

**SUBSTITUTE FOR  
HOUSE BILL NO. 5627**

A bill to amend 1994 PA 451, entitled "Natural resources and environmental protection act," by amending sections 61501, 61506, and 61525 (MCL 324.61501, 324.61506, and 324.61525), section 61501 as amended by 1998 PA 115 and sections 61506 and 61525 as added by 1995 PA 57, and by adding sections 61506b and 61513a.

**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) "Field" means an underground reservoir or reservoirs  
7 containing oil or gas, or both. Field also includes the same  
8 general surface area that is underlaid or appears to be underlaid

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1 by at least 1 pool. Field and pool have the same meaning if only  
2 1 underground reservoir is involved. However, field, unlike  
3 pool, may relate to 2 or more pools.

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

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

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

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

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

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

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

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1           (J) ~~(i)~~ "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) ~~(j)~~ "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           ~~(k) "Person" means any natural person, corporation, associ-~~  
12 ~~ation, partnership, receiver, trustee, so-called common law or~~  
13 ~~statutory trust, guardian, executor, administrator, and a fidu-~~  
14 ~~ciary of any kind.~~

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

23           (n) "Product" means any commodity or thing made or manufac-  
24 tured from oil or gas, and all derivatives of oil or gas, includ-  
25 ing refined crude oil, crude tops, topped crude, processed crude  
26 petroleum, residue treated crude oil, residuum, gas oil, naphtha,  
27 distillate, gasoline, casing-head gasoline, natural gas gasoline,

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1 kerosene, benzine, wash oil, waste oil, lubricating oil, and  
2 blends or mixtures of oil or gas or any derivatives of oil or gas  
3 whether enumerated or not.

4 (o) "Supervisor" or "supervisor of wells" means the  
5 department.

6 (p) "Tender" means a permit or certificate of clearance,  
7 approved and issued or registered under the authority of the  
8 supervisor, for the transportation of oil or gas or products.

9 (q) "Waste" in addition to its ordinary meaning includes all  
10 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 UNNECESSARY ENDANGERMENT OF PUBLIC HEALTH, SAFETY,  
10 OR WELFARE FROM OR BY OIL AND GAS OPERATIONS.

11 (D) ~~(C)~~ The drilling of unnecessary wells.

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

15 Sec. 61506. The supervisor shall prevent the waste prohib-  
16 ited by this part. To that end, acting directly or through his  
17 or her authorized representatives, the supervisor is specifically  
18 empowered to do all of the following:

19 (a) To promulgate and enforce rules, issue orders and  
20 instructions necessary to enforce the rules, and do whatever may  
21 be necessary with respect to the subject matter stated in this  
22 part to implement this part, whether or not indicated, specified,  
23 or enumerated in this or any other section of this part.

24 (b) To collect data to make inspections, studies, and inves-  
25 tigation; to examine properties, leases, papers, books, and  
26 records as necessary to the purposes of this part; to examine,  
27 check, and test and gauge oil and gas wells and tanks, plants,

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1 refineries, and all means and modes of transportation and  
2 equipment; to hold hearings; and to provide for the keeping of  
3 records and making of reports, and for the checking of the accu-  
4 racy of the records and reports.

5 (c) To require the locating, drilling, deepening, redrilling  
6 or reopening, casing, sealing, operating, and plugging of wells  
7 drilled for oil and gas or for secondary recovery projects, or  
8 wells for the disposal of salt water, brine, or other oil field  
9 wastes, to be done in such manner and by such means as to prevent  
10 the escape of oil or gas out of 1 stratum into another, or of  
11 water or brines into oil or gas strata; to prevent pollution of,  
12 damage to, or destruction of fresh water supplies, including  
13 inland lakes and streams and the Great Lakes and connecting  
14 waters, and valuable brines by oil, gas, or other waters, to pre-  
15 vent the escape of oil, gas, or water into workable coal or other  
16 mineral deposits; to require the disposal of salt water and  
17 brines and oily wastes produced incidental to oil and gas opera-  
18 tions in a manner and by methods and means so that unnecessary  
19 damage or danger to or destruction of surface or underground  
20 resources, to neighboring properties or rights, or to life does  
21 not result.

22 (d) To require reports and maps showing locations of all  
23 wells subject to this part, and the keeping and filing of logs,  
24 well samples, and drilling, testing, and operating records or  
25 reports. All well data and samples furnished to the supervisor  
26 as required in this part, upon written request of the owner of  
27 the well, shall be held confidential for 90 days after the

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1 completion of drilling and shall not be open to public inspection  
2 except by written consent of the owner.

