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Office of the Auditor General

Report Summary

Performance Audit

Report Number:

000-0701-26

Statewide Oil and Gas Management

*Department of Environment, Great Lakes,
and Energy (EGLE)*

Released:

October 2026

Department of Natural Resources (DNR)

Department of Treasury (Treasury)

The Geologic Resource Management Division (GRMD), within EGLE, regulates the locating, drilling, operating, inspecting, and plugging of wells used for producing oil and gas. GRMD's mission is to foster the best use and understanding of Michigan's geologic resources for social and economic benefits while protecting associated resource values, property rights, the environment, and public health and safety. As of June 18, 2026, GRMD oversaw 13,547 oil and gas wells, of which, 11,771 are currently in production.

The State of Michigan collects severance taxes, privilege fees, and royalties from the production of oil and gas. Treasury collects severance taxes and privilege fees while DNR processes the royalties from oil and gas leases on State land. From October 2024 to June 2026, the State of Michigan received \$39.0 million in severance taxes, \$4.6 million in privilege fees, and \$22.3 million in royalties.

Audit Objective			Conclusion
Objective 1: To assess the <u>effectiveness</u> of EGLE's GRMD efforts to ensure compliance with select State laws governing oil and gas well production.			Moderately effective
Findings Related to This Audit Objective	<u>Material Condition</u>	<u>Reportable Condition</u>	Agency Preliminary Response
Inspections were not completed in the last three years for 3% (344) of all oil and gas producing wells. Without performing periodic on-site inspections, GRMD cannot identify potential violations such as contaminated soil, leaks, or potential fire hazards (<u>Finding 1</u>).		X	Agrees
GRMD did not notify well operators of violations identified during 5 (15%) of 33 sampled inspections and appropriately track the details of the violations in GRMD's application for 16 (48%) of the 33 inspections (<u>Finding 2</u>).		X	Agrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
Hydrogen sulfide (H ₂ S) (a colorless, toxic and flammable gas) well contingency plans were not updated or certified for 5 (56%) of 9 sampled H ₂ S wells. Updated contingency plans provide a clear framework for alerting and protecting the health and safety of personnel and the public in emergency situations involving an H ₂ S release (<u>Finding 3</u>).		X	Agrees

Audit Objective			Conclusion
Objective 2: To assess the sufficiency of DNR's, EGLE's, and Treasury's efforts to ensure the accuracy and completeness of oil and gas well production revenue.			Sufficient
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
A process was not in place for EGLE and Treasury to share and compare oil and gas production totals, increasing the risk of oil and gas operators reporting inaccurate severance tax and production to the State (<u>Finding 4</u>).		X	Agrees

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