

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. 04-2012
PATTERN FOR WELLS SET BY ORDER NO. 18-10-81 FOR)
THE MILLIS 2-5 WELL LOCATED IN DENVER TOWNSHIP,)
NEWAYGO COUNTY, MICHIGAN.)

OPINION AND ORDER

This case involves the Petition of Slow-Stroke Productions LLC (Petitioner). The Petitioner proposes to deepen a well (the Millis 2-5 well) within a drilling unit to test the stratigraphic interval known as the Traverse Limestone Formation. The Millis 2-5 well (PN 34233) was drilled 307 feet from the north boundary and 327 feet from the west boundary of the drilling unit in 1980 and currently produces from the Berea Formation. The Petitioner is requesting a well location less than 330 feet from the drilling unit boundary, as an exception to Order No. 18-10-81, for deepening of the proposed Millis 2-5 well. The proposed unit consists of the NE 1/4 of SE 1/4 of Section 5, T14N, R14W, Denver Township, Newaygo 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 May 29, 2012.

FINDINGS OF FACT

The Petitioner specifically requests that the Supervisor issue an Order that authorizes a well location less than 330 feet from the north drilling unit boundary for the proposed Millis 2-5 well as an exception to Order No. 18-10-81.

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. Randall Schroeder, Petroleum Engineer.

Mr. Schroeder's verified statement indicates the Petitioner has conducted investigations of the Traverse Limestone Formation in the proposed unit. Based on the Petitioner's review, study, and analysis of all geologic information available to it, the Petitioner planned to deepen the Millis 2-5, a Berea Formation well, located in the NE 1/4 of SE 1/4 of Section 5, T14N, R14W, Denver Township, Newaygo County, Michigan. The Petitioner has applied for a permit to deepen the Millis 2-5 well (Exhibit A to Mr. Schroeder's verified statement). In preparing the Application for Permit to Deepen the Millis 2-5 well, it was determined that the Millis 2-5 well was located 307 feet from the north line of the drilling unit. Office of Oil, Gas, and Minerals staff review of the application showed the well is also 327 feet from the west line. I find this three foot discrepancy to be inconsequential.

The spacing of wells drilled in Denver Township, Newaygo County targeting the Traverse Limestone Formation is governed by Order No. 18-10-81. This Order establishes drilling units of 40 acres, more or less, with wells located 330 feet from the north line and 330 feet from the west line of the unit.

Mr. Schroeder's verified statement indicates the location exception for the proposed well is 23 feet from a legal location of 330 feet from the north boundary. The Traverse Limestone Formation wells in this field are normally spaced 1,320 feet apart and the 23-foot exception represents a 1.75 percent lessening of the distance currently required from a well spaced to the north. The original oil water contact for the Traverse Limestone Formation in this area is estimated to be approximately 1,290 feet. The

proposed well, if deepened to the Traverse Limestone, would not result in harmful interference to the offsetting unit because, with the exception of the unit to the north, all other wells in offsetting 40-acre units would be at least 1,320 feet from the Millis 2-5 well. In addition, Mr. Schroeder stated that a new well would be unnecessary and would result in both surface and economic waste.

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. The location of Traverse Limestone Formation wells in Newaygo County is established by Order No. 18-10-81. An exception to the well location established by Order No. 18-10-81 is appropriate for the subject well. Exceptions to Order No. 18-10-81 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 Limestone Formation well location exception is necessary to protect correlative rights and prevent waste by the drilling of unnecessary wells.

NOW, THEREFORE, IT IS ORDERED:

1. A well location exception is granted for the deepening of the Millis 2-5 well, 307 feet from the north line and 327 feet from the west line of the drilling unit.
2. The Supervisor retains jurisdiction in this matter.
3. This Order shall be effective immediately.

DATED: July 10, 2012

Harold R. Fitch

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