3 (e) To prevent the drowning by water of any stratum or part  
4 of the stratum capable of producing oil or gas, or both oil and  
5 gas, and to prevent the premature and irregular encroachment of  
6 water, or any other kind of water encroachment, that reduces or  
7 tends to reduce the total ultimate recovery of oil or gas, or  
8 both oil or gas, from any pool.

9 (f) To prevent fires or explosions.

10 (g) To prevent blow-outs, seepage, and caving in the sense  
11 that the conditions indicated by such terms are generally under-  
12 stood in the oil business.

13 (h) To regulate the mechanical, physical, and chemical  
14 treatment of wells.

15 (i) To regulate the secondary recovery methods of oil and  
16 gas, including pulling or creating a vacuum and the introduction  
17 of gas, air, water, and other substances into the producing  
18 formations.

19 (j) To fix the spacing of wells and to regulate the produc-  
20 tion from the wells.

21 (k) To require the operation of wells with efficient gas-oil  
22 ratios and to establish the ratios.

23 (l) To require by written notice or citation immediate sus-  
24 pension of any operation or practice and the prompt correction of  
25 any condition found to exist that causes or results or threatens  
26 to cause or result in waste.

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1 (m) To require, either generally or in or from particular  
2 areas, certificates of clearance or tenders in connection with  
3 the transportation of oil, gas, or any product of oil or gas.

4 (n) To require identification of the ownership of oil and  
5 gas producing leases, properties, and wells.

6 (o) To promulgate rules or issue orders for the classifica-  
7 tions of wells as oil wells or gas wells; or wells drilled, or to  
8 be drilled, for secondary recovery projects, or for the disposal  
9 of salt water, brine, or other oil or gas field wastes; or for  
10 the development of reservoirs for the storage of liquid or gas-  
11 eous hydrocarbons, or for other means of development, extraction,  
12 or production of hydrocarbons.

13 (p) To require the filing of an adequate surety, security,  
14 or cash bonds of owners, producers, operators, or their autho-  
15 rized representatives in such reasonable form, condition, term,  
16 and amount as will ensure compliance with this part and with the  
17 rules promulgated or orders issued under this part and to provide  
18 for the release of the surety, security, or cash bonds.

19 (Q) TO REQUIRE THE IMMEDIATE SUSPENSION OF DRILLING OR OTHER  
20 WELL OPERATIONS IF THERE EXISTS A THREAT TO PUBLIC HEALTH OR  
21 SAFETY.

22 (R) TO REQUIRE A PERSON APPLYING FOR A PERMIT TO DRILL AND  
23 OPERATE ANY WELL REGULATED BY THIS PART TO FILE A COMPLETE AND  
24 ACCURATE WRITTEN APPLICATION ON A FORM PRESCRIBED BY THE  
25 SUPERVISOR.

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1 (S) TO REQUIRE THE POSTING OF SAFETY SIGNS AND THE  
2 INSTALLATION OF FENCES, GATES, OR OTHER SAFETY MEASURES IF THERE  
3 EXISTS A THREAT TO PUBLIC HEALTH, SAFETY, OR PROPERTY.

4 (T) TO PREVENT REGULAR OR RECURRING NUISANCE NOISE OR REGU-  
5 LAR OR RECURRING NUISANCE ODOR IN THE EXPLORATION FOR OR DEVELOP-  
6 MENT, PRODUCTION OR HANDLING OF OIL AND GAS.

7 SEC. 61506B. (1) EXCEPT AS PROVIDED IN SUBSECTIONS (2) AND  
8 (3), BEGINNING ON THE EFFECTIVE DATE OF THIS SECTION, THE SUPER-  
9 VISOR SHALL NOT ISSUE A PERMIT FOR OR AUTHORIZE THE DRILLING OF  
10 AN OIL OR GAS WELL IF BOTH OF THE FOLLOWING APPLY:

11 (A) THE WELL IS LOCATED WITHIN 450 FEET OF A RESIDENTIAL  
12 BUILDING.

13 (B) THE RESIDENTIAL BUILDING IS LOCATED IN A CITY OR TOWN-  
14 SHIP WITH A POPULATION OF 70,000 OR MORE.

