

**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 EXPEDITED MOTION FOR CONTINUANCE

Mewbourne Oil Company ("Mewbourne") requests that the New Mexico Oil Conservation Division ("Division") continue this case to the June 2, 2022 hearing docket. In support of this motion, Mewbourne states the following.

1. This case is currently set for a contested hearing on April 21, 2022, with testimony and exhibits due on April 14, 2022. In its application, Siana claims that Mewbourne's accounting practices regarding the Inland 26/23 **B2OJ** State Com 1H and Inland 26/23 **B2PI** State Com 1H wells failed to comply with the terms of Order Nos. R-21292 and R-21293.

2. In an effort to obtain information regarding Siana's accounting claims, Mewbourne requested the Division issue a subpoena to Siana for the production of documents. The subpoena was issued and served on Siana on March 14, 2022. *See* 3/14/22 Subpoena (Exh. A).

3. Siana responded to the subpoena on April 1, 2022 and failed to produce any of the documents requested. *See* Response to Mewbourne's Subpoena for Production of Documents (Exh. B). Instead, Siana stated that it intends to rely on documents it has received from Mewbourne but did not produce or identify any of the specific documents. *See* Exh. B at 1, 2.

4. In its response to Mewbourne's Request No. 1, that Siana produce all documents it relies on to support its claim that Mewbourne's "Authorizations for Expenditures and related cash calls were inflated because they were based on pre-Covid-19 prices," Siana responded that "[i]t is a well-known fact by all in the industry that prices for drilling and completion dropped beginning

in March 2020, as a result of Covid-19 mandates and the contemporaneous drop in oil prices. Siana will present testimony in this regard.” *See* Exh. B at 1.

5. Siana’s response demonstrates that it intends to present testimony at the contested hearing in this matter on matters of opinion concerning Mewbourne’s conduct related to Authorizations for Expenditure, joint interest billings, and other financial and accounting practices undertaken by Mewbourne under Order Nos. R-21292 and R-21293.

6. Due to the nature of the claims at issue and Siana’s failure to provide documents responsive to the March 14th Subpoena, Mewbourne intends to request that the Division issue a subpoena allowing Mewbourne to take the deposition of a Siana representative to explain the areas of testimony Siana intends to offer at a hearing in this matter. *See* Proposed Subpoena for Deposition Duces Tecum (Exh. C).

7. Although the pre-hearing order requires the parties to produce exhibits on April 14, 2022, Mewbourne requires additional time to depose a Siana representative and prepare for the hearing. As a result, Mewbourne requests that this case be continued to the Division’s June 2, 2022 docket and that the Division vacate the pre-hearing order.

8. Counsel for Siana was contacted regarding this motion and opposes Mewbourne’s request.

For the foregoing reasons, Mewbourne requests that the Division continue the contested hearing in this case to June 2, 2022 and issue a new prehearing order.

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 11, 2022, I caused a true and correct copy of the foregoing to be emailed to:

Sharon Shaheen

sshhaheen@montand.com

Attorney for Siana Oil & Gas Co.

/s/ Dana S. Hardy

Dana S. Hardy

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. 21292 AND R-21293 AND TO DECLARE
CERTAIN ACCOUNTING PRACTICES IMPROPER

CASE NO. 22378

SUBPOENA FOR THE PRODUCTION OF DOCUMENTS

To: Siana Oil & Gas Co.
c/o Sharon Shaheen
P.O. Box 2307
Santa Fe, NM 87504-2307
(505) 986-2678
shaheen@montand.com

Pursuant to NMSA 1978, § 70-2-8 and 19.15.4.16 NMAC, you are hereby ordered to produce the following documents for examination and copying, no later than **April 1, 2022**:

1. All documents Siana Oil & Gas Co. (“Siana”) is relying on to support its claim that Mewbourne Oil Company’s (“Mewbourne”) Authorizations for Expenditures and related cash calls were inflated because they were based on pre-Covid-19 prices.
2. All documents Siana is relying on to support its claim that Mewbourne is imposing supervision charges that exceed those permitted by Oil Conservation Division Order Nos. R-21292 and R-21293.

Dated this 14 day of March, 2022

NEW MEXICO OIL CONSERVATION
DIVISION

By: 

EXHIBIT A

This subpoena is issued at the request of:

HINKLE SHANOR LLP

/s/ Dana S. Hardy _____

Dana S. Hardy

Jaclyn M. McLean

Michael Rodriguez

P.O. Box 2068

Santa Fe, NM 87504-2068

Phone: (505) 982-4554

Facsimile: (505) 982-8623

dhardy@hinklelawfirm.com

jmclean@hinklelawfirm.com

mrodriguez@hinklelawfirm.com

Counsel for Mewbourne Oil Company

CERTIFICATE OF SERVICE

I hereby certify that on March ____, 2022, I caused a true and correct copy of the foregoing document to be electronically served on the following:

Sharon T. Shaheen
P.O. Box 2307
Santa Fe, NM 87504-2307
(505) 986-2678
sshahen@montand.com
Attorney for Siana Oil & Gas Co.

