STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
LANSING

RICK SNYDER
GOVERNOR

KEITH CREAGH
DIRECTOR

VIA E-MAIL

TO: Members of the Michigan Legislature

FROM: Keith Creagh, Director

DATE: June 8, 2016

SUBJECT: Orphan Well Fund Annual Report and Orphan Well List

In accordance with Section 324.61607 of Part 616, Orphan Well Fund, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, attached is the Department of Environmental Quality's (DEQ) Orphan Well Fund Annual Report for fiscal year 2014 – 2015 and Orphan Well List for 2016.

If you need further information, please contact Harold R. Fitch, Chief, Office of Oil, Gas, and Minerals, at 517-284-6823, or you may contact me at 517-284-6700.

Attachment
cc/att: Ellen Jeffries, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency
John Roberts, Director, State Budget Office
Dick Posthumus, Governor's Office
Angela Ayers, Governor's Office
Josh Sefton, Senate Fiscal Agency
Austin Scott, House Fiscal Agency
Jacques McNeely, State Budget Office
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Harold R. Fitch, DEQ
Kathy Tetzlaff, DEQ
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Orphan Well Fund Annual Report
Fiscal Year 2014-2015
and
Orphan Well List
2016

Michigan Department of Environmental Quality
Office of Oil, Gas, and Minerals

Pursuant to Part 616, Orphan Well Fund,
of the Natural Resources and Environmental Protection Act,
1994 PA 451, as Amended

For more information on the Orphan Well Program, please contact:

Michigan Department of Environmental Quality
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ORPHAN WELL FUND ANNUAL REPORT
FISCAL YEAR 2014-2015

Fund Overview

The Orphan Well Fund provides a funding source for carrying out plugging, response activity, and site restoration at abandoned or improperly closed oil or gas wells for which no owner or operator is known, for which all owners or operators are insolvent, or at which the Supervisor of Wells determines there exists an imminent threat to public health and safety.

Expenditures

Fiscal Year 2014-2015

Plugging and Site Restoration (see Table I for detail)	$740,843
Response Activity (see Table II for detail)	$679,399
Administrative Costs (i.e., Wages, Supplies, Travel, Supervision)	$258,590
TOTAL Expenditures	$1,678,832

Accomplishments

- Six wells were plugged, three tank batteries were dismantled and/or restored, and two previously plugged well sites were also restored. The ground water remediation system (installed during fiscal year [FY] 2012) continued at the Leacock & Hubbard & Underwood Unit #1 (Table II), five Category III sites were investigated for contaminants, and two Category III sites were remediated. Category III wells have been plugged; however, site remediation has not yet been completed.

- Also, one pre-permit era well was discovered in Saginaw County during a utilities improvement project. This well was made secure by the Orphan Well Program, was added to the Orphan Well List (List), and awaits plugging action in FY 2016. This is listed as a Response Action in Table I.

2016 Orphan Well List

The Orphan Well List (List), prepared by the Department of Environmental Quality (DEQ), Office of Oil, Gas, and Minerals (OOGM), is a compiled listing of oil or gas wells scheduled to be plugged and those at which interim response, remedial investigation, remediation, or site restoration should be performed with money from the Orphan Well Fund. The List is arranged in order of priority using the score assessment determined for each well or project. Estimated costs are given for the total cost of each well or project and the cost of each phase of the project (plugging costs, interim responses, etc.).

Abandoned oil and gas wells that qualify for plugging under Part 616 must be scored prior to being added to the List. All wells are scored (prioritized) utilizing a Well Assessment Program.

The Well Assessment Program was developed by the OOGM. This system factors in: presence and type of contaminants in soils or ground water from spills, potential for future contamination, sensitivity of drinking water supplies, degree to which ground water is protected by geology, age of the well, presence of hydrogen sulfide gas, potential for public exposure to contaminants, and the environmental sensitivity of the area.

