

# HOUSE BILL No. 5604

March 4, 1992, Introduced by Reps. Dolan, Munsell and Goss and referred to the Committee on Conservation, Recreation and Environment.

A bill to amend sections 6, 23, and 24 of Act No. 61 of the Public Acts of 1939, entitled as amended

"An act to provide for a supervisor of wells; to prescribe his powers and duties; to provide for an advisory board and an appeal board; to prescribe their powers and duties; to provide for the prevention of waste and for the control over certain matters, persons and things relating to the conservation of oil and gas, and for the making and promulgation of rules, regulations and orders relative thereto; to provide for the plugging of wells and for the entry on private property for that purpose; to provide for the enforcement of such rules, regulations and orders and of the provisions of this act, and to provide penalties for the violations thereof; and to provide for the assessment and collection of certain fees,"

being sections 319.6, 319.23, and 319.24 of the Michigan Compiled Laws; and to add sections 13a, 23a, and 23b.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Section 1. Sections 6, 23, and 24 of Act No. 61 of the  
2 Public Acts of 1939, being sections 319.6, 319.23, and 319.24 of

1 the Michigan Compiled Laws, are amended and sections 13a, 23a,  
2 and 23b are added to read as follows:

3       Sec. 6. The supervisor shall prevent the waste prohibited  
4 by this act. To that end, acting directly or through his OR HER  
5 authorized representatives, the supervisor, after consulting with  
6 the board, ~~is specifically empowered~~ MAY DO 1 OR MORE OF THE  
7 FOLLOWING:

8       (a) ~~To make~~ PROMULGATE and enforce rules PURSUANT TO THE  
9 ADMINISTRATIVE PROCEDURES ACT OF 1969, ACT NO. 306 OF THE PUBLIC  
10 ACTS OF 1969, BEING SECTIONS 24.201 TO 24.328 OF THE MICHIGAN  
11 COMPILED LAWS, subject to the approval of the commission, issue  
12 orders and instructions necessary to enforce such rules, and ~~to~~  
13 do whatever may be necessary with respect to the subject matter  
14 stated ~~herein~~ IN THIS ACT to carry out the purposes of this  
15 act, whether or not indicated, specified, or enumerated in this  
16 or any other section ~~hereof~~ OF THIS ACT.

17       (b) ~~To collect~~ COLLECT data to make inspections, studies,  
18 and investigations; ~~to~~ examine ~~such~~ properties, leases,  
19 papers, books, and records as are necessary to the purposes of  
20 this act; ~~to~~ examine, check, and test and gauge oil and gas  
21 wells and tanks, plants, refineries, and all means and modes of  
22 transportation and equipment; ~~to~~ hold hearings; ~~to~~ pro-  
23 vide for the keeping of records and making of reports, and for  
24 the checking of the accuracy ~~thereof~~ OF THE RECORDS AND  
25 REPORTS.

26       (c) ~~To require~~ REQUIRE the locating, drilling, deepening,  
27 redrilling or reopening, casing, sealing, operating, and plugging

1 of wells drilled for oil and gas or for secondary recovery  
 2 projects, or wells for the disposal of salt water, brine, or  
 3 other oil field wastes, to be done in ~~such~~ A manner and by  
 4 ~~such~~ means ~~as to~~ THAT prevent the escape of oil or gas out of  
 5 1 stratum into another, or of water or brines into oil or gas  
 6 strata; ~~to~~ prevent pollution, damage to or destruction of fresh  
 7 water supplies including inland lakes and streams and the Great  
 8 Lakes and connecting waters, and valuable brines by oil, gas, or  
 9 other waters; ~~to~~ prevent the escape of oil, gas, or water  
 10 into workable coal or other mineral deposits; ~~to~~ require the  
 11 disposal of salt water and brines and oily wastes produced inci-  
 12 dental to oil and gas operations, in ~~such~~ A manner and by  
 13 ~~such~~ methods and means that ~~no~~ unnecessary damage or danger  
 14 to or destruction of surface or underground resources, to neigh-  
 15 boring properties or rights, or to life, ~~shall~~ DO NOT result.

16 (d) ~~To require~~ REQUIRE reports and maps showing locations  
 17 of all wells subject to this act, and the keeping and filing of  
 18 logs, well samples, and drilling, testing, and operating records  
 19 or reports. All well data and samples furnished the supervisor  
 20 as required ~~herein~~ IN THIS ACT shall, upon written request of  
 21 owner of well, be held confidential for 90 days after the comple-  
 22 tion of drilling and shall not be open to public inspection  
 23 except by written consent of the owner.

