




RICK SNYDER
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: April 20, 2012
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 2010-2011.

If you need further information, please contact Harold R. Fitch, Chief, Office of Oil, Gas, and Minerals, Resource Management Division, at 517-241-1548; or you may contact me at 517-373-7917.

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
Jamie Clover Adams, Director of Policy and Legislative Affairs, DEQ
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Jane Schultz, DEQ
Kathy Tetzlaff, DEQ

Oil and Gas Regulatory Fund Annual Report (Fiscal Year 2010-2011)



Michigan Department of Environmental Quality
Resource Management Division
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
Resource Management Division
Michigan Department of Environmental Quality
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517-241-1515

OIL AND GAS REGULATORY FUND REPORT FISCAL YEAR 2010-2011

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, Resource Management Division, 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 \$9,286,201 for fiscal year (FY) 2010-2011. Expenditures totaled \$7,674,649. 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 2010-2011 was \$6,110,944. A total of 52 positions were funded by the Fund. Appendix A shows a detailed account of revenues and expenditures for FY 2010-2011.

On-Site Inspections

Appendix A indicates over 24,000 on-site inspections of oil and gas wells and associated facilities were conducted in FY 2010-2011. 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

OOGM staff issued 647 Notices of Inspection "Compliance Communications" and 21 "Notice of Violation" citations in FY 2010-2011 under Part 615. Most involved multiple violations of about ten different administrative rules, and the rule violations occurred in all three 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 2010-2011**

Fund Balance 10/1/10 **\$ 4,499,392**

Fee Revenue:

Oil & Gas Surveillance Fees	9,022,289
Oil & Gas Permit Fees	74,700
Gas Storage Well Fees	<u>55,400</u>
	9,152,389

Return of Federal Indirect Revenue	178,808
Cost Recovery	60,224
Interest on Fund Balance	<u>4,673</u>
	243,705

Civil Service Assessment	(109,893)
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Total Revenue Received	9,286,201
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Total Funds Available: **\$13,785,593**

Expenditures:

Salaries & Wages	3,261,963
Longevity & Other Lump Sum Payments	112,488
Fringe Benefits	738,373
Retirement/FICA/Medicare	1,247,892
Travel	190,775
Attorney General Legal Services	215,255
Supplies	47,616
Contractual	45,192
Other Operational Expenditures	<u>1,815,095</u>

Total Expenditures Incurred	7,674,649
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Fund Balance 9/30/11 **\$ 6,110,944**

Full-Time Equivalent Positions Funded **52**

INSPECTION STATISTIC REPORT

10-1-2010 to 9-30-2011

This total does not include Incident Inspections

Total Number of Inspections:	24,466
Permitted Well Inspections:	20,936
Permit Application Inspections:	186
Facility Inspections:	3,343
Incidents Inspections:	120
Notices Given by Notice of Inspection:	647
Notices Given by Notice of Noncompliance:	6
Notices Given by Notice of Violation:	21
Notices Given by Phone:	65
Notices Given by Informal Letter:	0
Notices Given to Field Personnel:	60
Notices Given by the Operator:	2
Notices Given by Other:	88
Inspections with Reoccurring Violations:	284
Inspections with Inspection Forms and Reoccurring Violations:	230
Inspections conducted at Well Sites:	85.57%
Inspections conducted at Tank Batteries:	13.66%
Inspections conducted for Permit Applications:	0.76%
Inspections at sites not in Compliance:	1.16%
Inspections at sites in Compliance:	98.84%
Inspections with Inspection Forms:	2.64%

Information Source

On-Site Inspections:	23,065
Verbal Information:	614
Written Reports or Records:	785

Type of Inspection

Administrative Activities:	1
Bond Site 201 Activities:	3
Complaint Follow-up Activities:	79
Complaint Activities:	74
Gas Storage Activities:	1,772
Joint Federal, State Inspections:	21
Mineral Well 625:	94
Misc./Other Activities:	7
Multimedia Inspections:	6
Oil and Gas 615 Activities:	21,814
Orphan Well 616 Activities:	189
Spill Response Activities:	355

Purpose of Inspection

Bond Release:	94
Completion:	356
Drilling:	1,126
Encapsulation:	70
Emergency Response:	11
Facility Construction:	70
Field Review:	185
Interim Response:	25
Lease Inspection:	19,514
Miscellaneous/Other:	683
Plugging:	584
Production:	249
Remedial Investigation:	141
Remediation:	431
Rework:	153
Site Restoration:	308
Termination:	88
Transfer of Owner:	158
Testing:	220

ENFORCEMENT REPORT

10-1-2010 to 9-30-2011

Total State Inspections:	24,466
Joint Federal/State Inspections:	21
Multimedia State Inspections:	6
Complaint Inspections:.....	74
Complaint Inspections Follow Up:	79
Violation Letters Issued: (Notice of Intent).....	647
Violation Letters Issued: (Notice of Noncompliance)	0
Wells:	0
Escalated Enforcement Actions Initiated: (Notice of Violation, Schedules Opportunity to Show Compliance for Violator)	0
Wells:	0
Administrative Consent Order	
Stipulation and Consent Agreement Issued:	3
Wells:	25
Stipulation and Consent Agreement Amendment:.....	0
Wells:	0
Transfer Settlement Agreement:	2
Wells:	3
Transfer Settlement Agreement Amendment:	3
Wells:	5
Central Treatment Site Agreement Issued:	0
Wells:	0
Central Treatment Site Agreement Amendment Issued:	0
Wells:	0
Supervisor Order Issued:	0
Wells:	0
Consent Order Penalties	
Secondary Containment Area:.....	\$27,950
Supervisor of Wells Order:	0
Consent Order Penalties Collected:	\$18,675
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