

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 ) CAUSE NO. 17-2013  
TO THE SPACING PATTERN FOR WELLS SET BY )  
R 324.301 FOR THE RHOADS 2-20 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 (Rhoads 2-20 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 Rhoads 2-20 well. The proposed unit consists of the NE 1/4 of NE 1/4 of Section 20, T16N, R7W, 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 December 12, 2013.

### FINDINGS OF FACT

The Petitioner seeks an order of the Supervisor authorizing a well location for the proposed Rhoads 2-20 well in the Dundee Formation 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 20 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 with the bottom hole location not more than 495 feet from the unit boundary; however, under R 324.302(b)(i), the bottom hole location may not be less than 330 feet from the drilling unit boundary. Due to environmental concerns, the Petitioner's proposed well location is less than 330 feet from the west line of the proposed drilling unit boundary. The Petitioner has applied for a permit to drill the Rhoads 2-20 well with a location 406 feet from the north line and 145 feet from the west line of the drilling unit comprised of the NE 1/4 of NE 1/4 of Section 20, T16N, R7W, as an exception to R 324.301.

As depicted on Exhibit A to Mr. Roberts' Verified Statement, a location 330 feet from the west unit boundary is densely wooded and is not conducive for surface operations. Drilling at the proposed location will minimize surface disturbance.

It was Mr. Roberts' opinion that the location exception would not result in any interference nor violate correlative rights of offsetting owners. The proposed location,

along with the entire west 20 acres of the proposed drilling unit, is owned by Mr. Jeffrey and Mrs. Deborah Rhoads. Mr. and Mrs. Rhoads are also the owners of all mineral in the NW 1/4 of NE 1/4 of Section 20, which is the west offset to the proposed well. It is the preference of Mr. and Mrs. Rhoads that the Rhoads 2-20 well be located at the proposed location. In addition, Petitioner owns 100 percent of the leasehold in both the NW 1/4 of NE 1/4 and NE 1/4 of NE 1/4 of Section 20.

It is Mr. Robert's opinion that drilling a directional well to a subsurface location which is 330 feet from the unit boundary adds unnecessary cost and risk that cannot be justified by the difference of 185 feet in bottom hole locations.

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 prevent waste and will protect correlative rights.

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

1. A well location exception is granted for the drilling of the Rhoads 2-20 well, less than 330 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: Jan. 8, 2014

  
HAROLD R. FITCH  
ASSISTANT SUPERVISOR OF WELLS  
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