

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF:

THE PETITION OF W.B. OSBORN OIL & GAS)
OPERATIONS, LTD, FOR AN ORDER FROM THE)
SUPERVISOR OF WELLS AUTHORIZING AN EXCEPTION) ORDER NO. 07-2012
TO THE SPACING PATTERN FOR WELLS SET BY)
R 324.301 FOR THE MACKERSIE 1-9 WELL LOCATED IN)
FORK TOWNSHIP, MECOSTA COUNTY, MICHIGAN.)

OPINION AND ORDER

This case involves the Petition of W.B. Osborn Oil & Gas Operations, LTD (Petitioner), to drill a well (the MacKersie 1-9 well) within a drilling unit to test the stratigraphic interval known as the Dundee Formation. The Petitioner is requesting an exception to the spacing pattern set by R 324.301 for the proposed MacKersie 1-9 well. The proposed unit consists of the SW 1/4 of SW 1/4 of Section 9, T16N, R9W, Fork Township, Mecosta 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.* 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 a drilling unit for each pool. 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 28, 2012.

FINDINGS OF FACT

The Petitioner seeks an order of the Supervisor authorizing a well location for the proposed MacKersie 1-9 Dundee Formation well as an exception to the spacing pattern for wells set by R 324.301.

The Administrative Law Judge determined that the Notice of Hearing was properly served and published. No answers to the Petition were filed. Therefore, the Petitioner is the only Party to this case. The Supervisor designated the hearing to be an evidentiary hearing pursuant to R 324.1205(1)(c) and directed evidence be presented in the form of verified statements. In support of its case, the Petitioner offered the verified statement of Mr. P.K. Roberts, Petroleum Geologist and Exploration Manager for the Petitioner.

The spacing of wells targeting the Dundee Formation in Section 9 of Fork Township, Mecosta County, is governed by R 324.301. This rule establishes drilling units of 40 acres, more or less, and R 324.301(1)(b)(ii) provides, in part, that the bottomhole location of development wells be located in a pattern at the same relative position in each drilling unit as that of the discovery well. Prior wells drilled by the Petitioner have established that the location for the proposed well would be in the northwest ten acres of the drilling unit. The Petitioner's proposed well location is 503 feet from the south line and 630 feet from the west line of the SW 1/4 of SW 1/4 of Section 9, T16N, R9W, Fork Township, Mecosta County, Michigan. The Petitioner has applied for a permit to drill the MacKersie 1-9 well.

Mr. Roberts' verified statement indicates the Petitioner has conducted investigations of the Dundee Formation in the proposed unit. Based on the Petitioner's review and analysis of all geologic information available to it, the Petitioner has identified a prospective location on the structural Dundee feature beneath the proposed unit. It is Mr. Roberts' opinion that a location in the northwest ten acres of the drilling unit is not the optimum geological location in the proposed drilling unit.

Mr. Roberts' testimony indicates a well in the northwest ten acres of the proposed drilling unit would more likely be uneconomic, leading to economic waste, or less economical than a well drilled at the proposed location. It is Mr. Roberts' opinion that the proposed location would not result in harmful interference to offsetting owners

and would protect the correlative rights of owners within the proposed drilling unit. Mr. Roberts also testified the proposed well location would result in less surface waste with fewer trees being cut and no interference with surface water.

I find that the proposed well location exception to R 324.301 will prevent waste and protect correlative rights and, as such, is approved for the proposed well.

CONCLUSIONS OF LAW

Based on the Findings of Fact, I conclude, as a matter of law:

1. An exception to the well location established by R 324.301 is appropriate for the proposed well. Exceptions to R 324.301 may be granted by the Supervisor after a hearing.
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 the proposed Dundee Formation well location exception is necessary to protect correlative rights and prevent waste by the drilling of unnecessary wells.

NOW, THEREFORE, IT IS ORDERED:

1. A well location exception is granted for the drilling of the MacKersie 1-9 well, 503 feet from the south boundary and 630 feet from the west boundary of the drilling unit.
2. The Supervisor retains jurisdiction in this matter.

3. This Order shall be effective immediately.

DATED: July 31, 2012



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