

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF

THE PETITION OF TRENDWELL ENERGY)
CORPORATION, FOR AN ORDER FROM THE)
SUPERVISOR OF WELLS APPROVING SEPARATE) ORDER NO. 05-2015
STANDARD ALLOWABLE PRODUCTION RATES FOR)
THE RCI-EAST A4-19 HD1 AND RCI-WEST A4-19 HD1)
WELLS IN SECTIONS 17, 19, AND 20, SUMMERFIELD)
TOWNSHIP, MONROE COUNTY, MICHIGAN.)

ORDER OF DETERMINATION

This case involves the Petition of Trendwell Energy Corporation (Petitioner) for an Order of the Supervisor of Wells (Supervisor) to increase the amount of oil and gas it may produce each day at the RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells to 200 barrels of oil per day (BOPD) and 200 thousand cubic feet (Mcf) of gas per day per well. The two wells were drilled on the same 160-acre drilling unit and under Order No. 18-2007, the Petitioner currently cannot produce more than 200 BOPD and 200 Mcf of gas per day at both the RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells combined. The drilling unit for the RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells includes the N 1/2 of NE 1/4 of Section 19, NW 1/4 of NW 1/4 of Section 20, and SW 1/4 of SW 1/4 of Section 17, T7S, R6W, Summerfield Township, Monroe 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 fix the total allowable production for any oil or gas field or pool in the state, and establish the allowable production for each well in the field or pool in

order to prevent premature abandonment of wells in the field or pool. MCL 324.61512. However, a permittee of a well who believes proration allowables have ceased to prevent waste may petition the Supervisor for a change in a well allowable and the Supervisor shall schedule a meeting to consider the petition. 1996 MR 9, R 324.611. The meeting on this matter was scheduled for November 5, 2015.

FINDINGS OF FACT

The Petitioner seeks to produce the full oil and gas allowable of 200 BOPD and 200 Mcf per day at each of the RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells. These two wells were drilled on a 160-acre drilling unit approved under R 324.303 and Order 18-2007. Order 18-2007 limits production to 200 BOPD and 200 Mcf per day for both wells combined.

The Administrative Law Judge determined the Notice of Meeting was properly served and published. No answers contesting the Petition were filed, therefore the Supervisor determined an order would be issued administratively following review and evaluation of data presented. In support of its case, the Petitioner offered the verified statements of Mr. David R. Heinz, Vice President Exploration, Trendwell Energy Corporation (petroleum geology); and Mr. Richard Sandtveit, Vice President Engineering, Trendwell Energy Corporation (petroleum engineering).

Mr. Heinz investigated and analyzed the Trenton Formation and characterized the reservoirs which may be productive in that formation as it underlies the 160-acre RCI drilling unit and lands adjacent to the drilling unit. It is Mr. Heinz's opinion, based on seismic data (Exhibits A and B to his verified statement), the geologic composition of the formation rock encountered during drilling of the two wells, and pressure data, that the reservoirs from which the RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells are producing are separate and distinct from each other.

Mr. Sandtveit states the mud logs indicate that while the wells were drilled in opposite directions from each other, each wellbore separately encountered tight limestone for a substantial distance before encountering the producing porous dolomite reservoirs.

This tight limestone creates a physical barrier separating the two reservoirs. Additionally, recently obtained bottom hole pressure data for the two wells (Exhibit A to Mr. Sandtveit's verified statement), with the latest pressure higher than an earlier one, shows both wells are producing from separate distinct reservoirs. Finally, a Certificate of Analysis for a gas sample for each of the two RCI wells (Exhibit F to Mr. Sandtveit's verified statement) indicates a difference of the gas component analysis; this, along with the British thermal unit (BTU) content shows the produced gas was coming from distinct reservoirs.

Mr. Sandtveit states that due to the separate nature of the reservoirs penetrated by the RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells, as well as the distance the producing intervals of the wells are from each other and from the drilling unit boundaries, each well should be authorized to produce up to the production rate that would be allowed if each well had been drilled on separate 40-acre standard drilling units. It is his opinion that approval of the proposed separate allowable for each of the RCI wells is reasonably necessary to enhance the ultimate recovery of oil, gas, and related hydrocarbons from each of the wells, and the proposed allowable is feasible, will prevent waste, and protect correlative rights.

Based on the foregoing, I find, as a Matter of Fact, the current combined allowable for both RCI wells has ceased to prevent waste. I find individual allowables of 200 BOPD and 200 Mcf per day for the RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells are reasonable.

CONCLUSIONS OF LAW

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

1. The Supervisor may limit the amount of oil or gas to be produced to prevent waste by preventing the premature abandonment of the well. MCL 324.61512.
2. This order is necessary to make a change in the field allowable established in Order No. 18-2007. 1996 AACCS, R 324.611 and Order No. 18-2007.

3. The Supervisor has jurisdiction over the subject matter and the persons interested therein.

4. 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 AACRS, R 324.611 and 324.1204.

DETERMINATION AND ORDER

Based on the Findings of Fact and Conclusions of Law, the Supervisor of Wells determines that individual oil and gas allowables of 200 BOPD and 200 Mcf per day for the RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells will prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. The RCI-East A4-19 HD1 and RCI-West A4-19 HD1 wells are each allowed to produce up to 200 BOPD and 200 Mcf per day as an exception to Order No. 18-2007. However, the volume of gas flared is restricted to 100 Mcf per day per well, pursuant to Order No. 18-2007.

2. The Supervisor of Wells retains jurisdiction in this matter.

3. This Order shall be effective immediately.

Dated: Dec. 15, 2015



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