24 (e) ~~To prevent~~ PREVENT the drowning by water of any stra-  
 25 tum or part ~~thereof~~ OF STRATUM capable of producing oil or gas,  
 26 or both oil and gas, and ~~to~~ prevent the premature and irregular  
 27 encroachment of water, or any other kind of water encroachment,

1 which reduces or tends to reduce the total ultimate recovery of  
2 oil or gas, or both ~~such~~ oil or gas, from any pool.

3 (f) ~~To prevent~~ PREVENT fires or explosions.

4 (g) ~~To prevent~~ PREVENT "blow-outs", "seepage", and  
5 "caving" in the sense that the conditions indicated by ~~such~~  
6 THESE terms are generally understood in the oil business.

7 (h) ~~To regulate~~ REGULATE the mechanical, physical, and  
8 chemical treatment of wells.

9 (i) ~~To regulate~~ REGULATE the secondary recovery methods of  
10 oil and gas, including the pulling or creating a vacuum, the  
11 introduction of gas, air, water, and other substances into the  
12 producing formations.

13 (j) ~~To fix~~ FIX the spacing of wells and ~~to~~ regulate the  
14 production ~~therefrom~~ FROM THOSE WELLS.

15 (k) ~~To require~~ REQUIRE the operation of wells with effi-  
16 cient gas-oil ratios and ~~to~~ fix such ratios.

17 (l) ~~To require~~ REQUIRE by written notice or citation imme-  
18 diate suspension of any operation or practice and the prompt cor-  
19 rection of any condition found to exist which is causing or  
20 resulting or threatening to cause or result in waste.

21 (m) ~~To require~~ REQUIRE either generally, or in, or from,  
22 particular areas, certificates of clearance or tenders in connec-  
23 tion with the transportation of oil, gas, or any product  
24 ~~thereof~~ OF OIL OR GAS.

25 (n) ~~To require~~ REQUIRE identification of the ownership of  
26 oil and gas producing leases, properties, and wells.

1 (o) ~~To make~~ PROMULGATE rules PURSUANT TO ACT NO. 306 OF  
2 THE PUBLIC ACTS OF 1969 or ISSUE orders for the classifications  
3 of wells as oil wells or gas wells; or wells drilled, or to be  
4 drilled, for secondary recovery projects, or for the disposal of  
5 salt water, brine or other oil or gas field wastes; or for the  
6 development of reservoirs for the storage of liquid or gaseous  
7 hydrocarbons, or for other means of development, extraction or  
8 production of hydrocarbons.

9 (p) ~~The~~ REQUIRE THE filing of an adequate surety,  
10 security, or cash bonds of owners, producers, operators, or their  
11 authorized representatives in such reasonable form, condition,  
12 term, and amount as will ~~insure~~ ENSURE compliance with this  
13 act, ~~and~~ with the rules ~~or~~ PROMULGATED UNDER THIS ACT, AND  
14 WITH orders issued ~~thereunder~~ UNDER THIS ACT and ~~to~~ provide  
15 for the release ~~thereof~~ OF SURETY, SECURITY, OR BONDS. A  
16 SURETY, SECURITY, OR CASH BOND REQUIRED UNDER THIS ACT SHALL BE  
17 NOT LESS THAN \$5,000.00 FOR A SINGLE WELL AND NOT LESS THAN  
18 \$50,000.00 FOR A BOND THAT COVERS ALL WELLS OF THE OWNER, PRODUC-  
19 ER, OPERATOR, OR THEIR AUTHORIZED REPRESENTATIVE.

