

**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

JOINT STATEMENT OF MATERIAL FACTS

Applicant Siana Oil & Gas Co. (“Applicant” or Siana”) and Mewbourne Oil Company (“Mewbourne”) hereby submit a list of undisputed and disputed material facts.

Undisputed Facts

1. On April 28, 2020, the Division issued Order No. R-21292 in Case No. 21156. The order granted Mewbourne’s request to pool uncommitted mineral interests in the Bone Spring formation underlying a 240-acre, more or less, standard horizontal spacing unit comprised of the W/2 E/2 of Section 26 and the W/2 SE/4 of Section 23, Township 21 South, Range 34 East in Lea County. The order dedicated the unit to the **Inland 26/23 B2OJ State Com #1H well**, API# 30-025-46931 (“OJ Well”), and designated Mewbourne as operator of the well and the unit. Siana was provided notice of the hearing and its interest was pooled under the terms of the order. On April 30, 2020, the Division issued Order No. R-21292-A to correct the compulsory pooling checklist attached to the order.

2. On April 28, 2020, the Division issued Order No. R-21293 in Case No. 21157. The order granted Mewbourne’s request to pool uncommitted mineral interests in the Bone Spring formation underlying a 240-acre, more or less, standard horizontal spacing unit comprised of the E/2 E/2 of Section 26 and the E/2 SE/4 of Section 23, Township 21 South, Range 34 East in Lea County. The order dedicated the unit to the **Inland 26/23 B2PI State Com #1H well**, API# 30-025-45283 (“PI Well”), and designated Mewbourne as operator of the well and the unit.

Siana was provided notice of the hearing and its interest was pooled under the terms of the order.¹

3. On May 12, 2020, Mewbourne proposed the Wells to Siana under the Orders and sent Siana AFEs.

4. Siana elected to participate in the Wells and signed the AFEs on May 20, 2020. Siana paid its share of the estimated well costs on July 17, 2020. Siana paid estimated drilling and completion costs (“D&C Costs”) of \$798,750.00 for the OJ Well and \$803,750.00 for the PI Well.

5. Mewbourne completed the Wells on March 16, 2021 and production commenced on March 17, 2021.

Disputed Facts

1. Whether Mewbourne provided an accounting of actual well costs for the OJ Well in accordance with Order No. R-21292.

2. Whether Mewbourne provided an itemized schedule of the reasonable charges for operating and maintaining the OJ Well in accordance with Order No. R-21292.

3. Whether the operating charges for operating and maintaining the OJ Well are reasonable.

4. Whether Mewbourne provided an accounting of actual well costs for the PI Well in accordance with Order No. R-21293.

5. Whether Mewbourne provided an itemized schedule of the reasonable charges for operating and maintaining the PI Well in accordance with Order No. R-21293.

¹ Order No. R-21292 and Order No. R-21293 will be referred to collectively as the “Orders.” The OJ Well and the PI Well will be referred to collectively as the “Wells.”

6. Whether the operating charges for operating and maintaining the PI Well are reasonable.
7. Whether a participating non-operator has a right to take his production in kind under a compulsory pooling order.
8. Whether Mewbourne failed to timely return the estimated costs paid by Siana for its proportionate share of the OJ Well drilling and completion costs that exceeded the actual well costs for drilling and completion, and if so, whether that action violated Order No. R-21292.
9. Whether Mewbourne's actual well costs for the OJ Well were reasonable.
10. Whether Mewbourne failed to timely return the estimated costs paid by Siana for its proportionate share of the PI Well drilling and completion costs that exceeded the actual well costs for drilling and completion, and if so, whether that action violated Order No. R-21293.
11. Whether Mewbourne's actual well costs for the PI Well were reasonable.
12. Whether Siana is entitled to interest on the money due to Siana from Mewbourne for Siana's proportionate share of the OJ Well and PI Well drilling and completion costs that exceeded the actual well costs for drilling and completion.²
13. Whether the Orders or the Division's regulations required Mewbourne to revise its AFEs to reflect prices at the time that Siana was required to elect and pay estimated costs.
14. Whether Mewbourne acted wrongfully by holding 100% of Siana's interest in suspense.³

² As discussed in Mewbourne's Pre-Hearing Statement, it is Mewbourne's position that the Division lacks jurisdiction to consider this issue.

³ As discussed in Mewbourne's Pre-Hearing Statement, it is Mewbourne's position that the Division lacks jurisdiction to consider this issue.

15. Whether Mewbourne failed to notify Siana that it was holding Siana's interest in suspense, and if so, whether that action was wrongful.⁴

16. Whether Mewbourne acted wrongfully by holding 100% of Siana's interest in suspense while, at the same time, demanding that Siana pay 100% of its share of the lease operating expenses ("LOE").

17. Whether Mewbourne can net the LOE for the OJ Well from the estimated costs paid by Siana for drilling and completion of the OJ Well that exceeded the actual and reasonable costs for drilling and completion.

18. Whether Mewbourne's netting LOE for the OJ Well from the estimated costs paid by Siana for drilling and completion of the OJ Well that exceeded the actual costs for drilling and completion, when Siana has not paid Mewbourne's Joint Interest Billings for operating charges, violates Order No. R-21292, any provision of the Oil and Gas Act, or any provision of the Division's rules or other orders.

19. Whether Mewbourne can net the LOE for the PI Well from the estimated costs paid by Siana for drilling and completion of the PI Well that exceeded the actual and reasonable costs for drilling and completion.

20. Whether Mewbourne's netting LOE for the PI Well from the estimated costs paid by Siana for drilling and completion of the PI Well that exceeded the actual costs for drilling and completion, when Siana has not paid Mewbourne's Joint Interest Billings for operating charges, violates Order No. R-21293, any provision of the Oil and Gas Act, or any provision of the Division's rules or other orders.

⁴ As discussed in Mewbourne's Pre-Hearing Statement, it is Mewbourne's position that the Division lacks jurisdiction to consider this issue.

21. Whether Mewbourne netted LOE for the OJ Well from revenues due Siana for production related to other wells, and if so, whether that action violates Order No. R-21292, any provision of the Oil and Gas Act, or any provision of the Division's rules or other orders.

22. Whether Mewbourne netted LOE for the PI Well from revenues due Siana for production related to other wells, and if so, whether that action violates Order No. R-21292, any provision of the Oil and Gas Act, or any provision of the Division's rules or other orders.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by electronic mail on June 30, 2022 to the following:

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