

SUBSTITUTE FOR  
HOUSE BILL NO. 5399

A bill to amend 1994 PA 451, entitled  
"Natural resources and environmental protection act,"  
by amending sections 61501, 61524, and 61525 (MCL 324.61501,  
324.61524, and 324.61525), as added by 1995 PA 57, and by adding  
sections 61506a, 61525a, and 61525b.

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

**HB5399, As Passed House, March 19, 1998**

House Bill No. 5399

2

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

3 (C) "FUND" MEANS THE OIL AND GAS REGULATORY FUND CREATED IN  
4 SECTION 61525B.

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

9 (E) ~~-(c)-~~ "Illegal container" means a receptacle that con-  
10 tains illegal oil or gas or illegal products.

11 (F) ~~-(d)-~~ "Illegal conveyance" means a conveyance by or  
12 through which illegal oil or gas or illegal products are being  
13 transported.

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

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

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

**HB5399, As Passed House, March 19, 1998**

House Bill No. 5399

3

1       (J) ~~-(h)-~~ "Oil" means natural crude oil or petroleum and  
2 other hydrocarbons, regardless of gravity, that are produced at  
3 the well in liquid form by ordinary production methods and that  
4 are not the result of condensation of gas after it leaves the  
5 underground reservoir.

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

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

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

20       (N) ~~-(l)-~~ "Producer" means the operator, whether owner or  
21 not, of a well or wells capable of producing oil or gas or both  
22 in paying quantities.

23       (O) ~~-(m)-~~ "Product" means any commodity or thing made or  
24 manufactured from oil or gas, and all derivatives of oil or gas,  
25 including refined crude oil, crude tops, topped crude, processed  
26 crude petroleum, residue from crude petroleum, cracking stock,  
27 uncracked fuel oil, fuel oil, treated crude oil, residuum, gas

**HB5399, As Passed House, March 19, 1998**

House Bill No. 5399

4

1 oil, naphtha, distillate, gasoline, casing-head gasoline, natural  
2 gas gasoline, kerosene, benzine, wash oil, waste oil, lubricating  
3 oil, and blends or mixtures of oil or gas or any derivatives of  
4 oil or gas whether enumerated or not.

5 (P) ~~-(n)-~~ "Supervisor" or "supervisor of wells" means the  
6 department.

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

11 (R) ~~-(p)-~~ "Waste" in addition to its ordinary meaning  
12 includes all of the following:

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

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

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

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

1 (A) The unnecessary or excessive surface loss or destruction  
2 without beneficial use, however caused, of gas, oil, or other  
3 product, but including the loss or destruction, without benefi-  
4 cial use, resulting from evaporation, seepage, leakage, or fire,  
5 especially a loss or destruction incident to or resulting from  
6 the manner of spacing, equipping, operating, or producing a well  
7 or wells, or incident to or resulting from inefficient storage or  
8 handling of oil.

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

12 (C) The drilling of unnecessary wells.

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

16 SEC. 61506A. UPON COMPLETION OF AN INSPECTION UNDER THIS  
17 PART, THE SUPERVISOR SHALL NOTIFY THE OWNER OR OPERATOR OF THE  
18 WELL OF ANY VIOLATION OF THIS OR ANY OTHER PART OF THIS ACT THAT  
19 IS IDENTIFIED DURING THE INSPECTION.

20 Sec. 61524. (1) For the purposes of monitoring, surveil-  
21 lance, enforcement, and administration of this part, ~~[a fee not in~~  
22 ~~excess~~ AND TO ADDRESS ENVIRONMENTAL PROBLEMS ASSOCIATED WITH THE  
PRODUCTION AND USE OF OIL AND GAS, A FEE] of 1%, based upon the  
gross cash market value, is levied  
23 upon oil and gas produced in this state. The fee shall be col-  
24 lected by the revenue division of the department of treasury in  
25 the same manner, at the same time, and subject to the provisions  
26 of the tax levied by ~~Act No. 48 of the Public Acts of 1929,~~

