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STATE OF MICHIGAN
DEPARTMENT OF
ENVIRONMENT, GREAT LAKES, AND ENERGY
LANSING



DANIEL EICHINGER
ACTING DIRECTOR

VIA EMAIL

TO: Members of the Michigan Legislature

FROM: Daniel Eichinger, Acting Director

DATE: April 3, 2023

SUBJECT: Report on the Oil and Gas Regulatory Fund

In accordance with Section 324.61525b(5) of Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, attached is the Department of Environment, Great Lakes, and Energy's (EGLE) report on the Oil and Gas Regulatory Fund for fiscal year 2022.

If you need further information, please contact Adam W. Wygant, Director, Oil, Gas, and Minerals Division, at 517-897-4828; or you may contact me at 517-512-5992.

Attachment

cc/att: Kathryn Summers, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency
Christopher M. Harkins, Director, State Budget Office
Curtis Hertel Jr., Director of Legislative Affairs, Governor's Office
Marc Rehmann, Policy Director, Governor's Office
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MICHIGAN DEPARTMENT OF
ENVIRONMENT, GREAT LAKES, AND ENERGY

Legislative Report

Oil and Gas Regulatory Fund Report for Fiscal Year 2022

Authority:
**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:
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517-284-6823

OIL AND GAS REGULATORY FUND REPORT FISCAL YEAR 2022

The Department of Environment, Great Lakes, and Energy (EGLE), Oil, Gas, and Minerals Division (OGMD), is responsible for implementing the oil and gas regulatory program in Michigan. The purpose of the program is to assure the efficient and equitable development of oil and gas resources while protecting the environment, natural resources, and public health and safety. The program is funded by the Oil and Gas Regulatory Fund (Fund).

The OGMD oversees the locating, drilling, operating, and plugging of oil and gas wells and the operation of associated storage and disposal facilities under the provisions of Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. Staff reviews applications and issues permits to drill and operate; conducts inspections; enforces well construction, spill prevention, and cleanup requirements; and monitors production methods and rates to assure the conservation and efficient recovery of oil and gas.

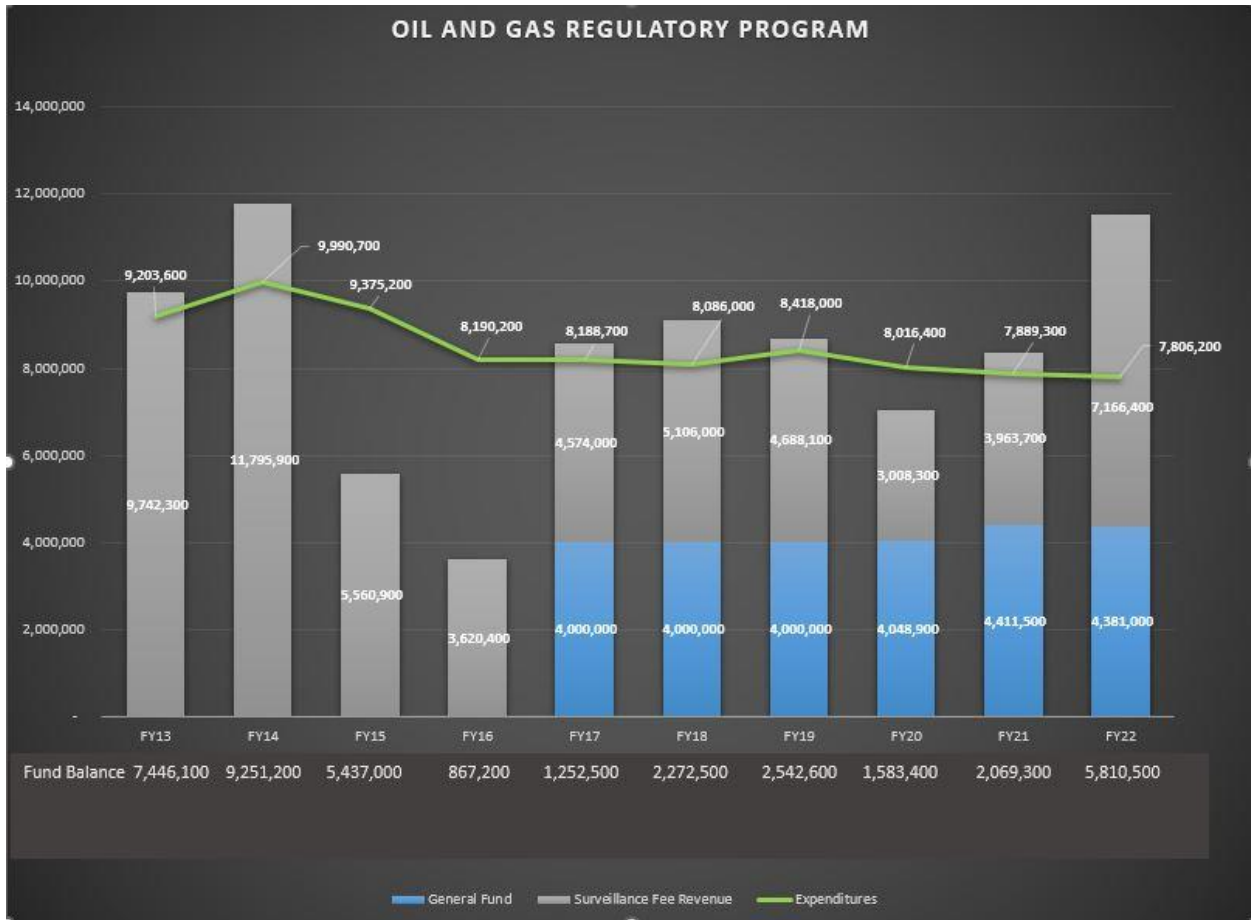
The OGMD oversees approximately 17,664 wells, including 13,341 active oil and gas production wells, 2,172 natural gas storage wells, and 1,076 injection wells for enhancing oil recovery and disposing of oil field brine. Another 36,000 wells have been drilled and plugged as nonproductive and/or depleted.