The score values are only applicable within their respective category. All Category I wells have priority over Category II wells. However, special considerations may necessitate temporarily bypassing a well with a higher score in favor of a well with a lower score. Such considerations include assessment of risk and available technology to successfully resolve a situation, the inability to obtain access to the location, or the need to obtain auxiliary permits.

TABLE I: ORPHAN WELL FUND EXPENDITURES FOR FISCAL YEAR 2014-2015
CATEGORY I & II WELLS

COUNTY	PERMIT NUMBER	YEAR	COMPANY	WELL NAME & NUMBER	CATEGORY	PLUGGING COSTS	SITE RESTORATION	EVALUATION	REMEDIAL ACTION	TOTAL COSTS	STATE HOUSE	STATE SENATE
Calhoun	30539	1975	R&B Energy LLC	Barnes & Ashley Unit #1 BDW (1 well – 1 TB)	II	$99,580	$13,423	$0	$0	$113,003	62	19
Clare	4870	1938	Lucas, George	Wood #1 (1 well – 1 TB)	II	$119,093	$28,899	$0	$0	$147,992	97	35
Eaton Jackson	29925 40643	1974 1987	Midway Terrel Op. Stackable Drilling	Zentmyer-Cupp & Phillips (2 well sites – 0 TB)	II	$0	$26,661	$0	$0	$26,661	71/65	24/19
Lenawee	57936 58718	2006	Morris Bren LLC	Various (2 wells – 0 TB)	II	$148,515	$29,966	$0	$0	$178,481	57	16
Mason	1040	1930	Diamond MI	Diamond #2 (1 well – 0 TB)	II	$63,607	$12,296	$0	$0	$75,903	101	34
Midland	2076	1934	Turner, Fred	Eugene St. John B #2 (1 well – 0 TB)	IB	$0	$0	$5,104	$0	$5,104	99	36
Montcalm	2714	1935	Collins Jr., Clifford	Fee #1 (1 well – 1 TB)	II	$137,646	$47,476	$0	$0	$185,122	70	33
Saginaw	None	<1929	Unknown	Greenfield/ Hermansau Street Well (1 well – 0 TB)	IC	$0	$8,578	$0	$0	$8,578	95	32
Orphan Well Program Category I & II Costs:						$568,440	$167,299	$5,104	$0	$740,843		

TB = Tank Battery
CATEGORY IA = wells are abandoned oil and gas wells that are leaking significant volumes of gas or that, as a result of leaking oil or brine, are contaminating the ground water used for public consumption.
CATEGORY IB = wells are abandoned oil and gas wells that are leaking oil, resulting in contamination of soils, surface water resources, or the ground water where water wells used for public consumption are not yet contaminated.
CATEGORY IC = wells are abandoned oil and gas wells that are leaking gas or brine, resulting in contamination of soils, surface water resources, or the ground water where water wells used for public consumption are not yet contaminated.
CATEGORY II = wells are abandoned, non-leaking wells.

TABLE II: ORPHAN WELL FUND EXPENDITURES FOR FISCAL YEAR 2014-2015
CATEGORY III WELLS

COUNTY	PERMIT NUMBER	YEAR	COMPANY	WELL NAME & NUMBER	CATEGORY	PLUGGING COSTS	SITE RESTORATION	EVALUATION	REMEDIAL ACTION	TOTAL COSTS	STATE HOUSE	STATE SENATE
Allegan	17150	1951	Michigan Pipe Co.	Busk #3	III	$0	$0	$55,083	$0	$55,083	80	26
Allegan	15891	1951	Michigan Pipe Co.	Maude Mesick #1	III	$0	$0	$20	$0	$20	80	26
Kent	6056	1939	Bauman, M.H.	Burgess #1	III	$0	$0	$522	$0	$522	74	28
Missaukee	21979	1959	McBain Venture Inc.	Kuipers, Wilbert #2	III	$0	$0	$12,473	$341,934	$354,407	103	35
Montcalm	11919	1945	Kill Drilling	Douglas #1	III	$0	$13,375	$5,947	$172,271	$191,593	70	33
Montcalm	10922	1944	Stewart, Fred	Paris #1	III	$0	$0	$16,600	$0	$16,600	70	33
Oceana	31691	1977	Simmons, J.	VanderZanden #2	III	$0	$0	$20,066	$0	$20,066	100	34
**Otsego	29028	1973	Saba Energy of Texas	Leacock & Hubbard & Underwood Unit #1 (ongoing remediation project)	III	$0	$0	$7,250	$33,858	$41,108	105	36
Orphan Well Program Category I & II Costs:						$0	$13,375	$117,961	$548,063	$679,399		