20 SEC. 13A. (1) IN ADDITION TO ANY OTHER REQUIREMENT OF LAW,  
21 IF REQUIRED BY AN ORDINANCE PASSED PURSUANT TO SECTION 1 OF THE  
22 COUNTY RURAL ZONING ENABLING ACT, ACT NO. 183 OF THE PUBLIC ACTS  
23 OF 1943, BEING SECTION 125.201 OF THE MICHIGAN COMPILED LAWS, OR  
24 SECTION 1 OF THE TOWNSHIP RURAL ZONING ACT, ACT NO. 184 OF THE  
25 PUBLIC ACTS OF 1943, BEING SECTION 125.271 OF THE MICHIGAN  
26 COMPILED LAWS, WITHIN THE TIME PERIOD DESIGNATED WITHIN THE  
27 ORDINANCE OF DISPOSING OF BRINE OR ANY OTHER SUBSTANCE IN AN

1 INJECTION WELL, THE TRANSPORTER OF THE BRINE OR OTHER SUBSTANCE  
2 SHALL FILE WITH THE LOCAL HEALTH DEPARTMENT AS DEFINED IN  
3 SECTION 1105 OF THE PUBLIC HEALTH CODE, ACT NO. 368 OF THE PUBLIC  
4 ACTS OF 1978, BEING SECTION 333.1105 OF THE MICHIGAN COMPILED  
5 LAWS, IN WHICH THE DISPOSAL OCCURS A COPY OF A MANIFEST LISTING  
6 THE NATURE AND AMOUNT OF THE DISPOSED SUBSTANCE, AND THE TIME OF  
7 DISPOSAL.

8 (2) BEGINNING ON THE EFFECTIVE DATE OF THIS SECTION, UNLESS  
9 THE OWNER OF A RESIDENCE OR PLATTED PROPERTY DESCRIBED IN THIS  
10 SUBSECTION CONSENTS IN WRITING, THE SUPERVISOR SHALL NOT GRANT A  
11 PERMIT UNDER THIS ACT FOR A WELL TO BE DRILLED IN EITHER OF THE  
12 FOLLOWING LOCATIONS:

13 (A) WITHIN 1,000 FEET OF A RESIDENCE.

14 (B) WITHIN 1,000 FEET OF THE BOUNDARY OF A LOT DESCRIBED AND  
15 FIXED IN A RECORDED SUBDIVISION PLOT AS AUTHORIZED UNDER THE SUB-  
16 DIVISION CONTROL ACT OF 1967, ACT NO. 288 OF THE PUBLIC ACTS OF  
17 1967, BEING SECTIONS 560.101 TO 560.293 OF THE MICHIGAN COMPILED  
18 LAWS.

19 Sec. 23. A person shall not drill or begin the drilling of  
20 any well for oil or gas, for secondary recovery, or a well for  
21 the disposal of salt water, or brine produced in association with  
22 oil or gas operations or other oil field wastes, or wells for the  
23 development of reservoirs for the storage of liquid or gaseous  
24 hydrocarbons, until the owner directly or through his OR HER  
25 authorized representatives ~~shall have first made~~ MAKES a writ-  
26 ten application to drill ~~any~~ such A well and ~~filed~~ FILES with  
27 the supervisor a bond as provided in section 6. ~~and received~~

1 ~~and posted~~ THE APPLICATION FORM FOR A PERMIT REQUIRED UNDER THIS  
2 SECTION SHALL CONTAIN A PROVISION THAT REQUIRES A LISTING OF THE  
3 ZONING CATEGORY FOR THE LOCATION OF THE PROPOSED WELL AND A BLANK  
4 REQUIRING VERIFICATION OF THE ZONING CATEGORY AS EVIDENCED BY THE  
5 SIGNATURE OF AN OFFICIAL OF THE LOCAL UNIT OF GOVERNMENT IN WHICH  
6 THE WELL IS PROPOSED TO BE LOCATED WHO IS AUTHORIZED TO VERIFY  
7 ZONING CATEGORIES. IF A PERMIT IS ISSUED, THE OWNER SHALL POST  
8 IT in a conspicuous place at the location of the well ~~a permit~~  
9 in accordance with the rules ~~and requirements~~ PROMULGATED UNDER  
10 THIS ACT or orders ~~made and promulgated~~ ISSUED by the  
11 supervisor. A fee of \$100.00 shall be charged for a permit to  
12 drill a well subject to this act. Upon receiving and accepting a  
13 written application and payment of the fee required, the supervi-  
14 sor shall within 10 days thereafter issue to any owner or his OR  
15 HER authorized representative, a permit to drill. A permit to  
16 drill shall not be issued to any owner or his OR HER authorized  
17 representative who does not comply with the ~~rules and~~ require-  
18 ments OF THIS ACT, THE RULES PROMULGATED UNDER THIS ACT, or  
19 orders ~~made and promulgated~~ ISSUED by the supervisor. A permit  
20 shall not be issued to any owner or his OR HER authorized repre-  
21 sentative who has not complied with or is in violation of this  
22 act, or any of the rules PROMULGATED UNDER THIS ACT,  
23 ~~requirements or~~ orders issued by the supervisor, or the depart-  
24 ment of natural resources. The supervisor shall thereupon pay  
25 ~~such~~ THE permit fee into the state treasury and it shall there  
26 be credited to the general fund of the state.

