

STATE OF MICHIGAN
DEPARTMENT OF NATURAL RESOURCES
SUPERVISOR OF WELLS

SPECIAL SPACING AND PRORATION ORDER FOR WELLS
DRILLED INTO OR BELOW THE SALINA-NIAGARAN
FORMATION WITHIN SPECIFIED AREAS OF THE STATE

At a public hearing held in Lansing, Michigan, on January 25, 1973, after due notice as provided in Act No. 61 of the Public Acts of 1939, as amended, and Act No. 326 of the Public Acts of 1937, as amended, and in Rules of Procedure in Public Hearings promulgated thereunder, evidence and testimony was presented to the Supervisor of Wells and the Advisory Board on the need and desirability of adopting a Special Order pertaining to the exploration, development, and production of wells drilled for oil and/or gas into or below the Salina-Niagaran Formation in counties north of Townline 20 North and the western, southwestern, and southern Michigan counties of Mason, Lake, Oceana, Newaygo, Muskegon, Ottawa, Kent, Allegan, Barry, Eaton, Ingham, and Livingston.

Pursuant to the recommendations of the Advisory Board following full consideration of the evidence and testimony submitted, the Supervisor of Wells finds that it is necessary to establish special drilling units, spacing of wells, and a basic prorated allowable per well to provide for orderly development of the Salina-Niagaran reef-type reservoirs, prevent waste, protect correlative rights, and eliminate the drilling of unnecessary wells.

ORDER

Effective April 1, 1973, the requirements for the location, spacing, and production of wells drilled for oil and/or gas into or below the Salina-Niagaran Formation in the area specified in Paragraph 1 above, except for wells to be drilled in gas storage reservoirs, liquid petroleum gas storage reservoirs, unitized areas, and other specifically designated areas where special spacing orders, rules, or determinations are in effect, are as follows:

(A) DRILLING UNIT

The drilling unit shall be eighty (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 differences in the size and shape of sections as indicated by official governmental survey plats. A declaration of the unit must be indicated on the application for a drilling permit.

(B) DRILLING UNIT EXCEPTION

The Supervisor may issue a permit to drill an oil or gas well on a tract less than an eighty (80) acre drilling unit which is not a part of a pooled or communitized drilling unit providing the application for permit is accompanied by a certified statement that a reasonable effort has been made to obtain the lease or leases or to obtain a communitization agreement to form the full eighty (80) acre drilling unit and that such effort has failed.

(B) DRILLING UNIT EXCEPTION - continued

Should a well be completed on such partial drilling unit, a full drilling unit shall be formed by voluntary or compulsory pooling. This pooled unit shall conform with the provisions of (A) above or shall conform to a drilling unit to be adopted following public hearing.

(C) SPACING OF WELLS

Permits may be granted for the drilling of exploratory and development wells for oil or gas without a proration penalty provided the location is not less than four hundred and sixty (460) feet from an adjoining drilling unit as prescribed in (A) above. Permits may also be granted at locations less than four hundred and sixty (460) feet but not less than three hundred and thirty (330) feet from an adjoining drilling unit subject to a fifty per cent (50%) proration penalty. Refer to exhibit attached.

(D) BASIC ALLOWABLE

Subsequent to the 30-day test program and the filing of final test data as provided in Special Order 2-71, "Testing and Reporting Procedure for Oil Wells" all oil wells, as provided for in this order, will be allowed to produce a standard or basic prorated allowable as follows:

- 1) Wells located north of Townline 13 North: Not to exceed 300 barrels of oil and/or 450,000 cubic feet of gas per day.
- 2) Wells located south of Townline 13 North: Not to exceed 200 barrels of oil and/or 200,000 cubic feet of gas per day.

Until such time a study has been completed on the feasibility of adopting a depth bracket allowable, the present established basic allowable, as set forth above, will remain in effect.

(E) ADOPTION OF SPECIAL SPACING AND PRORATION ORDERS

The development of an oil or gas field following the completion of a discovery well may warrant the adoption of a drilling unit, well spacing pattern, and proration other than that specified. Any interested person may request, or the Supervisor may schedule, a hearing to consider the need or desirability of adopting a special spacing and proration order to apply to a designated area, field, or pool.

(F) COMMUNITIZATION TO FORM DRILLING UNITS

All royalty and working interests within a drilling unit shall be communitized and each royalty owner therein shall participate in the royalty from the well drilled thereon in the relation that the acreage of such owner bears to the total acreage of the unit.

NOTE 2

THIS SECTION IS VOID

(G) STATUTORY POOLING

NOTE 2

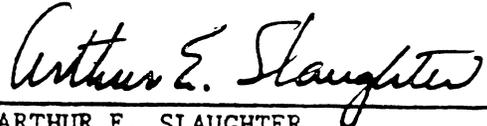
In the event there are divided or undivided interests within any unit subject to this order, and the parties are unable to agree on a voluntary plan for the development of the unit, their rights and equities shall be determined by the Supervisor of Wells following a public hearing held in accordance with the provisions of the statutes specified herein.

(H) EXCEPTIONS

Exceptions to this order may be granted by the Supervisor of Wells in accordance with the provisions of the statutes specified herein.

This order does not supersede or amend Spacing and Proration Orders issued prior to April 1, 1973, except where specified.

Signed and ordered published this first day of March, 1973.

