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SFA**BILL ANALYSIS**

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House Bill 5317 (Substitute H-1 as passed by the House)

Sponsor: Representative Allen Lowe

House Committee: Forestry and Mineral Rights

Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 3-3-98

CONTENT

The bill would amend the Natural Resources and Environmental Protection Act's provisions on the regulation of oil and gas wells, to prohibit the compulsory pooling of properties for the production of Antrim gas unless the majority of the mineral rights owners had leased their rights or agreed to pool their interests. The bill also would require that before petitioning for a hearing to compulsorily pool properties, a petitioner would have to make a good faith effort to lease each property that he or she sought to compulsorily pool.

As part of the good faith effort, the petitioner or his or her representative would be required to have contacted each mineral owner at least twice and provided an opportunity for a face-to-face meeting each time to discuss the lease proposal. Following each contact, the petitioner would have to allow at least a 30-day period for the mineral owner to respond to a lease proposal. When the petitioner or his or her representative contacted the mineral owner, he or she would have to provide the mineral owner with the information regarding oil and gas leases developed by the Department of Environmental Quality (DEQ), as required under the bill, and would have to provide the mineral owner with the name of the prospective lessee.

The bill would prohibit the supervisor (the DEQ) from requiring the pooling of properties or parts of properties for production of Antrim gas, unless the owners of a majority of the mineral rights in the drilling or proration unit or area subject to a uniform spacing plan had leased their oil and gas rights or otherwise agreed to pool their interests in the proposed unit or area.

The DEQ would be required to develop and make available information about oil and gas leases. The lessee would have to provide this information to the lessor prior to signing an oil and gas lease. The information would have to include all of the following: the oil and gas production process; the leasing of mineral rights including the potential to negotiate the terms of the lease such as a nondevelopment clause for smaller parcels; and, the compulsory pooling process.

MCL 324.61513

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government, depending on the proximity of publicly owned land to an area potentially subject to compulsory pooling.

Fiscal Analyst: G. Cutler

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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.