1        SEC. 23A. (1) IF THE MINERAL RIGHTS TO A PARCEL OF PROPERTY  
2 HAVE BEEN SEVERED FROM THE SURFACE RIGHTS OF THAT PROPERTY, THE  
3 SUPERVISOR SHALL NOT GRANT A PERMIT UNDER THIS ACT UNLESS THE  
4 OWNER OF THE MINERAL RIGHTS HAS ENTERED INTO A DRILLING OPERA-  
5 TIONS AGREEMENT WITH THE OWNER OF THE SURFACE RIGHTS, AND A COPY  
6 OF THAT AGREEMENT OR OTHER PROOF THAT AN AGREEMENT HAS BEEN  
7 ENTERED INTO IS FILED WITH THE SUPERVISOR.

8        (2) THE DRILLING OPERATIONS AGREEMENT REQUIRED UNDER SUBSEC-  
9 TION (1) SHALL CONTAIN ALL OF THE FOLLOWING:

10        (A) LOCATION OF ALL PROPOSED WELLS.

11        (B) LOCATION OF ALL SURFACE AREAS THAT WILL BE AFFECTED BY  
12 DRILLING OPERATIONS.

13        (C) LOCATION OF ACCESS ROADS TO THE DRILLING SITE.

14        (D) TYPE OF DRILLING EQUIPMENT TO BE USED.

15        (E) A PLAN OF ACTION IN THE EVENT OF AN EMERGENCY.

16        (F) IF A WELL IS TO BE DRILLED WITHIN 1,500 FEET OF A RESI-  
17 DENTIAL STRUCTURE, ALL OF THE FOLLOWING:

18        (i) PROVISIONS FOR HOUSING, FENCING, OR SCREENING THE PUMP-  
19 ING EQUIPMENT.

20        (ii) PROVISIONS FOR REDUCING NOISE.

21        (iii) PROVISIONS FOR HOURS OF OPERATIONS.

22        (G) PROVISIONS FOR SURFACE RESTORATION TO BE DONE AFTER COM-  
23 PLETION OF DRILLING OPERATIONS AND AFTER COMPLETION OF ALL  
24 EXTRACTION ACTIVITIES.

25        (H) PROVISIONS FOR THE CLEANUP OF CONTAMINATION OR DAMAGES  
26 TO NATURAL RESOURCES, INCLUDING GROUNDWATER AND SUBSURFACE SOILS,  
27 CAUSED BY DRILLING OPERATIONS.



1 (1) THE COMPENSATION TO BE PAID TO THE SURFACE OWNER FOR  
2 DAMAGES TO THE SURFACE PROPERTY.

3 (3) A SURFACE OWNER SHALL BE COMPENSATED FOR ALL DAMAGES OR  
4 LOSSES INCLUDING THE LOSS OF THE USE OF ALL OR PART OF THE SUR-  
5 FACE PROPERTY CAUSED DIRECTLY OR INDIRECTLY BY OIL OR GAS  
6 OPERATIONS.

7 (4) AS USED IN THIS SECTION AND SECTION 23B, "SURFACE OWNER"  
8 MEANS 1 OR MORE PERSONS WHO HOLD RECORD TITLE TO THE SURFACE OF  
9 THE LAND OR THE PURCHASER UNDER A RECORDED LAND CONTRACT OR MEMO-  
10 RANDUM OF LAND CONTRACT.

11 SEC. 23B. (1) IF THE MINERAL RIGHTS OWNER AND THE SURFACE  
12 OWNER ARE UNABLE TO AGREE TO THE PROVISIONS OF A DRILLING OPERA-  
13 TIONS AGREEMENT UNDER SECTION 23A, EITHER THE MINERAL RIGHTS  
14 OWNER OR THE SURFACE OWNER MAY SUBMIT THE MATTER TO ARBITRATION  
15 BY NOTIFYING THE SUPERVISOR.

