

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

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

ORIGINAL

CASES 15397

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER PRETRIAL CONFERENCE

December 3, 2015

Santa Fe, New Mexico

BEFORE MICHAEL McMILLAN, CHIEF EXAMINER
PHILLIP GOETZE, EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Michael McMillan,
Chief Examiner, William V Jones, Examiner, and Gabriel
Wade, Legal Examiner, on December 3, 2015, at the New
Mexico Energy, Minerals, and Natural Resources
Department, Wendell Chino Building, 1220 South St
Francis Drive, Porter Hall, Room 102, Santa Fe, New
Mexico

REPORTED BY ELLEN H ALLANIC
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I N D E X

Pretrial Conference

Reporter's Certificate

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E X H I B I T I N D E X

Exhibits Offered and Admitted

Devon Exhibit D-1

Devon Exhibit D-2

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1 (Time noted 8 18 a m)

2 EXAMINER McMILLAN What we're going to do
3 that is a little bit different is we are going to hear,
4 essentially, a pretrial conference for case No 15397
5 which was supposed to be on the docket for today, but I
6 believe it's going to be off docket and we need to hear
7 some evidence for it

8 EXAMINER GOETZE May I, Examiner?

9 EXAMINER McMILLAN Please proceed

10 EXAMINER GOETZE In case No 15397,
11 Application of Devon Energy Production Company, LP, to
12 revoke the injection authority granted by administrative
13 orders SWD 640, Lea County, New Mexico

14 I believe we have attorneys representing
15 both parties in this case

16 Would you please come forward

17 MR BRUCE Mr Examiner, Jim Bruce of
18 Santa Fe representing Devon Energy

19 MR FELDEWERT Mr Examiner, Michael
20 Feldewert with the Santa Fe Office of Holland and Hart
21 appearing on behalf of OXY U S A , Inc

22 MR BRUCE Okay At this point, we have
23 had a motion to dismiss application and quash subpoena
24 submitted, an alternative for continuance submitted by
25 OXY We have also had a response by Devon to that

1 motion

2 We were going to have an off docket hearing
3 scheduled for December 7th That has since been
4 canceled

5 At this point, let's take the motion to
6 dismiss application and look at what has been provided
7 by OXY

8 Mr Feldewert

9 MR FELDEWERT May I approach?

10 MR BRUCE Yes, sir

11 MR FELDEWERT Mr Examiner, I've handed
12 you, first off, the order that permitted this injection
13 well which was entered back in 1996

14 And as you will see, it's permitted the
15 injection at approximately, it says at the bottom of the
16 page, approximately 5,100 feet -- that's 6,516 feet --
17 in the Bell Canyon and Upper Cherry Canyon, members of
18 the Delaware Formation

19 Pogo Producing Company, OXY's predecessor,
20 and then OXY itself have been injecting under this order
21 since 1997 So that's the background

22 Devon's response to our motion to dismiss I
23 think is important And I gave that to you, because if
24 you take a look at paragraph 3 it provides the sole
25 basis for application to now revoke this injection

1 authority

2 It says in paragraph 3, the second sentence,
3 "While drilling this well, Devon experienced an
4 abnormally high water pressure at an approximate depth
5 of 18, 20 feet subsurface, a distance substantially
6 above the approved injection zone "

7 It was substantially above It's over 3,000
8 feet Yet they filed this motion to now revoke the
9 injection authority They don't tell us what the normal
10 injection pressure or the normal pressure is Is it 18,
11 20 feet? They just say it's abnormally high And they
12 lead to the conclusion that it's the result of these
13 injection operations that have been going on since 1997

14 Now, as this paragraph 4 reflects in this
15 motion, the parties did meet and Devon presented nothing
16 to suggest a connection between the injection zone at
17 3,000 feet below where they experienced their, quote,
18 unquote, "Abnormally high water pressure "

19 And they also indicate at that meeting, as
20 they did in this paragraph in the last sentence, that
21 they were actually examining other possible sources for
22 this what they call "abnormally high water pressure "

