

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

**APPLICATION OF FOUNDATION ENERGY
MANAGEMENT, LLF FOR APPROVAL OF A
SALT WATER DISPOSAL WELL IN LEA
COUNTY, NEW MEXICO.**

CASE NO. 21145

DEVON'S PRE- HEARING STATEMENT

Devon Energy Production Company, L.P. ("Devon") submits this pre-hearing statement as required by the rules of the Oil Conservation Division.

APPEARANCES

APPLICANT

Foundation Energy Management, LLC

ATTORNEY

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DEVON'S STATEMENT OF THE CASE

Foundation proposes to convert its Blue Quail Federal #1 Well (the "Well") (API No. 30-025-33222) to a saltwater disposal well. The Well is located 660 feet from the south line and 1,980 feet from the east line (Unit 0), Section 7, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico. Foundation seeks authorization to inject produced saltwater for disposal through the Well into the Bell Canyon Formation between 4,640 feet and 4,850 feet below the surface. The Well has a 40-acre spacing unit on Federal Lease NMNM 86151. Devon is the record title owner of Federal Lease NMNM 86151. By Joint Operating Agreement dated June 16, 1995, both Devon and Foundation own a contractual interest in Lots 1-4, E/2 SW/4 and SE/4 of Section 7, Township 23 South, Range 32 East, NMPM, Lea County, New Mexico. In addition, Devon is a working interest owner in mineral interests in all Sections immediately offsetting Foundation's proposed injection well and is an operator of record for that acreage.

Foundation's injection into the Blue Quail Federal #1 Well will adversely impact Devon's planned Bone Spring and Wolfcamp drilling program because Devon will have to drill through Foundation's injection interval, which already has been receiving injection volumes in Section 7 from Foundation's Bitsy Federal SWD #1 since 2009. Devon plans to drill at least 23 wells over the next five years within a half-mile of the Blue Quail Federal #1 Well and at least an additional 12 planned wells within a one-mile radius. Devon's two closest well pads from which it plans to drill wells into the Bone Spring and Wolfcamp formations are 268 feet and 455 feet away from the Blue Quail Federal #1. Having to drill through Foundation's produced water injection plume will substantially increase the costs of Devon's drilling program in the area and risks to the integrity of Devon's wellbores and offsetting formations due to impacts to Devon's cement programs, exposure to corrosive fluids from the injection plume, and the potential for hydrogen embrittlement, among other concerns.

Foundation's proposed injection, besides increasing costs and elevating the risks, also impairs Devon's correlative rights by making it less practicable and technically more difficult to access and develop its mineral interests in the Bone Spring and Wolfcamp formations. The proposed injection also increases the risk of premature abandonment due to the loss of a casing strings from hydrogen embrittlement or corrosion that could result in lost reserves.

PROPOSED EVIDENCE

WITNESSES Name and Expertise	ESTIMATED TIME	EXHIBITS
Katie Adams, Landman	Approx. 15 minutes	4
Derek Ohl, Petroleum Geology	Approx. 15 minutes	4
Alex Bernhard, Drilling Engineer	Approx. 20 minutes	4

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP

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**ATTORNEYS FOR DEVON ENERGY PRODUCTION
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CERTIFICATE OF SERVICE

I hereby certify that on February 11, 2021, I served a copy of the foregoing prehearing statement along with Devon Exhibits A through A-4, B through B-4, and C through C-4 to the following counsel of record via Electronic Mail to:

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