

# SENATE BILL No. 1184

March 5, 2008, Introduced by Senators McMANUS, KUIPERS, KAHN and BARCIA and referred to the Committee on Energy Policy and Public Utilities.

A bill to amend 1994 PA 451, entitled  
"Natural resources and environmental protection act,"  
by amending section 502 (MCL 324.502), as amended by 2004 PA 587.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 502. (1) The commission may promulgate rules, not  
2 inconsistent with law, governing its organization and procedure.

3           (2) The department may do 1 or more of the following:

4           (a) Promulgate and enforce reasonable rules concerning the use  
5 and occupancy of lands and property under its control in accordance  
6 with section 504.

7           (b) Provide and develop facilities for outdoor recreation.

8           (c) Conduct investigations it considers necessary for the

1 proper administration of this part.

2 (d) Remove and dispose of forest products as required for the  
3 protection, reforestation, and proper development and conservation  
4 of the lands and property under the control of the department.

5 (e) Require the payment of a fee as provided by law for a  
6 daily permit or other authorization that allows ~~the~~A person to  
7 hunt and take waterfowl on a public hunting area managed and  
8 developed for waterfowl.

9 (3) WITHIN 120 DAYS AFTER THE EFFECTIVE DATE OF THE AMENDATORY  
10 ACT THAT ADDED THIS SUBSECTION, THE DEPARTMENT SHALL PROVIDE TO THE  
11 CLEAN ENERGY AUTHORITY CREATED UNDER THE CLEAN ENERGY AUTHORITY ACT  
12 AN INVENTORY OF ALL CONTRACTS, INCLUDING OIL AND GAS LEASES, FOR  
13 THE TAKING OF OIL AND GAS FROM STATE OWNED LANDS. THE INVENTORY  
14 SHALL INCLUDE AT LEAST THE FOLLOWING INFORMATION FOR EACH CONTRACT  
15 OR LEASE GRANTED BY THIS STATE, AS LESSOR:

16 (A) THE DATE THE LEASE WAS EXECUTED AND THE LEGAL DESCRIPTION  
17 OF THE LANDS COVERED BY THE LEASE.

18 (B) THE NAME AND ADDRESS OF THE CURRENT LESSEE.

19 (C) THE LENGTH OF THE PRIMARY TERM UNDER THE LEASE.

20 (D) WHETHER THE DEPARTMENT CONSIDERS THE LEASE TO BE VALID AND  
21 EFFECTIVE ON THE DATE OF THE INVENTORY, AND, IF NOT, THE DATE OF  
22 ANY ABANDONMENT, RELEASE, DISCHARGE, CANCELLATION, OR TERMINATION  
23 OF THE LEASE AS TO THE LANDS AFFECTED.

24 (E) THE DATE OF EXECUTION OF ANY RELEASE OR DISCHARGE OF THE  
25 LEASE AS TO ANY PORTION OR ALL OF THE LANDS COVERED THEREBY.

26 (4) THE DEPARTMENT SHALL ENTER INTO CONTRACTS, INCLUDING OIL  
27 AND GAS LEASES, WITH THE CLEAN ENERGY AUTHORITY CREATED UNDER THE

1 CLEAN ENERGY AUTHORITY ACT FOR THE TAKING OF OIL AND GAS FROM ANY  
2 STATE OWNED LANDS IDENTIFIED BY THE AUTHORITY. THE AUTHORITY SHALL  
3 SUBMIT WRITTEN APPLICATIONS TO THE DEPARTMENT IDENTIFYING STATE  
4 OWNED LANDS THE AUTHORITY WISHES TO SECURE AND DEVELOP, AS LESSEE,  
5 UNDER OIL AND GAS LEASES GRANTED BY THE DEPARTMENT, AS LESSOR. UPON  
6 RECEIPT OF EACH SUCH APPLICATION, THE DEPARTMENT SHALL ENTER INTO A  
7 DIRECT LEASE WITH THE AUTHORITY COVERING THE STATE OWNED LANDS  
8 IDENTIFIED IN SUCH APPLICATION. EACH SUCH LEASE SHALL PROVIDE FOR A  
9 PRIMARY TERM OF 7 YEARS AND REQUIRE THE PAYMENT OF A 1/6 ROYALTY TO  
10 THE DEPARTMENT, AS LESSOR. MONEY RECEIVED UNDER SUCH A LEASE THAT  
11 IS ATTRIBUTABLE TO THE LESSOR'S ROYALTY SHARE SHALL BE TRANSMITTED  
12 TO THE STATE TREASURER TO BE DEPOSITED AND CREDITED IN ACCORDANCE  
13 WITH THE PROVISIONS OF SUBSECTION (6). NOTWITHSTANDING THE  
14 PROVISIONS OF SUBSECTION (6), A LEASE PERMITTED UNDER THIS SECTION  
15 SHALL BE VALID AND EFFECTIVE WHEN ENTERED INTO BY THE DEPARTMENT  
16 AND THE AUTHORITY AND SHALL NOT REQUIRE THE APPROVAL OF THE STATE  
17 ADMINISTRATIVE BOARD. THE DEPARTMENT IS NOT REQUIRED TO ENTER INTO  
18 A DIRECT LEASE WITH THE AUTHORITY COVERING ANY LAND THAT IS IN  
19 PRODUCTION OR IS LEASED OR PERMITTED FOR DRILLING OR PRODUCTION AS  
20 OF THE DATE OF THE AUTHORITY'S APPLICATION.