** = Continuing Ground Water Remediation Project
CATEGORY III wells have been plugged; however, site remediation has not yet been completed.

TABLE III: ORPHAN WELL LIST FOR 2016
CATEGORY I WELLS

COUNTY	PERMIT NUMBER	YEAR	COMPANY	WELL NAME & NUMBER	SCORE	PLUGGING COSTS	INTERIM RESPONSE	EVALUA-TION	REMEDIAL ACTION	SITE RESTOR-ATION	TOTAL COSTS	STATE HOUSE	STATE SENATE
CATEGORY IA: Wells are leaking significant volumes of gas or that, as a result of leaking oil or brine, are contaminating the ground water used for public consumption.													
TOTAL ESTIMATED COSTS:													
CATEGORY IB: Wells are leaking oil, resulting in contamination of soils, surface water resources, or the ground water where water wells used for public consumption are not yet contaminated.													
Muskegon	653	1929	Damm, Carl & Dollie	C.P. Damm #4	24	>$750,000	$15,000	T.B.D.	T.B.D.	T.B.D	>$765,000	92	34
Midland	2076	1934	Turner, Fred	Eugene St. John B #2	19	>$300,000	$0	T.B.D.	T.B.D.	T.B.D	>$300,000	99	36
TOTAL ESTIMATED COSTS:						>$1,050,000	$15,000	T.B.D.	T.B.D.	T.B.D	>$1,065,000		
CATEGORY IC: Wells are leaking gas or brine, resulting in contamination of soils, surface water resources, or the ground water where water wells used for public consumption are not yet contaminated.													
Saginaw	Unknown	<1929	Unknown	Greenfield & Hermansau Street Well	23	$275,000	$8,578	T.B.D.	T.B.D.	$50,000	$333,578	95	32
TOTAL ESTIMATED COSTS:						$275,000	$8,578	T.B.D.	T.B.D.	$50,000	$333,578		

TABLE III: ORPHAN WELL LIST FOR 2016
CATEGORY II WELLS - PRIORITIZED

Projects are delineated by the alternately shaded and nonshaded groups.

