

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF:

THE PETITION OF WOLVERINE GAS AND OIL COMPANY)
OF MICHIGAN, LLC, FOR AN ORDER FROM THE)
SUPERVISOR OF WELLS APPROVING EXCEPTIONS TO)
DRILLING UNIT SIZE, WELL DENSITY, AND OIL) ORDER NO. 01-2019
PRORATION ALLOWABLES FOR CERTAIN LAND IN)
SECTION 20, CLIMAX TOWNSHIP, KALAMAZOO COUNTY,)
MICHIGAN.)

OPINION AND ORDER

This case involves the Petition of Wolverine Gas and Oil Company of Michigan, LLC, ("Petitioner") requesting exceptions to the drilling unit size, well density, and the oil proration allowables established in Order No. 18-2007, authorizing the wells on the drilling unit to produce up to a total of 400 barrels of oil per day ("BOPD") from the Trenton Black River Formation. The drilling unit for the Pease 20-24, Pease 20-4A, and Pease 20-5 is described as the E/2 of SW/4 and the W/2 of SE/4 of Section 20, T3S, R9W, Climax Township, Kalamazoo County, Michigan. It is approximately 160 acres in size.

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 (NREPA). MCL 324.61501 *et seq.* One 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 of Wells ("Supervisor") regulates the daily quantities of oil and natural gas that may be produced and the establishment of drilling units. MCL 324.61513(1) and (2). The evidentiary hearing in this matter 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 March 12, 2019.

FINDINGS OF FACT

By Petition dated January 25, 2019, the Petitioner requests approval from the Supervisor to increase production above the 200 BOPD well allowable established by Order No. 18-2007 and establish a unit allowable of 400 BOPD. The Pease 20-24, Pease 20-4A, and Pease 20-5 wells were drilled on a 160-acre drilling unit approved under R 324.303 prior to the expansion of Order No. 18-2007 to cover Kalamazoo County.

The Administrative Law Judge determined the Notice of Hearing was properly served and published. No answers or objections to the Petition were filed with the Supervisor. Therefore, the Petitioner is the only Party to this case. The Supervisor designated the hearing to be an uncontested evidentiary hearing pursuant to R 324.1205(1)(c) and directed substantive testimony and evidence to be presented in the form of verified statements.

In support of its case, Petitioner offered the verified statements of Mr. Richard D. Moritz, Vice President of Land for the Petitioner; Mr. Justin Reuter, Senior Geophysicist for Petitioner; and Mr. Jordan Ritsema, Production Engineer for Petitioner.

Mr. Moritz testified that the drilling unit was approved by the Supervisor of Wells in 2018 pursuant to Rule 303 as an exception to the then effective 40-acre quarter quarter section General Rule drilling unit size. The drilling unit was developed prior to the December 27, 2018, Second Amended Opinion and Order No. 18-2007.

Before Order No. 18-2007 was expanded to include Kalamazoo County, the Trenton Black River formation was not subject to a proration order. Mr. Ritsema testified that the logs for the wells show increased porosity and dolomitization of the limestone rock in the reservoir, which is also where the majority of the reserves in the reservoir are situated (Ritsema Exhibit A). He testified the production histories (Ritsema Exhibits B and C) show production rates are stable and do not show sensitivity to changing gas/oil ratio, and the data shows the increased allowable will enhance depletion and not waste reservoir energy. Mr. Ritsema examined production data from offset wells (Ritsema

saw no discernable reaction in offset wells to the production rates of the three wells on the drilling unit.

Mr. Reuter testified he examined well control data and 3D seismic. He testified the drilling unit is underlain by dolomitized Trenton reservoir and each 40-acre quarter quarter section is underlain by reservoir. This is shown by his structure contour map (Reuter Exhibit C). Based on his examination, in his opinion the reservoir beneath the drilling unit is contained within the drilling unit and is not connected to any offset wells.

I find, that the 160-acre drilling unit should be confirmed, and a unit allowable should be established for the drilling unit at 400 BOPD. Such allowable is feasible, protects the correlative rights, and will prevent waste. I find, based on the testimony and exhibits presented, a unit allowable of 400 BOPD is reasonable and appropriate.

CONCLUSIONS OF LAW

Based on the Findings of Fact, I conclude, as a matter of law:

1. Exceptions to the requirements of Order No. 18-2007 may be granted by the Supervisor after notice and hearing.
2. The Supervisor has jurisdiction over the subject matter and 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. R 324.1204.

DETERMINATION AND ORDER

Based on the Findings of Fact and the Conclusions of Law, the Supervisor determines that approving the 160-acre drilling unit as an exception to Order No. 18-2007 and establishing a unit oil allowable of 400 BOPD is reasonable and appropriate, will not result in waste, and will protect correlative rights. Future requests to approve potential replacement or new infill wells may be approved without a hearing.

NOW, THEREFORE, IT IS ORDERED:

1. The 160-acre drilling unit described as the E/2 of SW/4 and the W/2 of SE/4 of Section 20, T3S-R9W, Climax Township, Kalamazoo County, Michigan, is confirmed as an exception to the 40-acre drilling unit requirement of Order No. 18-2007.
2. The Petitioner is authorized to produce the present wells and any future wells on the 160-acre drilling unit at an aggregate rate of 400 BOPD as a unit allowable, as an exception to Order No. 18-2007. The gas allowable for the unit shall be 200 MCFGPD.
3. As an exception to Order No. 18-2007, page 16, paragraph 8, more than the three existing wells may be drilled on the 160-acre drilling unit after the Supervisor receives technical data that the existing wells may not be economically and efficiently draining the drilling unit, and after a drilling permit is issued.
4. As an exception to Order No. 18-2007, page 16, paragraph 9, if more than the three existing wells are drilled on the 160-acre drilling unit, the unit allowable of 400 BOPD shall apply to the oil production from all wells on the drilling unit.
5. All other provisions of Order No. 18-2007 shall remain in effect.
6. The Supervisor retains jurisdiction in this matter.
7. This Order shall be effective immediately.

DATED: _____

3-28-2019



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