

# HOUSE BILL No. 5317

October 23, 1997, Introduced by Reps. Lowe, Cropsey, Bodem, Goschka, DeVuyst, Voorhees, Horton, Jaye, Bobier and Raczkowski and referred to the Committee on Forestry and Mineral Rights.

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

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. HOWEVER, THE SUPERVISOR SHALL NOT  
19 REQUIRE THE POOLING OF PROPERTIES OR PARTS OF PROPERTIES UNDER  
20 THIS SECTION UNLESS THE PERSON REQUESTING THE POOLING OWNS OR HAS  
21 LEASED AT LEAST 51% OF THE OIL AND GAS RIGHTS IN THE DRILLING  
22 UNIT. The owner of any tract that is smaller than the drilling  
23 unit established for the field shall not be deprived of the right  
24 to drill on and produce from that tract, if the drilling and pro-  
25 duction can be done without waste. In this case, the allowable  
26 production from that tract, as compared with the allowable  
27 production if that tract were a full unit, shall be in the ratio

1 of the area of the tract to the area of a full unit, except as a  
2 smaller ratio may be required to maintain average bottom hole  
3 pressures in the pool, to reduce the production of salt water, or  
4 to reduce an excessive gas-oil ratio. All orders requiring pool-  
5 ing described in this subsection shall be upon terms and condi-  
6 tions that are just and reasonable, and will afford to the owner  
7 of each tract in the pooling plan the opportunity to recover or  
8 receive his or her just and equitable share of the oil or gas and  
9 gas energy in the pool as provided in this subsection, and with-  
10 out unnecessary expense, and will prevent or minimize reasonably  
11 avoidable drainage from each developed tract that is not equal-  
12 ized by counter drainage. The portion of the production allo-  
13 cated to the owner of each tract included in a drilling unit  
14 formed by voluntary agreement or by a pooling order shall be con-  
15 sidered as if it had been produced from the tract by a well  
16 drilled on the tract.

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

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

24 (b) That the owner or owners of a tract or tracts covering  
25 that part of the drilling unit or tract on which the well would  
26 be located if it conformed to the uniform well spacing pattern  
27 refuses to permit drilling at the regular location.

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

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

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

26       (8) After the effective date of any rule promulgated or  
27 order issued by the supervisor as provided in this part

1 establishing the allowable production, a person shall not produce  
2 more than the allowable production applicable to that person, his  
3 or her wells, leases, or properties, and the allowable production  
4 shall be produced pursuant to the applicable rules or orders.