

STATE OF MICHIGAN  
DEPARTMENT OF ENVIRONMENTAL QUALITY

**ORDER OF THE SUPERVISOR OF WELLS**

IN THE MATTER OF:

THE PETITION OF SAVOY ENERGY, L.P., FOR AN )  
ORDER FROM THE SUPERVISOR OF WELLS EITHER )  
ABROGATING ORDER NO. 2-2-84 OR AUTHORIZING AN ) ORDER NO. 06-2013  
EXCEPTION TO THE SPACING PROVISIONS SET BY )  
ORDER NO. 2-2-84 FOR WELLS LOCATED IN SECTIONS )  
13 AND 24, COLD SPRINGS TOWNSHIP, KALKASKA )  
COUNTY, MICHIGAN. )

**OPINION AND ORDER**

This case involves the Petition of Savoy Energy L.P. (Petitioner). The Petitioner proposes to drill and complete two wells for oil and gas exploration (the Fawcett 6-24 and Nothstine 3-13 wells) within drilling units in the stratigraphic interval known as the Guelph Dolomite/Ruff Formation (formerly known as the Niagaran and Salina Formations). The Petitioner is requesting two 80-acre drilling units consistent with Special Order No. 1-73 as an exception to the drilling unit size and spacing pattern required by Supervisor's Order No. 2-2-84; or in the alternative, abrogation of Order No. 2-2-84. The proposed drilling units consist of the E 1/2 of NW 1/4 of Section 24 (Fawcett Unit), and S 1/2 of SE 1/4 of Section 13 (Nothstine Unit), both in T28N, R6W, Cold Springs Township, Kalkaska County, Michigan.

**Jurisdiction**

The development of oil and gas in this state is regulated under Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. MCL 324.61501 *et seq.* ("Act 451"). The purpose of Part 615 is to ensure the orderly development and production of the oil and gas resources of this state. MCL 324.61502. To that end, the Supervisor may establish drilling units. MCL 324.61513(2). The evidentiary hearing is governed by the applicable provisions of the Administrative Procedures Act, 1969 PA 306, as amended,

MCL 24.201 *et seq.* See 1996 MR 9, R 324.1203. The evidentiary hearing in this matter was held on June 25, 2013.

#### Parties

After notice of the hearing originally scheduled for May 14, 2013, was given by the Petitioner to all of the interested parties identified by Petitioner as of the date of that notice, a number of additional owners of surface acreage in the area were discovered by the Petitioner. Inasmuch as those newly discovered interested parties had not been served with notice of the May 14, 2013, hearing, that hearing was converted into a prehearing conference, and the date for the hearing itself set for June 25, 2013, in Lansing, Michigan.

Prior to the May 14, 2013, prehearing conference, separate Answers to the Petition were filed by: (a) the Thomas H. Nothstine and Marja K. Nothstine Revocable Living Trust ("Nothstine Trust"); and (b) the Floyd S. Boardman Trust and Louise J. Bandemer ("Boardman/Bandemer"). The Nothstine Trust, represented by Mr. Kevin Schumacher, attended the prehearing conference on May 14, 2013. Neither the Boardman Trust nor Louise J. Bandemer, both of whom are represented by James Boardman, appeared at that prehearing conference. The Answers filed by both the Nothstine Trust and Boardman/Bandemer contained objections and expressions of environmental concern attributable to the surface location of the well or wells proposed by the Petitioner, but neither Answer contained any objections or other information pertinent to the Petitioner's request for the abrogation of Order No. 2-2-84, the sole issue before the Supervisor here.

After the prehearing conference on May 14, 2013, the Supervisor issued an Order of Adjournment, which directed counsel for the Petitioner to serve upon all newly discovered interested parties a copy of that Order for Adjournment, the Petition, and its proposed Order Abrogating Order No. 2-2-84. The Order of Adjournment also provided that, in the absence of any written objections to the Petitioner's proposed Order Abrogating Order No. 2-2-84 being received by the Supervisor on or before

June 20, 2013, Petitioner's proposed Order Abrogating Order No. 2-2-84 may be entered by the Supervisor without an oral hearing. Two Answers were received to the May 23, 2013, service of the Order of Adjournment, Petition, and proposed Opinion and Order from Boardman/Bandemer and Ms. Diane Montemayor. Again, neither Answer contained any specific objections to the Petitioner's request to abrogate Order No. 2-2-84. Ms. Montemayor and Mr. Schumaker on behalf of the Nothstine Trust attended the hearing.

### **FINDINGS OF FACT**

The Petitioner specifically requests that the Supervisor issue an Order that:

1. Abrogates the spacing provisions of Order No. 2-2-84.
2. In the alternative, grants an exception to the drilling unit size and spacing pattern required by Order No. 2-2-84.
3. Allows for the drilling of wells on 80-acre units consistent with Special Order No. 1-73.

