

STATE OF MICHIGAN  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
SUPERVISOR OF WELLS

IN THE MATTER OF

THE PETITION OF SAVOY ENERGY, L.P., FOR AN )  
ORDER FROM THE SUPERVISOR OF WELLS )  
AUTHORIZING A 960-ACRE PRAIRIE DU CHIEN ) CAUSE NO. 12-2013  
FORMATION DRILLING UNIT AS AN EXCEPTION TO )  
SPECIAL ORDER NO. 1-86 AND COMPULSORY )  
POOLING ALL INTERESTS INTO A DRILLING UNIT IN )  
BEAVER CREEK TOWNSHIP, CRAWFORD COUNTY, )  
MICHIGAN. )

at a session of the Department of Environmental Quality held  
at Lansing, Michigan, Harold R. Fitch, Assistant Supervisor  
of Wells, Presiding

**ORDER ON MOTION FOR APPROVAL OF DESIGNATED DRILLING UNIT**

The Petitioner, Savoy Energy, L.P., filed an Amended Petition to form a 640-acre Prairie du Chien Formation drilling unit consistent with Special Order No. 1-86 and compulsory pool mineral interests into the unit; and a Motion for Approval of Designated Drilling Unit on September 26, 2013.

Petitioner asserts in its Motion that it is entitled to designate the proposed drilling unit for the State Beaver Creek & Weber 1-9 well as the SW 1/4 of Section 4, the SE 1/4 of Section 5, the NE 1/4 of Section 8, and NW 1/4 of Section 9, all in T25N, R4W, Beaver Creek Township, Crawford County, Michigan; and that the proposed drilling unit does not require an exception to the spacing pattern established for the nearby Beaver Creek PdC Field by the drilling of a discovery well in Section 12, T25N, R5W.

Respondents, BreitBurn Operating, L.P. (BreitBurn), through its attorney, Mr. Gary L. Worman, and Department of Natural Resources (DNR), through its attorney, Daniel P. Bock, filed Answers in opposition to Petitioner's Motion on October 3, 2013.

The question here is whether under Special Order 1-86 the first productive Prairie du Chien well drilled in the Beaver Creek PdC Field forms a spaced area of nine square miles. Petitioner argues that the nine square mile spaced area applies only to the Beaver Creek PdC Field and that Petitioner's proposed well is in a separate and distinct field.

Respondent BreitBurn argues additional wells in the Beaver Creek Field, in Sections 7, 13, and 18 continue the spacing pattern of one 640-acre section established by the

discovery well in Section 12 and that the proper drilling unit to the east would be all of Section 8. Respondent DNR argues that establishment of Petitioner's proposed unit would strand significant state-owned acreage and prevent development of that acreage.

The language in Paragraph 2, Determination and Order, of Special Order No. 1-86 states:

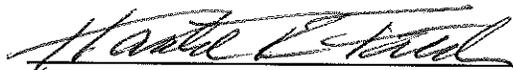
"... Once diligent drilling has begun for a well (not setting conductor pipe), like spacing shall be applicable to the eight contiguous 640-acre units, forming a spaced area of nine (9) square miles in the shape of a square. If the well does not result in a discovery, the spacing requirement for the 8 contiguous units shall no longer be applicable."

Petitioner argues that "discovery" in that paragraph means discovery of a specific field, in this case the Beaver Creek PdC Field. However, I find that "discovery" in that context means discovery of oil or gas. I find the proposed drilling unit to be an exception to the spacing established under Special Order No. 1-86 and subject to a hearing.

**NOW THEREFORE, IT IS ORDERED:**

Petitioner's Motion for Approval of Designated Drilling Unit is DENIED. A hearing on Cause 12-2013 will be held at 10:00 a.m. on October 29, 2013, in Lansing, Michigan, to establish a 640-acre drilling unit for the State Beaver Creek & Weber 1-9 well and compulsory pool unleased interests into the unit.

Dated: October 16, 2013

  
HAROLD R. FITCH  
ASSISTANT SUPERVISOR OF WELLS  
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