Approved April 20, 1983
Date

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources.

The meeting was called to order by Representative David J. Heinemann at
Chairperson

3:30 ~~a.m.~~/p.m. on February 7, 1983 in room 519-S of the Capitol.

All members were present except:

Representative Ben Foster (excused)

Committee staff present:

Ramon Powers, Research Department
Theresa Kiernan, Revisor of Statutes' Office
La Nelle Frey, Secretary to the Committee

Conferees appearing before the committee:

Representative Keith Farrar.
Eugene Shore.
Ed Peterson, assistant general counsel, Kansas Corporation Commission.
Richard Brewster, Standard Oil Company of Indiana (Amoco).
Donald Schnacke, Kansas Independent Oil and Gas Association.
Robert Anderson, Kansas-Nebraska Natural Gas Company.

HB 2123 - An act relating to natural gas; prescribing a maximum price for first sales thereof to agricultural users.

Representative Keith Farrar, key sponsor of HB 2123, testified in support of the proposed legislation. He said that passage of the bill would establish a maximum price on irrigation gas, rather than having the price escalate to the higher "stripper well" rate, if and when a gas well is classified as a stripper well. He emphasized that it would not freeze gas prices, but would keep irrigators from being "priced out of the market" for natural gas necessary to operate their irrigation equipment.

Eugene Shore, testifying on his own behalf and for the Southwest Irrigation Association, said he supported passage of HB 2123. He stated that, as a Southwest Kansas farmer, he uses natural gas as irrigation engine fuel and relies on irrigation for agricultural production. He noted that a gas well from which he receives irrigation fuel had been reclassified as a stripper well and the reclassification had caused a substantial increase in the price of his fuel. He said this increase in fuel cost affects agricultural production by pricing irrigators out of the market for irrigation gas, a problem he thought the Natural Gas Policy Act of 1978 had provided for when it made specific provisions for first sale uses of natural gas (see attachment 1).

Ed Peterson, assistant general counsel for the Kansas Corporation Commission (KCC), voiced support for the concept of HB 2123. He said he thought passage of the bill would allow the state to exercise more control over the sale of gas prices in the state. He noted there were possibly a couple of technical problems with the bill. He stated he believes the intent of the bill is to make the maximum lawful price effective for sales made after the bill becomes law, but as Section Three is currently worded, he interprets it as applying retroactively to December 1978 which would put a number of producers into a refund posture. He proposed that the bill be amended so the maximum lawful price for the month after the bill becomes law will be the base price multiplied by the sum of monthly equivalents of the annual inflation adjustment factors allowed under the Natural Gas Policy Act of 1978 (see attachment 2).

Richard Brewster, appearing before the committee on behalf of Amoco Production Company, testified in opposition to HB 2123. He said that Amoco sells part of its gas production from 471 wells in Southwest Kansas to farmers for use in powering irrigation pumps. Of those 471 wells, 28 are currently classified as stripper wells and would be affected by passage of HB 2123, plus any other irrigation wells reclassified as strippers in the future. He stated that the Natural Gas Policy Act of 1978 established rules by which a well is, or is not classified as a stripper well, with the primary reason for establishment of the stripper price category being to prevent premature abandonment of wells capable of producing only very low rates of natural gas. He said he believes that enactment of HB 2123 would be a reversal of that policy determination made by Congress in 1978, and would be inconsistent with the goal of maintaining production from these low-producing wells. He said royalty owners also would be affected by passage of HB 2123, in that, it would roll back the price being used as the basis for royalty payments (see attachment 3).

Donald Schnacke, Kansas Independent Oil and Gas Association, testified in opposition to HB 2123. He said the bill is contrary to national and state conservation energy policies established under the Natural Gas Policy Act of 1978. He said he believes passage of HB 2123 would tend to discourage rather than encourage producers to keep gas wells going (see attachment 4).

Robert Anderson, representing Kansas-Nebraska Natural Gas Company, offered brief comments regarding HB 2123. He said natural gas was the cheapest way to irrigate, and he wondered if this bill would be helping irrigators.

A brief discussion period followed each presentation of testimony on HB 2123.

There being no further business to come before the committee, the meeting adjourned at 4:45 p.m.

The next meeting of the committee will be held February 8, 1983.

Rep. David J. Heinemann, Chairman

Date February 7, 1983

GUESTS

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

NAME	ADDRESS	ORGANIZATION
Eugene Shore	Johnson, Ks.	
E. R. Brewster	Topeka, Ks.	Standard Oil Co.
Walter Dunn	✓ ✓	EKOGA
Ross Martin	"	Ks Petroleum Council
Don Willoughby	"	InterNorth, Inc.
Patricia Parham	Topeka	KCC
Ed Peterson	Topeka	KCC

I AM EUGENE SHORE, I LIVE AND FARM IN STANTON AND MORTON COUNTIES, NEAR JOHNSON, KANSAS. THE TESTIMONY I GIVE TODAY WILL BE FOR THE SOUTHWEST IRRIGATION ASSOCIATION, AND FOR ME AS AN INDIVIDUAL.

