

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

**APPLICATION TO AMEND ORDER  
NOS. R-21804 AND R-21805 TO EXTEND  
TIME FOR PAYING ESTIMATED COSTS**

Case No. \_\_\_\_\_

**APPLICATION**

Siana Oil & Gas Co. (“Applicant” or “Siana”) files this application seeking an order amending Order Nos. R-21804 and R-21805 (“Orders”), which were previously issued in Case Nos. 22035 and 22036, respectively, to extend the time for paying estimated costs for the wells subject thereto. In support, Applicant states as follows:

1. The Orders were issued on August 26, 2021.
2. In Case No. 22035, Order No. R-21804 pooled a 240-acre horizontal spacing unit (“HSU”) located in the W2 W2 of Section 26 and the W2 SW4 of Section 23, all in Township 21 South, Range 34 East, for the purpose of drilling the Inland 26/23 B2ML State Com Well No. 1H, API# 30-025-49153 (“B2ML Well”) and the Inland 26/23 B3ML State Com Well No. 1H, API# 30-025-49221 (“B3ML Well”).
3. In Case No. 22036, Order No. R-21805 pooled a 240-acre HSU in the E2 W2 of Section 26 and the E2 SW4 of Section 23, all in Township 21S, Range 34 East, for the purpose of drilling the Inland 26/23 B2NK State Com Well No. 1H, API# 30-025-49192 (“B2NK Well”) and the Inland 26/23 B3NK State Com Well No. 1H (“B3NK Well”), no API#. The B2ML, B3ML, B2NK, and B3NK wells are referred to collectively as the “Later Wells.”
4. Applicant is the owner of record of 10% working interest in each spacing unit and well, which are the subject of the Orders.

5. The operator, Mewbourne Oil Co. (“Mewbourne”) delivered AFEs for each of the four wells on or about August 27, 2021, requesting the return of the executed AFEs within 30 days of receipt and payment for all four AFEs within 60 days of receipt, which was September 9, 2021. Siana signed and returned the AFEs. Mewbourne subsequently extended the deadline for making payment by approximately 11 days, due to circumstances discussed *infra*. However, due to Mewbourne’s wrongful actions, explained in more detail below, Siana has been unable to pay the estimated costs as of today’s date.

6. Upon information and belief, Mewbourne spudded and drilled three of the Later Wells, including the B2ML, B3ML, and B2NK wells in late August or early September of 2021. However, the B3NK Well was not drilled, notwithstanding the fact that its completed lateral is located directly below the B2NK Well. Moreover, the B2NK and the B3NK have the same surface hole and bottom hole locations. *See* Verified Statement of Brad Dunn, Attachment B attached thereto, Case No. 22035.

7. Under these circumstances, it is highly unlikely that Mewbourne intends to drill the B2NK, yet it has not withdrawn its request for the related estimated costs.

8. Previously, Siana elected to participate in two other wells drilled and operated by Mewbourne, the Inland 26/23 B2OJ State Com Well No. 1H, API# 30-025-46931 (“B2OJ Well”) and the Inland 26/23 B2PI State Com Well No. 1H, 30-025-45283 (“B2PI Well”) (collectively, “Previous Wells”).

9. The Previous Wells were completed on or before March 16, 2021. *See* Application for an Accounting from Mewbourne Oil Company Under Order Nos. 21292 [*sic*] and R-21293 and to Declare Certain Accounting Practices Improper, Case No. 22378 (Nov. 29.2021).

10. Mewbourne has failed to properly account for costs relating to the Previous Wells, resulting in numerous violations of Order Nos. R-21292 and R-21293. *See id.*<sup>1</sup>

11. More importantly, for purposes of the instant application, Mewbourne owes Siana at least \$406,136.43, for the difference between Mewbourne's actual well costs for the Previous Wells and the estimated costs paid by Siana and for other improper charges, including but not limited to supervision rates exceeding the amount allowed by the orders that pooled the B2OJ and B2PI Wells. *See id.*

12. In addition, Mewbourne has elected, without the approval or consent of Siana and without notifying Siana, to hold all revenues attributable to Siana's interest in the Previous Wells in suspense. Yet, at the same time, Mewbourne is issuing JIBs for all costs related to the Previous Wells and demanding that Siana pay estimated costs for the Later Wells, which are located on the same properties. *See id.*

13. The monies owed by Mewbourne to Siana and the value of Siana's share of production from the Previous Wells are sufficient to pay the estimated well costs for the Later Wells.

14. The Division may enter orders effecting pooling after notice and hearing, which orders "shall be upon such terms and conditions as are just and reasonable and will afford to the owner or owners of each tract or interest in the unit the opportunity to recover or received ***without unnecessary expense*** his just and fair share of the oil or gas, or both." NMSA 1978, § 70-2-17 (emphasis added). Pursuant to NMSA 1978, Section 70-2-6, the Division has "jurisdiction, authority and control of and over all persons, matters or things necessary or proper to enforce effectively the provisions of this state relating to the conservation of oil or gas."

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<sup>1</sup> Case No. 22378 is currently on the January 6, 2022 docket.

Further, paragraph 35 of the Orders provides that the Division retains jurisdiction of these matters for the entry of such orders as may be deemed necessary.

WHEREFORE, Applicant respectfully requests (1) that this matter be heard before the Division on the January 6, 2021, docket; (2) that the Division amend the Orders to extend the time for Siana to pay its estimated costs for the Later Wells to thirty (30) days after the accounting issues raised in Case No. 22378 have been resolved, Mewbourne has paid Siana for the improper charges on the Previous Wells, and Mewbourne has provided Siana with its share of production from the Previous Wells; and (3) that the Division provide any and all other relief appropriate to ensure that Mewbourne acts in compliance with the Orders and with New Mexico law.

Respectfully submitted,

**MONTGOMERY & ANDREWS, P.A.**

By: /s/Sharon T. Shaheen

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### CERTIFICATE OF SERVICE

I hereby certify that on December 7, 2021, a true and correct copy of the foregoing was served by electronic mail on the following counsel:

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