

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF:

THE PETITION OF SLOW-STROKE PRODUCTIONS, LLC,)
FOR AN ORDER FROM THE SUPERVISOR OF WELLS)
AUTHORIZING AN EXCEPTION TO THE SPACING) ORDER NO. 12-2014
PATTERN FOR WELLS SET BY ORDER NO. 18-10-81)
FOR THE VANDERLEY 2-5 WELL LOCATED IN DENVER)
TOWNSHIP, NEWAGO COUNTY, MICHIGAN.)

OPINION AND ORDER

This case involves the Petition of Slow-Stroke Productions, LLC (Petitioner), to drill a well (the Vanderley 2-5 well) within a 40-acre drilling unit to test the stratigraphic interval known as the Traverse Formation. The Petitioner is requesting to locate the well less than 330 feet from the north drilling unit boundary as an exception to the spacing pattern set by Order No. 18-10-81. The proposed unit consists of the SE 1/4 of SE 1/4 of Section 5, T14N, R14W, Denver Township, Newago 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 July 18, 2014.

FINDINGS OF FACT

The Petitioner seeks an order of the Supervisor authorizing a well location 141 feet from the north and 425 feet from the east drilling unit boundary for the proposed Vanderly 2-5 Traverse Formation well as an exception to the spacing pattern for wells set by Order No. 18-10-81.

The Administrative Law Judge determined that the Notice of Hearing was properly served and published. The Supervisor designated the hearing to be an evidentiary hearing pursuant to R 324.1205(1)(b) and directed evidence be presented in the form of oral testimony.

One answer to the Petition was filed by Paul and Lori Shavalier, owners of property adjacent to the proposed drilling unit. Mr. and Mrs. Shavalier had two concerns about the Petition; the relationship of their property to the drilling unit and protection of groundwater during drilling activities. It was explained off the record that their property is not in the drilling unit. The Supervisor explained that protection of groundwater is not an issue for this hearing but is part of the permit application process and DEQ staff discussed this issue in more detail with the Shavaliers after the conclusion of the hearing. In support of its case, the Petitioner offered the testimony of Mr. William Stelzer, Geological Consultant for the Petitioner. Mr. Stelzer was recognized as an expert in the field of petroleum geology.

The spacing of wells targeting the Traverse Formation in Section 5 of Denver Township, Newago County, is governed by Order No. 18-10-81. This order established a Traverse Formation spacing pattern for the Huber Traverse Formation Pool allowing one well per quarter-quarter section to be located 330 feet from the north line and 330 feet from the west line of the unit.

Mr. Stelzer testified an exception to Order No. 18-10-81 is necessary as a location 330 feet from the north line and 330 feet from the west line of the drilling unit would be about 10 feet low to the structural high location in the field. In order for a well to be economical, it must be at the highest structural position for the Traverse Limestone because of the nature of the reservoir. In addition, Mr. Stelzer indicated the well needs to be about 200 feet from the wellbore of the plugged and abandoned

Klondike Hoge No. 1 well for safety reasons. The Hoge No. 1 was located 330 feet from the north and 330 feet from the east of the southeast of the southeast corridor.

To protect correlative rights, Petitioner has agreed to limit oil production at the Venderly 2-5 to 10 barrels per day on a monthly average.

In response to the Shavaliers' concerns about groundwater, Mr. Stelzer testified the Venderly 2-5 well will be drilled below the freshwater aquifer and casing will be cemented to surface, protecting freshwater aquifers by isolating them from the wellbore.

I find that the proposed well location exception to Order No. 18-10-81 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 Order No. 18-10-81 is appropriate for the proposed well. Exceptions to Supervisor of Wells orders 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.

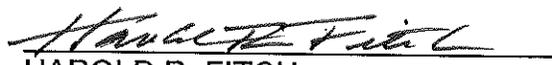
DETERMINATION AND ORDER

Based on the Findings of Fact and Conclusions of Law, the Supervisor determines that the proposed Traverse Formation well location exception will protect correlative rights and prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. A well location exception is granted for the drilling of the Vanderley 2-5 well, to be completed in the Traverse Formation, 141 feet from the north boundary and 425 feet from the east boundary of the drilling unit.
2. Production at the Vanderley 2-5 shall be limited to 10 barrels per day on a monthly average. The operator may request a higher allowable in writing from the Supervisor without petitioning for a hearing.
3. The Supervisor retains jurisdiction in this matter.
4. This Order shall be effective immediately.

DATED: Sept. 10, 2014


HAROLD R. FITCH
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