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Senate Standing Committee on Utilities

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Neutral Testimony
House Bill 2231 Oil and gas; residential licensing fees
Room 548-S

Testimony provided/submitted by
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Chair Olson, Vice Chair Petersen, Ranking Minority Member Francisco and members Senate Standing Committee on Utilities, thank you for the opportunity to share testimony with you regarding this proposed statutory amendment. The Conservation Division of the Kansas Corporation Commission is currently responsible for licensing all operators of oil, gas, and Class II injection wells, including those operators who only operate a single well for the purpose of heating their residence. Although we are here as a neutral party, we are offering testimony on HB2231 because as it is currently drafted, raises several concerns which I will outline in this testimony.

Our primary concern is safety. With more wells being drilled and used, there is a greater need for operating infrastructure and more opportunities for problems. Commercial operators maintain their equipment regularly because their goal is to bring the gas to the surface to sell. This economic interest requires them to monitor these wells regularly. Likewise, utilities maintain their equipment to minimize loss and to keep the gas contained. A residential owner would likely have to contract out for someone to maintain the system for them because they will likely not possess the technical expertise to recognize mechanical problems as they arise. Additionally, natural gas from a well is odorless as opposed to that provided by utilities, which have been odorized. Without odor, this gas can be lethal to homeowners. Further, residential wells pose unique challenges because of their proximity to residences, whether that is a single home or several in an area. Each year we plug several abandoned residential wells that have become safety hazards. Most of these wells were drilled prior to our licensing requirement and our current record keeping practices, but the threat still exists with new wells as they can become too expensive to maintain or repair. Additionally, all wells in Kansas produce some saltwater. More wells producing means there will be a larger amount of saltwater to handle and dispose. The increased amount of saltwater brought to the surface increases pollution risks to usable water and surface use if handled improperly. Adding more wells to residential licenses would increase the risk of potential problems.

Another concern regards enforcement of this change. Staff would have difficulty determining how the gas is being used in any other structure. While this concern is somewhat present in the current practice, the chance for abuse or circumvention of the personal use is lessened so long as the well is only hooked up to a single dwelling. There would be almost no way to ensure the gas is only being used to heat a structure other than the residence on a property. If the gas is being used for any other purpose that could be commercial, i.e., personal business, shop, farming corp., etc., then it could be subject to severance tax. Also, commercial use of the gas relates back to the safety issues. The amount of gas that could potentially be used in a small shop or other enterprise raises concerns because this much gas would generally be provided by a regulated utility with appropriate safety protocols.

Our last concern is the potential unintended consequence of increased costs. Currently, residential licensees only pay $25.00 per year because they are heating their home and are not a full-fledged commercial operator. Every other licensee pays a financial assurance amount on top of the $100.00 license fee based on the number and depth of wells for which they are responsible. This amount goes into the well plugging assurance fund to plug abandoned wells drilled after 1996. After an operator achieves and maintains three years of satisfactory operations, the annual amount drops to $100.00. Currently residential operators do not pay any financial assurance because they only have one well and it is limited to heating their residence. This change would likely make it more expensive to residential licensees because they would have to start paying financial assurance like the commercial operators. With more wells being drilled, there is a greater chance for them to become abandoned and a greater chance the landowner lacks the resources necessary to plug them safely. Paying financial assurance would help offset some of the costs the state would incur in plugging these wells.

Thank you for allowing me the opportunity to express these concerns with you today. I will be happy to answer any questions you may have.