23 Nonetheless, OXY went ahead and shut in
24 their well voluntarily They examined that well And
25 the only issue that they found was that there was a

1 injection above pressure for a short period of time and
2 the indications are that there is water at 5,100 feet,
3 5,100 feet There is no other issues with this well and
4 no indication of any connection between 1,800 feet and
5 5,100 feet

6 They met with the District Office They
7 shared what they found The District Office has no
8 concerns with the injection in this well

9 They simply wanted OXY to confirm with the
10 Division's geologist, Mr Goetze, that 5,100 feet is
11 still within their permitted zone, because I guess
12 there's some question as to where the formation top is
13 for the Bell Canyon Okay They couldn't do it down
14 there

15 OXY contacts Mr Goetze and Mr Goetze
16 rightfully says, I think, "I can't talk to you because
17 this application is pending " So because of this
18 application, OXY can't commence reinjection They can't
19 even confirm what the Division is asking them to do, the
20 5,100 feet, which is where the water is, remains within
21 the Bell Canyon interval

22 So it's difficult for OXY to understand
23 without any evidence how Devon can file an application
24 and just make a suggestion that there is a connection
25 between the water that they found at 1,800 feet and

1 OXY's injection zone at 5,100 feet and then, suddenly,
2 stop and now halt any additional injection that's been
3 going on since 1997

4 So we filed our motion to dismiss this
5 application quash the subpoena, because it seems to me
6 that an operator cannot be allowed to file an
7 application that seeks to halt injection operations and
8 then goes on some fishing expedition with a subpoena
9 when they have absolutely no evidence of any connection

10 This is a pure fishing expedition, and they
11 presented nothing And it seems to me there ought to be
12 at least some kind of a prima facie showing of a
13 connection They should be required to explain why they
14 think there is a connection before they go through this
15 process And that's why we filed our motion

16 EXAMINER GOETZE Okay Mr Bruce

17 MR BRUCE Mr Examiner, I've handed you an
18 affidavit, Verified Statement of Kyle Johnson, drilling
19 engineer for Devon And I'll just summarize it You
20 can read it later But in paragraph 4, while they were
21 drilling, they encountered high pressure at
22 approximately 1,820 feet subsurface OXY subsequently,
23 upon contact by Devon, agreed to shut in their injection
24 well and virtually immediately that pressure decreased

25 There's the prima facie evidence

1 I see no reason -- if Mr Feldewert was so
2 sure that this case had no merit, why didn't we just go
3 to hearing next Tuesday, rather than asking for a
4 continuance or a dismissal?

5 The fact of the matter is there is an issue
6 Also attached to my response as Exhibit A is some data
7 from mud logs in the area, mud records, showing that
8 other than Devon's well -- which offsets the injection
9 well -- there have been no abnormal pressures And, of
10 course, Devon's well is the closest one to the injection
11 well More evidence

12 If the case has merit, and, if not, why has
13 OXY shut in the well and is going to be conducting more
14 tests? Let's conduct those tests and find out what's
15 going on And we need data to determine, and maybe the
16 tests will show that it's just some abnormality not
17 caused by the OXY well or just naturally, but at least
18 we will have the data

19 It doesn't hurt at this point to continue
20 the case And Devon would like its subpoena complied
21 with

22 And I hand you one more item -- if OXY
23 doesn't want to provide everything, I'm handing you a
24 statement of what Devon Energy thinks is essential to
25 get from OXY so that it either can prepare its case or

1 determine that there is no issue with the well, with the
2 injection well

3 So we'd ask that the case be continued to a
4 specific date Devon is open late January, sometime in
5 February And we would like the data requested in the
6 subpoena to be provided, say, by year-end -- 2015 that
7 is

8 EXAMINER GOETZE Okay Having heard both
9 parties, a few questions upfront Let's see The well
10 that's being drilled, what is the status of that at this
11 point?

