

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

**IN THE MATTER OF PENDING APPLICATIONS
CONCERNING INJECTION INTO THE SAN ANDRES
FORMATION IN AND NEAR THE EUNICE MONUMENT
SOUTH UNIT, LEA COUNTY, NEW MEXICO**

**Case Nos.: 24491, 26255,
26264, 26267, 26269, 26273,
26274, 26275, 26277, 26278,
26279, 26280, 26281, 26284**

ORDER TO SHOW CAUSE

The Hearing Examiner of the Oil Conservation Division ("Division"), having considered the pending matters identified below and the filings in the related judicial proceedings, ORDERS the parties to show cause as set out in this Order.

I. BACKGROUND

1. On September 12, 2025, the Oil Conservation Commission ("Commission") entered Order No. R-24004 in consolidated Case Nos. 23614-23617, 23775, 24018-24020, 24025, and 24123. On December 17, 2025, after limited rehearing, the Commission entered Amended Order No. R-24004-A, which incorporates R-24004.
2. Empire New Mexico, LLC ("Empire") and Goodnight Midstream Permian, LLC ("Goodnight") each appealed the Amended Order to the First Judicial District Court. The appeals are consolidated as Case Nos. D-101-CV-2026-00177 (the "Appeals").
3. The parties and the Commission have filed statements of appellate issues under Rule 1-074 NMRA. Those filings present, among others, the following questions:

- a. Whether the San Andres formation may lawfully be included in the unitized interval of the Eunice Monument South Unit ("EMSU") or is an aquifer not subject to statutory unitization (Goodnight).
- b. Whether the Amended Order effects a regulatory taking of pore-space interests (Goodnight).
- c. Whether the Commission applied a new evidentiary standard, including a "continuous barrier" requirement, and improperly shifted the burden of proof in suspending or denying injection authority (Goodnight).
- d. Whether substantial evidence supports the findings that a residual oil zone ("ROZ") exists in the San Andres and that future impairment of correlative rights or waste is possible (Goodnight and the Commission).
- e. Whether, as unit operator, Empire holds exclusive rights that preclude third-party saltwater disposal wells within the EMSU, and whether the Commission was required to revoke rather than suspend existing permits (Empire).
- f. Whether statements in injection applications about the San Andres, the Eunice Monument Oil Pool, and water compatibility were incorrect or misleading and support revocation (Empire).
- g. Whether the Commission reasonably weighed conflicting evidence on the recoverability of the ROZ, how overlapping mineral and pore-space interests should be reconciled when recoverability is unproven, and whether a temporary suspension with an evidence-gathering pilot project was within its authority (Commission).

II. MATTERS PENDING BEFORE THE DIVISION

4. The following 13 applications to revoke injection authority are newly filed and pending before the Division. Each concerns a well injecting into the San Andres. Operators and locations are taken from the Division's July 3, 2026 case list provided by Empire:

- o Case No. 26255 - Goodnight, Penroc State E Tr 27 SWD #2 (30-025-26491); outside EMSU
- o Case No. 26264 - Goodnight, Scully State #1 (30-025-46398); outside EMSU
- o Case No. 26267 - Owl SWD Operating, P 15 #1 (30-025-46579); inside EMSU
- o Case No. 26269 - Parker Energy, Parker SWD #5 (30-025-38789); outside EMSU
- o Case No. 26273 - Rice Operating/Permian Line Service, EME #21 (30-025-21852); inside EMSU
- o Case No. 26274 - Permian Line Service, N 11 #1 (30-025-46577); inside EMSU
- o Case No. 26275 - Rice Operating, Blinbry Drinkard #18 (30-025-25616); outside EMSU, inside Argo Unit (AGU)
- o Case No. 26277 - Rice Operating, Blinbry Drinkard #32 (30-025-38528); outside EMSU and AGU
- o Case No. 26278 - Rice Operating, EME SWD #33M (30-025-12786); outside EMSU
- o Case No. 26279 - Rice Operating, EME SWD #20 (30-025-12800); outside EMSU
- o Case No. 26280 - Rice Operating, N 7 #001 (30-025-46576); outside EMSU
- o Case No. 26281 - Rice Operating, State E Tract 27 #001 (30-025-26317); outside EMSU

- o Case No. 26284 - Rice Operating, Blinbry Drinkard #20 (30-025-37168); outside EMSU and AGU
- 5. Case No. 24491 is Goodnight's application to amend Order No. R-22506 (SWD-2392) for a one-year extension to commence injection operations at the Rocket SWD No. 1 (API pending), outside the EMSU. It relates to Case No. 24021, Empire's application to revoke authority for the same well, which is stayed before the Commission. On October 28, 2025, the Division stayed Case No. 24491 pending the Commission's limited rehearing. On June 30, 2026, the Division dissolved that stay because the rehearing had concluded with Order No. R-24004-A and reset the matter for hearing on the limited issue of whether Goodnight has shown good cause to extend Order No. R-22506 (SWD-2392). That order did not affect the Commission's stay of Case No. 24021. Case No. 24491 is set for contested hearing on October 20, 2026.
- 6. Related applications are already before the Commission: Case Nos. 24021, 24022, 24023, 24024, 24026, and 24027 (applications to revoke, stayed) and Case Nos. 24277 and 24278 (Goodnight's applications to amend Order Nos. R-7765 and R-7767 to exclude the San Andres from the EMSU, stayed). In its joint order following its June 20, 2024 public meeting, the Commission limited the evidentiary hearing to applications and wells within the EMSU (Case Nos. 24123, 23775, 23614-23617, 24018-24020, and 24025) and recited that Case Nos. 24021-24024, 24026, 24027, 24277, and 24278 had been stayed by other order pending resolution of those cases. The Commission has not lifted its stay of Case No. 24021 and has not yet ruled on Empire's motion to lift the stay.
- 7. Each of these 14 matters concerns injection into the San Andres. Three of the 13 new applications (Case Nos. 26267, 26273, and 26274) concern wells inside the EMSU. The

other ten, and Case No. 24491, concern wells outside it, like the cases the Commission stayed in 2024.

8. Appeals involving the same parties are currently pending before the district court. Importantly, the extent to which the issues presented to the reviewing court may affect the 14 pending matters is undetermined.

III. ORDER

IT IS THEREFORE ORDERED that:

9. Each party of record in Case Nos. 24491, 26255, 26264, 26267, 26269, 26273, 26274, 26275, 26277, 26278, 26279, 26280, 26281, and 26284 shall file a written response by 5 p.m. on October 26, 2026, showing cause whether:
 - a. the Division and/or the Commission should defer final adjudication of these matters until the district court rules on the issues presented in the Appeals.
10. Each response shall be limited to 10 pages and shall address, for each case in which the party appears:
 - a. whether and how the matter presents the issues identified in paragraph 3;
 - b. whether the party contends the matter can be fairly decided by the Division on its own facts without resolution of those appellate issues, and why;
 - c. any prejudice the party would suffer from deferral, or delay; and
 - d. any regulatory or statutory deadline that applies.
11. Replies, if any, shall be filed by 5 p.m. November 4, 2026 and shall be limited to 6 pages.
12. The October 20, 2026 hearing in Case No. 24491 is VACATED and will be reset, if necessary, after the Division rules on this Order.

13. The status conferences, deadlines, and prehearing dates in the remaining 13 cases are
VACATED pending a ruling on this Order.

14. The Division will rule on this Order after the briefing is complete.

IT IS SO ORDERED.

GREGORY
CHAKALIAN
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Date: 2026.10.13
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Gregory Chakalian
Hearing Examiner
Oil Conservation Division