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GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF ENVIRONMENTAL QUALITY  
LANSING



DAN WYANT  
DIRECTOR

VIA E-MAIL

TO: Members of the Michigan Legislature  
FROM: Dan Wyant, Director  
DATE: November 22, 2013  
SUBJECT: Oil and Gas Regulatory Fund Annual Report

In accordance with Section 324.61525b of Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, attached is the Department of Environmental Quality's (DEQ) Oil and Gas Regulatory Fund Annual Report for fiscal year 2011-2012.

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 Nixon, Director, State Budget Office  
Dennis Muchmore, Governor's Office  
Dick Posthumus, Governor's Office  
Jacques McNeely, State Budget Office  
Jennifer Harrison, State Budget Office  
Jim Sygo, Deputy Director, DEQ  
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Maggie Datema, Director of Legislative Affairs, DEQ  
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Kathy Tetzlaff, DEQ

# **Oil and Gas Regulatory Fund Annual Report (Fiscal Year 2011-2012)**



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

Pursuant to Part 615, Supervisor of Wells,  
of the Natural Resources and Environmental Protection Act,  
1994 PA 451, as Amended

For more information on the Oil and Gas Regulatory Program, please contact:  
Office of Oil, Gas, and Minerals  
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## **OIL AND GAS REGULATORY FUND ANNUAL REPORT FISCAL YEAR 2011-2012**

This report is prepared in accordance with the requirements of Section 324.61525b of Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, establishing the Oil and Gas Regulatory Fund (Fund) within the State Treasury.

Part 615 provides for the regulation of exploration and production of oil and gas in Michigan. The Department of Environmental Quality, Office of Oil, Gas, and Minerals (OOGM), is the primary agency responsible for monitoring and enforcement activities under Part 615. During the period covered by this report, the OOGM was known as the Office of Geological Survey; for consistency, it will be referred to as OOGM throughout this report. This report itemizes the amount of money received and expended; the number of full-time equivalent positions funded by the Fund; the number of on-site inspections conducted by the OOGM to implement Part 615; and the number of violations identified to enforce Part 615.

### **Revenue, Expenditures, and Positions Funded**

Total money received from oil and gas surveillance fees, permit fees, gas storage well regulatory fees, return of federal indirect revenue, cost recovery, and interest totaled \$9,320,450 for fiscal year (FY) 2011-2012. Expenditures totaled \$8,524,027. Part 615 provides for any surplus in the Fund to be carried forward until the Fund accumulates a balance of \$7 million. The balance in the Fund at the end of FY 2011-2012 was \$6,907,417. A total of 59 positions were funded by the Fund. Appendix A shows a detailed account of revenues and expenditures for FY 2011-2012.

### **On-Site Inspections**

Appendix A indicates over 18,000 on-site inspections of oil and gas wells and associated facilities were conducted in FY 2011-2012. These included inspections of drilling, completion, reworking, production, plugging, and site restoration operations. Inspections were conducted for routine monitoring, in response to complaints, to pursue compliance and enforcement actions, for approval of transfer of ownership, and in response to spills or other accidents.

### **Violations**

The OOGM staff issued 405 Notices of Inspection "Compliance Communications" and six "Notice of Violation" citations in FY 2011-2012 under Part 615. Most involved multiple violations of approximately ten different administrative rules occurring in all three of the OOGM districts in the Lower Peninsula (there was no oil and gas drilling or production in the Upper Peninsula). Violations fell into the following administrative rule categories: Soil Contamination; Loss Cleanup and Disposal; Failure to Produce Well(s); Failure to Remove Combustible Materials/Weeds; Lack of Secondary Containment; Failure to Erect Signs; Violation in Gas Burning, Processing, and Disposal; Failure to Erect Hydrogen Sulfide Signs; Failure to Report Loss or Spill; and Failure to Submit Records/Reports.