12 MR BRUCE It has been -- I think it was
13 just recently completed

14 EXAMINER GOETZE So there is no issue that
15 we are not in the state where it has not -- we are not
16 holding on rigs or anything like that?

17 MR BRUCE Correct

18 EXAMINER GOETZE So we've completed the
19 well All right Having looked at this and having
20 looked at information in the area, the Division has
21 concerns with this well, and I think it is of merit to
22 pursue at least an investigation of the accusations to
23 either confirm or to get rid of any kind of suspicion
24 that OXY's well may have issues

25 The motion to dismiss is being denied We

1 are not going to quash the subpoena because what is
2 being requested by Devon is something that the Division
3 is very interested in seeing also And we understand
4 that OXY does have a big riding interest because this
5 well does support production

6 We are not going to talk with people in the
7 District as far as its current status If there are no
8 issues, we will move forward with getting it back on
9 line if OXY needs it for their production

10 At the same time, I want to see a date for
11 us to get together, an off-docket, whatever We will
12 accommodate anybody's schedule And let's do it as soon
13 as possible

14 MR FELDEWERT I have one request here, and
15 that is can OXY recommence injection? And the reason I
16 say that is because I'm looking at this affidavit and I
17 didn't realize it was summarized But what I see here
18 is, "A shut-in pressure was not taken, but,
19 approximately, 200 psi reduction of required back
20 pressure was noted," et cetera, et cetera

21 And I am not sure exactly what that means,
22 but it sounds like they don't have a whole lot of data
23 to support this reduction in pressure that they say they
24 solved

25 And it's surprising to me that you would

1 have, as they say, an instant reduction in pressure when
2 you've got 3,000 feet between where they're injecting,
3 where they had been injecting for some time in this
4 1,800 feet

5 But if that's their case, so be it But it
6 seems to me there is no immediate problem that would
7 justify not allowing OXY to recommence injection,
8 particularly since they've done the tests, they've
9 showed it to the Division with water at 5,100 feet
10 That's it There is nothing else for this well

11 EXAMINER GOETZE Well, I haven't seen what
12 has been offered We are working in a void And my
13 concern is we are in the salt interval here And once
14 we breach into the salt, it goes anywhere it wants to

15 And that is a big, big issue, because we are
16 going to end up with other wells having concern with
17 completion Your production wells may have impact on
18 casing issues So we need to take this and nip it in
19 the bud If nothing else comes out of it, at least we
20 know we had an issue at this location

21 As far as putting the well back on line --
22 and we'll talk to District -- at this point, I see no
23 reason, the well has been completed, no one else has
24 offered any other situation or problems as a result of
25 it

1 Mr Bruce

2 MR BRUCE The only issue may be this --
3 and I think OXY and Devon could work this out On
4 Exhibit A to my response, this plat shows the North
5 Thistle 34 State 1H That was the well that was
6 affected by this pressure They had planned to use that
7 same pad to drill another well in the east half, west
8 half of that section They haven't commenced it
9 There's no issue at this point

10 But if they did drill, they might call OXY,
11 if you allow injection to recommence, for while they are
12 drilling through that section to stop injection

13 EXAMINER GOETZE Let's go ahead I will
14 talk with District We will go back to having the well
15 on line And we will go ahead and make sure that Devon
16 and OXY communicate

17 Their well will not be interfered with and
18 you folks will work without us in the middle of it to
19 resolve that issue

20 MR FELDEWERT I also think we can respond
21 rather quickly to this modified document request Is
22 there any chance we can get this on the docket for the
23 7th?

24 EXAMINER GOETZE January 7th?

25 MR WADE I'd ask the parties how long are

1 we looking time-wise? Can you get witnesses here?

