




GRETCHEN WHITMER
GOVERNOR

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



PHILLIP D. ROOS
DIRECTOR

VIA EMAIL

TO: Members of the Michigan Legislature
FROM: Phillip D. Roos, Director 
DATE: June 6, 2024
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 2023.

If you need further information, please contact Adam W. Wygant, Director, Oil, Gas, and Minerals Division, at 517-897-4828 or WygantA@Michigan.gov; or you may contact me at 517-614-6873.

Attachment

cc/att: Kathryn Summers, Director, Senate Fiscal Agency
Mary Ann Cleary, Director, House Fiscal Agency
Jennifer Flood, Director, State Budget Office
Patti Tremblay, Director of Legislative Affairs, Governor's Office
Marc Rehmann, Policy Director, Governor's Office
Jonah Houtz, Senate Fiscal Agency
Austin Scott, House Fiscal Agency
Jacques McNeely, State Budget Office
Zach Hendrix, State Budget Office
Aaron B. Keatley, Chief Deputy Director, EGLE
Travis Boeskool, Deputy Director, EGLE
Sydney Hart, Legislative Liaison, EGLE
Paul McDonald, EGLE
Dale Shaw, EGLE
Adam W. Wygant, EGLE
Jim Armbruster, EGLE
Mark Snow, EGLE
Kathy Tetzlaff, EGLE



MICHIGAN DEPARTMENT OF
ENVIRONMENT, GREAT LAKES, AND ENERGY

Legislative Report

Oil and Gas Regulatory Fund Report

**Report Period:
Fiscal Year 2023**

**Authority:
Section 324.61525b(5) of Part 615, Supervisor of Wells, of the Natural
Resources and Environmental Protection Act, 1994 PA 451, as Amended**

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OIL AND GAS REGULATORY FUND REPORT FISCAL YEAR 2023

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.

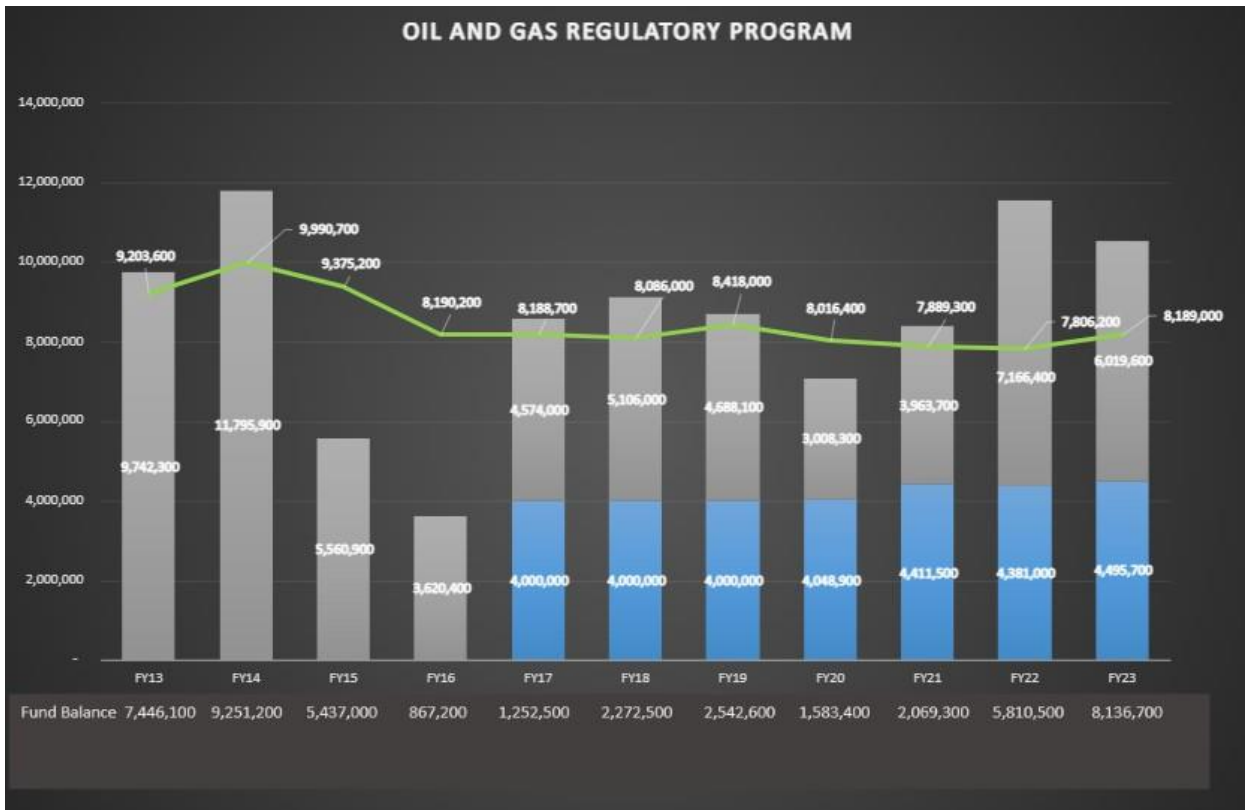
The OGMD oversees approximately 17,664 wells, including 13,341 active oil and gas production wells, 2,172 natural gas storage wells, and 1,076 injection wells for enhancing oil recovery and disposing of oil field brine. Another 36,000 wells have been drilled and plugged as nonproductive and/or depleted.

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 \$6,019,506 for fiscal year (FY) 2023, buoyed by higher oil and normal to low gas commodity prices. Expenditures for the oil and gas regulatory program from all funding sources (general and restricted) totaled \$8,189,000. A total of \$3,693,311 was expended from restricted funding. A total of 15 full-time positions were funded by the Fund with General Fund support for the remaining 30 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 2023.

On-Site Inspections

In FY 2023, 17,074 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 increased during FY 2023 by 10.5 percent due to a lower number of staff retirements and onboarding new geologists and training them to take over their new areas.

Violations

OGMD staff issued 1,100 Notices of Inspection (“Compliance Communications”), 6 “Violation Notice” citations, and 4 Enforcement Notices and processed 2 Administrative Consent Agreements and 3 Transfer Settlement Agreements. 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 REPORT
FISCAL YEAR 2023**

Fund Balance 10/1/2022		\$5,810,517
Fee Revenue:		
Oil & Gas Surveillance Fees	\$5,736,933	
Oil & Gas Permit Fees	19,355	
Gas Storage Well Fees	41,545	
	\$5,797,833	
Bond Fund Transfer		
Miscellaneous Revenue/Correction	\$221	
Interest on Fund Balance	267,130	
	\$267,351	
Civil Service Assessment	(45,678)	
Total Revenue Received	\$6,019,506	
Total Funds Available:		\$11,830,023
Expenditures:		
Salaries and Fringes	\$2,250,204	
Travel	33,587	
Other Operational Expenditures	1,409,520	
Total Expenditures Incurred	\$3,693,311	
Fund Balance 9/30/2023		\$8,136,712
Full-Time Equivalent Positions Funded		45.0