

SUBSTITUTE FOR
HOUSE BILL NO. 5317

A bill to amend 1994 PA 451, entitled
"Natural resources and environmental protection act,"
by amending section 61513 (MCL 324.61513), as added by 1995 PA
57.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 61513. (1) When, to prevent waste, the total allowable
2 production for any oil or gas field or pool in the state is fixed
3 in an amount less than that which the field or pool could produce
4 if no restriction were imposed, the supervisor shall prorate or
5 distribute on a reasonable basis the allowable production among
6 the producing wells in the field or pool, to prevent or minimize
7 reasonably avoidable drainage from each developed area which is
8 not equalized by counter drainage. The rules or orders of the
9 supervisor, so far as it is practicable to do so, shall afford
10 the owner of each property in a pool the opportunity to produce

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1 his or her just and equitable share of the oil or gas in the
2 pool, being an amount, so far as can be practicably determined
3 and obtained without waste, and without reducing the bottom hole
4 pressure materially below the average for the pool, substantially
5 in the proportion that the quantity of the recoverable oil or gas
6 under the property bears to the total recoverable oil or gas in
7 the pool, and for this purpose to use his or her just and equita-
8 ble share of the reservoir energy. A well in a pool producing
9 from an average depth of 1,000 feet or less, on the basis of a
10 full drilling unit as may be established under this section,
11 shall be given a base allowable production of at least 100 bar-
12 rels of oil per well per week; for a well in a pool producing
13 from an average depth greater than 1,000 feet, the base allowable
14 production shall be increased 10 barrels per well per week for
15 each ~~addition~~ ADDITIONAL 100 feet of depth greater than 1,000
16 feet, if the allowable production is or can be made without sur-
17 face or underground waste.

18 (2) To prevent the drilling of unnecessary wells, the super-
19 visor may establish a drilling unit for each pool. A drilling
20 unit, as described in this subsection, is the maximum area that
21 may be efficiently and economically drained by 1 well. A
22 drilling unit constitutes a developed area if a well is located
23 on the drilling unit that is capable of producing the economi-
24 cally recoverable oil or gas under the unit. Each well permitted
25 to be drilled upon any drilling unit shall be located in the
26 approximate center of the drilling unit, or at such other
27 location on the drilling unit as may be necessary to conform to a

1 uniform well spacing pattern as adopted and promulgated by the
2 supervisor after due notice and public hearing, as provided in
3 this part.

4 (3) The drilling of unnecessary wells is hereby declared
5 waste because unnecessary wells create fire and other hazards
6 conducive to waste, and unnecessarily increase the production
7 cost of oil and gas to the operator, and therefore also unneces-
8 sarily increase the cost of the products to the ultimate
9 consumer.

10 (4) The pooling of properties or parts of properties is per-
11 mitted, and, if not agreed upon, the supervisor may require pool-
12 ing of properties or parts of properties in any case when and to
13 the extent that the smallness or shape of a separately owned
14 tract or tracts would, under the enforcement of a uniform spacing
15 plan or proration or drilling unit, otherwise deprive or tend to
16 deprive the owner of such a tract of the opportunity to recover
17 or receive his or her just and equitable share of the oil or gas
18 and gas energy in the pool. [PRIOR TO PETITIONING FOR A HEARING TO
19 COMPULSORILY POOL PROPERTIES, THE PETITIONER SHALL HAVE MADE A GOOD
20 FAITH EFFORT TO LEASE EACH PROPERTY IN WHICH THE PETITIONER SEEKS TO
21 COMPULSORILY POOL. AS PART OF THIS GOOD FAITH EFFORT, THE
22 PETITIONER OR A REPRESENTATIVE OF THE PETITIONER SHALL HAVE
23 CONTACTED EACH MINERAL OWNER AT LEAST TWICE AND PROVIDED AN
24 OPPORTUNITY FOR A FACE-TO-FACE MEETING EACH TIME TO DISCUSS THE
25 LEASE PROPOSAL. FOLLOWING EACH CONTACT, THE PETITIONER SHALL ALLOW
26 AT LEAST A 30-DAY PERIOD FOR THE MINERAL OWNER TO RESPOND TO A LEASE
27 PROPOSAL. WHEN THE PETITIONER OR A REPRESENTATIVE OF THE PETITIONER
CONTACTS THE MINERAL OWNER, THE PETITIONER SHALL PROVIDE THE MINERAL
OWNER WITH THE INFORMATION REGARDING OIL AND GAS LEASES DEVELOPED BY
THE DEPARTMENT UNDER SUBSECTION (9) AND SHALL PROVIDE THE MINERAL
OWNER THE NAME OF THE PROSPECTIVE LESSEE.] THE SUPERVISOR SHALL NOT
REQUIRE THE POOLING OF PROPERTIES OR PARTS OF PROPERTIES [FOR
PRODUCTION OF ANTRIM GAS] UNDER
THIS SECTION UNLESS THE OWNERS OF A MAJORITY OF THE MINERAL
RIGHTS IN THE DRILLING OR PRORATION UNIT OR AREA SUBJECT TO A
UNIFORM SPACING PLAN HAVE LEASED THEIR OIL AND GAS RIGHTS OR OTH-
ERWISE AGREED TO POOL THEIR INTERESTS IN THE PROPOSED UNIT OR
AREA. The owner of any tract that is smaller than the drilling
unit established for the field shall not be deprived of the right
to drill on and produce from that tract, if the drilling and
production can be done without waste. In this case, the