COUNTY	PERMIT NUMBER	YEAR	COMPANY	WELL NAME & NUMBER	CAT II WELL SCORE	CAT II PROJ. SCORE	PLUGGING COSTS	INTERIM RESPONSE	EVALUATION	REMEDIAL ACTION	SITE RESTORATION	TOTAL COSTS	STATE HOUSE	STATE SENATE
Ogemaw	4333	1937	R.E. Gallagher	Vincent, Ellis #1	15	14	$125,000	$0	$0	T.B.D.	$20,000	$145,000	103	35
Ogemaw	31207	1976	States Petroleum	Sheppard & Marquieta #1	12	14	$85,000	$0	$0	T.B.D.	$10,000	$95,000	103	35
Presque Isle	40971	1988	Richland Exploration	Compton #1-14B	13	14	$85,000	$0	$0	T.B.D.	$10,000	$95,000	106	36
Presque Isle	40923	1988	Richland Exploration	Kimball #1-11	14	14	$65,000	$0	$0	T.B.D.	$10,000	$75,000	106	36
Saginaw	N/A	1926	Bacon, S.M.	Judd, George #1	14	13	$175,000	$0	$0	T.B.D.	$10,000	$185,000	94	32
Saginaw	1983	1934	Crabon Oil Co.	Berg #1	14	13	$125,000	$0	$0	T.B.D.	$5,000	$130,000	94	32
Saginaw	20906	1958	Sayers, Foster	Reis #1	12	13	$125,000	$0	$0	T.B.D.	$5,000	$130,000	94	32
Newaygo	26015		Beck, George	Peets #1	12	12	$65,000	$0	$0	T.B.D.	$55,000	$65,000		
Bay	1016	1930	Eureka Oil Corp	Lambert-Cloverleaf #1	11	11	$125,000	$0	$0	T.B.D.	$5,000	$130,000	98	31
Sanilac	966	1930	K-Bar Oil & Gas	Kolodziej #1	11	11	$125,000	$0	$0	T.B.D.	$5,000	$130,000	83	25
Tuscola	64	1928	Murphy Oil Co.	Adam Gottler #1	11	11	$150,000	$0	$0	T.B.D.	$25,000	$175,000	84	31
Isabella	471	1929	McCandless, J.	Bufford #1	11	11	$150,000	$0	$0	T.B.D.	$15,000	$165,000	99	33
St. Clair	506	1929	Patterson, BP Trustee	Routley #1	11	11	$185,000	$0	$0	T.B.D.	$45,000	$230,000	83	25
Wexford	N/A	1931	Unknown	Cummer Diggins Location	11	11	$95,000	$0	$0	T.B.D.	$5,000	$100,000	102	35
Lapeer	28086	1970	Kern, Yvonne	Kern #1	10	10	*PC	$0	$0	T.B.D.	$45,000	$45,000	82	25
Manistee	39990	1986	Alumni Petroleum and Resource Management Corp.	Marshall Enterprises #1-23C	7	7	*PC	$0	$0	T.B.D.	$20,000	$20,000	101	35
Otsego	44355	1991	Duff Oil Company	Forterra #1-15	6	6	*PC	$0	$0	T.B.D.	$30,000	$30,000	105	36
Manistee	N/A	N/A	Manistee Gas LLC	Brown CPF	6	6	*PC	$0	$0	T.B.D.	$125,000	$125,000	101	35
				Estimated Costs Remaining:			$1,680,000	$0	$0	T.B.D.	$390,000	$2,070,000		
				Current Number of Category II Orphan Wells:			18							

*PC = Plugging Complete

CATEGORY II = wells are abandoned, non-leaking wells.

