

SENATE BILL NO. 243

February 3, 1999, Introduced by Senators NORTH, KOIVISTO,
GOUGEON and YOUNG and referred to the Committee on
Economic Development, International Trade and Regulatory
Affairs.

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. PRIOR TO PETITIONING THE SUPERVISOR
19 FOR A HEARING TO REQUIRE POOLING OF PROPERTIES OR PARTS OF PROP-
20 erties THAT ARE NOT SUBJECT TO AN OIL OR GAS LEASE, THE PETI-
21 tioner SHALL MAKE A GOOD FAITH EFFORT TO LEASE EACH SUCH
22 PROPERTY. TO MEET THE REQUIREMENT OF A GOOD FAITH EFFORT UNDER
23 THIS SUBSECTION, THE PETITIONER OR A REPRESENTATIVE OF THE PETI-
24 tioner SHALL CONTACT, BY CERTIFIED MAIL, THE OWNER OF EACH OF THE
25 UNLEASED PROPERTIES TO ATTEMPT TO LEASE THE PROPERTIES. AFTER
26 RECEIVING A RESPONSE FROM THE OWNER, OR AFTER 14 DAYS IF THE
27 OWNER DOES NOT RESPOND, THE PETITIONER OR A REPRESENTATIVE OF THE

1 PETITIONER SHALL CONTACT, BY CERTIFIED MAIL, THE OWNER A SECOND
2 TIME TO ATTEMPT TO LEASE THE PROPERTY. THE PETITIONER SHALL NOT
3 FILE THE PETITION WITH THE SUPERVISOR FOR A HEARING TO REQUIRE
4 POOLING OF PROPERTIES UNDER THIS SUBSECTION UNTIL AT LEAST 14
5 DAYS AFTER CONTACTING THE OWNER A SECOND TIME AS PROVIDED IN THIS
6 SUBSECTION. WHEN THE PETITIONER OR REPRESENTATIVE OF THE PETI-
7 TIONER CONTACTS THE OWNER OF THE OIL OR GAS RIGHTS, THE PETI-
8 TIONER SHALL PROVIDE THE OWNER WITH THE INFORMATION REGARDING
9 POOLING OF PROPERTIES DEVELOPED BY THE DEPARTMENT UNDER SUBSEC-
10 TION (9). THE SUPERVISOR SHALL NOT REQUIRE THE POOLING OF PROP-
11 ERTIES OR PARTS OF PROPERTIES FOR THE PRODUCTION OF ANTRIM GAS
12 UNDER THIS SECTION UNLESS THE OWNERS OF A MAJORITY OF THE GAS
13 RIGHTS IN THE DRILLING OR PRORATION UNIT OR AREA SUBJECT TO A
14 UNIFORM SPACING PLAN HAVE LEASED THEIR OIL AND GAS RIGHTS OR OTH-
15 ERWISE AGREED TO PARTICIPATE IN THE DEVELOPMENT OF THE PROPOSED
16 UNIT OR AREA. The owner of any tract that is smaller than the
17 drilling unit established for the field shall not be deprived of
18 the right to drill on and produce from that tract, if the
19 drilling and production can be done without waste. In this case,
20 the allowable production from that tract, as compared with the
21 allowable production if that tract were a full unit, shall be in
22 the ratio of the area of the tract to the area of a full unit,
23 except as a smaller ratio may be required to maintain average
24 bottom hole pressures in the pool, to reduce the production of
25 salt water, or to reduce an excessive gas-oil ratio. All orders
26 requiring pooling described in this subsection shall be upon
27 terms and conditions that are just and reasonable, and will

1 afford to the owner of each tract in the pooling plan the
2 opportunity to recover or receive his or her just and equitable
3 share of the oil or gas and gas energy in the pool as provided in
4 this subsection, ~~and~~ without unnecessary expense, and will pre-
5 vent or minimize reasonably avoidable drainage from each devel-
6 oped tract that is not equalized by counter drainage. The por-
7 tion of the production allocated to the owner of each tract
8 included in a drilling unit formed by voluntary agreement or by a
9 pooling order shall be considered as if it had been produced from
10 the tract by a well drilled on the tract.

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

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

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

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

26 (6) If an exception under subsection (5) is granted, the
27 supervisor shall take such action as will offset any advantage

1 that the person securing the exception may have over other
2 producers in the pool by reason of the drilling of the well as an
3 exception, and so that drainage from the developed areas to the
4 tract with respect to the exception granted will be prevented or
5 minimized and the producer of the well drilled as an exception
6 will be allowed to produce no more than his or her just and equi-
7 table share of the oil or gas in the pool as the share is set
8 forth in this part, and to that end the rules and orders of the
9 supervisor shall be such as will prevent or minimize reasonably
10 avoidable drainage from each developed area that is not equalized
11 by counter drainage and will give to each producer the opportu-
12 nity to use his or her just and equitable share of the reservoir
13 energy.

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

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

26 (9) THE DEPARTMENT SHALL DEVELOP AND MAKE AVAILABLE PRINTED
27 MATERIAL DESCRIBING THE REASONS FOR AND THE CIRCUMSTANCES UNDER

1 WHICH THE SUPERVISOR MAY REQUIRE THE POOLING OF PROPERTIES OR
2 PARTS OF PROPERTIES. THE INFORMATION SHALL DESCRIBE THE REQUIRE-
3 MENTS FOR PUBLIC NOTICE, PUBLIC HEARING, AND THE ISSUANCE OF AN
4 ORDER REQUIRING THE POOLING OF PROPERTIES OR PARTS OF PROPERTIES.