

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF

THE PETITION OF MERIT ENERGY COMPANY, FOR AN)
ORDER FROM THE SUPERVISOR OF WELLS)
APPROVING AN INCREASED ALLOWABLE SET BY) ORDER NO. 16-2014
SPECIAL ORDER NO. 1-73 FOR THE STATE CHARLTON)
1-9 WELL IN SECTION 9, CHARLTON TOWNSHIP,)
OTSEGO COUNTY, MICHIGAN.)

ORDER OF DETERMINATION

This case involves the Petition of Merit Energy Company (Petitioner) for an Order of the Supervisor of Wells (Supervisor) to increase the amount of gas it may produce each day at the St. Charlton 1-9 well to 750 thousand cubic feet (Mcf) of gas. Under Special Order No. 1-73, the Petitioner currently cannot produce more than 450 Mcf of gas per day at the St. Charlton 1-9 well. The St. Charlton 1-9 well is located in the W 1/2 of NE 1/4 of Section 9, T31N, R1W, Charlton Township, Otsego 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 held on December 16, 2014.

FINDINGS OF FACT

The Petitioner seeks an increase in the full gas allowable for the St. Charlton 1-9 well in the W 1/2 or NE 1/4 of Section 9, T31N, R1W, Charlton Township, Otsego County, Michigan from 450 Mcf per well per day to 750 Mcf per well per day. No increase in the oil allowable of 300 barrels per well per day was requested. The current proration of allowables were established by Special Order No. 1-73.

The Petitioner was represented at the meeting by Mr. Jason Manning, Region Manager for the Petitioner. The Department of Environmental Quality (DEQ), Office of Oil, Gas, and Minerals was represented by Mr. Harold R. Fitch, Assistant Supervisor of Wells; Mr. Adam Wygant, Geological Services Section Supervisor; Mr. Mark Snow, Permits and Bonding Unit Supervisor; Mr. Michael Sweat, Petroleum Geology and Production Unit Supervisor; Mr. Larry Organek, Engineer; and Ms. Susan Maul, Hearings Specialist.

The Supervisor determined the Notice of Meeting was properly served and published. No person contested the Petition but Cook Investments, an interest owner and lessor in the St. Charlton 1-9 drilling unit, filed an Answer requesting participation in the meeting. Mr. Douglas J. Elenbaas, Engineering Consultant, appeared at the meeting on behalf of Cook Investments. Also attending the meeting was Mr. Jordan Ritsema, Production Engineer, on behalf of Breitburn Energy Partners, a mineral and leasehold owner in the 40-acre corridor adjacent to the St. Charlton 1-9 drilling unit.

The St. Charlton 1-9 well was completed as an oil well in the Guelph Dolomite/Ruff Formation in 1972. Mr. Manning stated, as of July 31, 2014, the well has produced 1,849,683 barrels of oil and 5,621,557 Mcf of gas and is presently producing, although at rates less than 1 barrel of oil per day and 457 Mcf of gas per day. In order to prevent fluid loading in the well, the Petitioner is only requesting an increase in the gas allowable. It is Mr. Manning's opinion that an increase in the gas allowable will help increase oil production and avoid the need for artificial lift or swabbing.

Mr. Manning provided a reef map, cross section, and production data showing the Charlton 1-9 well is in the depletion stage and the current allowable is no longer effective. He also indicated the gas cap in the reservoir has expanded in the Charlton 1-9 drilling unit

and in his opinion, increasing the allowable to 750 Mcf of gas per day will add two to three years of oil production at the well and economically and efficiently drain the reservoir area overlain by the unit. It is Mr. Manning's opinion that the increased allowable will not damage the reservoir or cause accelerated coning of water or gas.

Based on the foregoing, I find, as a Matter of Fact, the current gas allowable for the Charlton 1-9 well has ceased to prevent waste. I find an increase of the gas allowable for the St. Charlton 1-9 well to 750 Mcf of gas per day is 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 gas to be produced from the Charlton 1-9 well to prevent waste by preventing the premature abandonment of the well. MCL 324.61512 and Special Order No. 1-73.
2. This order is necessary to make a change in the field allowable established in Special Order 1-73. 1996 AACS, R 324.611 and Special Order No. 1-78.
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 AACS, 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 increasing the gas allowable for the St. Charlton 1-9 well will prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. The proration provisions of Special Order No. 1-73, as they apply to gas production in the St. Charlton 1-9 well, are hereby changed to 750 Mcf per day allowable. The daily allowable oil production shall remain unchanged at 300 barrels of oil per well per day.
2. The Supervisor of Wells retains jurisdiction in this matter.
3. This Order shall be effective immediately.

Dated: Jan. 7, 2015



HAROLD R. FITCH
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