/s/ Dana S. Hardy
Dana S. Hardy

**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

RESPONSE TO MEWBOURNE'S SUBPOENA FOR PRODUCTION OF DOCUMENTS

Applicant hereby response to Mewbourne's Subpoena for the Production of Documents issued March 14, 2022.

1. All documents Siana Oil & Gas Co. ("Siana") is relying on to support its claim that Mewbourne Oil Company's ("Mewbourne") Authorizations for Expenditures and related cash calls were inflated because they were based on pre-Covid-19 prices.

RESPONSE: At this time, Siana has not identified any documents that it intends to rely on to support this claim other than AFEs, joint interest billings, and daily reports that Mewbourne has submitted to Applicant, which are already in Mewbourne's possession. Notably, Mewbourne has failed to comply with paragraph 24 of the orders at issue, regarding Actual Well Costs, and, therefore, Siana has been limited to review of joint interest billings and daily reports in its efforts to parse out the inflated costs imposed by Mewbourne. It is a well-known fact by all in the industry that prices for drilling and completion dropped beginning in March 2020, as a result of Covid-19 mandates and the contemporaneous drop in oil prices. Siana will present testimony in this regard. Siana will supplement its response to this subpoena if it learns of any documents that shed light on Mewbourne's imposition of estimated costs that did not reflect industry costs prevalent at the time of the election letter and drilling.

EXHIBIT B

1

2. All documents Siana is relying on to support its claim that Mewbourne is imposing supervision charges that exceed those permitted by Oil Conservation Division Order Nos. R-21292 and R-21293.

RESPONSE: At this time, Siana has not identified any documents that it intends to rely on to support this claim other than joint interest billings and revenue statements that Mewbourne has issued to Siana, which are already in Mewbourne's possession. Notably, Mewbourne has failed to comply with paragraph 24 of the orders at issue, regarding Actual Well Costs, and, therefore, Siana has been limited to review of joint interest billings and revenue statements in its efforts to parse out the inflated costs imposed by Mewbourne, including supervision charges. Siana may create summary exhibits relating to its review of Mewbourne's joint interest billings and revenue statements. If and when Siana creates such exhibits, it will provide them to Mewbourne in a supplemental response to this request. Siana will further supplement its response if it learns of any other documents that are responsive to this request.

Respectfully submitted,

By: /s/ Sharon T. Shaheen
Sharon T. Shaheen
Ricardo S. Gonzales
MONTGOMERY & ANDREWS, P.A.
P.O. Box 2307
Santa Fe, NM 87504-2307
(505) 986-2678
sshaheen@montand.com
rgonzales@montand.com

Attorneys for Siana Oil & Gas Co.

**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. 21292 AND R-21293 AND TO DECLARE
CERTAIN ACCOUNTING PRACTICES IMPROPER**

CASE NO. 22378

SUBPOENA FOR DEPOSITION DUCES TECUM

To: Siana Oil & Gas Co.
c/o Sharon Shaheen
P.O. Box 2307
Santa Fe, NM 87504-2307
(505) 986-2678
sshahen@montand.com

Pursuant to NMSA 1978, § 70-2-8 and 19.15.4.16 NMAC, you are hereby ordered to confer in good faith with the party serving this subpoena as to the date, time, and location in which a Siana Oil & Gas Co. representative(s) will provide testimony at a deposition in this matter, and designate one or more officers, directors, or managing agents, or other persons who consent to testify on your behalf about the following topics:

1. Siana Oil & Gas Co.'s ("Siana") claim that Mewbourne Oil Company's ("Mewbourne") Authorizations for Expenditures and related cash calls were inflated because they were based on pre-Covid-19 prices.
2. Siana's claim that Mewbourne is imposing supervision charges that exceed those permitted by Oil Conservation Division Order Nos. R-21292 and R-21293.

The deposition must take place prior to May 6, 2022.

The deposition may be conducted in person or via videoconference and will be recorded and transcribed by a Court Reporter for use at the hearing in this matter.

EXHIBIT C

You, or your representatives, must also bring with you to the deposition the following documents or electronically stored information, and must permit inspection and copying of the following:

1. All documents reviewed by Siana's representative(s) in preparation for the deposition.
2. Any "summary exhibits" created by Siana as referenced in Siana's April 1, 2022 Response to Siana's Subpoena for Production of Documents.
3. Any other documents Siana intends to use at the hearing of this matter.

Dated this ___ day of April, 2022

NEW MEXICO OIL CONSERVATION
DIVISION

By: _____

This subpoena is issued at the request of:

HINKLE SHANOR LLP

/s/ Dana S. Hardy

Dana S. Hardy

Jaclyn M. McLean

P.O. Box 2068

Santa Fe, NM 87504-2068

Phone: (505) 982-4554

Facsimile: (505) 982-8623

dhardy@hinklelawfirm.com

jmclean@hinklelawfirm.com

Counsel for Mewbourne Oil Company

CERTIFICATE OF SERVICE

I hereby certify that on April ____, 2022, I caused a true and correct copy of the foregoing document to be electronically served on the following:

Sharon T. Shaheen
P.O. Box 2307
Santa Fe, NM 87504-2307
(505) 986-2678
sshahen@montand.com
Attorney for Siana Oil & Gas Co.

/s/ Dana S. Hardy
Dana S. Hardy