21 (5) NOT LESS THAN 180 DAYS BEFORE OFFERING TO ENTER OR  
22 ENTERING INTO A CONTRACT OR LEASE FOR THE TAKING OF OIL AND GAS  
23 FROM STATE OWNED LANDS WITH ANY OTHER PERSON, THROUGH COMPETITIVE  
24 PUBLIC AUCTION OR OTHERWISE, THE DEPARTMENT SHALL GIVE WRITTEN  
25 NOTICE TO THE CLEAN ENERGY AUTHORITY IDENTIFYING THE LANDS. IF THE  
26 AUTHORITY SUBMITS AN APPLICATION FOR A LEASE COVERING LANDS  
27 IDENTIFIED BY THE DEPARTMENT IN THE NOTICE WITHIN 180 DAYS FROM THE

1 DATE OF THE NOTICE, THE DEPARTMENT SHALL ENTER INTO A DIRECT LEASE  
2 WITH THE AUTHORITY COVERING THE LANDS IDENTIFIED IN THE NOTICE AND  
3 APPLICATION.

4 (6) ~~(3)~~—Except as provided in subsection ~~(4)~~—(7), the  
5 department may enter into contracts for the taking of coal, oil,  
6 gas, and other mineral products from state owned lands, upon a  
7 royalty basis or upon another basis, and upon the terms the  
8 department considers just and equitable subject to section 502a.  
9 This contract power includes authorization to enter into contracts  
10 for the storage of gas or other mineral products **OR GREENHOUSE GAS**  
11 in or upon state owned lands, if the consent of the state agency  
12 having jurisdiction and control of the state owned land is first  
13 obtained. A contract permitted under this section for the taking of  
14 coal, oil, gas, or metallic mineral products, or for the storage of  
15 gas or other mineral products **OR GREENHOUSE GAS, OTHER THAN A**  
16 **CONTRACT WITH THE CLEAN ENERGY AUTHORITY UNDER THE CLEAN ENERGY**  
17 **AUTHORITY ACT**, is not valid unless the contract is approved by the  
18 state administrative board. Money received from a contract for the  
19 storage of gas or other mineral products **OR GREENHOUSE GAS** in or  
20 upon state lands shall be transmitted to the state treasurer for  
21 deposit in the general fund of the state to be used for the purpose  
22 of defraying the expenses incurred in the administration of this  
23 act and other purposes provided by law. Other money received from a  
24 contract permitted under this subsection, except money received  
25 from lands acquired with money from the former game and fish  
26 protection fund or the game and fish protection account of the  
27 Michigan conservation and recreation legacy fund provided for in

1 section 2010, shall be transmitted to the state treasurer for  
2 deposit in the Michigan natural resources trust fund created in  
3 section 35 of article IX of the state constitution of 1963 and  
4 provided for in part 19 **AND THE MICHIGAN STATE PARKS ENDOWMENT FUND**  
5 **CREATED IN SECTION 35A OF ARTICLE IX OF THE STATE CONSTITUTION OF**  
6 **1963 AND SECTION 74119.** However, the money received from the  
7 payment of service charges by a person using areas managed for  
8 waterfowl shall be credited to the game and fish protection account  
9 of the Michigan conservation and recreation legacy fund provided  
10 for in section 2010 and used only for the purposes provided by law.  
11 Money received from bonuses, rentals, delayed rentals, royalties,  
12 and the direct sale of resources, including forest resources, from  
13 lands acquired with money from the former game and fish protection  
14 fund or the game and fish protection account of the Michigan  
15 conservation and recreation legacy fund provided for in section  
16 2010 shall be credited to the Michigan game and fish protection  
17 trust fund established in section 41 of article IX of the state  
18 constitution of 1963 and provided for in part 437, except as  
19 otherwise provided by law.

20 (7) ~~(4)~~—The department shall not enter into a contract that  
21 allows drilling operations beneath the lake bottomlands of the  
22 Great Lakes, the connected bays or harbors of the Great Lakes, or  
23 the connecting waterways as defined in section 32301, for the  
24 exploration or production of oil or gas.

25 (8) ~~(5)~~—This section does not permit a contract for the taking  
26 of gravel, sand, coal, oil, gas, or other metallic mineral products  
27 that does not comply with applicable local ordinances and state

1 law.

2 (9) FOR PURPOSES OF THIS SECTION, "GREENHOUSE GAS" MEANS  
3 CARBON DIOXIDE, METHANE, A CHLOROFLUOROCARBON, OR A  
4 HYDROCHLOROFLUOROCARBON.