

**STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENT, GREAT LAKES, AND ENERGY
SUPERVISOR OF WELLS**

IN THE MATTER OF

THE PETITION OF SAVOY ENERGY LP, FOR AN)	
ORDER FROM THE SUPERVISOR OF WELLS)	
AUTHORIZING A CHANGED UNIT ALLOWABLE)	
AS AN EXCEPTION TO ORDER NO. 18-2007,)	ORDER NO. 09-2023
FOR THE BETZ 1-3 WELL IN SECTIONS 2 AND)	
3, SPRINGPORT TOWNSHIP, JACKSON)	
COUNTY, MICHIGAN.)	

ORDER OF DETERMINATION

This case involves the Petition of Savoy Energy, LP (Petitioner) requesting an increase in the unit proration allowable for the Betz 1-3 Well within the stratigraphic interval known as the Trenton/Black River Formation. The unit for the Betz 1-3 Well consists of a 40± acre Trenton-Black River unit formed pursuant to Order 18-2007 and described as the W/2 of the SW/4 of the NW/4 of Section 2, and the E/2 of the SE/4 of the NE/4 of Section 3, T1 S, R3W, Springport Township, Jackson County, Michigan. Due to the uneconomic and inefficient nature of the current production rates for the well, the Petitioner seeks an Order of the Supervisor of Wells (Supervisor) approving an increased allowable production rate of 200 barrels of oil per day (BOPD) and 500 thousand cubic feet of gas per day (MCFGPD), with all gas volumes allowed to be flared.

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.* The purpose of Part 615 is to ensure the orderly development and production of the oil and gas resources in this state, with a view to the ultimate recovery of the maximum production of these natural resources. MCL 324.61502. To the end of maximizing recovery, the Supervisor regulates the establishment of drilling units and regulates the daily quantities of oil and natural gas that may be produced. 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 AACRS, R 324.1203. The evidentiary hearing in this matter was scheduled for October 25, 2023.

FINDINGS OF FACT

The Petitioner seeks a change in the standard oil and gas well allowable set by Order 18-2007 for the 40± acre unit. This unit consists of one well: the Betz 1-3, permit no. 60487. The Petitioner requests that the standard well allowable be increased to a unit allowable of 200 BOPD and 500 MCFGPD, with all gas volumes allowed to be flared. The Supervisor determined that the Notice of Hearing was properly served and published. No answers to the Petition were filed. The Supervisor determined an Order would be issued administratively following review and evaluation of the evidence and data presented by the Petitioner. In support of its case, the Petitioner offered the verified statement of Joshua Kirschner, Exploration and Production Manager for the Petitioner, which included a number of exhibits.

In his verified statement, Mr. Kirschner indicated that the Betz 1-3 Well produces oil and gas from the Trenton-Black River formation comprising the Betz 2/3 Trenton-Black River reservoir. His verified statement included an attached Exhibit A which depicts the Betz 1-3 unit; the location of the Betz 1-3 Well and the area to be affected; and the fact that there are no other well locations within 660 feet of the area to be affected.

Pursuant to Order No. 18-2007, one well may be drilled on a 40-acre drilling unit. Order No. 16-2007 sets the proration allowable for wells at 200 BOPD and/or 200 MCFGPD for 40-acre drilling units. Order No. 18-2007 provides that the Supervisor may grant an additional allowable for a second well on a 40-acre drilling unit upon the filing of a Petition. Pursuant to Order No. 18-2007, Section 12, Gas that is not reasonably marketable may be flared with a volume restricted to 100 MCFGPD for a 40-acre drilling unit, and the conditions by which the Supervisor may approve the flaring.

Among the evidence and data provided in Mr. Kirschner's verified statement were a summary of cumulative production from the reservoir (Exhibit B); the results of an extended flow test of the Betz 1-3 Well conducted in April/May 2023 including the decline in produced gas volumes and the increase in oil production rates during the test period (Exhibit C); the low quality of the high-nitrogen gas produced during the test period (Exhibit D); and the decline in bottom hole pressure seen in the Betz 1-3 Well from 2012

through the April/May 2023 flow test, and the related lack of adequate gas reserves to support the construction of a pipeline to market the produced gas (Exhibit E).

Mr. Kirschner testified in his verified statement that the increased allowable production rate being requested by the Petitioner for the Betz 1-3 Well on the 40± acre drilling unit should efficiently drain the targeted reservoir without damage to the reservoir; and that the ability to produce the well at a higher rate will shorten the time needed to recover the producible reserves, eliminate the drilling of unnecessary additional wells, reduce operating expenses, and mitigate both surface and economic waste. He further testified that the GOR values observed in the well during extended flowed tests have stabilized, supporting his conclusion that the well can be produced at the proposed increased allowable without doing harm to the reservoir.

Based on the foregoing, I find, as a Matter of Fact, that continuing to produce the Betz 1-3 Well at the standard unit allowable rate under Order No. 18-2007 may permit waste to occur. In addition to the foregoing, I find that based on review of past precedents and Order No. 18-2007, that Petitioners request to produce and flare 500 MCFGPD may create unreasonable surface waste. I find the produced gas has high nitrogen content and cannot be economically marketed at this time. I further find, based upon the testimony and exhibits presented, Order No. 18-2007, and past precedents, an increased production allowable of 200 BOPD, and 250 MCFGPD, with a daily flaring limit of 200 MCFGPD, is reasonable and appropriate.

CONCLUSIONS OF LAW

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

1. The Supervisor may establish proration limits to prevent waste and to protect correlative rights. MCL 324.61513.
2. The Supervisor has jurisdiction over the subject matter and the persons interested therein.
3. Due notice of 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 AACS, R 324.611, and 2015 AACS, R 324.1204.
4. This Order is necessary to make a change in the proration allowable and the restriction on the flaring of gas established in Order No. 18-2007. 1996 AACS,

R 324.611 and Order No. 18-2007.

DETERMINATION AND ORDER

Based on the Findings of Fact and Conclusions of Law, the Supervisor determines that Petitioner's request for an exception to Order No. 18-2007, may be temporarily granted at a rate of 200 BOPD, and 250 MCFGPD, with a daily flaring limit of 200 MCFGPD will prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. Proration allowables for the Betz 1-3 well are hereby temporarily established at 200 BOPD and 250 MCFGPD. The volume of gas flared is restricted to 200 MCFGPD and shall be the net volume of gas flared not including the volume of gas used for reasonable and necessary lease fuel purposes.
2. Savoy Energy, LP, is granted a twelve-month exception to Order No. 18-2007 at the above allowable from the Betz 1-3. At the conclusion of the twelve-month exception period, Savoy Energy, LP, will submit to the Supervisor of Wells a report on bottom hole pressures and gas oil ratios observed over the twelve-month period.
3. Gas production, use for lease fuel, and flaring volumes shall be metered and reported to the Supervisor of Wells pursuant to Order No. 18-2007, Section 10.
4. Following the end of the twelve-month exception approval period, the Supervisor shall evaluate the data received on the Betz 1-3 well and notify Savoy Energy, LP, in writing, of his decision to extend the exception. The Supervisor may attach special conditions to the decision, as he may deem necessary to prevent waste.
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: January 29, 2024

Adam W. Wygant
ASSISTANT SUPERVISOR OF WELLS
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