

House Appropriations Subcommittee March 10, 2016

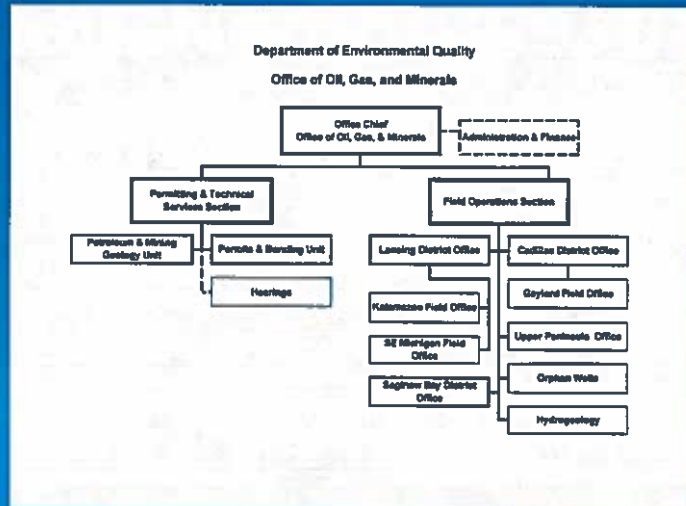
**OFFICE OF OIL, GAS,
AND MINERALS**



OOGM OBJECTIVES

- Protect air, water, soil, other natural resources, property, public health and safety
- Provide for conservation and orderly development of geological resources
- Provide excellent service to all of our customers

OOGM ORGANIZATION



OOGM PROGRAM AREAS:

- OIL & GAS
- ORPHAN WELLS
- MINERAL WELLS
 - Brine, Geologic Tests, Industrial Disposal, Storage
- MINING
 - Iron, Nonferrous Metals, Sand Dunes

FUNDING SOURCES

Oil & Gas

- Permit fee, surveillance fee

Orphan Wells

- Portion of oil & gas severance tax

Mineral Wells

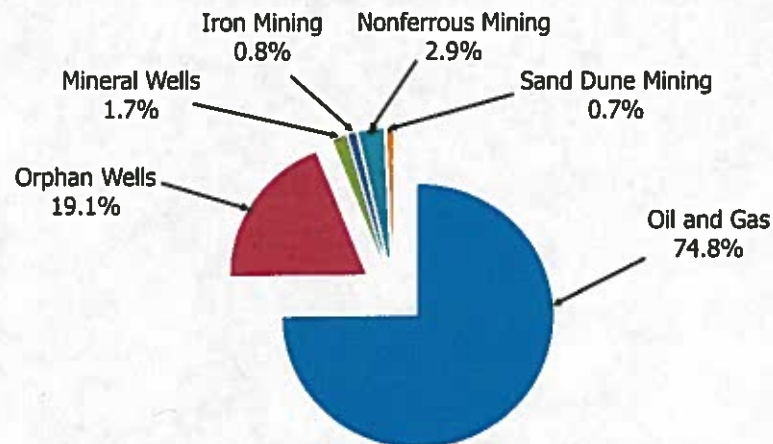
- Permit Fee, Annual Well Fee

Mining

- Permit fee, tonnage fee; portion of nonferrous metal severance tax

No GF/GP Funds since 2002

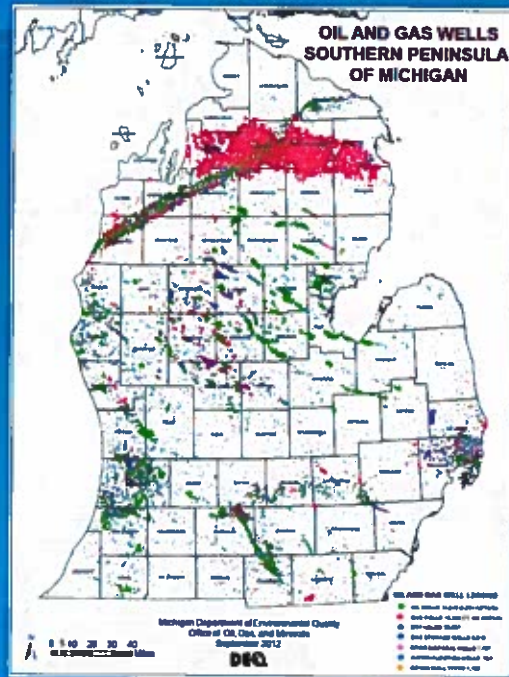
OOGM BUDGET



Total Budget = \$12 Million

Oil & Gas Program

- 60,000 Wells since 1925
- Active Wells:
 - 3900 oil
 - 10,600 gas
 - 1400 water injection & disposal
 - 2800 gas storage