1 allowable production from that tract, as compared with the
2 allowable production if that tract were a full unit, shall be in
3 the ratio of the area of the tract to the area of a full unit,
4 except as a smaller ratio may be required to maintain average
5 bottom hole pressures in the pool, to reduce the production of
6 salt water, or to reduce an excessive gas-oil ratio. All orders
7 requiring pooling described in this subsection shall be upon
8 terms and conditions that are just and reasonable, and will
9 afford to the owner of each tract in the pooling plan the oppor-
10 tunity to recover or receive his or her just and equitable share
11 of the oil or gas and gas energy in the pool as provided in this
12 subsection, and without unnecessary expense, and will prevent or
13 minimize reasonably avoidable drainage from each developed tract
14 that is not equalized by counter drainage. The portion of the
15 production allocated to the owner of each tract included in a
16 drilling unit formed by voluntary agreement or by a pooling order
17 shall be considered as if it had been produced from the tract by
18 a well drilled on the tract.

19 (5) Each well permitted to be drilled upon a drilling unit
20 or tract shall be drilled at a location that conforms to the uni-
21 form well spacing pattern, except as may be reasonably necessary
22 where after notice and hearing the supervisor finds any of the
23 following:

24 (a) That the unit is partly outside the pool or that, for
25 some other reason, a well at the location would be unproductive.

26 (b) That the owner or owners of a tract or tracts covering
27 that part of the drilling unit or tract on which the well would

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1 be located if it conformed to the uniform well spacing pattern
2 refuses to permit drilling at the regular location.

3 (c) That topographical or other conditions are such as to
4 make drilling at the regular location unduly burdensome or immi-
5 nently threatening to water or other natural resources, to prop-
6 erty, or to life.

7 (6) If an exception under subsection (5) is granted, the
8 supervisor shall take such action as will offset any advantage
9 that the person securing the exception may have over other pro-
10 ducers in the pool by reason of the drilling of the well as an
11 exception, and so that drainage from the developed areas to the
12 tract with respect to the exception granted will be prevented or
13 minimized and the producer of the well drilled as an exception
14 will be allowed to produce no more than his or her just and equi-
15 table share of the oil or gas in the pool as the share is set
16 forth in this part, and to that end the rules and orders of the
17 supervisor shall be such as will prevent or minimize reasonably
18 avoidable drainage from each developed area that is not equalized
19 by counter drainage and will give to each producer the opportu-
20 nity to use his or her just and equitable share of the reservoir
21 energy.

22 (7) Minimum allowable production for some wells and pools
23 may be advisable from time to time, especially with respect to
24 wells and pools already drilled on May 3, 1939, when former ~~Act~~
25 ~~No. 61 of the Public Acts of 1939~~ 1939 PA 61 took effect, so
26 that the production will repay reasonable lifting costs and thus
27 prevent premature abandonment of wells and resulting wastes.

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Sub. H.B. 5317 (H-1) as amended December 10, 1997

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1 (8) After the effective date of any rule promulgated or
2 order issued by the supervisor as provided in this part estab-
3 lishing the allowable production, a person shall not produce more
4 than the allowable production applicable to that person, his or
5 her wells, leases, or properties, and the allowable production
6 shall be produced pursuant to the applicable rules or orders.

[(9) THE DEPARTMENT SHALL DEVELOP AND MAKE AVAILABLE
INFORMATION ABOUT OIL AND GAS LEASES. THE LESSEE SHALL PROVIDE THIS
INFORMATION TO THE LESSOR PRIOR TO SIGNING AN OIL AND GAS LEASE.
THE INFORMATION SHALL INCLUDE ALL OF THE FOLLOWING:

(A) THE OIL AND GAS PRODUCTION PROCESS.

(B) THE LEASING OF MINERAL RIGHTS INCLUDING THE POTENTIAL TO
NEGOTIATE THE TERMS OF THE LEASE SUCH AS A NONDEVELOPMENT CLAUSE FOR
SMALLER PARCELS.

(C) THE COMPULSORY POOLING PROCESS.]