**OIL AND GAS REGULATORY FUND  
ANNUAL EXPENDITURE REPORT  
FISCAL YEAR 2011-2012**

<b>Fund Balance 10/1/11</b>		<b>\$ 6,110,994</b>
<b>Fee Revenue:</b>		
Oil & Gas Surveillance Fees	9,054,800	
Oil & Gas Permit Fees	54,760	
Gas Storage Well Fees	57,600	
Correction of Prior Year Expenditures	<u>19,240</u>	
	<b>9,186,400</b>	
Return of Federal Indirect Revenue	128,172	
Miscellaneous Revenue	96,921	
Interest on Fund Balance	<u>6,259</u>	
	<b>231,352</b>	
Civil Service Assessment	(97,302)	
<b>Total Revenue Received</b>	<b>9,320,450</b>	
<b>Total Funds Available:</b>		<b>\$15,431,444</b>
<b>Expenditures:</b>		
Salaries & Wages	3,403,105	
Longevity & Other Lump Sum Payments	83,421	
Fringe Benefits	791,401	
Retirement/FICA/Medicare	1,796,526	
Travel	164,662	
Workmans Compensation	13,601	
Attorney General Legal Services	239,486	
Supplies	26,986	
Other Operational Expenditures	<u>2,004,839</u>	
<b>Total Expenditures Incurred</b>	<b>8,524,027</b>	
<b>Fund Balance 9/30/12</b>		<b><u>\$ 6,907,417</u></b>
<b>Full-Time Equivalent Positions Funded</b>		<b>59</b>

# INSPECTION STATISTIC REPORT

## 10-1-2011 to 9-30-2012

**This total does not include Incident Inspections**

Total Number of Inspections:	18,527
Permitted Well Inspections:	15,822
Permit Application Inspections:	126
Facility Inspections:	2,576
Incidents Inspections:	110
Notices Given by Notice of Inspection:	405
Notices Given by Notice of Noncompliance:	0
Notices Given by Notice of Violation:	7
Notices Given by Phone:	80
Notices Given by Informal Letter:	5
Notices Given to Field Personnel:	73
Notices Given by the Operator:	0
Notices Given by Other:	80
Inspections with Reoccurring Violations:	185
Inspections with Inspection Forms and Reoccurring Violations:	163
Inspections conducted at Well Sites:	85.40%
Inspections conducted at Tank Batteries:	13.90%
Inspections conducted for Permit Applications:	0.68%
Inspections at sites not in Compliance:	1.00%
Inspections at sites in Compliance:	99.00%
Inspections with Inspection Forms:	2.19%

**Information Source**

On-Site Inspections:	17,280
Verbal Information:	737
Written Reports or Records:	502

**Type of Inspection**

Administrative Activities:	1
Bond Site 201 Activities:	3
Complaint Follow-up Activities:	123
Complaint Activities:	89
Gas Storage Activities:	1,124
Joint Federal, State Inspections:	1
Mineral Well 625:	65
Miscellaneous/Other Activities:	11
Multimedia Inspections:	45
Oil and Gas 615 Activities:	16,560
Orphan Well 616 Activities:	98
Spill Response Activities:	329

**Purpose of Inspection**

Bond Release:	22
Completion:	423
Drilling:	1,149
Encapsulation:	37
Emergency Response:	9
Facility Construction:	57
Field Review:	127
Interim Response:	10
Lease Inspection:	13,974
Miscellaneous/Other:	594
Plugging:	477
Production:	154
Remedial Investigation:	144
Remediation:	252
Rework:	140
Site Restoration:	313
Termination:	27
Transfer of Owner:	74
Testing:	511

# ENFORCEMENT REPORT

## 10-1-2011 to 9-30-2012

Total State Inspections: .....	18,527
Joint Federal/State Inspections:.....	1
Multimedia State Inspections: .....	45
Complaint Inspections:.....	89
Complaint Inspections Follow Up:.....	123
Violation Letters Issued: (Notice of Intent) .....	405
Violation Letters Issued: (Notice of Noncompliance) .....	12
Wells: .....	17
Escalated Enforcement Actions Initiated: (Notice of Violation, Schedules Opportunity to Show Compliance for Violator) .....	6
Wells: .....	9
Administrative Consent Order	
Stipulation and Consent Agreement Issued:.....	3
Wells: .....	6
Stipulation and Consent Agreement Amendment:.....	0
Wells: .....	0
Transfer Settlement Agreement:.....	0
Wells: .....	0
Transfer Settlement Agreement Amendment: .....	0
Wells: .....	0
Central Treatment Site Agreement Issued:.....	0
Wells: .....	0
Central Treatment Site Agreement Amendment Issued: .....	0
Wells: .....	0
Supervisor Order Issued:.....	12
Wells: .....	17
Consent Order Penalties	
Secondary Containment Area: .....	\$0
Supervisor of Wells Order: .....	0
Consent Order Penalties Collected:.....	\$0
Civil Referrals to Department of Attorney General:.....	0
Wells: .....	0
Civil Settlements Entered	
Administrative Order by Consent Issued:.....	0
Covenant Not to Sue:.....	0
Civil Penalties: .....	0
Value of Associated Supplemental Environmental Projects in Civil Settlements:.....	0
Total Stipulated Penalties Assessed Through Both Administrative and Civil Actions:.....	0