I WANT TO TESTIFY IN FAVOR OF HB 2123.

IN APRIL , 1979 I RECEIVED A NOTICE JUST PRIOR TO PLANTING THAT THE GAS WELL I RECEIVED MY IRRIGATION GAS FROM WAS BEING RECLASSIFIED AS A STRIPPER WELL, AND THE PRICE OF MY IRRIGATION FUEL WOULD INCREASE ABOUT 800 PERCENT(EXHIBIT A, PARA 2). I COULD CANCEL MY CONTRACT AND MAKE OTHER ARRANGEMENTS FOR FUEL IF I DIDN'T AGREE TO THE PRICE CHANGE. THERE WAS NOT A HEARING, NEGOTIATION, OR APPEAL, JUST A FACTUAL LETTER. I HAD ALREADY PREPARED THE SEEDBED, FERTILIZED, AND PREWATERED FOR CORN. AS NEAR AS I COULD ESTIMATE, THIS INCREASE WAS EQUAL TO 20 TO 30 PERCENT OF THE EXPECTED GROSS INCOME. I PLANTED PRE-WATERED MILO WHICH YIELDED 60 BU. PER ACRE, AND HAD THE INPUT COSTS OF FULL IRRIGATED CORN. THE FOLLOWING FALL I RECEIVED NOTICE THAT THE SAME WELL WAS NO LONGER A STRIPPER, BUT COULD BECOME ONE ON A ONE MONTH NOTICE BECAUSE OF THE PRODUCTION DURING THE PRIOR SIX MONTHS. THE PRICE I PAY IS APPARENTLY LEFT UP TO THE GAS COMPANY TO DETERMINE, (EXHIBIT A PARA 3.). THIS UNCERTAINTY MAKES PLANNING IMPOSSIBLE ON FARMLAND ALREADY DEVELOPED FOR IRRIGATION.

THE PRIMARY CRITERIA FOR STRIPPER WELL CLASSIFICATION IS PRODUCTION OF 60 MCF PER DAY OR LESS. MANY THINGS CAN DETERMINE THE PRODUCTION FROM A GAS WELL, THE PRESSURE IN THE GATHERING LINE, THE FLUID LEVEL IN THE WELL, EVEN THE AMOUNT THE VALVE IS OPENED. MANY OF THESE LOW PRODUCING WELLS ARE OLD WELLS DEVELOPED IN THE 1940'S AND HAVE HAD LITTLE OR NO MAINTENANCE TO ENHANCE THE PRODUCTION.

AT THE PRESSURE WHICH WE TAKE OUR IRRIGATION GAS,(30 TO 40 PSI), THESE WELLS ARE CAPABLE OF PRODUCING MANY TIMES THE 60 MCF REQUIRED TO MAKE THE WELL INELGIBLE FOR THE STRIPPER CLASSIFICATION. THE SAME WELL WHEN PLACED IN PRODUCTION IN A GATHERING PIPELINE MAY ENCOUNTER PRESSURE MAKING IT ALMOST IMPOSSIBLE TO PRODUCE,ESPECIALLY IN PERIODS OF LOW DEMAND WHEN PIPELINES ARE FULL. MY POINT IS MANY ARTIFICIAL FACTORS DETERMINE WHETHER A WELL IS OR IS NOT A STRIPPER WELL DEMANDING THE HIGHER PRICE.

An average irrigation engine in my area of Kansas uses about 30 MCF of natural gas per day, or about half the amount required to classify a gas well not a stripper. I have calculated that by using or wasting gas, so the 60 MCF was always used I could keep the old gas price and save 40% on my irrigation gas bill; 60 MCF x 365days = 21,900 MCF x.45 = $9,355.00

30 MCF x 150days = 4,500 MCF x 3.40 = $15, 300.00.

It is interesting to note that last year these prices were .43 for old gas and 3.21 for stripper gas. The incremental price increase uses the same multiplier for 3.40 gas that it uses for .45 gas, therefore the stripper gas increased in price by 19¢ while the old gas increased by 2¢ in a year.

Exhibit B compares a 1978 gas bill with a 1982 gas bill on the same well using the old gas price. In 1978 I used 918 MCF which cost $270.31 or about 30¢ per MCF, In 1982 I used 1,245 MCF which cost $563.99 or 45¢ per MCF.

