



FACT SHEET

OFFICE OF DRINKING WATER AND MUNICIPAL ASSISTANCE – ENVIRONMENTAL ASSISTANCE CENTER 800-662-9278

BEFORE YOU START A WELL DRILLING BUSINESS

Operating a well drilling or service business can be challenging, rewarding and profitable. But it is not as simple as buying a well drilling rig and advertising in the telephone directory. Before you get started, you need to be familiar with the applicable regulations. Building a successful well drilling business takes years of hard work, commitment and perseverance. A modern, fully-equipped well drilling business requires a substantial capital investment. Specialized technical skills, sound entrepreneurial practices, and courteous, prompt customer service, are hallmarks of reputable well drilling businesses. Conscientious contractors strive to maintain consumer confidence in water from private wells and protect groundwater for future generations. Plan to participate in continuing education activities to help you keep pace with current technology. Getting involved with trade organizations, networking opportunities with other groundwater professionals, and reading technical publications are good ways of keeping up with information about your industry.

Since 1965 the State of Michigan has regulated the water well industry to ensure that public health is protected. This brochure reviews portions of the regulations contained in Part 127 of 1978 PA 368, commonly known as the Michigan Water Well and Pump Installation Code. These regulations deal with well driller/pump installer registration, supervision of drilling/pump installation activities, and well/pump code provisions. Other laws applicable to businesses are *not* covered in this brochure. Useful information on business planning, management, and operation is available from other state and local agencies, universities, community colleges, public libraries, and legal and financial consultants. Be sure to familiarize yourself with all legal requirements before getting too deep into the well drilling business.

Michigan's water well drilling industry plays an important role in our society. Water well contractors supply groundwater to households, cities and villages, small businesses, schools, large industries, agricultural operations, recreational facilities, and many other users. Nearly half of our citizens rely on groundwater for drinking. Michigan has a stable well drilling industry (about 900 registered contractors) and each year over 15,000 new wells are completed. With more water wells than any other state, the demand for the water well industry's services are expected to remain strong.

Contractor Registration

Michigan law requires that you obtain a Certificate of Registration (or license) from the Department of Environmental Quality (DEQ) before engaging in the business of water well drilling or repair or pump installation or servicing. The registration must be renewed annually. Registration helps ensure that persons installing water wells are technically competent and knowledgeable of state well code provisions. Starting up a new well drilling business or acquiring an existing well drilling business without registration can lead to prosecution. It can also hinder your future effort to obtain a Certificate of Registration.

A well drilling firm, partnership, or corporation must have at least one partner, officer, or responsible full-time employee to represent the business (pursuant to MCL 333.12705 of the state well code). The partner, officer, or full-time employee must take the examination on behalf of the firm. The registered contractor is legally responsible for complying with the state well code. Any code violations occurring on water systems installed by the firm are the responsibility of the registered contractor.

When you purchase an existing well drilling business, you do not acquire the Certificate of Registration of the present contractor. Registrations are not transferable from one individual or firm to another. Often, the contractor who is selling the business becomes a partner with, or employee of, the purchaser, and supervises well construction practices until the purchaser obtains the minimum field experience needed to qualify for registration. Arrangements where an individual operates a business "under the license" of another individual

can violate the intent of state regulations. A situation where an unsupervised novice operates a well drilling business using the registration of an individual who resides across the state tends to lead to well code violations. Under informal, loose arrangements legal problems can arise for both the registered contractor and the individual who is working under the registered contractor. All business transactions (estimates, billing, etc.) must be conducted under the firm name of the registered contractor.

It is not uncommon for registered well drilling contractors to notify state or county officials when they encounter unregistered, illegal competitors. When a new well drilling business begins, local well drillers may scrutinize the operation to see if the drilling rig operator is registered. They also check to see that proper well construction practices are used. Unfair competition is unwelcome competition. Complying with state and local regulations and using ethical business practices helps foster good working relationships with others in the water well profession.

If you are purchasing an existing well drilling firm or starting a new one, it is advised that you first consult with an attorney. Your attorney should carefully review the provisions of Sections 333.12701 to 12715 of the state well code and the associated administrative rules to ensure your compliance.

Business Types

Below is a description of the common business types and methods of meeting the legal requirements of the state well code administered by the DEQ. An attorney, accountant, or business counselor can advise you on the appropriate type of business structure for your situation.

