

**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

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

Case No. 22439

EMERGENCY MOTION TO SUSPEND TIME FOR PAYING ESTIMATED COSTS

Applicant in the above-referenced matters hereby requests an order amending Order Nos. R-21292, R-21293, R-21804, and R-21805 (collectively, “Orders”) to suspend the time for paying estimated costs to sixty days after final resolution of these matters and Mewbourne’s full compliance with any orders issuing therefrom. In support of this motion, Applicant states the following:

1. In Case No. 22378, Applicant seeks relief for Mewbourne Oil Co.’s (“Mewbourne”) numerous violations of Order Nos. R-21292 and R-21293.

2. In Case No. 22439, Applicant seeks relief from Mewbourne’s demands for cash calls under Order Nos. R-21804 and R-21805 because Mewbourne is withholding prepayment overages and production due to Applicant while simultaneously making cash calls for additional wells.

3. Mewbourne’s wrongful actions and numerous violations of the Orders include, but are not limited to, the following improper conduct:

- a. Wrongfully withholding prepayment overages for certain wells in the amount of \$406,136.43 (“Prepayment Overage”);
- b. Refusing to pay interest that is due on the Prepayment Overage;

- c. Refusing to allow Applicant to take in kind and refusing to pay revenues due for production from wells in which Applicant paid \$1,610,000 in drilling and completion costs and elected to participate;
- d. Netting JIBs from the wells drilled under the Orders from revenues due under other unrelated wells; and
- e. Proposing new wells and making cash calls for such wells under the Orders, while wrongfully withholding the Prepayment Overage and production due to Applicant.

4. By letter of February 16, 2022 (“Letter”), Mewbourne has compounded its bad faith conduct exponentially by proposing an additional three wells to be drilled and demanding payment of estimated costs under Order Nos. R-21805, R-21292, and R-21293 in the amount of \$2,329,980 within 60 days of receipt of the Letter by certified mail on March 1, 2022. *See* Exhibit A, attached hereto.

5. Mewbourne has refused to provide an accounting of the amounts that it has wrongfully withheld from prepayment overages and production due to Applicant. Upon information and belief, the total value of the overages and production due to Siana is approximately \$4,250,000.

6. Mewbourne is acting in bad faith by refusing to pay monies due to Siana while simultaneously demanding another \$2,329,980 in cash calls. Mewbourne’s conduct is in violation of the existing orders under which it proposes to drill three new wells and is contrary to law. *See* applications filed in these matters.

WHEREFORE, Applicant requests that this motion be set for hearing no later than the March 17, 2022 docket and that the Division enter an order suspending the time for paying estimated costs to 60 days after final resolution of the above-referenced matters and Mewbourne’s full compliance with any orders issuing therefrom.

Respectfully submitted,

By: /s/ Sharon T. Shaheen

Sharon T. Shaheen

Ricardo S. Gonzales

MONTGOMERY & ANDREWS, P.A.

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(505) 986-2678

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rgonzales@montand.com

Attorneys for Siana Oil & Gas Co.

CERTIFICATE OF SERVICE

I hereby certify that on March 11, 2022, a true and correct copy of the foregoing pleading was served on the following:

Dana S. Hardy

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and

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Mewbourne Oil Company

3620 Old Bullard Rd

Tyler, TX 72701

(903) 561-2900

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Attorneys for Mewbourne Oil Co.

/s/ Sharon T. Shaheen

Sharon T. Shaheen

MEWBOURNE OIL COMPANY

FASKEN CENTER
500 WEST TEXAS, SUITE 1020
MIDLAND, TX 79701

TELEPHONE (432) 682-3715

February 16, 2022

Via Certified Mail & Email



Siana Oil & Gas Company, LLC
8500 Cypresswood Drive, STE #104
Spring, Texas 77379
Attn: Doris Bidy

