

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

**APPLICATIONS OF GOODNIGHT
MIDSTREAM PERMIAN, LLC FOR
APPROVAL OF A SALTWATER DISPOSAL
WELLS, LEA COUNTY, NEW MEXICO**

**CASE NOS. 23614
23615
23616
23617**

**EMPIRE NEW MEXICO LLC'S MOTION FOR CONTINUANCE
AND AMENDED PRE-HEARING ORDER**

Empire New Mexico, LLC ("Empire"), through its undesigned counsel, hereby moves the Division for a continuance of the captioned matters from the September 21, 2023 docket to the December 7, 2023 docket and for issuance of an amended pre-hearing order. As grounds for this motion, Empire states the following.

1. Empire is the designated operator of the Eunice Monument South Unit Area¹ and conducts waterflood operations in the area where Goodnight Midstream Permian, LLC ("Goodnight") proposes to locate its SWD wells.

2. In 2021, Empire made a substantial investment to acquire oil and gas interests and the established waterflood operation in the Eunice Monument South Unit Area from XTO Energy. Goodnight proposes to inject produced water into Empire's unitized interval within the unit area. In this regard, Goodnight's proposed SWD wells will interfere with Empire's waterflood

¹ The Eunice Monument South Unit Area includes 14,189.84 acres of federal, state, and fee lands located in Sections 25 and 36, Township 20 South, Range 36 East; Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 21 and 22 in Township 21 South, Range 36 East; and Sections 30 and 31 in Township 20 South, Range 37 East. The unitized interval is from the top of the Grayburg formation to the lower limit at the base of the San Andres formation; the geologic markers having been previously found to occur at 3,657 feet and 5,290 feet, respectively, in Continental Oil Company's #23 Meyer B-4 well (located 660 feet FSL and 1,980 feet FEL of Section 4, T-21-S, R-36-3, Lea County, New Mexico) as recorded on the Welex Acoustic Velocity Log taken on October 30, 1962, said log being measured from the kelly drive bushing elevation of 3,595 feet above sea level.

operations and jeopardize Empire's ability to economically and efficiently operate the unit and develop the acreage for the benefit of the interest owners, the State of New Mexico, and the United States.

3. Empire's former Chief Operations Officer ("COO") was responsible for addressing Goodnight's SWD applications and is no longer employed by the company. The COO testified as Empire's sole expert in Goodnight's prior SWD application in Case 22626, which was heard on September 15, 2022 (the "Prior Hearing"). As a result of the COO's departure, Empire was only recently made aware of Goodnight's remaining four applications pending before the Division (collectively, the "Remaining Applications"). Empire's management personnel and consultants have recently assumed the former COO's management duties and in early August 2023 learned of the impact of the applications on Empire's waterflood and future carbon dioxide (CO₂) operations.

4. Empire has reviewed the transcript of the Prior Hearing and noted Goodnight's: (1) objections seeking to block Empire's evidence; and (2) claims that Empire's evidence was insufficient to justify opposition to Goodnight's application(s). Empire has retained consulting reservoir engineers and geologists to study the impact of the proposed applications and evaluate how Goodnight's proposed commercial SWD operations in the producing, unitized interval will affect future secondary and/or tertiary recovery operations, with water and/or CO₂ injection. Empire's initial analysis indicates that Goodnight's proposed SWDs, at the proposed injection rates in the horizontal and vertical depth within the unit area, may reduce effective recovery by up to 1.5 billion barrels of oil.

5. For the reasons described above, Empire's reservoir experts require additional time to analyze the effect of Goodnight's proposed SWDs within the unitized interval to provide the Division with the full and complete information necessary to properly analyze the Remaining

Applications and determine whether the proposed wells will violate Empire's correlative rights or result in waste. Given the collective scope of Goodnight's Remaining Applications and the potential for such a meaningful reduction in recoverable reserves, Empire requests the time necessary to perform a reservoir study on a unit-wide area to properly analyze the impact of Goodnight's Remaining Applications. Empire plans to conduct a study that will include:

- (1) evidence that the proposed injection intervals are capable of producing oil or gas in the San Andres interval of the vertical limits of the unit area;
- (2) evidence that there is communication between the proposed injection interval and the overlying Grayburg formation, including core analysis;
- (3) evidence that the proposed SWD operations will impair current waterflood operations and result in the waste of valuable oil and gas reserves;
- (4) impact of SWD injections over a 10/20/30 years to secondary recovery operation within the unit area.

6. Given the magnitude of the potential damage to Empire's enhanced oil recovery operations in the area, this request for a continuance is reasonable and appropriate and is necessary to ensure the Division is able to prevent waste and protect correlative rights in accordance with NMSA 1978, Section 70-2-6.

7. Empire's study will necessarily affect Goodnight's application in Case 22626, for which no order has been issued. Empire will file a motion requesting that the Division stay issuance of that order pending the hearing and determination in these cases.

8. Empire has asked Goodnight, through its counsel, for consent to continue this case to the Division's December 7, 2023 hearing docket. Goodnight objects to this motion.

WHEREFORE, for the foregoing reasons, Empire requests that the Division: (1) continue these cases to the Division's December 7, 2023 docket; and (2) issue an amended pre-hearing order.

Respectfully submitted,

PADILLA LAW FIRM, P.A.
/s/ Ernest L. Padilla
Ernest L. Padilla
Post Office Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577
padillalawnm@outlook.com

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the forgoing was served to counsel of record by electronic mail this 23rd day of August, 2023, as follows:

Michael H. Feldewert	mfeldewert@hollandhart.com
Adam G. Rankin	agrarkin@hollandhart.com
Julia Broggi	jbroggi@hollandhart.com
Paula M. Vance	pmvance@hollandhart.com

/s/ Ernest L. Padilla
ERNEST L. PADILLA