Sole-Proprietorship – if the business is solely owed, the owner shall be registered or a responsible full-time employee must be hired as the registered representative. Forty hours per week is generally considered to be full-time. If the business is operated on a part-time basis, the registrant's employment period should be at least equal to the time period during which well construction is occurring and the business is being conducted.

Partnership – if the business is a partnership between two or more individuals, one of the partners must be the registered representative. The full-time employment provisions do not apply to a partnership. A copy of the partnership agreement showing the registered contractor as a legal partner must be provided to DEQ.

Corporation – if the business is legally registered as a corporation, the registered contractor must be an officer of the corporation. Corporations are required to be registered with the Corporation, Securities, and Land Development Bureau, Michigan Department of Consumer and Industry Services (phone number 900-555-0031). Upon initial registration, you will need to furnish DEQ with a copy of the Articles of Incorporation to verify that the registered individual is an officer.

Certificate of Assumed Name

A person who conducts a business under a name other than his or her real name must file a Certificate of Assumed Name (commonly referred to a "DBA" or "doing business as") with the county clerk. They must be filed in each county in which the business is conducted. Regardless of your business type (i.e., partnership, sole proprietorship, or corporation), you should check with the county clerk's office before conducting business. R 325.1703 of the state well code requires persons who operate well drilling businesses to file copies of their Certificates of Assumed Name with the DEQ upon initial registration.

Public Representations

A person shall not advertise or use any business forms that imply they are registered well drilling contractors (or pump installers) when they are not. R 325.1711 of the state well code requires that registered contractors advertise only under the business name that is registered with the DEQ.

Contractor Responsibilities

Well Construction Code

The state well code contains minimum standards that must be followed when water wells are constructed, repaired or abandoned and when pumps and pumping equipment is installed. The code applies to all water wells regardless of whether the installation is performed by a registered contractor or the property owner. Copies of the code can be obtained from the DEQ or local health departments.

Supervision of Well/Pump Installation

The registered well drilling contractor is responsible for supervising the construction of water wells and the installation of pumps and pumping equipment. The registered contractor must be involved in the day-to-day operation of the well drilling business and must supervise unregistered employees or partners. Direct field supervision is necessary for new employees or partners. Since the registrant is responsible for all well code violations committed by unregistered partners, officers, or employees of the firm, the registrant should have supervisory control over workers within the firm. DEQ advises that all eligible individuals within a well drilling firm obtain a Certificate of Registration.

Well Records

The registrant is also responsible for submittal of the water well records and abandoned well plugging records that are required under MCL 333.12707 and R 325.1675. Well records cannot be signed by a person who is not the registered well contractor.

The DEQ offers contractors an Internet-based program called Wellogic for completion and submittal of water well records and abandoned well plugging records. By using Wellogic hundreds of thousands of well records are retrievable over the Internet. Wellogic also allows contractors to renew their Certificate of Registration electronically. For further details, email the Wellogic staff at wellogic@michigan.gov or go to <https://secure1.state.mi.us/wellogic/Login.aspx> to request a Wellogic account.

Well Permits

All Michigan counties have ordinances requiring that a well permit be obtained from the local health department (or the local health department be notified) before the well is drilled. Well drilling contractors must be certain that a permit has been obtained. If the property owner obtained the permit the well driller should ask to see the permit before beginning the well. Permits contain important information about where the well must be placed on the property to avoid contamination sources. Minimum well depths due to recorded plat restrictions, minimum capacity, and other conditions are commonly noted on permits. Failure to comply with permit conditions can result in the need to redrill the well or in the revocation of the well drilling contractor's Certificate of Registration. Be sure you comply with all local ordinances and permit conditions. Since ordinances differ from county-to-county it is wise to check with the local health department for specific requirements.

For information or assistance on this publication, please contact the Office of Drinking Water and Municipal Assistance, through the DEQ's Environmental Assistance Center at 800-662-9278. This publication is available in alternative formats upon request.

This publication is intended for guidance only and may be impacted by changes in legislation, rules, policies, and procedures adopted after the date of publication. Although this publication makes every effort to teach users how to meet applicable compliance obligations, use of this publication does not constitute the rendering of legal advice.