- Re:
1. Inland 26/23 B3NK State Com #2H
Order No. R-21805 dated August 26, 2021
E2W2 of Section 26 & E2SW4 of Section 23, T21S, R34E
Lea County, New Mexico
 2. Inland 26/23 B3OJ State Com #2H
Order No. R-21292 dated April 28, 2020
W2E2 of Section 26 & W2SE4 of Section 23, T21S, R34E
Lea County, New Mexico
 3. Inland 26/23 B3PI State Com #2H
Order No. R-21293 dated April 28, 2020
W2E2 of Section 26 & W2SE4 of Section 23, T21S, R34E
Lea County, New Mexico

Ladies & Gentlemen:

Mewbourne Oil Company as Operator withdraws its proposal to drill the Inland 26/23 B3NK State Com #2H and hereby proposes to drill the following horizontal Bone Spring wells. Attached for your information and further handling is a copy of the referenced pooling orders regarding the referenced proposed wells. Pursuant to ordering paragraph number 22 on page 2 of each order, enclosed are copies of the AFEs all dated 02/08/2022 for the following 3 wells:

1. Inland 26/23 B3NK State Com #2H
2. Inland 26/23 B3OJ State Com #2H
3. Inland 26/23 B3PI State Com #2H

Our records indicate Siana Oil & Gas Company, LLC's ("Siana") working interest is 10.000000% in the referenced proposed wells. The enclosed AFEs are an estimated well cost for the proposed wells. Pursuant to ordering paragraph number 23 on page 2 of each pooling order, please sign and return the AFE within 30 days of your receipt of the same in the event Siana elects to participate in the proposed wells.

Should Siana elect to participate in the wells, please send me 3 checks in the amount of:

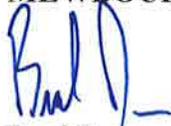
1. \$776,730.00 for the Inland 26/23 B3NK State Com #2H well
2. \$776,310.00.00 for the Inland 26/23 B3OJ State Com #2H well
3. \$776,940.00 for the Inland 26/23 B3PI State Com #2H well

All checks should be made payable to Mewbourne Oil Company within 60 days from receipt of this letter.

Should you have any questions regarding the above, please email me at bdunn@mewbourne.com or call me at (432) 682-3715. Thank you.

Sincerely,

MEWBOURNE OIL COMPANY

A handwritten signature in blue ink, appearing to read 'Brad Dunn', is written over the printed name.

Brad Dunn
Landman

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
MEWBOURNE OIL COMPANY**

**CASE NO. 21156
ORDER NO. R-21292**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on April 16, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Mewbourne Oil Company (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.

11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by an amendment of this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit to each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who

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elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

- 30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
- 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR
AES/jag

Date: 4/28/2020

CASE NO. 21156
ORDER NO. R-21292

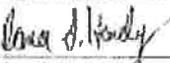
Exhibit A

COMPULSORY POOLING APPLICATION CHECKLIST	
ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS	
Case:	21156
Date	April 10, 2020
Applicant	Mewbourne Oil Company
Designated Operator & OGRID (affiliation if applicable)	Mewbourne Oil Company/OGRID No. 14744
Applicant's Counsel:	Dana Hardy
Case Title:	Application of Mewbourne Oil Company for Compulsory Pooling, Lea County, New Mexico
Entries of Appearance/Intervenors:	None
Well Family	Inland 26/23 B2OJ State Com. Well No. 1H
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Entire Bone Spring formation
Pool Name and Pool Code:	GRAMA RIDGE: BONE SPRING, NE/Pool Code 28435
Well Location Setback Rules:	Statewide rules and current horizontal well rules
Spacing Unit Size:	Quarter-quarter sections/40 acres
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	240 acres
Building Blocks:	40 acres
Orientation:	South-North
Description: TRS/County	W/2E/2 S26 and W/2SE/4 S23-21S-34E, NMPM, Lea County
Standard Horizontal Well Spacing Unit (Y/N), if No, describe	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	N/A
Applicant's Ownership in Each Tract	Exhibits A-3 and A-5
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Inland 26/23 B2OJ State Com. Well No. 1H API No. 30-025-46931 SHL: 205 FSL & 1250 FEL S26 BHL: 2540 FSL & 1980 FEL S23 Second Bone Spring Sand Standup Standard
Horizontal Well First and Last Take Points	F1P: 100 FSL & 1980 FEL S26 L1P: 485 FSL & 1980 FEL S23