Having reviewed and considered facts contained in the Petition, the Supervisor has taken administrative notice of the following facts, which I find to be true and accurate:

The lands and stratigraphic intervals in and under the North 1/2 of the proposed Fawcett Unit are presently covered by and subject to Order No. 2-2-84, which established the Amoco-Fawcett Unit that consists of 240+ acres, including a 40+ acre parcel that now comprises the North 1/2 of the proposed drilling unit for the drilling of the Fawcett No. 6-24 well. The 240+ acre Amoco-Fawcett Unit established under Order No. 2-2-84 is described in that Order as follows:

S 1/2 of SW 1/4, SW 1/4 of SE 1/4 Section 13, and the N 1/2 of NW 1/4,  
NW 1/4 of NE 1/4 Section 24, T28N, R6W, Cold Springs Township,  
Kalkaska County, Michigan.

The lands and stratigraphic intervals in and under the entirety of the proposed Nothstine Unit are presently covered by and subject to Order No. 2-2-84, which also

established the West Bay Little Twin Unit that consists of 120+ acres, including the acreage that now comprises the Proposed Nothstine Unit for the drilling of the Nothstine No. 3-13 well. The 120+ acre West Bay Little Twin Unit established under Order No. 2-2-84 is described in that Order as follows:

N 1/2 of SE 1/4, SE 1/4 of SE 1/4 Section 13, T28N, R6W, Cold Springs Township, Kalkaska County, Michigan.

The South 1/2 of the Proposed Fawcett Unit is currently subject to the provisions of Supervisor of Wells Order No. 1-73, which provides for the establishment of 80+ acre drilling units for wells drilled into the Salina Niagaran formation within the geographic area covered by Order No. 1-73.

Separate Applications for a permit to drill the Fawcett No. 6-24 well and the Nothstine No. 3-13 well on the Proposed Fawcett Unit and on the Proposed Nothstine Unit, respectively "Savoy Applications," have been filed by Savoy Energy, L.P., with the Michigan Department of Environmental Quality.

No wells have been permitted or drilled on the acreage comprising the Proposed Fawcett Unit, the Proposed Nothstine Unit, the existing Amoco-Fawcett Unit, or the existing West Bay Little Twin Unit for more than ten (10) years, and there are no active or pending permits (except the Savoy Applications) covering that acreage. All wells previously drilled and completed as producing wells within the existing Amoco-Fawcett Unit and the existing West Bay Little Twin Unit have been plugged and abandoned. Accordingly, with the exception of the Savoy Applications, there are no current or pending permits or drilling, production or other operations on the acreage within the existing Amoco-Fawcett Unit or the existing West Bay Little Twin Unit.

Order No. 2-2-84 is devoid of any "sunset clause" or other express provision for the abrogation of that Order after all wells drilled within the unit or units established by that Order have been plugged and abandoned (and there are no producible wells or active or pending permits), as is the case here. I find that Order No. 2-2-84 must now be abrogated to prevent waste, protect correlative rights, and afford the Petitioner and others the opportunity to recover its, and their just and equitable, share of the oil, gas,

and minerals in, under, and that can be produced from each of the proposed units while, at the same time, promoting the economic and efficient drainage of the prospective reservoir underlying each of the proposed units, all pursuant to the mandate of Act 451, as amended.

Abrogation of Order No. 2-2-84

Given the absence of any wells or units, or any active or pending drilling permits (except the Savoy Applications), covering any portion of the acreage comprising the Cold Springs Field, I find that it is now appropriate to abrogate Order No. 2-2-84 in its entirety. As of the effective date of this Order, the lands and horizons previously comprising the Cold Springs Field shall become and remain subject to the applicable requirements of Special Order No. 1-73.

**CONCLUSIONS OF LAW**

Based on the findings of fact, I conclude, as a matter of law:

1. Abrogation of Order No. 2-2-84 in its entirety, and the applicability of Special Order No. 1-73, to the drilling and development of all subsequent wells and units within the lands and intervals previously covered by Order No. 2-2-84 is appropriate and necessary to prevent waste and to protect correlative rights. MCL 324.61506(a).
2. The Supervisor has jurisdiction over the subject matter and the persons interested therein.
3. Due notice of the time, place, and purpose of the hearing was given as required by law and all interested persons were afforded an opportunity to be heard. 1996 MR 9, R 324.1204.

**DETERMINATION AND ORDER**

Based on the Findings of Fact and Conclusions of Law, the Supervisor determines that abrogation of Order No. 2-2-84 in its entirety is necessary and desirable.

**NOW, THEREFORE, IT IS ORDERED:**

1. Order No. 2-2-84 is abrogated.
2. All applicable provisions of Special Order No. 1-73 are in effect as to all of the lands and intervals in the Cold Springs Field previously subject to Order No. 2-2-84 for the drilling and development of all wells and units.
3. The Supervisor retains jurisdiction in this matter.
4. This Order is effective immediately.

DATED: *July 12, 2013*

  
HAROLD R. FITCH  
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