ISSUES AND ACTIONS

- Hydraulic Fracturing
- Drilling in High-Density Residential Areas
- Injection Wells
- Oil & Gas Revenues

HYDRAULIC FRACTURING

New Rules - March 2015

- Water use
- Monitoring & reporting
- Chemical disclosure
- Baseline groundwater sampling

DRILLING IN HIGH-DENSITY RESIDENTIAL AREAS

- Recent concerns in SE Michigan
- DEQ must protect environment while respecting property rights
- New requirements
 - Alternatives analysis
 - Notification
 - Quality of life protections

INJECTION WELLS

- Dispose of waste fluids or increase oil recovery
- Regulated by EPA & OOGM
- Michigan seeking primacy from EPA for Class II wells (associated with oil and gas production)
- 1400 Class II wells in Michigan
 - 800 Brine disposal
 - 600 Enhanced oil recovery
- 39 States have primacy

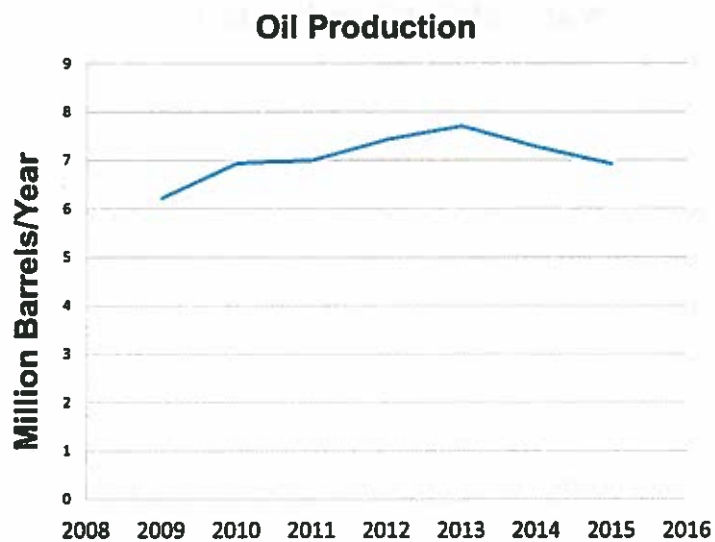
OIL & GAS REVENUES