16 (2) THE SUPERVISOR SHALL PREPARE A LIST OF INDIVIDUALS WHO  
17 ARE QUALIFIED TO ARBITRATE DISPUTES BETWEEN MINERAL RIGHTS OWNERS  
18 AND SURFACE OWNERS. WITHIN 7 DAYS AFTER RECEIVING NOTICE UNDER  
19 SUBSECTION (1) OF SUBMITTAL TO ARBITRATION, THE SUPERVISOR SHALL  
20 RANDOMLY SELECT AN INDIVIDUAL FROM THE LIST. IF THE SUPERVISOR  
21 DETERMINES THAT INDIVIDUAL TO HAVE A CONFLICT OF INTEREST IN THE  
22 PARTICULAR DISPUTE, THE SUPERVISOR SHALL RANDOMLY SELECT AN  
23 ALTERNATE ARBITRATOR. THE SUPERVISOR MAY REJECT AS MANY INDIVID-  
24 UALS AS IS NECESSARY TO APPOINT AN INDIVIDUAL WITHOUT A CONFLICT  
25 OF INTEREST. ALTERNATIVELY, IF THE MINERAL RIGHTS OWNER AND THE  
26 SURFACE OWNER JOINTLY AGREE TO ANY ARBITRATOR ON THE LIST OF

1 QUALIFIED ARBITRATORS, THAT PERSON JOINTLY SELECTED SHALL  
2 ARBITRATE THE DISPUTE.

3 (3) WITHIN 14 DAYS OF APPOINTMENT OF AN ARBITRATOR, THE  
4 ARBITRATOR SHALL SCHEDULE AN ARBITRATION HEARING WHICH SHALL BE  
5 HELD NOT LATER THAN 35 DAYS AFTER THE DATE OF APPOINTMENT. AT  
6 THE ARBITRATION HEARING, EACH PARTY SHALL SUBMIT TO THE ARBITRA-  
7 TOR A PROPOSED DRILLING OPERATIONS AGREEMENT. THE ARBITRATOR  
8 SHALL MAKE A DECISION WITHIN 14 DAYS FOLLOWING THE ARBITRATION  
9 HEARING. THE ARBITRATOR MAY RULE IN FAVOR OF 1 OF THE PROPOSED  
10 DRILLING OPERATIONS AGREEMENTS SUBMITTED, OR THE ARBITRATOR MAY  
11 ESTABLISH THE TERMS OF A DRILLING OPERATIONS AGREEMENT THAT WAS  
12 NOT ADVOCATED BY EITHER OF THE PARTIES. UPON REACHING A DECI-  
13 SION, THE ARBITRATOR SHALL FORWARD A COPY OF HIS OR HER DECISION  
14 TO THE SURFACE OWNER, THE MINERAL RIGHTS OWNER, AND THE  
15 SUPERVISOR. A DECISION OF AN ARBITRATOR IS APPEALABLE TO CIRCUIT  
16 COURT.

17 (4) UPON RECEIPT OF A DECISION BY AN ARBITRATOR, THE SUPER-  
18 VISOR MAY ISSUE A PERMIT PURSUANT TO SECTION 23.

19 Sec. 24. This act ~~shall be~~ IS cumulative of all existing  
20 laws on the subject matter, but, in case of conflict, this act  
21 shall control and shall repeal such conflicting provisions,  
22 except for the authority given the public service commission in  
23 sections 7 and 8 of Act No. 9 of the Public Acts of 1929, as  
24 amended, being sections 483.107 and 483.108 of the Michigan  
25 Compiled Laws, AND AS OTHERWISE PROVIDED IN SECTION 1 OF THE  
26 COUNTY RURAL ZONING ENABLING ACT, ACT NO. 183 OF THE PUBLIC ACTS  
27 OF 1943, BEING SECTION 125.201 OF THE MICHIGAN COMPILED LAWS, AND

1 SECTION 1 OF THE TOWNSHIP RURAL ZONING ACT, ACT NO. 184 OF THE  
2 PUBLIC ACTS OF 1943, BEING SECTION 125.271 OF THE MICHIGAN  
3 COMPILED LAWS.

4 Section 2. This amendatory act shall not take effect unless  
5 all of the following bills of the 86th Legislature are enacted  
6 into law:

7 (a) Senate Bill No. \_\_\_\_ or House Bill No. 5605 (request  
8 no. 04002'91).

9 (b) Senate Bill No. \_\_\_\_ or House Bill No. 5606 (request  
10 no. 05611'92).