

**STATEMENT OF JACK GLAVES, COUNSEL FOR PANHANDLE EASTERN
SUBSIDIARY OF ENERGY TRANSFER PARTNERS
IN SUPPORT OF H.B. 2132
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENT**

FEBRUARY 2, 2015

Energy Transfer is a family of companies that includes Southwest Gas Storage Company and Panhandle Eastern Pipeline Company, the transmission company that goes back to the beginning of the Hugoton Gas Field in Kansas. Southwest serves the Panhandle Eastern system and operates the gas storage facility known as the Borchers North Storage Field in Meade County, Kansas. This field covers over 15,600 acres with a certificated maximum reservoir gas content of 70.1 Bcf. We have been operating the storage field safely and efficiently for almost 35 years under the oversight of the KCC and the Federal Energy Regulatory Commission (“FERC”). We have an investment of over \$200 million in the field in order to be able to provide reliable storage services. Panhandle has a regional office in Overland Park, KS. It and Southwest have a significant number of employees in Kansas. We have over 1,800 miles of pipeline and related facilities in Kansas including 8 compressor stations, and the combined companies paid substantial property taxes in 2014.

We support H.B. 2132 and resist the effective reimposition of the Rule of Capture imposed by the Court’s interpretation of the “adjoining property” provision of K.S.A. 55-1210(c). The statute needs clarifying given the geological uncertainty and variability inherent in storage fields. They are not perfectly sealed containers and the Law of Capture removes ownership protection of storage gas. Remember, this is gas that has already been produced and paid for, and has been injected into the storage field by the operator; in our case, Southwest. Actually, this gas is owned in part, not by the operator, but by the distribution companies on behalf of end-users who are your constituents. The gas stored in our Borchers Field, for example, is ultimately used by consumers in Kansas City and other Kansas communities and across the country.

The bottom line is the 1993 Act needs clarification provided by H.B. 2132 to restore certainty and ease the financial burden of ongoing litigation that results from the existing clouded issue. It is time to clearly eliminate the medieval Law of Capture as to storage gas. The failure to enact H.B. 2132 can adversely impact the ongoing operations of Energy Transfer’s underground natural gas storage facilities, our employees and customers, as well as the storage facilities, employees and customers of other storage operators in the State of Kansas. Energy Transfer joins in support of this Bill.