2 MR BRUCE I don't mind if it's temporarily
3 moved to the 7th with the recognition that I don't know
4 witness availability at this point

5 MR WADE Do you have an idea of time?
6 Would it be more appropriate for an off-docket?

7 MR BRUCE I think this would be a lengthy
8 case and an off-docket would be better When I get back
9 to the office, I will check with my clients

10 MR FELDEWERT That may or may not be the
11 case I mean I'm hopeful that, once they see the data
12 that we got, that their concerns will be taken care of

13 So I would like to at least get on the
14 docket If they still have concerns, they can
15 communicate to us what their concerns are so at least we
16 know what they think is going on and why they think
17 there's this communication And then if we need to have
18 an off-docket, at that point we can At least, I would
19 like to be able to get it on the docket

20 MR BRUCE I don't have a problem with
21 that

22 EXAMINER GOETZE Let's tentatively put it
23 on the January 7th docket And we will go forward from
24 there for an off-docket date

25 In the meanwhile, we would ask that all the

1 information be provided that was requested by end of
2 year in the subpoena, to the best of OXY's ability, and
3 at that time, we'll go ahead and look for a date So,
4 folks, talk to your witnesses and figure out a date
5 somewhere in January as soon as possible

6 MR WADE May I ask a couple of follow-up
7 questions just for housekeeping?

8 EXAMINER GOETZE Go ahead

9 MR WADE The documents you provided,
10 Mr Bruce, do you want to enter those into the record as
11 exhibits?

12 MR BRUCE If there's no objection, sure

13 MR WADE Any objection?

14 (No response)

15 MR WADE I see you have them marked as D-1
16 and D-2

17 MR BRUCE Just for differentiation

18 EXAMINER GOETZE Thank you very much The
19 alphabetical approach you take is very unique

20 MR FELDEWERT I have no problem

21 MR WADE So no objection

22 (Devon Energy Production Company, LP,
23 Exhibits D-1 and D-2 were offered and admitted)

24 MR WADE And regarding D-2, which is that
25 list, how much does it modify the subpoena or is

1 everything in the subpoena?

2 MR BRUCE The subpoena was a little
3 broader, I believe

4 MR FELDEWERT I would say it was a lot
5 broader, and I think it modifies the subpoena
6 sufficiently

7 MR WADE Okay At this point are we
8 saying, Mr Bruce, that if everything is complied with
9 on this D-2, that the subpoena is not needed, the
10 information required on the subpoena is --

11 MR BRUCE Or the subpoena is modified

12 MR WADE That the subpoena is effectively
13 modified?

14 MR BRUCE Correct

15 MR WADE Okay And the documents that
16 Mr Feldewert supplied are OCD records?

17 MR FELDEWERT Correct

18 EXAMINER GOETZE I'll just make one point
19 I mean, basically, it is the same information that's in
20 the subpoena

21 MR WADE Without having the subpoena in
22 front of me, I didn't know if there's a date Does the
23 subpoena have a date --

24 MR BRUCE I think the original production
25 date was like the 20th of November

1 MR WADE So by end of year this
2 information is being required

3 EXAMINER GOETZE So by end of year, get
4 your information together

5 MR FELDEWERT Thank you, sir

6 EXAMINER GOETZE Thank you, sir

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(Time noted 8 35 a m)

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do hereby certify that the foregoing is
a correct and true copy of the proceedings in
the Examiners hearing of Case No. _____,
heard by me on December 3, 2015

Paul Baca, examiner
Oil Conservation Division

1 STATE OF NEW MEXICO)
2) ss
3 COUNTY OF BERNALILLO)
4
5
6

7 REPORTER'S CERTIFICATE

8
9 I, ELLEN H ALLANIC, New Mexico Reporter CCR
10 No 100, DO HEREBY CERTIFY that on Thursday, December 3,
11 2015, the proceedings in the above-captioned matter were
12 taken before me, that I did report in stenographic
13 shorthand the proceedings set forth herein, and the
14 foregoing pages are a true and correct transcription to
15 the best of my ability and control

16
17 I FURTHER CERTIFY that I am neither employed by
18 nor related to nor contracted with (unless excepted by
19 the rules) any of the parties or attorneys in this case,
20 and that I have no interest whatsoever in the final
21 disposition of this case in any court

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