

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

**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. 15397

OXY'S PRE-HEARING STATEMENT

This pre-hearing statement is submitted by OXY USA, Inc. ("OXY") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

Devon Energy Production Company L.P.

ATTORNEY

James Bruce
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Santa Fe, New Mexico 87504
(505) 982-2043

OTHER APPEARANCES

OXY USA, Inc.

ATTORNEY

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STATEMENT OF THE CASE

Devon has filed an Application seeking to revoke Oxy's injection authority under Corrected Administrative Order SWD-640 for its Diamond "34" State Well No. 1 (API No. 30-025-33387) located 990 feet from the South Line and 1650 feet from the West

line (Unit N) of Section 34, Township 22 South, Range 33 East in Lea County, New Mexico. The basis for this request is Devon's statement that in September of 2015 it experienced "abnormally high water pressure at an approximate depth of 1,820 feet" while drilling the vertical portion of a Bone Spring horizontal well in the SW/4 SW/4 of Section 34.

Oxy and its predecessor, Pogo Producing Company, have been disposing produced water into the Bell Canyon and Upper Cherry Canyon formations through this well at perforations located at 5335-5748 feet without incident since 1997. Division records reflect periodic mechanical integrity tests on this well, the most recent of which was conducted on October 1, 2015, with oversight by the Division's District Office. The vertical distance between Oxy's permitted disposal zone and the shallower interval where Devon experienced "abnormally high water pressure" is over 3,500 feet, with various impenetrable barriers between the disposal zone and this shallower zone. This vertical distance alone raises serious questions about Devon's suggestion that produced water injected into the Diamond "34" State Well No. 1 is migrating over 3,500 feet upward and pressurizing the interval where Devon experienced its water flow. Moreover, Oxy has conducted tests confirming that the disposal water is remaining within the permitted disposal zone. There is no evidence to support Devon's hypothesis that water disposed into the subject well is migrating upward and pressurizing a shallower zone.

OXY'S PROPOSED EVIDENCE

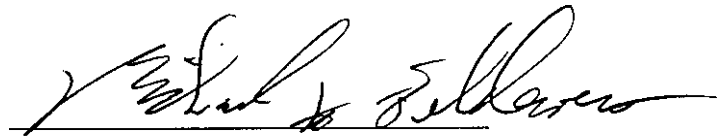
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Thomas Clifford, Engineer	Approx. 60 minutes	Approx. 15
Russ Cooper, Geologist	Approx. 20 minutes	Approx. 5

PROCEDURAL MATTERS

Oxy has filed a motion to continue this matter.

Respectfully submitted,

HOLLAND & HART LLP



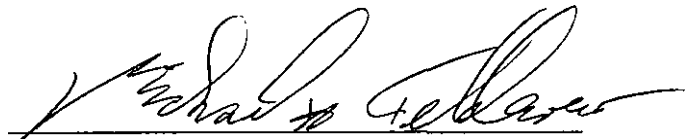
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ATTORNEYS FOR OXY USA, INC.

CERTIFICATE OF SERVICE

I hereby certify that on February 9, 2016, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

James Bruce
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A handwritten signature in black ink, appearing to read "Michael H. Feldewert", written over a horizontal line.

Michael H. Feldewert