

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF:

THE PETITION OF MERIDIAN PRODUCTION SERVICES,)
LLC, FOR AN ORDER FROM THE SUPERVISOR OF)
WELLS ABROGATING ORDER NO. 51-5-73 AND)
ESTABLISHING SPECIAL ORDER NO. 1-73 AS THE) CAUSE NO. 21-2014
APPLICABLE SPACING ORDER FOR GUELPH)
DOLOMITE/RUFF FORMATION WELLS LOCATED IN)
BLAIR TOWNSHIP, GRAND TRAVERSE COUNTY,)
MICHIGAN.)

OPINION AND ORDER

This case involves the Petition of Meridian Production Services, LLC (Petitioner) to drill and complete a well for oil and gas exploration (the Youker 1-33 well) within a drilling unit in the stratigraphic interval known as the Guelph Dolomite/Ruff Formation. The Petitioner is requesting termination of Order No. 51-5-73, which established the 160-acre Blair 33-26N-11W Guelph Dolomite/Ruff Formation Pool, consisting of the W 1/2 of NE 1/4 and E 1/2 of NW 1/4 of Section 33, T26N, R11W, Blair Township, Grand Traverse County, Michigan. Petitioner requests 80-acre spacing, as established under Special Order No. 1-73, be applied to Guelph Dolomite/Ruff Formation wells drilled in lands subject to Order No. 51-5-73.

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 drilling units. 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 December 19, 2014.

FINDINGS OF FACT

The Petitioner specifically requests that the Supervisor issue an Order that:

1. Abrogates Order No. 51-5-73.
2. Establishes Special Order 1-73 as the applicable spacing order for wells drilled into or below the Salina-Niagaran Formation, in those lands that were subject to Order No. 51-5-73.

The Administrative Law Judge determined that the Notice of Hearing was properly served and published. No answers to the Petition were filed and only the Petitioner appeared at the hearing. 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 evidence be presented in the form of verified statements.

In support of its case, the Petitioner offered the verified statement of Mr. Richard B. Patterson, President, Meridian Production Services, LLC.

Order No. 51-5-73 was issued as a spacing and proration order for the Blair 33-26N-11W Guelph Dolomite/Ruff Formation Pool in Grand Traverse County, Michigan (Blair 33 Pool). Order No. 51-5-73 defined the Pool as 160 acres, consisting of the W 1/2 of NE 1/4 and E 1/2 of NW 1/4 of Section 33, T26N, R11W, Blair Township, Grand Traverse County, Michigan.

Under the Petitioner's request, Order No. 51-5-73 would be terminated and spacing would be subject to Special Order 1-73. This Special Order establishes drilling units of 80 acres, more or less, formed by combining two governmental surveyed quarter-quarter sections of land with one common boundary of approximately 1,320 feet, with allowances being made for the difference in the size and shape of sections as indicated by official governmental survey plats. Under Special Order No. 1-73, it is presumed that one well will efficiently and economically drain the entire unit of hydrocarbons.

Mr. Patterson testified that 3 wells were drilled into the Blair 33 Pool—the Friauff 2-33 (PN 29208), the Burroughs 1-28 (PN 29600), and the Youker 3-33A (PN 29881)—and that all three wells were produced to their economic limit and were plugged and abandoned. It is Mr. Patterson’s opinion that Order No. 51-5-73 has outlived its applicability and usefulness, impedes the recovery of additional oil from the Blair 33 Pool, and should be abrogated. Mr. Patterson states the Blair 33 Pool can adequately be developed under the spacing provisions of Special Order No. 1-73.

Petitioner has filed applications for drilling permits for the Youker 1-33 Pilot and Youker 1-28 HD1 wells, which Mr. Patterson believes will economically and efficiently produce oil from the Blair 33 Pool.

I find that abrogation of Order No. 51-5-73, and formation of the proposed drilling unit consistent with Special Order No. 1-73, 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. Terminating Order No. 51-5-73 and replacing it with spacing established by Special Order No. 1-73 is appropriate for the proposed drilling unit. The Supervisor shall do whatever is necessary to prevent waste. MCL 324.61506(a).
 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 abrogation of Order No. 51-5-73 to allow Guelph Dolomite/Ruff Formation spacing consistent with Special Order 1-73 will protect correlative rights and prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. Order No. 51-5-73 is abrogated.
2. Special Order No. 1-73 shall be in effect for the lands previously included under Order No. 51-5-73.
3. The Supervisor retains jurisdiction in this matter.
4. This Order is effective immediately.

DATED: Feb. 12, 2015


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