

DEVON EXHIBIT A

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

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

CASE NO. 21145

TESTIMONY OF KATIE ADAMS

1. My name is Katie Adams, and I am a Landman with Devon Energy Production Company, L.P. (“Devon”).

2. I have previously testified before the New Mexico Oil Conservation Division as an expert witness in petroleum land matters, and my credentials have been accepted and made a matter of public record.

3. I am familiar with the application filed by Foundation Energy Management, LLC (“Foundation”) in this case and the status of the lands in the subject area.

4. 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.

5. 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.

6. 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. Foundation’s

contractual interest is limited from the surface to the top of the Bone Spring formation. By Wellbore Assignment dated effective December 1, 2018, Devon assigned to Foundation its interest in and to the wellbore of the Well, along with the other vertical wells in Section 7. Devon is the operator of all formations and depths below the base of the Brushy Canyon formation in Section 7. 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.

7. **Devon Exhibit A-1** shows the acreage in yellow in which Devon is a working interest owner and operator of record. The blue lines represent Devon's existing producing horizontal wells completed predominately within the Bone Spring and Wolfcamp formations.

8. Devon Exhibit A-1 also depicts the location of Foundation's Blue Quail Federal #1 Well, identified on the map as a red star. Also shown in the exhibit is Foundation's Bitsy Federal SWD #1 (API No. 30-025-33398), which is located 1,980 feet from the north line and 660 feet from the east line (Unit H) within the same Section 7. It is depicted on the map as a blue star. According to Division records, the Bitsy Federal SWD #1 Well was originally completed in the Bone Spring formation in 1996 as a producing well but was converted to injection in 2008 by administrative order SWD-1156, which authorized disposal of produced water into the Delaware formation from approximately 4,660 feet to 6,270 feet below the surface. OCD online records show that the Bitsy Federal SWD #1 remains active as a saltwater disposal well and has injected more than 3.4 million barrels of produced water into the Delaware formation through November 2020 since injection started in 2009. Around each of Foundation's injection wells are two circles. The smaller circle is a half-mile radius and the larger circle is a one-mile radius.

9. **Devon Exhibit A-2** depicts the same base map and acreage as Exhibit A-1, with Devon's interests in yellow. The exhibit also identifies Devon's proposed additional wells in

magenta that it plans to drill and develop in the area within the Bone Spring and Wolfcamp formations. Devon plans to drill and develop these additional proposed wells over the next five years. As in Exhibit A-1, Foundation's existing and proposed injection wells are depicted as stars inside circles with radii of a half-mile and one-mile.

10. If approved, 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 Exhibit A-3** is a close-up view of Foundation's Blue Quail Federal #1 Well and the surrounding half-mile and one-mile areas of review. The exhibit shows that 23 wells that Devon plans to drill over the next five years fall within a half-mile of the Blue Quail Federal #1 Well and at least an additional 12 planned wells fall within the one-mile radius. Devon's drilling engineer will provide testimony on the anticipated impacts to Devon's planned drilling program from Foundation's proposed injection.

11. The exhibit also shows that Devon has 12 existing wells within a one-half mile radius of Foundation's proposed injection and an additional 15 existing wells within a one-mile radius.

12. As reflected in Exhibits A-2 through A-4, Foundation's proposed injection in the Blue Quail Federal #1 Well will be within Devon's core existing and proposed development of the Bone Spring and Wolfcamp formations in this area.

13. In contrast to Devon's acreage and wells in the Bone Spring and Wolfcamp formations that will be impacted by the proposed injection, **Devon Exhibit A-4** reflects the acreage and wells operated by Foundation from the surface to the base of the Avalon. In addition to the

previously discussed contractual interest, Foundation owns operating rights from the surface to the top of the Bone Spring in Federal Lease NMNM 62223 in Section 7, which is highlighted in red.

The vertical wells that Foundation operates are depicted as blue circles.

14. Exhibits A-1 through A-4 were prepared by me, under my direct supervision, or they constitute Devon business records.

15. To protect its correlative rights and prevent waste, Devon requests that the Division deny Foundation's application.

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