

HOUSE BILL No. 5319

October 23, 1997, Introduced by Reps. Lowe, Cropsey, Bodem, Goschka, Voorhees, McNutt, Horton and Raczkowski and referred to the Committee on Forestry and Mineral Rights.

A bill to amend 1994 PA 451, entitled
"Natural resources and environmental protection act,"
by amending sections 503 and 2132 (MCL 324.503 and 324.2132),
section 503 as amended by 1996 PA 133 and section 2132 as added
by 1995 PA 60, and by adding part 610.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 503. (1) The department shall protect and conserve the
2 natural resources of this state; provide and develop facilities
3 for outdoor recreation; prevent the destruction of timber and
4 other forest growth by fire or otherwise; promote the reforestation
5 of forest lands belonging to the state; prevent and guard against
6 the pollution of lakes and streams within the state and enforce
7 all laws provided for that purpose with all authority granted by
8 law; and foster and encourage the protecting and propagation of
9 game and fish. The department has the power and jurisdiction

1 over the management, control, and disposition of all land under
2 the public domain, except for those lands under the public domain
3 that are managed by other state agencies to carry out their
4 assigned duties and responsibilities. On behalf of the people of
5 the state, the department may accept gifts and grants of land and
6 other property and may buy, sell, exchange, or condemn land and
7 other property, for any of the purposes contemplated by this
8 part. The department may accept funds, money, or grants for
9 development of salmon and steelhead trout fishing in this state
10 from the government of the United States, or any of its depart-
11 ments or agencies, pursuant to the anadromous fish conservation
12 act, Public Law 89-304, 16 U.S.C. 757a to 757g, and may use this
13 money in accordance with the terms and provisions of that act.
14 However, the acceptance and use of federal funds does not commit
15 state funds and does not place an obligation upon the legislature
16 to continue the purposes for which the funds are made available.

17 (2) The department may lease lands owned or controlled by it
18 that have been designated for use for recreational purposes, but
19 only to responsible legal units, within this state, of national
20 or state recognized groups devoted principally to development of
21 character and citizenship training and physical fitness of youth,
22 the financial support of which is by voluntary public subscrip-
23 tions or contributions, and the property of which is exempt from
24 taxation under the laws of this state. The department may lease
25 land in the Porcupine mountain state park to third parties for
26 purposes as it considers desirable. Any lease entered into under
27 this subsection shall limit the purposes for which the leased

1 land is to be used and shall authorize the department to
2 terminate the lease upon a finding that the land is being used
3 for purposes other than those permitted in the lease.

4 (3) When ~~any sales of~~ THE DEPARTMENT SELLS land, ~~are made~~
5 ~~by the department,~~ the deeds by which lands are conveyed ~~may~~
6 SHALL reserve all mineral, coal, oil, and gas rights to the state
7 ~~, but~~ ONLY WHEN THE LANDS ARE IN PRODUCTION OR ARE LEASED OR
8 PERMITTED FOR PRODUCTION. HOWEVER, THE DEPARTMENT shall not
9 reserve the rights to sand, gravel, clay, or other nonmetallic
10 minerals. The department shall also have the power to provide
11 that all deeds issued for lands along watercourses and streams
12 shall contain a clause reserving the right of ingress and egress
13 over and across the lands. Whenever an exchange of land is made,
14 either with the United States government, a corporation, or an
15 individual, for the purpose of consolidating the state forest
16 reserves, the department may issue deeds without reserving to the
17 state the mineral, coal, oil, and gas rights and the rights of
18 ingress and egress. The department may sell the limestone, sand,
19 gravel, or other nonmetallic minerals. However, the department
20 shall not sell a mineral or nonmetallic mineral right if the sale
21 would violate part 353, ~~(sand dune protection and management)~~ of
22 Act No. ~~451 of the Public Acts of 1994, being sections 324.35301~~
23 ~~to 324.35326 of the Michigan Compiled Laws, or part 637 (sand~~
24 ~~dune mining) of Act No. 451 of the Public Acts of 1994, being~~
25 ~~sections 324.63701 to 324.63714 of the Michigan Compiled Laws~~
26 PART 637, or any other provision of law. The department may sell
27 all reserved mineral, coal, oil, and gas rights to such lands

1 upon terms and conditions as the department considers proper AND
2 AS PROVIDED IN PART 610. The owner of such lands as shown by the
3 records shall be given priority in case the department authorizes
4 any sale of such lands, and, unless the landowner waives such
5 rights, the department shall not sell such rights to any other
6 person. For the purpose of this section, mineral rights do not
7 include rights to sand, gravel, clay, or other nonmetallic
8 minerals.

