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**Testimony of Lane R. Palmateer  
Litigation Counsel  
Kansas Corporation Commission  
Before the  
Joint Committee on Administrative Rules and Regulations  
March 13, 2015, 12:00 pm**

Chair: Representative Sharon Schwartz  
Vice Chair: Senator Vicki Schmidt  
Ranking Minority Member: Senator Oletha Faust-Goudeau  
Room 152-S–Statehouse

Chair and members of the Committee, my name is Lane Palmateer, litigation counsel for the Kansas Corporation Commission. Today, I will provide testimony regarding several amended regulations. All of the regulations except K.A.R. 82-3-106 are being amended because of a technical error in the notice requirement. The remaining regulation, K.A.R. 82-3-106, is being amended to ensure that oil and gas wells are completed in a manner that will protect fresh and usable groundwater. First, I will provide a brief overview of the reasons for the amendments. Then, I will describe each amended regulation and will be happy to answer any questions at that time.

**I. Summary**

K.A.R. 82-3-100, 109, 203, 208, and 209 contain only a technical change. Historically, nearly all matters that came before the Commission were subject to a full evidentiary hearing. In recent years, noncontroversial matters have been granted by Commission order without the need for a hearing. Most of the Commission's regulations appropriately cite to K.A.R. 82-3-135a, which provides the notice requirements for an application. These five regulations, however, cite to K.A.R. 82-3-135, which provides the notice requirements for a hearing. K.A.R. 82-3-135 and 82-3-135a are very similar; the main difference is that K.A.R. 82-3-135a requires the operator to serve a copy of an application on nearby operators and landowners. As a matter of policy, the Commission has determined that K.A.R. 82-3-135(b)(3) and (c)(3), which require "any additional notice required by any rule, regulation or statute which applies to the hearing or is necessary to provide due process to any person whose property may be affected by the hearing," require service of a copy of the application as described in K.A.R. 82-3-135a. These amendments will clarify the regulations to match the practice, and there will be no economic impact on any party. Because the Commission now offers electronic filing through its website, the requirement of filing an original and several copies of any application has also been deleted.

K.A.R. 82-3-106 contains substantive changes that will allow the Commission to better protect fresh and usable water from potential pollution or loss from oil and gas activities. The changes to the regulation are summarized as follows:

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- Requires a borehole at least 2¼ inches larger than the surface casing, to ensure there is sufficient cement to prevent pollution. This is already a requirement in Eastern Kansas and has proven effective. This would replace the vague standard of “sufficiently larger than the surface casing to permit circulation of the cement,” which could only be determined after the borehole was drilled. The Commission considered alternatives but determined this was the clearest way of proceeding, and the 2¼-inch rule was supported by three well-respected oil and gas professionals invited by the Kansas Independent Oil and Gas Association (KIOGA). Their names are: Leon Rodak, employed by Murfin Drilling Co., Inc.; Jay Schweikert, employed by Lario Oil and Gas Company; and Carl Durr, employed by Woolsey Operating Company, LLC. Their individual opinions are not necessarily the opinions of the companies by which they are employed. In addition to allowing sufficient cement between the casing and borehole, 2¼ inches of annulus will allow one inch on either side of the casing for insertion of tubular goods to perform remedial cementing if cement does not circulate (the quarter-inch is added to account for the collar on the casing).
- Requires centralizers to be installed on the casing, to ensure the cement is evenly distributed around the casing. Centralizers are relatively inexpensive; they are basically prongs that ensure the casing stays in the middle of the borehole and does not lean one way or the other. If the casing lies against the borehole, the cement could be very thin in that area and may not protect groundwater. Discussion of this requirement, which is really a best practice already, was not met with any controversy during discussions.
- Specifically requires remedial cementing if cement does not circulate and a pressure test of the casing if the casing is perforated during remedial cementing.
- Requires operators, upon reaching total depth, to keep the rig on the well until the well has either been cased or plugged. This addresses rare instances where an operator has rigged off and procrastinated a decision on whether to complete the well or plug it, which results in a period where groundwater could be at risk.
- Streamlines references to adopted documents and greatly clarifies the regulation.
- To the extent that operators currently do not allow for 2¼ inches of cement between the metal casing or use centralizers, the amended regulation will result in additional cost when drilling a well. There will be no impact on wells that are already drilled and are currently producing. Water is an increasingly precious resource in Kansas. If water pollution occurs from inadequate cement in a well, remediation will be after the fact and will be very expensive, resulting in high costs for the operator if still in existence or otherwise to be borne by the landowner or potentially the state. The Commission believes the small economic cost associated with ensuring sufficient cement is low compared to the cost of a loss of usable water or the need for remediation in the event of pollution.

All of these regulations have been reviewed by the Commission's Oil and Gas Advisory Committee pursuant to K.S.A. 55-152. The regulations have been reviewed and approved by the Department of Administration and the Attorney General. The technical documents referenced in K.A.R. 82-3-106 are available for viewing by the public upon request, and they are located on the Commission's website as part of its regulation handbook. The Commission has published notice of these regulations in the Kansas Register (Vol. 34, No. 5, January 29, 2015) and on the Commission's website, and the public hearing will be held on April 16, 2013. The Notice of Hearing, Economic Impact Statement, and regulations have been provided to this Joint Committee and are available for viewing by the public at <http://kcc.ks.gov>.

## **II. New and Amended Regulations**

**K.A.R. 82-3-100. Applicability; exception.** The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

**K.A.R. 82-3-106. Surface casing and cement.** The proposed amendment clarifies references to incorporated documents, and it clarifies the requirements for cementing the casing in wells. The proposed amendment requires a well to be drilled 2 1/4" wider than the casing to be used, to ensure sufficient cement is installed to protect usable water and to allow remedial cementing if needed. The 2 1/4" requirement already exists in Eastern Kansas and is expanded statewide. The proposed amendment requires installation of casing centralizers, which ensure cement is evenly distributed around the casing to protect usable water. The proposed amendment requires an operator, upon reaching total depth in wells not located in Eastern Kansas, to keep the rig on the well until casing has been installed or the well has been plugged. Requiring centralizers for new wells and broadening the 2 1/4" requirement beyond Eastern Kansas will have an economic impact on an operator drilling a well, but the impact is outweighed by the private and public interest in ensuring wells are properly cemented to prevent pollution of usable groundwater.

**K.A.R. 82-3-109. Well spacing orders and basic proration orders.** The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

**K.A.R. 82-3-203. Production allowable.** The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

**K.A.R. 82-3-208. Venting or flaring of casinghead gas.** The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

**K.A.R. 82-3-209. Flaring of sour gas.** The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

Thank you for your consideration of these regulations.