This report itemizes the amount of money received and expended from the Fund; the number of full-time equivalent positions; the number of on-site inspections conducted by the OGMD; and the number of violations identified.

Revenue, Expenditures, and Positions Funded

About 97 percent of the money in the Fund comes from oil and gas surveillance fees, with the remainder coming from permit fees, gas storage well regulatory fees, interest, and other miscellaneous sources. Part 615 requires EGLE to calculate the surveillance fee rate each year, up to a maximum of one percent on the gross value of production, with the goal of maintaining a balance of \$7 million. Money in the Fund is carried forward each year.

Revenue into the Fund totaled \$7,166,400 for fiscal year (FY) 2022, buoyed by higher oil and especially gas commodity prices. Expenditures for the oil and gas program from all funding sources (general and restricted) totaled \$7,806,200. A total of 16 full-time positions were funded by the Fund with General Fund support for the remaining 28 positions. The bar graph below shows the trends and projections for revenue and expenditures for the oil and gas program:



Attachment A to this report shows a detailed account of revenues and expenditures for FY 2022.

On-Site Inspections

In FY 2022, 15,455 on-site inspections of oil and gas wells and associated facilities were conducted. 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. The number of on-site inspections decreased this fiscal year by 19 percent due to high staff retirements, turnover, new staff training, and other administrative demands, such as transfer reviews.

Violations

OGMD staff issued 1,291 Notices of Inspection (“Compliance Communications”), 19 “Violation Notice” citations, and 6 Enforcement Notices and processed 3 Administrative Consent Orders and 3 Transfer Settlement Agreements in FY 2022 under Part 615. Most involved multiple violations of approximately ten different administrative rules. The violations occurred in various locations 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
- Failure to Erect Signs
- Loss Cleanup and Disposal
- Violation in Gas Burning, Processing, and Disposal
- Failure to Produce Well(s)/Wells Not Used for Intended Purpose
- Failure to Erect Hydrogen Sulfide Signs
- Failure to Remove Combustible Materials/Weeds
- Failure to Report Loss or Spill
- Lack of Secondary Containment
- Failure to Submit Records/Reports

This report is prepared in accordance with the requirements of Section 324.61525b(5) of Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, establishing the Fund.

**OIL AND GAS REGULATORY FUND
ANNUAL EXPENDITURE REPORT
FISCAL YEAR 2022**

| | | | |
|--|--------------------|--|--------------------|
| Fund Balance 10/1/2021 | | | \$2,069,323 |
| Fee Revenue: | | | |
| Oil & Gas Surveillance Fees | \$7,851,874 | | |
| Oil & Gas Permit Fees | \$24,900 | | |
| Gas Storage Well Fees | \$45,922 | | |
| | \$7,922,696 | | |
| Bond Fund Transfer | (\$739,547) | | |
| Miscellaneous Revenue/Correction | \$9,656 | | |
| Interest on Fund Balance | \$18,009 | | |
| | (\$711,882) | | |
| Civil Service Assessment | (\$44,444) | | |
| Total Revenue Received | \$7,166,370 | | |
| Total Funds Available: | | | \$9,235,693 |
| Expenditures: | | | |
| Salaries and Fringes | \$2,259,498 | | |
| Travel | 14,061 | | |
| Other Operational Expenditures | 1,151,617 | | |
| Total Expenditures Incurred | \$3,425,176 | | |
| Fund Balance 9/30/2022 | | | \$5,810,517 |
| Full-Time Equivalent Positions Funded | | | 44.0 |