9 (4) The department may enter into contracts for the sale of
10 the economic share of royalty interests it holds in hydrocarbons
11 produced from devonian or antrim shale qualifying for the noncon-
12 ventional fuel credit contained in section 29 of the internal
13 revenue code of 1986. ~~—, 26 U.S.C. 29.—~~ However, in entering into
14 these contracts, the department shall assure that revenues to the
15 natural resources trust fund under these contracts are not less
16 than the revenues the natural resources trust fund would have
17 received if the contracts were not entered into. The sale of the
18 economic share of royalty interests under this subsection may
19 occur under contractual terms and conditions considered appropri-
20 ate by the department and as approved by the state administrative
21 board. Funds received from the sale of the economic share of
22 royalty interests under this subsection shall be transmitted to
23 the state treasurer for deposit in the state treasury as
24 follows:

25 (a) Net proceeds allocable to the nonconventional fuel
26 credit contained in section 29 of the internal revenue code of

1 1986 ~~—, 26 U.S.C. 29,~~ under this subsection shall be credited to
2 the environmental protection fund created in section 503a.

3 (b) Proceeds related to the production of oil or gas from
4 devonian or antrim shale shall be credited to the natural
5 resources trust fund or other applicable fund as provided by
6 law.

7 (5) As used in subsection (4):

8 (a) "Natural resources trust fund" means the Michigan natu-
9 ral resources trust fund established in section 35 of article IX
10 of the state constitution of 1963 and provided for in
11 section 1902.

12 (b) "Net proceeds" means the total receipts received from
13 the sale of royalty interests under subsection (4) less costs
14 related to the sale. Costs may include, but are not limited to,
15 legal, financial advisory, geological or reserve studies, and
16 accounting services.

17 Sec. 2132. (1) The department may sell surplus land at a
18 price of not less than its fair market value as determined by an
19 appraisal.

20 (2) The sale of surplus land shall be conducted by the
21 department through 1 of the following methods:

22 (a) A sealed or oral bid public auction sale.

23 (b) A negotiated sale.

24 (3) The sale of surplus land through a sealed or oral bid
25 public auction sale shall be to the highest bidder. A bid shall
26 not be accepted for less than the fair market value of the
27 surplus land as determined by an appraisal.

1 (4) A notice of the sale of surplus land shall be given as
2 provided in section 2133.

3 (5) The proceeds from the sale of surplus land shall be
4 deposited into the fund.

5 (6) Surplus land that is sold under this subpart shall be
6 conveyed by quitclaim deed approved by the attorney general. ~~and~~
7 ~~shall reserve to the state all rights to coal, oil, gas, and~~
8 ~~other minerals, excluding sand and gravel, found on, within, and~~
9 ~~under the land.~~

10 PART 610

11 UNIFIED SURFACE AND SUBSURFACE MINERAL OWNERSHIP

12 SEC. 61001. (1) AS USED IN THIS PART, "MINERAL RIGHTS"
13 MEANS SUBSURFACE OIL OR GAS INTERESTS.

14 (2) THE DEPARTMENT SHALL INVENTORY ALL OF THE PROPERTY IN
15 WHICH THE STATE OWNS ONLY THE SEVERED MINERAL RIGHTS. EXCEPT AS
16 OTHERWISE PROVIDED FOR IN THIS SUBSECTION, THE DEPARTMENT SHALL
17 DEVELOP PROCEDURES IN COMPLIANCE WITH THIS PART, AND, WITHIN 3
18 YEARS OF THE EFFECTIVE DATE OF THIS PART, THE STATE SHALL DIVEST
19 ITSELF OF THOSE MINERAL RIGHTS FOR FAIR MARKET VALUE AND WHEN
20 POSSIBLE REUNITE THE SEVERED MINERAL RIGHTS WITH THE SURFACE
21 RIGHTS. THE DEPARTMENT SHALL ATTACH A FAIR MARKET VALUE TO THE
22 MINERAL RIGHTS THAT IT HOLDS FOR EACH PARCEL FOR WHICH IT OWNS
23 SEVERED MINERAL RIGHTS BUT NOT THE SURFACE RIGHTS.

24 (3) UPON COMPLETION OF THE INVENTORY REQUIRED IN SUBSECTION
25 (2), THE DEPARTMENT SHALL NOTIFY THE OWNERS OF SURFACE RIGHTS OF
26 PROPERTY IN WHICH THE STATE OWNS THE SEVERED MINERAL RIGHTS THAT
27 THE STATE WISHES TO SELL ITS MINERAL RIGHTS TO THE SURFACE

1 OWNER. THE NOTICE SHALL INCLUDE AN OFFER TO SELL THE SEVERED
2 MINERAL RIGHTS TO THE SURFACE OWNER AT A DESIGNATED PRICE FOR A
3 PERIOD OF 1 YEAR. THE PERIOD DURING WHICH THE OFFER REMAINS OPEN
4 MAY BE EXTENDED BY MUTUAL AGREEMENT OF THE DEPARTMENT AND THE
5 SURFACE OWNER. THE DEPARTMENT SHALL MAINTAIN A FILE CONTAINING
6 ALL THE RESPONSES THAT IT RECEIVES FROM SURFACE OWNERS, WHETHER
7 THE RESPONSE EXPRESSES AN INTEREST IN PURCHASING THE STATE'S
8 INTEREST OR WAIVES THE RIGHT TO SELL WITHIN THE DESIGNATED
9 PERIOD.

