

SUBSTITUTE FOR
HOUSE BILL NO. 5316

A bill to amend 1994 PA 451, entitled
"Natural resources and environmental protection act,"
by amending sections 61501 and 61517 (MCL 324.61501 and
324.61517), as added by 1995 PA 57.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 61501. Unless the context requires a different mean-
2 ing, the words defined in this section have the following mean-
3 ings when used in this part:

4 (A) "DEPARTMENT" MEANS THE DEPARTMENT OF ENVIRONMENTAL
5 QUALITY.

6 (B) ~~—(a)—~~ "Field" means an underground reservoir or reser-
7 voirs containing oil or gas, or both. Field also includes the
8 same general surface area that is underlaid or appears to be
9 underlaid by at least 1 pool. Field and pool have the same

1 meaning if only 1 underground reservoir is involved. However,
2 field, unlike pool, may relate to 2 or more pools.

3 (C) ~~-(b)-~~ "Gas" means a mixture of hydrocarbons and varying
4 quantities of nonhydrocarbons in a gaseous state which may or may
5 not be associated with oil, and includes those liquids resulting
6 from condensation.

7 (D) ~~-(c)-~~ "Illegal container" means a receptacle that con-
8 tains illegal oil or gas or illegal products.

9 (E) ~~-(d)-~~ "Illegal conveyance" means a conveyance by or
10 through which illegal oil or gas or illegal products are being
11 transported.

12 (F) ~~-(e)-~~ "Illegal oil or gas" means oil or gas that has
13 been produced by an owner or producer in violation of this part,
14 a rule promulgated under this part, or an order of the supervisor
15 issued under this part.

16 (G) ~~-(f)-~~ "Illegal product" means a product of oil or gas or
17 any part of a product of oil or gas that was knowingly processed
18 or derived in whole or in part from illegal oil or gas.

19 (H) ~~-(g)-~~ "Market demand" means the actual demand for oil or
20 gas from any particular pool or field for current requirements
21 for current consumption and use within or outside the state,
22 together with the demand for such amounts as are necessary for
23 building up or maintaining reasonable storage reserves of oil or
24 gas or the products of oil or gas.

25 (I) ~~-(h)-~~ "Oil" means natural crude oil or petroleum and
26 other hydrocarbons, regardless of gravity, that are produced at
27 the well in liquid form by ordinary production methods and that

1 are not the result of condensation of gas after it leaves the
2 underground reservoir.

3 (J) ~~-(i)-~~ "Owner" means the person who has the right to
4 drill a well into a pool, to produce from a pool, and to receive
5 and distribute the value of the production from the pool for him-
6 self or herself either individually or in combination with
7 others.

8 (K) ~~-(j)-~~ "Person" means any natural person, corporation,
9 association, partnership, receiver, trustee, so-called common law
10 or statutory trust, guardian, executor, administrator, and a
11 fiduciary of any kind.

12 (L) ~~-(k)-~~ "Pool" means an underground reservoir containing a
13 common accumulation of oil or gas, or both. Pool includes a pro-
14 ductive zone of a general structure that is completely separated
15 from any other zone in the structure, or is declared to be a pool
16 by the supervisor of wells.

17 (M) ~~-(l)-~~ "Producer" means the operator, whether owner or
18 not, of a well or wells capable of producing oil or gas or both
19 in paying quantities.

20 (N) ~~-(m)-~~ "Product" means any commodity or thing made or
21 manufactured from oil or gas, and all derivatives of oil or gas,
22 including refined crude oil, crude tops, topped crude, processed
23 crude petroleum, residue from crude petroleum, cracking stock,
24 uncracked fuel oil, fuel oil, treated crude oil, residuum, gas
25 oil, naphtha, distillate, gasoline, casing-head gasoline, natural
26 gas gasoline, kerosene, benzine, wash oil, waste oil, lubricating

1 oil, and blends or mixtures of oil or gas or any derivatives of
2 oil or gas whether enumerated or not.

3 (O) ~~(n)~~ "Supervisor" or "supervisor of wells" means the
4 department.

5 (P) ~~(o)~~ "Tender" means a permit or certificate of clear-
6 ance, approved and issued or registered under the authority of
7 the supervisor, for the transportation of oil or gas or
8 products.

9 (Q) ~~(p)~~ "Waste" in addition to its ordinary meaning
10 includes all of the following:

11 (i) "Underground waste", as those words are generally under-
12 stood in the oil business, and including all of the following:

13 (A) The inefficient, excessive, or improper use or dissipa-
14 tion of the reservoir energy, including gas energy and water
15 drive, of any pool, and the locating, spacing, drilling, equip-
16 ping, operating, or producing of a well or wells in a manner to
17 reduce or tend to reduce the total quantity of oil or gas ulti-
18 mately recoverable from any pool.