TABLE III: ORPHAN WELL LIST FOR 2016
CATEGORY III WELLS

COUNTY	PERMIT NUMBER	YEAR	COMPANY	WELL NAME & NUMBER	SCORE	ACTUAL PLUGGING	ACTUAL INTERIM RESPONSE	ACTUAL SITE RESTOR.	TOTAL COSTS TO DATE	ESTIMATED EVALUATION	ESTIMATED REMEDIAL ACTION	ESTIMATED FUTURE COSTS	SALVAGE (Income)	STATE HOUSE	STATE SENATE
Allegan	17150	1951	Michigan Pipe Co.	Busk # 3	Monitor-ing	-	$0	$0	$55,083	$0	$0	$15,000	$0	88	20
Allegan	15891	1950	Michigan Pipe Co.	Maude Mesick #1	17	$27,580	$0	$19,374	$46,953	$10,000	$50,000	$60,000	$0	88	20
Calhoun	35732	1982	Kulka & Schmidt	McCloud #1-23	*PC	-	$0	$0	$0	$0	$1,000	$1,000	$0	62	19
Genesee	28458	1971	Richter, Ervin	Elliot-Sammons Unit #1	*PC	-	$0	$0	$0	$10,000	$50,000	$60,000	$0	48	26
Gladwin	18112	1953	Lakeland Oil Corp.	Kobetich #L-2	25	$50,420	$0	$10,400	$60,820	$10,000	$75,000	$85,000	$0	97	36
Gladwin	19368	1955	Lakeland Oil Corp.	Connolly #B-1	Project Hold	$50,420	$0	$10,400	$211,561	$100,000	$200,000	$300,000	$0	97	36
Kent	6056	1939	Bauman, M.H.	Burgess #1	20	$29,500	$0	$5,300	$35,322	$5,000	$75,000	$80,000	$0	74	28
Kent	21542	1959	Fenske, Howard	Blair #1	20	$45,813[1]	$0	$5,259[1]	$51,072[1]	$10,000	$50,000	$60,000	$0	74	28
Manistee	30540	1975	Whitney Oil & Gas Corp.	Hadaway #2-2A	*PC	-	-	-	$0	$10,000	$20,000	$30,000	$0	101	35
Missaukee	21979	1959	McBain Venture Inc.	Kuipers, Wilbert #2	Active Project	-	-	-	$354,407	$10,000	$0	$10,000	$0	103	35
Montcalm	10816	1944	Stewart, Fred	Charnley - Witherall # 1	44	$39,000	$0	$25,900	$64,900	$1,500	$7,000	$8,500	$0	70	33
Montcalm	10922	1944	Stewart, Fred	Paris #1	17	$44,224[1]	$0	$7,437[1]	$68,261	$10,000	$200,000	$250,000		70	33
Montcalm	27876	1969	Stewart, James	Graham, H. #1	43	$33,206	$0	$9,190	$42,396	$50,000	$150,000	$200,000	$0	70	33
Montcalm	28170	1970	Stewart, James	Marzig #1	16	$44,224[1]	$0	$7,437[1]	$51,661[1]	$5,000	$50,000	$55,000	$0	70	33
Muskegon	92	1928	Continental Motors Corp.	Continental #1	47	$56,161	$4,570	$6,424	$67,155	$50,000	$200,000	$250,000	$0	92	34
Muskegon	85	1928	Muskegon Oil Corp.	H. Heinz #3	38	$46,086	$5,111	$2,746	$53,943	$10,000	$35,000	$45,000	$0	92	34
Muskegon	114	1928	W. J. Simon	Reeths #1-D	37	$69,458	$11,551	$5,715	$86,724	$20,000	$50,000	$70,000	$0	92	34
Muskegon	17673	1952	McCallister, Bernard	Beroza #1	19	$31,041[1]	$0	$19,575[1]	$50,616[1]	$5,000	$50,000	$55,000	$0	91	34
Muskegon	10425	1943	McCallister, Bernard	Neubeck #1	19	$31,041[1]	$0	$19,575[1]	$50,616[1]	$10,000	$50,000	$60,000	$0	91	34
Muskegon	33024	1979	McCallister, Bernard	Harmsen #1	23	$47,800[1]	$0	$8,862[1]	$56,662[1]	$10,000	$75,000	$85,000	$0	92	34
Muskegon	12248	1946	McCallister, Bernard	Zelinka #3	*PC	-	$0	$19,575[1]	$19,575[1]	$10,000	$75,000	$85,000	$0	91	34
Oceana	33493	1980	Adams, Frank Jr.	Lauber #1-6 BDW	14	$78,523	$0	$80,160	$158,683	$100,000	$200,000	$300,000	$0	100	34
Otsego	29028	1973	Saba Energy of TX	Leacock, Hubbard Underwood Unit #1	Active Project	-	$0	$45,127	$131,024	$10,000	$60,000	$70,000	$0	105	36
Ottawa	20899	1958	J & T Distributing	Kneibel #1	19	$21,000	$0	$5,700	$26,700	$5,000	$50,000	$55,000	$0	88	30
Ottawa	20219	1956	J & T Distributing	Reed #1	19	$21,000	$0	$5,700	$26,700	$5,000	$50,000	$55,000	$0	88	30
Ottawa	7051	1939	J & T Distributing	Sims #1	19	$21,000	$0	$5,700	$26,700	$5,000	$50,000	$55,000	$0	88	30
					Estimated Costs Remaining:	$787,497	$21,232	$325,556	$1,797,554	$471,500	$1,873,000	$2,399,500			
					Total Category III Sites Remaining:	26									

*PC = Plugging Complete
[1] = average cost
CATEGORY III wells have been plugged; however, site remediation has not yet been completed.