion was conducted at a Division hearing on April 21, 2022.

5. In the Motion, Siana claims that Mewbourne has withheld monies due Siana from the drilling and production of the 22378 Wells. Siana claims that Mewbourne is now proposing to drill three additional wells under the 22378 and 22439 Orders ("New Wells") and has provided Siana with a deadline for payment of estimated costs in order to participate in the New Wells. Siana claims that the monies withheld by Mewbourne are needed by Siana to make the payments for the New Wells. Siana therefore seeks to suspend the time for payment of estimated costs for the New Wells in the hopes that the resolution of Case Nos. 22378 and 22439 will provide Siana with the additional funds needed to pay the estimated costs.

6. Mewbourne argues that its well proposals and requests for payment of estimated for the New Wells comply with the requirements in both the Oil Conservation Commission ("Commission") rules and the 22378 and 22439 Orders. Mewbourne further argues that there is no authority for the Division to suspend the time for payment of estimated costs.

7. Siana argues that the Division has broad authority under the Oil and Gas Act to protect the correlative rights of Siana. NMSA 1978, §70-2-11(A). Siana has not claimed that Mewbourne's well proposals or requests for payment for the New Wells conflict with the Orders or the Commission's rules.

8. The 22378 Orders and 22439 Orders provide a process for Mewbourne to submit the estimated costs of the initial well to each uncommitted working interest owner and provide the interest owner 30 days to elect to participate and, if they elect to participate, another 30 days to render payment.

9. The Commission's rules provide the process for an operator to propose infill wells. 19.15.13.10 NMAC. Under the Commission's rules:

Each 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, provided that the election to participate shall not be effective unless 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.

10. Neither the Orders nor the rules provide the Division with the authority to extend the 30 day periods for election to participate and to render payment. By contrast, under the infill well rule, the Division is allowed to extend the 120 day deadline for commencement of drilling the infill well that follows the 30 day notice period.

Unless it withdraws the proposal the operator shall commence drilling of the proposed infill well no later than 120 days after the expiration of the initial notice period of 30 days. The director may extend the time for commencement of drilling once for not more than an additional 120 days, upon showing of good cause for the extension, without notice or hearing.

19.15.13.10(C) NMAC.

11. There is no evidence that Mewbourne has not complied with the requirements in the Orders and rules for providing Siana with an opportunity to participate in the New Wells. Attached to Siana's Motion is a copy of the well proposal sent to Siana by Mewbourne as required by rule. 19.15.13.10(A) NMAC.

CONCLUSIONS

12. There is no basis in law or fact to grant the relief requested in the Motion.

ORDER

IT IS HEREBY ORDERED THAT the Motion is denied.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



ADRIENNE SANDOVAL
DIRECTOR
AES/bb

Date: 5/19/2022