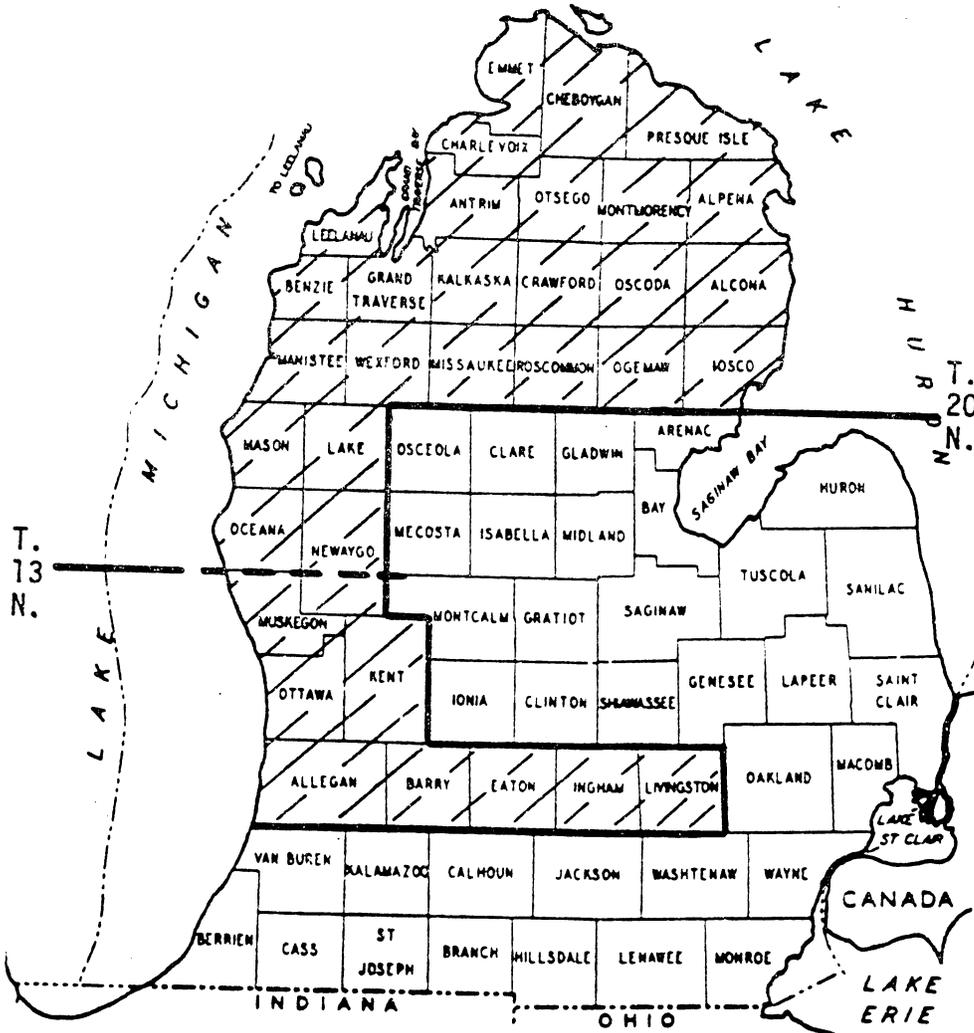


ARTHUR E. SLAUGHTER
SUPERVISOR OF WELLS

NOTE 1 Paragraph 1 of Special Order No. 1-73 stipulates "counties North of Townline 20 North" which includes the Northern Peninsula. The exhibit attached to Special Order No. 1-73 referenced in (c) SPACING OF WELLS of the Section entitled Order is in error by omission of the Northern Peninsula from map.

NOTE 2 Sections (F) and (G) of this Order have been determined to be void as a result of a ruling by the Michigan Supreme Court: 420 Mich 128, 1984.

MAP OF AREA

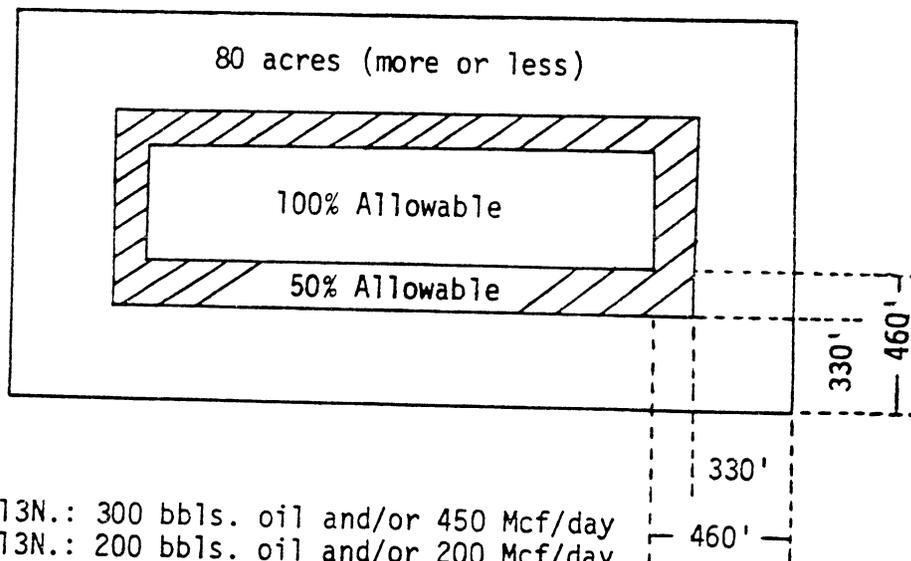


DRILLING UNIT

80 acres, more or less, by combining two (2) governmental surveyed quarter-quarter sections of land with a common boundary of approximately 1320 feet.

WELL SPACING

Not less than 460 feet from the unit line receives full allowable. From 460 feet to not less than a minimum distance of 330 feet from the unit line receives 50% allowable.



BASIC FULL ALLOWABLE

- 1) North of Townline 13N.: 300 bbls. oil and/or 450 Mcf/day
- 2) South of Townline 13N.: 200 bbls. oil and/or 200 Mcf/day