CASE NO. 21156
ORDER NO. R-21292

Completion Target (Formation, TVD and MD)	2 nd Bone Spring Sand/TVD 10381 feet/MD 17772 feet
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8000 – Exhibit A
Production Supervision/Month \$	\$800 – Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	Cost + 200% - Exhibit A
Notice of Hearing	
Proposed Notice of Hearing	Exhibit A-9
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit A-10
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit A-11
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit A-3
Tract List (including lease numbers and owners)	Exhibit A-3
Pooled Parties (including ownership type)	Exhibit A-5
Unlocatable Parties to be Pooled	Not applicable
Ownership Depth Severance (including percentage above & below)	None
Joinder	
Sample Copy of Proposal Letter	Exhibit A-6
List of Interest Owners (i.e. Exhibit A of JOA)	Exhibit A-8
Chronology of Contact with Non-joined Working Interests	Exhibit A-7
Overhead Rates in Proposal Letter	Exhibit A-6
Cost Estimate to Drill and Complete	Exhibit A-12
Cost Estimate to Equip Well	Exhibit A-12
Cost Estimate for Production Facilities	Exhibit A-12
Geology	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-6
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B, Bone Spring
HSU Cross Section	Exhibit B-4
Depth Severance Discussion	Not Applicable
Forms, Figures and Tables	
C-102	Exhibit A-2
Tracts	Exhibit A-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibits A-3, A-4
General Location Map (including basin)	Exhibit A-1
Well Bore Location Map	Exhibits B-1, B-2, B-3

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Structure Contour Map - Subsea Depth Cross Section Location Map (including wells)	Exhibit B-2
Cross Section (including Landing Zone)	Exhibit B-2
Additional Information	Exhibit B-4
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	Dana Hardy
Signed Name (Attorney or Party Representative):	
Date:	April 10, 2020

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
MEWBOURNE OIL COMPANY**

**CASE NO. 21157
ORDER NO. R-21293**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard this matter through a Hearing Examiner on April 16, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Order.

FINDINGS OF FACT

1. Mewbounre Oil Company (“Operator”) submitted an application (“Application”) to compulsory pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.
10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.

11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by an amendment of this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit to each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who

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ORDER NO. R-21293

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elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to OCD and each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless OCD or an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If OCD or an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.

- 30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
- 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to OCD and each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
- 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
- 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
- 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
- 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
DIRECTOR
AES/jag

Date: 4/28/2020

CASE NO. 21157
ORDER NO. R-21293

Exhibit A

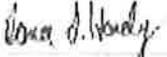
COMPULSORY POOLING APPLICATION CHECKLIST	
ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS	
Case:	21157
Date	April 10, 2020
Applicant	Mewbourne Oil Company
Designated Operator & OGRID (affiliation if applicable)	Mewbourne Oil Company/OGRID No. 14744
Applicant's Counsel:	Dana Hardy
Case Title:	Application of Mewbourne Oil Company for Compulsory Pooling, Lea County, New Mexico
Entries of Appearance/intervenor:	None
Well Family	Inland 26/23 B2PI State Com, Well No. 1H
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Entire Bone Spring formation
Pool Name and Pool Code:	GRAMA RIDGE, BONE SPRING, NE/Pool Code 28435
Well Location Setback Rules:	Statewide rules and current horizontal well rules
Spacing Unit Size:	Quarter-quarter sections/40 acres
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	240 acres
Building Blocks	40 acres
Orientation:	South-North
Description: TRS/County	E/2E/2 S26 and E/2SE/4 S23-215-34E, NMPM, Lea County
Standard Horizontal Well Spacing Unit (Y/N). If No, describe	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: If yes, description	N/A
Applicant's Ownership in Each Tract	Exhibits A-3 and A-5
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Inland 26/23 B2PI State Com Well No. 1H API No. 30-025 45283 SHL: 205 FSL & 1220 FEL S26 BHL: 2540 FSL & 500 FEL S23 Second Bone Spring Sand Standup Standard
Horizontal Well First and Last Take Points	FTP: 100' FSL and 500' FEL, Section 26 LTP: 2540' FSL and 500' FEL, Section 23

