

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

2016 FEB -5 A 7:55

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF DEVON ENERGY PRODUCTION
COMPANY, L.P. TO REVOKE THE INJECTION
AUTHORITY GRANTED BY ADMINISTRATIVE
ORDER SWD-640, LEA COUNTY, NEW MEXICO.

Case No. 15,397

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by applicant Devon Energy Production Company, L.P. ("Devon") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Devon Energy Production Company, L.P.
333 West Sheridan
Oklahoma City, Oklahoma 73102

Attention: Cari Allen
(405) 228-4397

APPLICANT'S ATTORNEY

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

OPPONENT

OXY USA Inc.

OPPONENT'S ATTORNEY

Michael H. Feldewert
Jordan L. Kessler
Holland & Hart LLP

STATEMENT OF THE CASE

APPLICANT

Applicant seeks an order revoking injection authority for the Diamond 34 State Well No. 1 (API No. 30-025-33387), a salt water disposal well located 990 feet from the South line and 1,650 feet from the West line (Unit Letter N) of Section 34, Township 22 South, Range 33 East, NMPM, Lea County, New Mexico. The authority was granted by Administrative Order and Corrected Administrative Order SWD-640. The subject well is operated by OXY USA Inc. ("OXY").

Devon's testimony will show that:

1. The 3D seismic data is coherent within the Salado formation where over-pressure was encountered while drilling the North Thistle 34 State Com. Well No. 1H. The data does not show evidence of any resolvable discontinuities suggesting that a naturally faulted and/or fractured system does not exist that would allow for the migration of formation waters within the evaporites.
2. Under-saturated, out-of-formation waters that are allowed to artificially migrate into the evaporite section can lead to karsting that can render surface locations undrillable and place personnel and equipment at risk.
3. Artificially high formation pressures at shallow depths, as in the North Thistle 34 State Com. Well 1H, places abnormal stress on surface casing seats, and could lead to a compromise of fresh water sands in the affected area and/or an uncontrolled release to the surface.
4. There is evidence of insufficient wellbore integrity for OXY's SWD well, which establishes a conduit for injection volumes to flow up into the production casing annulus or past the intermediate casing seat (from wellbore schematics and the cement bond log).
5. There is evidence of potential fluid entry above the top of cement and the top of the Delaware formation (represented by a cooling anomaly on the temperature log).
6. The top of cement on OXY's SWD well is much lower than permitted or previously portrayed by Pogo (the original operator), or by OXY.
7. There are temperature anomalies in OXY's logs that suggest they do not have isolation at the top of their permitted zone.
8. Mud weights required to drill wells in this area through the kick zone took significantly less mud weight to prevent fluid influx than for the North Thistle 34 State Com. Well No. 1H. When Oxy's SWD well was drilled in 1996, no abnormal influxes or pressure were encountered, indicating that the shallow drilling hazard witnessed on the North Thistle 34 State Com Well No. 1H is not naturally occurring and was created as a result of influence from Oxy's SWD well.
9. There are no other plausible reasons for Devon's North Thistle 34 State Com. Well No. 1H to have encounter such a high pressure at 1820 feet subsurface, other than influence from OXY's SWD well.

OXY's injection permit requires it to take all necessary steps to ensure that injected water enters only the injection interval, and is not permitted to escape to other formations. OXY cannot satisfy that requirement.

OPPONENT

PROPOSED EVIDENCE

APPLICANT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
Cari Allen (landman - possible witness)	10 min.	Approx. 3
Steve Schwegal (geologist)	15 min.	Approx. 9
Roy Hathcock (completion manager)	15 min.	Approx. 4
Christopher Broughton (reservoir engineer)	15 Min.	Approx. 3
Lorenzo Wilborn (production engineer)	15 min.	Approx. 3
Alex Biholar (geophysicist)	10 min.	Approx. 2
Kyle Johnson (drilling engineer)	10 min.	Approx. 3

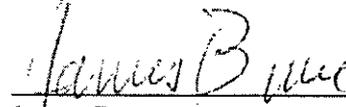
OPPONENT

<u>WITNESSES</u>	<u>EST. TIME</u>	<u>EXHIBITS</u>
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PROCEDURAL MATTERS

-None at this time-

Respectfully submitted,



James Bruce
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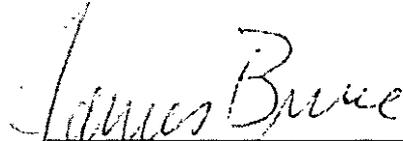
Attorney for Devon Energy Production
Company, L.P.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 4th day of February, 2016 by e-mail:

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James Bruce