



Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

## BILL ANALYSIS



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Senate Bill 903 (as reported without amendment)  
Sponsor: Senator Tom Casperson  
Committee: Natural Resources

**CONTENT**

The bill would amend Part 617 (Unitization) of the Natural Resources and Environmental Protection Act to revise the method for approval by interested parties of a plan for the unit operation of oil and gas pools, before an order of the Department of Environmental Quality (DEQ) providing for the unit operation can take effect. Specifically, in some cases, the bill would reduce the share of responsibility for unit operation costs or entitlement to production or proceeds needed for approval of the plan.

Under Part 617, any interested lessee may file with the DEQ a verified petition requesting an order for the unit operation of a pool, pools, or parts of one or more pools. The DEQ must issue an order providing for the unit operation of a unit area if the Department finds that certain conditions are met.

A DEQ order providing for unit operations may not be declared or become effective until the Department finds, either in this order or a supplemental order, that the plan has been approved in writing in one of the following ways:

- By those people who, under the order, will have to pay at least 75% of the costs of unit operation, and also by those who will be entitled to at least 75% of the production from the unit area or the proceeds of the production that will be credited to interests that are free of cost, including royalties, overriding royalties, and production payments.
- By those people who, under the order, will be entitled to at least 75% of all production from the unit area or the proceeds of the production, as long as they include people who will be entitled to at least 50% of the production from the unit area or the proceeds of the production that will be credited to interests that are free of cost.
- By those who, under the order, will be entitled to at least 90% of all production from the unit area or the proceeds of the production.

With regard to the first method of approval, the bill would decrease from 75% to 51% the threshold for payment of costs of unit operation and entitlement to proceeds from the unit area's production. With regard to the last method of approval, the bill would decrease from 90% to 65% the threshold for entitlement to production from the unit area or proceeds of that production.

MCL 324.61703 & 324.61706

Legislative Analyst: Julie Cassidy

**FISCAL IMPACT**

The bill would have no fiscal impact on State or local government.

Date Completed: 5-12-16

Fiscal Analyst: Josh Sefton