

STATE OF MICHIGAN  
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

THE PETITION OF MERIT ENERGY COMPANY, )  
FOR AN ORDER FROM THE SUPERVISOR OF )  
WELLS AMENDING ORDER NO. (A) 26-7-84 TO ) ORDER NO. 06-2014  
INCLUDE THE NW 1/4 OF NW 1/4 AND SE 1/4 OF )  
NE 1/4 OF SECTION 8, FREDERIC TOWNSHIP, )  
CRAWFORD COUNTY, MICHIGAN. )

OPINION AND ORDER

This case involves the Petition of Merit Energy Company (Petitioner) for an amendment to Order No (A) 26-7-84 to expand the Frederic 8-28N-4W, Salina-Niagaran Formation Pool Secondary Recovery unit from 400 to 480 acres. The lands to be added consist of the NW 1/4 of the NW 1/4 and SE 1/4 of NE 1/4 of Section 8, T28N, R4W, Frederic Township, Crawford 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 (NREPA), 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. 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 May 7, 2014.

**FINDINGS OF FACT**

The Petitioner seeks an order of the Supervisor amending Order No. (A) 26-7-84 by adding the NW 1/4 of NW 1/4 and SE 1/4 of NE 1/4 of Section 8, T28N, R4W, Frederic Township, Crawford County, Michigan to the Unit Area.

The Administrative Law Judge determined the Notice of Hearing was properly served and published. No Answers to the Petition were filed. Therefore, the Petitioner is the only party in this matter. The Supervisor designated the hearing to be an evidentiary hearing pursuant to R 324.1205(1)(c) and directed substantive evidence be presented in the form of verified statements. In support of its case, the Petitioner offered the verified statements of Mr. Chris Dennen, Petroleum Geologist; and Mr. Lee Abel, Petroleum Landman.

By Order No. (A) 26-7-84, a waterflood project was approved and spacing abrogated for an area described as:

The N 1/2 of NE 1/4, SW 1/4 of NE 1/4, NE 1/4 of NW 1/4, S 1/2 of NW 1/4, N 1/2 of SW 1/4 of Section 8 and S 1/2 of SE 1/4 of Section 5, T28N, R4W, Frederic Township, Crawford County, Michigan.

These lands are referred to as the Frederic 8-28N-4W Salina-Niagaran Formation Pool Secondary Recovery Unit. The Order also provides that no well may be drilled closer than 330 feet from a unit boundary.

Mr. Dennen's verified statement indicates the Petitioner is proposing to drill two open hole horizontal wells within the Proposed Expanded Unit. The first well is the St. Frederic B12-8 well. The horizontal wellbore will run through, or very close to, the southeast corner of the NW 1/4 of NW 1/4 of Section 8.

The second well is the B11-8 HD1 and the wellbore will run through, or very close to, the northwest corner of the SE 1/4 of NE 1/4 of Section 8. In order to drill the two wells and maintain the 330 foot setback from the unit boundary, Petitioner requests the Unit be expanded by adding the NW 1/4 of NW 1/4 and SE 1/4 of NE 1/4 of Section 8 to the Unit.

It was Mr. Dennen's opinion that the expansion of the Unit to 480 acres would not result in any interference nor violate correlative rights of offsetting owners. The

proposed bottomhole location of the B11-8 HD1 well is approximately 1,472 feet to the east line of the expanded unit and the bottomhole location of the B12-8 HD1 well is approximately 1,687 feet to the west unit boundary.

Mr. Abel's verified statement indicates one hundred percent of the minerals beneath the lands to be added (NW 1/4 of NW 1/4 and SE 1/4 of NE 1/4 of Section 8, T28N, R4W) are owned by the State of Michigan. In addition, all minerals beneath the existing Frederic 8-28N-4W Salina-Niagaran Formation Pool Secondary Recovery Unit, as established by Order No. (A) 26-7-8, are owned by the State of Michigan. Further, all minerals beneath the existing Frederic 8 Unit and the lands to be added are subject to the same lease, being State Lease No. 9598, of which the Petitioner is the owner.

Mr. Abel's verified statement indicates that adding the NW 1/4 of NW 1/4 and SE 1/4 of NE 1/4 of Section 8 to the Frederic 8 Unit will not affect any owner's interest in the original Frederic 8 Unit. Adding 80 acres will not increase or decrease the royalty interest of the State of Michigan, nor would any other owner's interest be affected.

I find that adding the NW 1/4 of NW 1/4 and SE 1/4 of NE 1/4 of Section 8 to the Frederic 8-28N-4W Salina-Niagaran Formation Pool Secondary Recovery Unit will not affect the rights and interests of any person in the original unit and will prevent waste and will protect correlative rights, and as such, the amendment of the Unit is approved.

#### **CONCLUSIONS OF LAW**

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

1. An amendment to Order No. (A) 26-7-84, adding the NW 1/4 of NW 1/4 and SE 1/4 of NE 1/4 of Section 8 is appropriate for drilling the proposed wells. An amendment to Order No. (A) 26-7-84 may be granted by the Supervisor after a hearing.
2. The Supervisor has jurisdiction of 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, with respect to the determination made herein. 1996 MR 9, R 324.1204.

**DETERMINATION AND ORDER**

Based on the Findings of Fact and Conclusions of Law, the Supervisor of Wells determines that an amendment of Order No. (A) 26-7-84 will prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. Order No. (A) 26-7-84 is amended by adding the NW 1/4 of NW 1/4 and SE 1/4 of NE 1/4 of Section 8, T28N, R4W, to the Frederic 8-28N-4W Salina-Niagaran Formation Pool Secondary Recovery Unit.
2. The Supervisor shall retain jurisdiction in this matter.
3. This Order shall be effective immediately.

Dated: June 20, 2014

  
HAROLD R. FITCH  
ASSISTANT SUPERVISOR OF WELLS  
Office of Oil, Gas, and Minerals  
P. O. Box 30256  
Lansing, Michigan 48909-7756