

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA**

BILL ANALYSIS

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

House Bill 5294 (Substitute H-1 as passed by the House)  
Sponsor: Representative Raymond Basham  
House Committee: Conservation, Environment and Recreation  
Senate Committee: Natural Resources and Environmental Affairs

Date Completed: 11-10-98

## **CONTENT**

**The bill would amend Part 625 (Mineral Wells) of the Natural Resources and Environmental Protection Act (NREPA) to revise permit application fees to drill mineral wells; impose annual mineral well regulatory fees; and create the “Mineral Well Regulatory Fund”.**

### Permit Application Fees

A well owner or operator currently must pay a \$50 permit application fee to drill a brine, storage, or waste disposal well and a \$1 fee for a permit to drill a test well. Fee revenue is credited to the General Fund. The bill would delete these fees.

The bill would require a permit application to be accompanied by an application fee of \$2,500 for a disposal well for disposal of waste products other than processed brine; and \$500 each for a disposal well for disposal of processed brine, storage well, natural brine production well, artificial brine production well, or individual test well. The supervisor of mineral wells would have to deposit all permit application fees into the proposed Fund.

(“Artificial brine” means mineralized water formed by dissolving rock salt or other readily soluble rocks or minerals and “natural brine” means naturally occurring mineralized water other than potable or fresh water. “Storage well” means a well drilled into a subsurface formation to develop an underground storage cavity for storage operations. The bill specifies that “storage well” would not include a storage well drilled pursuant to Part 615 of the NREPA, which regulates oil and gas wells.)

### Mineral Well Regulatory Fees

The owner or operator of a mineral well would be subject to an annual mineral well regulatory fee of \$2,500 for a disposal well for disposal of waste products other than processed brine; and \$500 each for a disposal well for disposal of processed brine, storage well, natural brine production well, artificial brine production well, or individual test well. The fee would apply to any mineral well that was usable for its permitted purpose, or had not been properly plugged according to the requirements of Part 625 and rules promulgated under it, at the time the fee was due. The fees would have to be submitted to the Department of Environmental Quality along with any documentation required by the Department. The Department would have to forward all fees to the State Treasury for deposit in the Fund.

### Mineral Well Regulatory Fund

The bill would create the Mineral Well Regulatory Fund in the State Treasury. The State Treasurer could receive money or other assets from any source for deposit into the Fund, and would have to

direct investment of the Fund, and credit to it interest and earnings from the Fund investments. Money in the Fund at the end of a fiscal year would have to remain in the Fund and would not lapse to the General Fund. The Department would have to spend money from the Fund, upon appropriation, only to implement and enforce Part 625.

### Test Wells

Currently, a person must not drill a test well until the owner files a written application for a permit to drill, files an approved surety or security bond, and receives a permit pursuant to the rules of the supervisor of mineral wells. The bill specifies that a person could not drill a test well 50 feet or greater in depth into the bedrock or below the deepest freshwater strata until the owner paid the permit application fee as provided in the bill, and met the existing requirements. The bill also states that these provisions would not apply to a test well regulated under Part 111 or Part 115 of the NREPA, which control hazardous and solid waste management, or a water well regulated under Part 127 of the Public Health Code.

Under Part 625, the supervisor of mineral wells, upon request, may issue a blanket permit to drill test wells within a limited or local area where a geological test program is intended, and may issue a blanket permit to drill test wells to qualified persons. The bill provides, instead, that the supervisor could issue a blanket permit to drill test wells within a county to qualified persons.

Currently, "test well" means a well, core hole, core test, observation well, or other well drilled from the surface to determine the presence of a mineral, mineral resource, ore, or rock unit, or to obtain geological or geophysical information or other subsurface data. The bill would refer to such information or data related to mineral exploration and extraction. "Test well" currently does not include holes drilled in the operation of a quarry, open pit, or underground mine. The bill also would exclude any wells not related to mineral exploration or extraction.

MCL 324.62501 et. al

Legislative Analyst: N. Nagata

### **FISCAL IMPACT**

The FY 1998-99 Department of Environmental Quality budget relies on \$400,000 in increased revenue dependent upon passage of this bill.

Fiscal Analyst: G. Cutler

S9798\S5294SA

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.