19 (B) Unreasonable damage to underground fresh or mineral
20 waters, natural brines, or other mineral deposits from operations
21 for the discovery, development, and production and handling of
22 oil or gas.

23 (ii) "Surface waste", as those words are generally under-
24 stood in the oil business, and including all of the following:

25 (A) The unnecessary or excessive surface loss or destruction
26 without beneficial use, however caused, of gas, oil, or other
27 product, but including the loss or destruction, without

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1 beneficial use, resulting from evaporation, seepage, leakage, or
2 fire, especially a loss or destruction incident to or resulting
3 from the manner of spacing, equipping, operating, or producing a
4 well or wells, or incident to or resulting from inefficient stor-
5 age or handling of oil.

6 (B) The unnecessary damage to or destruction of the surface;
7 soils; animal, fish, or aquatic life; property; or other environ-
8 mental values from or by oil and gas operations.

9 (C) The drilling of unnecessary wells.

10 (iii) "Market waste", which includes the production of oil
11 or gas in any field or pool in excess of the market demand as
12 defined in this part.

13 Sec. 61517. (1) ~~The~~ EXCEPT AS PROVIDED IN SUBSECTION (2),
14 THE circuit court of Ingham county has exclusive jurisdiction
15 over all suits brought against the ~~commission~~ DEPARTMENT, the
16 supervisor, or any agent or employee of the ~~commission~~
17 DEPARTMENT or supervisor, by or on account of any matter or thing
18 arising under this part. A temporary restraining order or
19 injunction shall not be granted in any suit described in this
20 section except after due notice and for good cause shown.

21 (2) AN ACTION WITH REGARD TO THE COMPULSORY POOLING OF PROP-
22 ERTIES UNDER SECTION 61513 MAY BE BROUGHT IN THE CIRCUIT COURT
23 FOR THE COUNTY IN WHICH THE OIL OR GAS RIGHTS ARE LOCATED OR IN
24 THE CIRCUIT COURT OF INGHAM COUNTY. UPON PETITION FROM A MAJOR-
25 ITY OF THE OWNERS OF THE OIL OR GAS RIGHTS WHO ARE SUBJECT TO
26 COMPULSORY POOLING, AN ACTION THAT IS FILED IN THE CIRCUIT COURT
27 OF INGHAM COUNTY MAY BE REMOVED TO THE CIRCUIT COURT FOR THE

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1 COUNTY IN WHICH THE OIL OR GAS RIGHTS ARE LOCATED. ADDITIONALLY,
2 IF ALL OF THE OWNERS OF THE OIL OR GAS RIGHTS BEING COMPULSORILY
3 POOLED RESIDE IN A COUNTY IN MICHIGAN OTHER THAN THE COUNTY IN
4 WHICH THE OIL OR GAS RIGHTS ARE LOCATED, THE ACTION MAY BE
5 BROUGHT OR REMOVED TO THE CIRCUIT COURT FOR THE COUNTY IN WHICH
6 THE OWNERS RESIDE.

7 (3) THE INITIAL ADMINISTRATIVE HEARING OR A CONTESTED CASE
8 HEARING PURSUANT TO THE ADMINISTRATIVE PROCEDURES ACT OF 1969,
9 1969 PA 306, MCL 24.201 TO 24.328, REGARDING THE COMPULSORY POOL-
10 ING OF PROPERTIES UNDER SECTION 61513 SHALL BE HELD IN THE COUNTY
11 IN WHICH THE OIL OR GAS RIGHTS ARE LOCATED. SUBSEQUENT HEARINGS
12 ON THE COMPULSORY POOLING OF PROPERTIES SHALL BE HELD IN
13 LANSING. HOWEVER, IF A MAJORITY OF THE PERSONS WHO ARE BEING
14 COMPULSORILY POOLED PETITION THE SUPERVISOR TO MOVE THE HEARINGS
15 TO A DIFFERENT COUNTY, THE HEARINGS SHALL BE HELD IN THE COUNTY
16 SPECIFIED IN THE PETITION. AT THE TIME THAT THE SUPERVISOR NOTI-
17 FIES THOSE PERSONS SUBJECT TO COMPULSORY POOLING OF AN ADMINIS-
18 TRATIVE HEARING OR A CONTESTED CASE HEARING, THE SUPERVISOR SHALL
19 NOTIFY THEM OF THEIR RIGHT TO PETITION FOR A CHANGE OF LOCATION
20 OF THE HEARING AS PROVIDED IN THIS SECTION.