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ORDER NO. R-21293

Completion Target (Formation, TVD and MD)	2 nd Bone Spring Sand/TVD 10364 feet/MD 17978 feet
AFE Capex and Operating Costs	
Drilling Supervision/Month \$	\$8000 - Exhibit A
Production Supervision/Month \$	\$500 - Exhibit A
Justification for Supervision Costs	Exhibit A
Requested Risk Charge	Cost + 200% - Exhibit A
Notice of Hearing	
Proposed Notice of Hearing	Exhibit A-9
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit A-10
Proof of Published Notice of Hearing (10 days before hearing)	Exhibit A-11
Ownership Determination	
Land Ownership Schematic of the Spacing Unit	Exhibit A-3
Tract List (including lease numbers and owners)	Exhibit A-3
Pooled Parties (including ownership type)	Exhibit A-5
Unlocatable Parties to be Pooled	Not applicable
Ownership Depth Severance (including percentage above & below)	None
Joinder	
Sample Copy of Proposal Letter	Exhibit A-6
List of Interest Owners (i.e. Exhibit A of JOA)	Exhibit A-8
Chronology of Contact with Non-Joined Working Interests	Exhibit A-7
Overhead Rates in Proposal Letter	Exhibit A-6
Cost Estimate to Drill and Complete	Exhibit A-12
Cost Estimate to Equip Well	Exhibit A-12
Cost Estimate for Production Facilities	Exhibit A-12
Geology	
Summary (including special considerations)	Exhibit B
Spacing Unit Schematic	Exhibit B-1
Gunbarrel/Lateral Trajectory Schematic	Exhibit B-6
Well Orientation (with rationale)	Exhibit B
Target Formation	Exhibit B, Bone Spring
HSU Cross Section	Exhibit B-4
Depth Severance Discussion	Not Applicable
Forms, Figures and Tables	
C-102	Exhibit A-2
Tracts	Exhibit A-3
Summary of Interests, Unit Recapitulation (Tracts)	Exhibits A-3, A-4
General Location Map (including basin)	Exhibit A-1
Well Bore Location Map	Exhibits B-1, B-2, B-3

CASE NO. 21157
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Structure Contour Map- Subsea Depth	Exhibit B-2
Cross Section Location Map (including wells)	Exhibit B-2
Cross Section (including Landing Zone)	Exhibit B-4
Additional Information	
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative)	Dana Hardy
Signed Name (Attorney or Party Representative)	
Date:	April 10, 2020

CASE NO. 21157
ORDER NO. R-21293

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

**IN THE MATTER OF APPLICATION FOR
COMPULSORY POOLING SUBMITTED BY
MEWBOURNE OIL COMPANY**

**CASE NO. 22036
ORDER NO. R-21805**

ORDER

The Director of the New Mexico Oil Conservation Division (“OCD”), having heard these matters through a Hearing Examiner on October 22, 2020, and after considering the testimony, evidence, and recommendation of the Hearing Examiner, issues the following Orders:

FINDINGS OF FACT

1. Mewbourne Oil Company (“Operator”) submitted an application (“Application”) to compulsorily pool the uncommitted oil and gas interests within the spacing unit (“Unit”) described in Exhibit A. The Unit is expected to be a standard horizontal spacing unit. 19.15.16.15(B) NMAC. Operator seeks to be designated the operator of the Unit.
2. Operator will dedicate the well(s) described in Exhibit A (“Well(s)”) to the Unit.
3. Operator proposes the supervision and risk charges for the Well(s) described in Exhibit A.
4. Operator identified the owners of uncommitted interests in oil and gas minerals in the Unit and provided evidence that notice was given.
5. The Application was heard by the Hearing Examiner on the date specified above, during which Operator presented evidence through affidavits in support of the Application. No other party presented evidence at the hearing.