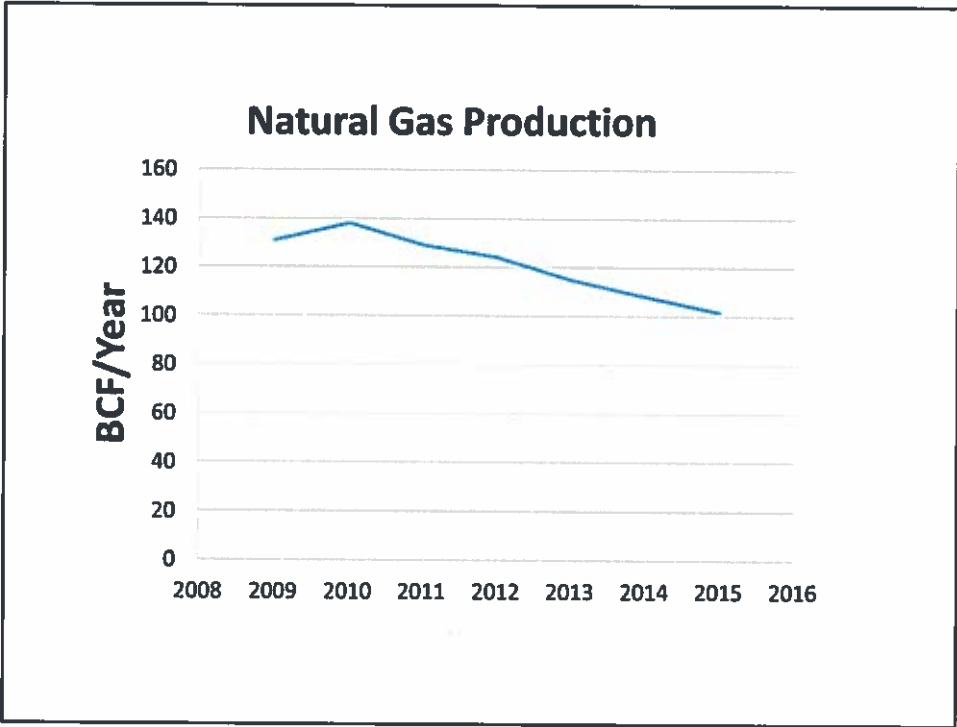
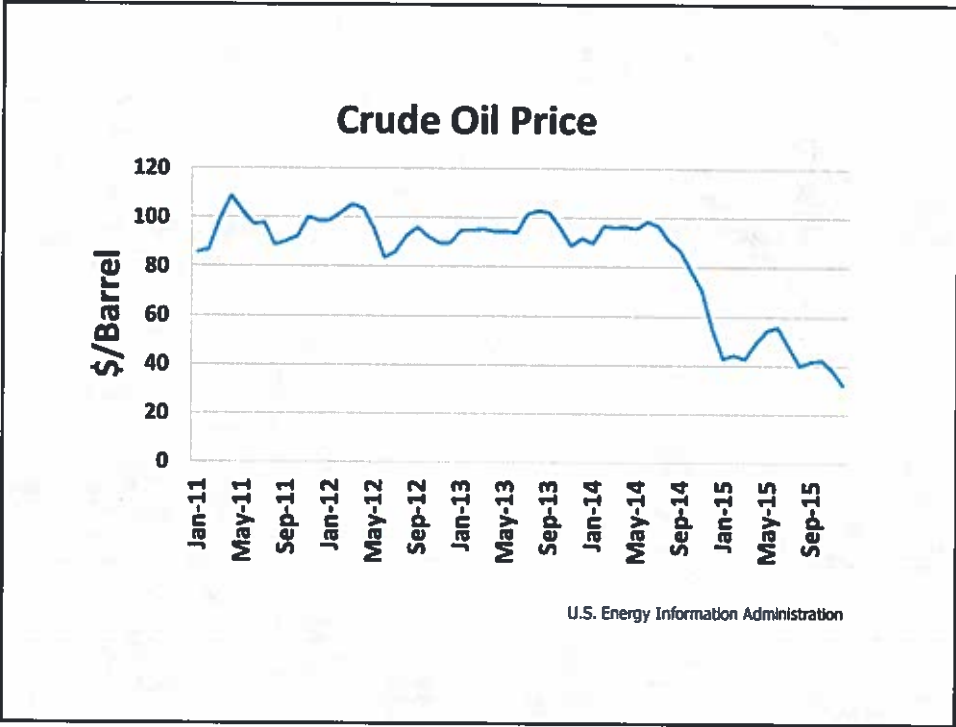
Oil & Gas Regulatory Fund

- Goal: maintain balance of \$7 million to cover price changes
- Current expenditure = \$8.5 million
- Permit fees + gas storage well fees + interest = \$100,000/year +/-
- Surveillance fees = remainder

SURVEILLANCE FEE

- Percentage of gross value of production of oil and gas
- Rate set in November for upcoming calendar year
- Based on volume and price projections
- Capped at 1%



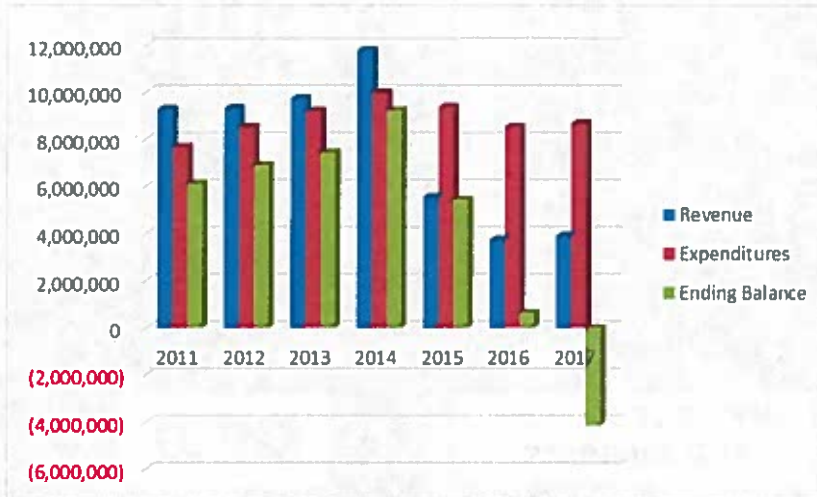


Natural Gas Price



U.S. Energy Information Administration

Oil and Gas Regulatory Fund



OIL & GAS PROGRAM FUNDING NEEDS

- Drilling and permitting activity have declined
- Monitoring and enforcement demands have increased
- OOGM has implemented cost savings
- Adequate funding required to maintain oversight