**HB5399, As Passed House, March 19, 1998**

Sub. H.B. 5399 (H-3) as amended March 19, 1998

6

1 ~~being sections 205.301 to 205.317 of the Michigan Compiled Laws~~  
2 ~~1929 PA 48, MCL 205.301 TO 205.317.~~

3 ~~[(2) The fee shall be computed as follows:~~

4 ~~(a) The director of the department of management and budget,~~  
5 ~~on or before November 1, shall certify to the department of trea-~~  
6 ~~sury the amount appropriated for the fiscal year for the purposes~~  
7 ~~of monitoring, surveillance, enforcement, and administration of~~  
8 ~~this part.~~

9 ~~(b) The department shall estimate the total production and~~  
10 ~~gross cash market value of all oil and gas that will be produced~~  
11 ~~in this state during the fiscal year ending September 30, and~~  
12 ~~shall certify its estimate to the department of treasury on or~~  
13 ~~before November 1.~~

14 ~~(c) The department of treasury shall determine,~~

15

16 ~~on or before December 1 of the~~ year,  
17 ~~the percentage, to the nearest 1/100 of 1%, the ratio that the~~  
18 ~~appropriation bears to the total gross cash market value of the~~  
19 ~~oil and gas that will be produced in this state as estimated by~~  
20 ~~the department as provided in subdivision (b).~~

21

22

23

24

25

26

27

**HB5399, As Passed House, March 19, 1998**

Sub. H.B. 5399 (H-3) as amended March 19, 1998

7

1

2

3

4

5

6

7

8

9

10

11

12

13

14       ~~(d) The percentage determined pursuant to subdivision (c)~~  
15 ~~shall not exceed 1% and shall be the fee beginning the first of~~  
16 ~~the following month and will continue to be the fee for the next~~  
17 ~~12 months and until a different fee is determined.~~

18

19

20

21

]

22       [(2)] The proceeds of the fee provided for in this section  
23 shall be ~~credited to the general fund and appropriated by the~~  
24 ~~legislature toward the cost of monitoring, surveillance, enforce-~~  
25 ~~ment, and administration of this part~~ FORWARDED TO THE STATE  
26 TREASURER FOR DEPOSIT INTO THE FUND.

05116'97 (H-3)

**HB5399, As Passed House, March 19, 1998**

House Bill No. 5399

8

1       ~~-(4) An unexpended fee collected during the current or any~~  
2 ~~previous fiscal year, or an unexpended appropriation, shall be~~  
3 ~~carried over and deducted from the following year's appropriation~~  
4 ~~in determining an amount to be certified by the director of the~~  
5 ~~department of management and budget to the department of treasury~~  
6 ~~for computing the annual fee provided for in this part.~~

7       Sec. 61525. (1) A person shall not drill or begin the  
8 drilling of any well for oil or gas, for secondary recovery, or a  
9 well for the disposal of salt water, or brine produced in associ-  
10 ation with oil or gas operations or other oil field wastes, or  
11 wells for the development of reservoirs for the storage of liquid  
12 or gaseous hydrocarbons, until the owner directly or through his  
13 or her authorized representatives applies to drill any such well,  
14 files with the supervisor a bond as provided in section 61506,  
15 and receives and posts in a conspicuous place at the location of  
16 the well a permit as provided in the rules and requirements or  
17 orders issued or promulgated by the supervisor. A fee of  
18 ~~-\$100.00-~~ \$300.00 shall be charged for a permit to drill a well  
19 subject to this part. Upon receiving and accepting a written  
20 application and payment of the fee required, the supervisor shall  
21 within 10 days after that date issue to an owner or his or her  
22 authorized representative a permit to drill. A permit to drill  
23 shall not be issued to an owner or his or her authorized repre-  
24 sentative who does not comply with the rules and requirements or  
25 orders issued or promulgated by the supervisor. A permit shall  
26 not be issued to an owner or his or her authorized representative  
27 who has not complied with or is in violation of this part or any



1 of the rules, requirements, or orders issued or promulgated by  
2 the supervisor or the department.