CONCLUSIONS OF LAW

6. OCD has jurisdiction to issue this Order pursuant to NMSA 1978, Section 70-2-17.
7. Operator is the owner of an oil and gas working interest within the Unit.
8. Operator satisfied the notice requirements for the Application and the hearing as required by 19.15.4.12 NMAC.
9. OCD satisfied the notice requirements for the hearing as required by 19.15.4.9 NMAC.

10. Operator has the right to drill the Well(s) to a common source of supply at the depth(s) and location(s) in the Unit described in Exhibit A.
11. The Unit contains separately owned uncommitted interests in oil and gas minerals.
12. Some of the owners of the uncommitted interests have not agreed to commit their interests to the Unit.
13. The pooling of uncommitted interests in the Unit will prevent waste and protect correlative rights, including the drilling of unnecessary wells.
14. This Order affords to the owner of an uncommitted interest the opportunity to produce his just and equitable share of the oil or gas in the pool.

ORDER

15. The uncommitted interests in the Unit are pooled as set forth in Exhibit A.
16. The Unit shall be dedicated to the Well(s) set forth in Exhibit A.
17. Operator is designated as operator of the Unit and the Well(s).
18. If the location of a well will be unorthodox under the spacing rules in effect at the time of completion, Operator shall obtain the OCD's approval for a non-standard location in accordance with 19.15.16.15(C) NMAC.
19. The Operator shall commence drilling the Well(s) within one year after the date of this Order, and complete each Well no later than one (1) year after the commencement of drilling the Well.
20. This Order shall terminate automatically if Operator fails to comply with Paragraph 19 unless Operator obtains an extension by amending this Order for good cause shown.
21. The infill well requirements in 19.15.13.9 NMAC through 19.15.13.12 NMAC shall be applicable.
22. Operator shall submit each owner of an uncommitted working interest in the pool ("Pooled Working Interest") an itemized schedule of estimated costs to drill, complete, and equip the well ("Estimated Well Costs").
23. No later than thirty (30) days after Operator submits the Estimated Well Costs, the owner of a Pooled Working Interest shall elect whether to pay its share of the Estimated Well Costs or its share of the actual costs to drill, complete and equip the

CASE NO. 22036
ORDER NO. R-21805

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well ("Actual Well Costs") out of production from the well. An owner of a Pooled Working Interest who elects to pay its share of the Estimated Well Costs shall render payment to Operator no later than thirty (30) days after the expiration of the election period, and shall be liable for operating costs, but not risk charges, for the well. An owner of a Pooled Working Interest who fails to pay its share of the Estimated Well Costs or who elects to pay its share of the Actual Well Costs out of production from the well shall be considered to be a "Non-Consenting Pooled Working Interest."

24. No later than one hundred eighty (180) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the Actual Well Costs. The Actual Well Costs shall be considered to be the Reasonable Well Costs unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Reasonable Well Costs after public notice and hearing.
25. No later than sixty (60) days after the expiration of the period to file a written objection to the Actual Well Costs or OCD's order determining the Reasonable Well Costs, whichever is later, each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs shall pay to Operator its share of the Reasonable Well Costs that exceed the Estimated Well Costs, or Operator shall pay to each owner of a Pooled Working Interest who paid its share of the Estimated Well Costs its share of the Estimated Well Costs that exceed the Reasonable Well Costs.
26. The reasonable charges for supervision to drill and produce a well ("Supervision Charges") shall not exceed the rates specified in Exhibit A, provided however that the rates shall be adjusted annually pursuant to the COPAS form entitled "Accounting Procedure-Joint Operations."
27. No later than within ninety (90) days after Operator submits a Form C-105 for a well, Operator shall submit to each owner of a Pooled Working Interest an itemized schedule of the reasonable charges for operating and maintaining the well ("Operating Charges"), provided however that Operating Charges shall not include the Reasonable Well Costs or Supervision Charges. The Operating Charges shall be considered final unless an owner of a Pooled Working Interest files a written objection no later than forty-five (45) days after receipt of the schedule. If an owner of a Pooled Working Interest files a timely written objection, OCD shall determine the Operating Charges after public notice and hearing.
28. Operator may withhold the following costs and charges from the share of production due to each owner of a Pooled Working Interest who paid its share of

