

# HOUSE BILL No. 5399

December 3, 1997, Introduced by Reps. Kilpatrick, Alley and Middaugh and referred to the Committee on Conservation, Environment and Recreation.

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

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.

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

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. 61525. (1) A person shall not drill or begin the  
17 drilling of any well for oil or gas, for secondary recovery, or a  
18 well for the disposal of salt water, or brine produced in associ-  
19 ation with oil or gas operations or other oil field wastes, or  
20 wells for the development of reservoirs for the storage of liquid  
21 or gaseous hydrocarbons, until the owner directly or through his  
22 or her authorized representatives applies to drill any such well,  
23 files with the supervisor a bond as provided in section 61506,  
24 and receives and posts in a conspicuous place at the location of  
25 the well a permit as provided in the rules and requirements or  
26 orders issued or promulgated by the supervisor. A fee of  
27 ~~\$100.00~~ \$380.00 shall be charged for a permit to drill a well

1 subject to this part. Upon receiving and accepting a written  
2 application and payment of the fee required, the supervisor shall  
3 within 10 days after that date issue to an owner or his or her  
4 authorized representative a permit to drill. A permit to drill  
5 shall not be issued to an owner or his or her authorized repre-  
6 sentative who does not comply with the rules and requirements or  
7 orders issued or promulgated by the supervisor. A permit shall  
8 not be issued to an owner or his or her authorized representative  
9 who has not complied with or is in violation of this part or any  
10 of the rules, requirements, or orders issued or promulgated by  
11 the supervisor or the department.

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

15 SEC. 61525A. (1) THE OWNER OR OPERATOR OF A WELL REGULATED  
16 UNDER THIS PART THAT HAS BEEN USED FOR ITS PERMITTED PURPOSE AT  
17 ANY TIME DURING THE 12 CONSECUTIVE MONTHS IMMEDIATELY PRIOR TO  
18 THE TIME THE FEE IS DUE IS SUBJECT TO AN ANNUAL WELL REGULATORY  
19 FEE AS FOLLOWS:

- 20 (A) FOR A WELL USED FOR INJECTION, WITHDRAW-
- 21 AL, OR OBSERVATION, FOR THE STORAGE OF NAT-
- 22 URAL GAS OR LIQUEFIED PETROLEUM GAS..... \$20.00.
- 23 (B) FOR A WELL USED FOR INJECTION FOR THE
- 24 DISPOSAL OF BRINE, OIL OR GAS FIELD WASTE,
- 25 OR OTHER FLUIDS INCIDENTAL TO THE DRILLING,
- 26 PRODUCING, OR TREATING OF WELLS FOR OIL OR
- 27 GAS..... \$500.00.

- 1 (C) FOR A WELL USED FOR INJECTION OR  
2 OBSERVATION, FOR SECONDARY RECOVERY OR RES-  
3 ERVOIR PRESSURE MAINTENANCE..... \$100.00.
- 4 (D) FOR A WELL USED TO PRODUCE ONLY GAS,  
5 WHICH HAS A HYDROGEN SULFIDE CONTENT OF  
6 LESS THAN 300 PARTS PER MILLION..... \$35.00.
- 7 (E) FOR A WELL USED TO PRODUCE ONLY GAS THAT  
8 HAS A HYDROGEN SULFIDE CONTENT OF NOT LESS  
9 THAN 300 PARTS PER MILLION..... \$100.00.
- 10 (F) FOR A WELL USED TO PRODUCE OIL, OR OIL  
11 AND GAS THAT HAVE A HYDROGEN SULFIDE CON-  
12 TENT OF LESS THAN 300 PARTS PER MILLION IN  
13 THE GAS..... \$75.00.
- 14 (G) FOR A WELL USED TO PRODUCE OIL, OR OIL  
15 AND GAS THAT HAVE A HYDROGEN SULFIDE CON-  
16 TENT OF NOT LESS THAN 300 PARTS PER MILLION  
17 IN THE GAS..... \$100.00.
- 18 (2) THE OWNER OR OPERATOR OF A WELL THAT HAS NOT BEEN USED  
19 FOR ITS PERMITTED PURPOSE AT ANY TIME DURING THE 12 CONSECUTIVE  
20 MONTHS IMMEDIATELY PRIOR TO THE TIME THE FEE IS DUE IS SUBJECT TO  
21 AN ANNUAL WELL REGULATORY FEE OF \$100.00.
- 22 (3) WELL REGULATORY FEES SHALL BE SUBMITTED TO THE DEPART-  
23 MENT IN THE MANNER REQUIRED BY THE DEPARTMENT ALONG WITH ANY DOC-  
24 UMENTATION REQUIRED BY THE DEPARTMENT.
- 25 (4) THE DEPARTMENT SHALL FORWARD WELL REGULATORY FEES COL-  
26 LECTED WITH THIS SECTION TO THE STATE TREASURER FOR DEPOSIT IN  
27 THE FUND.

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

3           (2) THE STATE TREASURER MAY RECEIVE MONEY OR OTHER ASSETS  
4 FROM ANY SOURCE FOR DEPOSIT INTO THE FUND. THE STATE TREASURER  
5 SHALL DIRECT THE INVESTMENT OF THE FUND. THE STATE TREASURER  
6 SHALL CREDIT TO THE FUND INTEREST AND EARNINGS FROM FUND  
7 INVESTMENTS.

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

10          (4) THE DEPARTMENT SHALL EXPEND MONEY FROM THE FUND, UPON  
11 APPROPRIATION, ONLY TO IMPLEMENT AND ENFORCE THIS PART.