10 SEC. 61002. IF THE STATE HAS REMOVED OR CONTRACTED FOR THE
11 REMOVAL OF SEVERED MINERALS FROM STATE OWNED LAND AND THE DEPART-
12 MENT CERTIFIES THAT THE MINERAL RIGHTS IN THE LAND NO LONGER HAVE
13 A COMMERCIAL VALUE, THE STATE SHALL CONVEY BY QUITCLAIM DEED ITS
14 MINERAL RIGHTS IN THAT PROPERTY TO THE SURFACE OWNER WITHOUT
15 COST.

16 SEC. 61003. (1) THE UNIFIED PROPERTY RIGHTS FUND IS CREATED
17 WITHIN THE STATE TREASURY.

18 (2) THE STATE TREASURER MAY RECEIVE MONEY OR OTHER ASSETS
19 FROM ANY SOURCE FOR DEPOSIT INTO THE FUND AND SPECIFICALLY SHALL
20 RECEIVE FUNDS GENERATED FROM THE SALE OF MINERAL RIGHTS UNDER
21 SECTION 61001. THE STATE TREASURER SHALL DIRECT THE INVESTMENT
22 OF THE FUND. THE STATE TREASURER SHALL CREDIT TO THE FUND INTER-
23 EST AND EARNINGS FROM FUND INVESTMENTS.

24 (3) MONEY IN THE FUND AT THE CLOSE OF THE FISCAL YEAR SHALL
25 REMAIN IN THE FUND AND SHALL NOT LAPSE TO THE GENERAL FUND.

1 (4) THE DEPARTMENT SHALL EXPEND MONEY FROM THE FUND, UPON
2 APPROPRIATION, ONLY FOR 1 OR MORE OF THE FOLLOWING PURPOSES AND
3 IN THE FOLLOWING ORDER OF PRIORITY:

4 (A) TO SELL AT A NOMINAL, BELOW FAIR MARKET VALUE, FEE TO
5 LOCAL UNITS OF GOVERNMENT THE OIL AND GAS RIGHTS IN PROPERTY
6 WHICH IS OWNED BY THE LOCAL UNIT WHEN THE STATE HOLDS THE SEVERED
7 OIL AND GAS RIGHTS IN THAT PROPERTY.

8 (B) TO REIMBURSE COUNTIES FOR THEIR COSTS ASSOCIATED WITH
9 IMPLEMENTING SECTION 61004.

10 (C) IF THE BALANCE OF THE FUND EXCEEDS \$500,000.00 IN ANY
11 FISCAL YEAR, THAT PORTION OF THE FUND THAT EXCEEDS \$500,000.00
12 SHALL BE DEPOSITED IN THE MICHIGAN NATURAL RESOURCES TRUST FUND
13 CREATED IN PART 19.

14 SEC. 61004. (1) UPON ANY CONVEYANCE OR TRANSFER OF TITLE,
15 OR FILING OF CLAIM OF CONTINUANCY INTEREST, OF A PRESENT OR
16 FUTURE INTEREST IN MINERAL RIGHTS OR ANY PORTION OF INTEREST IN
17 THOSE RIGHTS, INCLUDING THE BENEFICIAL USE OF THE INTEREST, EACH
18 PERSON IN THIS STATE WHO OWNS SEVERED MINERAL RIGHTS SHALL PRO-
19 VIDE THE REGISTER OF DEEDS IN THE COUNTY IN WHICH THE PROPERTY IS
20 LOCATED WITH THE LEGAL DESCRIPTION OF THE REAL PROPERTY AND PRO-
21 VIDE THE NAME AND ADDRESS OF THE HOLDER OF THE SEVERED MINERAL
22 INTERESTS. THE COUNTY SHALL COMPILE THIS INFORMATION.

23 (2) A COUNTY MAY BE REIMBURSED WITH MONEY IN THE UNIFIED
24 PROPERTY RIGHTS FUND FOR THE FOLLOWING PURPOSES:

25 (A) TO COMPILE THE INFORMATION SUBMITTED UNDER SUBSECTION
26 (1).

1 (B) TO PAY FOR NOTIFICATION OF MINERAL RIGHTS OWNERS
2 REGARDING THEIR OBLIGATION TO REPORT UNDER SUBSECTION (1).
3 (C) TO PURCHASE MINERAL INTERESTS FROM THE STATE ON LANDS
4 WITHIN THE COUNTY OR A LOCAL UNIT OF GOVERNMENT WITHIN THE
5 COUNTY, IF THE LOCAL UNIT HOLDS THE SURFACE RIGHTS BUT THE STATE
6 OWNS THE MINERAL RIGHTS.