- the Estimated Well Costs: (a) the proportionate share of the Supervision Charges; and (b) the proportionate share of the Operating Charges.
29. Operator may withhold the following costs and charges from the share of production due to each owner of a Non-Consenting Pooled Working Interest: (a) the proportionate share of the Reasonable Well Costs; (b) the proportionate share of the Supervision and Operating Charges; and (c) the percentage of the Reasonable Well Costs specified as the charge for risk described in Exhibit A.
 30. Operator shall distribute a proportionate share of the costs and charges withheld pursuant to paragraph 29 to each Pooled Working Interest that paid its share of the Estimated Well Costs.
 31. Each year on the anniversary of this Order, and no later than ninety (90) days after each payout, Operator shall provide to each owner of a Non-Consenting Pooled Working Interest a schedule of the revenue attributable to a well and the Supervision and Operating Costs charged against that revenue.
 32. Any cost or charge that is paid out of production shall be withheld only from the share due to an owner of a Pooled Working Interest. No cost or charge shall be withheld from the share due to an owner of a royalty interests. For the purpose of this Order, an unleased mineral interest shall consist of a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest.
 33. Except as provided above, Operator shall hold the revenue attributable to a well that is not disbursed for any reason for the account of the person(s) entitled to the revenue as provided in the Oil and Gas Proceeds Payment Act, NMSA 1978, Sections 70-10-1 *et seq.*, and relinquish such revenue as provided in the Uniform Unclaimed Property Act, NMSA 1978, Sections 7-8A-1 *et seq.*
 34. The Unit shall terminate if (a) the owners of all Pooled Working Interests reach a voluntary agreement; or (b) the well(s) drilled on the Unit are plugged and abandoned in accordance with the applicable rules. Operator shall inform OCD no later than thirty (30) days after such occurrence.
 35. OCD retains jurisdiction of this matter for the entry of such orders as may be deemed necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



ADRIENNE SANDOVAL

DIRECTOR

AES/kms

Date: 8/26/2021

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Exhibit "A"

<p><i>Received by OCD: 8/3/2021 8:44:28 PM</i> <i>Page 30 of 32</i></p> <h2 style="text-align: center;">COMPULSORY POOLING APPLICATION CHECKLIST</h2>	
ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS	
Case:	22036
Date:	August 5, 2021
Applicant	Mewbourne Oil Company
Designated Operator & OGRID (affiliation if applicable)	Mewbourne Oil Company/OGRID No.14744
Applicant's Counsel:	James Bruce
Case Title:	Application of Mewbourne Oil Company for Compulsory Pooling, Lea County, New Mexico
Entries of Appearance/Intervenors:	
Well Family	Inland Bone Spring wells
Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Entire Bone Spring formation
Pool Name and Pool Code:	Gramma Ridge; Bone Spring, Northeast (Pool Code 28435)
Well Location Setback Rules:	Statewide rules and current horizontal well rules
Spacing Unit Size:	Quarter-quarter sections/40 acres
Spacing Unit	
Type (Horizontal/Vertical)	Horizontal
Size (Acres)	240 acres
Building Blocks:	
Orientation:	South-North
Description: TRS/County	E/2W/2 §26 and E/2SW/4 §23-21S-34E, NMPM, Lea County
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes
Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	No
Proximity Defining Well: if yes, description	
Applicant's Ownership in Each Tract	Exhibit 2-B-C
Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Inland 26/23 B2NK State Com. Well No. 1H API No. 30-025-Pending SHL: 280 FSL & 1680 FWL §26 BHL: 2542 FSL & 1900 FWL §23 FTP: 100 FSL & 1900 FWL §26 LTP: 2540 FSL & 1900 FWL §23 Bone Spring/TVD 10379 feet/MD 18000 feet