15 (2) THE SUPERVISOR MAY GRANT A WAIVER FROM THE REQUIREMENT  
16 OF SUBSECTION (1)(A) IF THE CLERK OF THE CITY, VILLAGE, OR TOWN-  
17 SHIP IN WHICH THE PROPOSED WELL IS LOCATED HAS BEEN NOTIFIED OF  
18 THE APPLICATION FOR A PERMIT FOR THE PROPOSED WELL AND IF EITHER  
19 OF THE FOLLOWING CONDITIONS IS MET:

20 (A) THE OWNER OR OWNERS OF ALL RESIDENTIAL BUILDINGS LOCATED  
21 WITHIN 450 FEET OF THE PROPOSED WELL GIVE WRITTEN CONSENT.

22 (B) THE SUPERVISOR DETERMINES, PURSUANT TO A PUBLIC HEARING  
23 HELD BEFORE THE WAIVER IS GRANTED, THAT THE PROPOSED WELL LOCA-  
24 TION WILL NOT CAUSE WASTE AND THERE IS NO REASONABLE ALTERNATIVE  
25 FOR THE LOCATION OF THE WELL THAT WILL ALLOW THE OIL AND GAS  
26 RIGHTS HOLDER TO DEVELOP THE OIL AND GAS.

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Sub. H.B. 5627 (H-5) as amended July 1, 1998

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1 (3) SUBSECTION (1) DOES NOT APPLY TO A WELL UTILIZED FOR THE  
2 INJECTION, WITHDRAWAL, AND OBSERVATION OF THE STORAGE OF NATURAL  
3 GAS PURSUANT TO THIS PART.

4 SEC. 61513A. THE SUPERVISOR SHALL NOT REQUIRE THE POOLING  
5 OF STATE OWNED PROPERTIES OR PARTS OF PROPERTIES UNDER  
6 SECTION 61513 IF THE STATE PROVIDES FOR THE ORDERLY DEVELOPMENT  
7 OF STATE OWNED HYDROCARBON RESOURCES THROUGH AN OIL AND GAS LEAS-  
8 ING PROGRAM AND THE SUPERVISOR DETERMINES THE OWNER OF EACH TRACT  
9 IS AFFORDED THE OPPORTUNITY TO RECOVER AND RECEIVE HIS OR HER  
10 JUST AND EQUITABLE SHARE OF THE HYDROCARBON RESOURCES IN THE  
11 [POOL].

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

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1 representative a permit to drill AND OPERATE. A permit to drill  
2 AND OPERATE shall not be issued to an owner or his or her autho-  
3 rized representative who does not comply with the rules and  
4 requirements or orders issued or promulgated by the supervisor.  
5 A permit shall not be issued to an owner or his or her authorized  
6 representative who has not complied with or is in violation of  
7 this part or any of the rules, requirements, or orders issued or  
8 promulgated by the supervisor or the department.

9 (2) The supervisor shall forward all fees received under  
10 this section to the state treasurer for deposit in the ~~general~~  
11 fund. ~~of the state.~~

12 (3) THE SUPERVISOR SHALL MAKE AVAILABLE TO ANY PERSON, UPON  
13 REQUEST, NOT LESS OFTEN THAN WEEKLY, THE FOLLOWING INFORMATION  
14 PERTAINING TO APPLICATIONS FOR PERMITS TO DRILL AND OPERATE:

15 (A) NAME AND ADDRESS OF THE APPLICANT.

16 (B) LOCATION OF PROPOSED WELL.

17 (C) WELL NAME AND NUMBER.

18 (D) PROPOSED DEPTH OF THE WELL.

19 (E) PROPOSED FORMATION.

20 (F) SURFACE OWNER.

21 (G) WHETHER HYDROGEN SULFIDE GAS IS EXPECTED.

22 (4) THE SUPERVISOR SHALL PROVIDE THE INFORMATION UNDER SUB-  
23 SECTION (3) TO THE COUNTY IN WHICH AN OIL OR GAS WELL IS PROPOSED  
24 TO BE LOCATED AND TO THE CITY, VILLAGE, OR TOWNSHIP IN WHICH THE  
25 OIL OR GAS WELL IS PROPOSED TO BE LOCATED IF THAT CITY, VILLAGE,  
26 OR TOWNSHIP HAS A POPULATION OF 70,000 OR MORE. A CITY, VILLAGE,  
27 TOWNSHIP, OR COUNTY IN WHICH AN OIL OR GAS WELL IS PROPOSED TO BE

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1 LOCATED MAY PROVIDE WRITTEN COMMENTS AND RECOMMENDATIONS TO THE  
2 SUPERVISOR PERTAINING TO APPLICATIONS FOR PERMITS TO DRILL AND  
3 OPERATE. THE SUPERVISOR SHALL CONSIDER ALL SUCH COMMENTS AND  
4 RECOMMENDATIONS IN REVIEWING THE APPLICATION.