3 (2) The supervisor shall forward all fees received under  
4 this section to the state treasurer for deposit in the ~~general~~  
5 ~~fund of the state~~ FUND.

6 SEC. 61525A. THE OWNER OR OPERATOR OF A WELL USED FOR  
7 INJECTION, WITHDRAWAL, OR OBSERVATION RELATED TO THE STORAGE OF  
8 NATURAL GAS OR LIQUIFIED PETROLEUM GAS THAT HAS BEEN USED FOR ITS  
9 PERMITTED PURPOSE AT ANY TIME DURING THE 12 CONSECUTIVE MONTHS  
10 IMMEDIATELY PRIOR TO THE TIME THE FEE IS DUE IS SUBJECT TO A  
11 \$20.00 ANNUAL WELL REGULATORY FEE. WELL REGULATORY FEES IMPOSED  
12 UNDER THIS SECTION SHALL BE COLLECTED BY THE SUPERVISOR IN THE  
13 MANNER PROVIDED BY THE SUPERVISOR. THE SUPERVISOR SHALL FORWARD  
14 ALL FEES COLLECTED UNDER THIS SECTION TO THE STATE TREASURER FOR  
15 DEPOSIT INTO THE FUND.

16 SEC. 61525B. (1) THE OIL AND GAS REGULATORY FUND IS CREATED  
17 WITHIN THE STATE TREASURY.

18 (2) THE STATE TREASURER MAY RECEIVE MONEY OR OTHER ASSETS  
19 FROM ANY SOURCE FOR DEPOSIT INTO THE FUND. [HOWEVER, IF AT ANY TIME  
THE AMOUNT OF MONEY IN THE FUND EQUALS OR EXCEEDS \$7,000,000.00, ALL  
MONEY IN THE FUND IN EXCESS OF \$7,000,000.00 SHALL BE TRANSFERRED TO  
THE CLEANUP AND REDEVELOPMENT FUND CREATED IN SECTION 20108 AND  
SHALL BE EXPENDED FOR THE PURPOSE DESCRIBED IN SECTION 20113(4)(F).]  
THE STATE TREASURER

20 SHALL DIRECT THE INVESTMENT OF THE FUND. THE STATE TREASURER  
21 SHALL CREDIT TO THE FUND INTEREST AND EARNINGS FROM FUND  
22 INVESTMENTS.

23 (3) MONEY IN THE FUND AT THE CLOSE OF THE FISCAL YEAR SHALL  
24 REMAIN IN THE FUND AND SHALL NOT LAPSE TO THE GENERAL FUND.

25 (4) THE DEPARTMENT SHALL EXPEND MONEY FROM THE FUND, UPON  
26 APPROPRIATION, ONLY FOR MONITORING, SURVEILLANCE, ENFORCEMENT,  
27 AND ADMINISTRATION OF THIS PART.

**HB5399, As Passed House, March 19, 1998**

House Bill No. 5399

10

1       (5) THE DEPARTMENT SHALL ANNUALLY SUBMIT A REPORT TO THE  
2 LEGISLATURE THAT ITEMIZES THE EXPENDITURE OF MONEY IN THE FUND.  
3 THE REPORT SHALL INCLUDE, AT A MINIMUM, ALL OF THE FOLLOWING:

4       (A) THE AMOUNT OF MONEY RECEIVED AND THE AMOUNT OF MONEY  
5 EXPENDED.

6       (B) THE NUMBER OF FULL-TIME EQUIVALENT POSITIONS FUNDED WITH  
7 MONEY IN THE FUND.

8       (C) THE NUMBER OF ON-SITE INSPECTIONS CONDUCTED BY THE  
9 DEPARTMENT IN IMPLEMENTING THIS PART.

10       (D) THE NUMBER OF VIOLATIONS IDENTIFIED IN ENFORCING THIS  
11 PART, THEIR LOCATIONS, AND A DESCRIPTION OF THE NATURE OF THE  
12 VIOLATIONS.