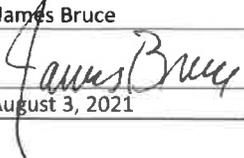
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<i>Received by OCD: 8/3/2021 8:44:28 PM</i>	Inland 26/23 B3NK State Com. Well No. 1H API No. 30-025-Pending SHL: 280 FSL & 1660 FWL §26 BHL: 2542 FSL & 1900 FWL §23 FTP: 100 FSL & 1900 FWL §26 LTP: 2540 FSL & 1900 FWL §23 Bone Spring/TVD 11166 feet/MD 18583 feet	<i>Page 31 of 32</i>
Horizontal Well First and Last Take Points	See above	
Completion Target (Formation, TVD and MD)	See above	
AFE Capex and Operating Costs		
Drilling Supervision/Month \$	\$8000	
Production Supervision/Month \$	\$800	
Justification for Supervision Costs	Exhibit 2-AB	
Requested Risk Charge	Cost + 200%/Exhibit 2-B, page 2	
Notice of Hearing		
Proposed Notice of Hearing	Exhibit 1	
Proof of Mailed Notice of Hearing (20 days before hearing)	Exhibit 4	
Proof of Published Notice of Hearing (10 days before hearing)	Not necessary	
Ownership Determination		
Land Ownership Schematic of the Spacing Unit	Exhibit 2-B	
Tract List (including lease numbers and owners)	Exhibit 2-B-C	
Pooled Parties (including ownership type)	Exhibit 2-B-C	
Unlocatable Parties to be Pooled	N/A	
Ownership Depth Severance (including percentage above & below)	None	
Joinder		
Sample Copy of Proposal Letter	Exhibit 2-ABD	
List of Interest Owners (i.e. Exhibit A of JOA)	Exhibit 2-C-C	
Chronology of Contact with Non-Joined Working Interests	Exhibit 2-B-D	
Overhead Rates In Proposal Letter	Exhibit 2-B-D	
Cost Estimate to Drill and Complete	Exhibit 2-B-E	
Cost Estimate to Equip Well	Exhibit 2-B-E	
Cost Estimate for Production Facilities	Exhibit 2-B-E	
Geology		
Summary (including special considerations)	Exhibit 3	
Spacing Unit Schematic	Exhibit 3-A	
Gunbarrel/Lateral Trajectory Schematic	Exhibit 3-A	
Well Orientation (with rationale)	Standup/Exhibit 3	

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HSU Cross Section	Exhibit 3-D	
Depth Severance Discussion	Not Applicable	
Forms, Figures and Tables		
C-102	Exhibit 2-B-B	
Tracts	Exhibit 2-B-C	
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit 2-B-C	
General Location Map (including basin)	Exhibit 2-B-A	
Well Bore Location Map	Exhibit 2-B-A	
Structure Contour Map - Subsea Depth	Exhibit 3-A	
Cross Section Location Map (including wells)	Exhibit 3-D	
Cross Section (including Landing Zone)	Exhibit 3-D	
Additional Information		
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.		
Printed Name (Attorney or Party Representative):	James Bruce	
Signed Name (Attorney or Party Representative):		
Date:	August 3, 2021	

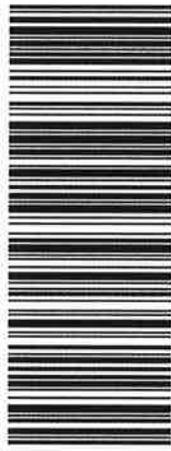
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Brad Dunn
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