

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

**APPLICATION OF GOODNIGHT MIDSTREAM PERMIAN, LLC
FOR APPROVAL OF A PRODUCED WATER DISPOSAL WELL,
LEA COUNTY, NEW MEXICO**

Case No. 22626

ORDER ON MOTION TO DISMISS

This Order follows a Motion to Dismiss (“Motion”) filed by Empire New Mexico, LLC (“Empire”) on June 6, 2022. The Oil Conservation Division (“Division”) Hearing Examiner (“Examiner”), having heard arguments presented on June 16, 2022 on the Motion, enters the following findings and order.

FINDINGS

1. On March 4, 2022, Goodnight Midstream Permian, LLC (“Goodnight”) filed an application (“Application”) for approval of a produced water disposal well located in Section 9, T21S, R36E, Lea County (“Proposed Well”). The Application proposed disposal into the San Andres formation.
2. Empire entered an appearance into the case and objected to the case being heard by affidavit. Empire then filed the Motion. Empire seeks to dismiss the Application because the Proposed Well will inject within an existing statutory unit
3. Order R-7765, issued December 27, 1984 in Case No. 8397 (“Unit Order”), established the Eunice Monument South Unit (“Unit”) pursuant to the Statutory Unitization Act. NMSA 1978, §§70-7-1 et seq. (“Act”). The Unit Order established a Unit Area of over 14,000 acres including Section 9, T21S, R36E. Unit Order, Order ¶2. The vertical limits of the Unit extend from the top of the Grayburg formation “to a lower limit at the base of the San Andres formation”. Unit Order, Order ¶3.
4. Gulf Oil Corporation was the operator of the Unit under the Unit Order. Empire is the current operator.
5. The Proposed Well will inject at a location within the Unit Area. The issue for the purposes of this Order is whether the existence of the Unit precludes any injection within the Unit Area.
6. The purpose of the Act is to “provide for the unitized management, operation and further development of the oil and gas properties to which the Statutory Unitization Act is applicable, to the end that greater ultimate recovery may be had therefrom,

waste prevented, and correlative rights protected of all owners of mineral interests in each unitized area.” NMSA 1978, §70-7-1.

7. The Unit Order authorizes the operator of the Unit “to institute a secondary recovery project for the recovery of oil and all associated and constituent liquid or liquified hydrocarbons within the unit area”. Unit Order, Order ¶4. For the purposes of this Order, this language is assumed to be the “unit operations” described in the Act.
8. The Unit Order does not specifically prohibit, or even address, potential injection operations within the Unit Area.
9. The existence of a Unit, established under the Statutory Unitization Act, does not, by itself, prohibit the operation of a disposal well within the Unit. The Division must evaluate whether the proposed injection is allowable under the Oil and Gas Act.
10. The Oil and Gas Act prohibits “waste” which includes “...the locating, spacing, drilling, equipping, operating or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool...”. NMSA 1978, §70-2-3(A). The Oil and Gas Act requires the Division to regulate the disposal of produced water by injection “in a manner that protects public health, the environment and fresh water resources”, NMSA 1978, §70-2-12(B)(15), and further “to prevent the drowning by water of any stratum or part thereof capable of producing oil or gas or both oil and gas in paying quantities and to prevent the premature and irregular encroachment of water or any other kind of water encroachment that reduces or tends to reduce the total ultimate recovery of crude petroleum oil or gas or both oil and gas from any pool”. NMSA 1978, §70-2-12(B)(4).
11. Empire claims in the Motion that Goodnight’s injection will affect current and future unit operations. These claims can only be verified through an evidentiary hearing.
12. The Division concludes that there are insufficient grounds to dismiss the Application. The location of the Proposed Well within the Unit Area requires an evidentiary hearing to determine whether the proposed injection will interfere with unit operations.

ORDER

It is hereby **ORDERED** that the Motion is denied. At the hearing, evidence can be presented to determine whether the Proposed Well will interfere with unit operations, will not cause waste, will protect correlative rights and will otherwise comply with the Oil and Gas Act.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

William R. Brancard
**WILLIAM R. BRANCARD
HEARING EXAMINER**

Date: August 24, 2022