Exhibit C compares a 1978 gas bill with a 1982 gas bill using the stripper gas price. In 1978 I used 2,383 MCF which cost $702.99 or 30 ¢ per MCF. In 1982 I used 2,172 MCF which cost $7,391.32, or $3.40 per MCF. To my knowledge not one cent has been spent to maintain or enhance production from this well. The meter charge you see on the gas bill is what I paid for Amoco to read and service the meter and send the bill. This charge has been changed to $100.00 per year with a separate billing statement.

I offer this background to the enormous problem this causes me as an individual irrigator for what is an extremely small use of the natural gas produced in Kansas and used in Kansas. I also believe this is the reason the 1978 Natural Gas Policy Act makes the specific provisions for first sale uses of natural gas. HB2123 gives the Kansas Corporation Commission the authority to carry out provisions provided for in the Natural Gas Policy Act of 1978. It will allow these small users of gas to pay the same price they would pay if the wells produced 60 MCF or more per day when on pipeline production. I want to emphasize that the gas is from old shallow Hugoton wells which were paid for with 6¢ to 12¢ per MCF gas and agricultural users now would be paying 45¢ per MCF plus a monthly increase. The irrigation customer

PAYS FOR THE METER AND THE INSTALLATION, HE PAYS FOR HIS GAS LINE FROM THE METER TO HIS IRRIGATION WELL, AND EVEN PAYS FOR THE GAS COMPANY TO READ THE METER AND SEND HIM THE BILL. ANY LEAKS ARE HIS RESPONSIBILITY AND HE HAS TO PAY FOR THEM. THE PRODUCERS ARE NOT BEING ASKED TO SELL AT A LOSS. THE FACT THAT THE WELLS PRODUCE MUCH MORE GAS AT THE 30 TO 40 PSI WE CAN TAKE THE GAS AT, RATHER THAN THE HIGHER PRESSURES OF A PIPELINE PRODUCTION WOULD MAKE GAS SOLD UNDER T HESE PROVISIONS A BONUS TO THE GAS COMPANIES SINCE VERY LITTLE WILL BE USED AT THE STRIPPER PRICE.

MUCH OF KANSAS AGRICULTURE CENTERS AROUND THIS SMALL AMOUNT OF GAS, AND IS THREATENED BY BEING PRICED OUT OF THE MARKET. NOT ONLY IS KANSAS AGRICULTURE DEPENDENT UPON AFFORDABLE GAS BUT FEEDLOTS, PACKING PLANTS AND OTHER RELATED INDUSTRIES DEPEND UPON IRRIGATORS PRODUCING AN AMPLE FEED GRAIN SUPPLY.

I FEEL HB 2123 SHOULD PASS TO ALLOW KANSAS USERS A BREAK ON THIS SMALL AMOUNT OF NATURAL GAS AS PROVIDED FOR IN THE 1978 NATURAL GAS POLICY ACT, TO INSURE KANSAS AGRICULTURAL USERS CAN PRODUCE COMPETIVELY. THE NATURAL GAS AND GOOD SUPPLY OF GROUND-WATER SHOULD BE USED AS A KANSAS ADVANTAGE IN AGRICULTURE, JUST AS THE SUMMER RAIN AND THE HUMID GROWING SEASON GIVE AN ADVANTAGE TO THE FARMER IN THE CORN BELT.

Exhibit A

Amoco Production Company
P.O. Box 432
Liberal, KS 67901

May 23, 1980

Mr. W. L. Morgan
Tulsa, Oklahoma

File: CEM-796-993.3

Irrigation Gas Purchases
Israel G.U. No. 1
Parks G.U. "A" No. 1
Reece G.U. No. 1

This letter is in reference to your letter dated May 19, 1980, in regards to the stripper gas prices charged for gas consumed from the above wells by Eugene Shore, John Shore and John & Ione Shore.

A review of our records indicate Mr. Shore was advised during April 1979 that the above wells were classified as stripper gas wells and the price for irrigation gas would increase to the price per the NGPA of 1978 effective April 1, 1979 and would escalate in price each month thereafter.

The Parks G.U. "A" No. 1 was removed from the stripper gas well classification October 1, 1979 and the Israel G.U. No. 1, removed February 1, 1979. The Reece G.U. No. 1 is still classified as a stripper gas well. (see copies of our correspondence to Mr. Shore attached).

We note that in accordance with our instructions to Mr. Calonkey on the bottom of our letter dated November 5, 1979, Mr. Shore should be due a reduction for the amount charged for the third quarter of 1979 for the September 1979 billing on the Israel G.U. No. 1, Invoice No. 1010200.

To our knowledge no one in this office advised Mr. Shore that his invoices would be reduced, other than what we told him in our letters. (copies attached)

Each time a well is classified to a stripper gas well, we advise the purchasers of irrigation gas, and give them three months before the increased price is effective. When a well is removed from the stripper gas well classification, we advise the irrigation gas purchasers and tell them the gas price has been lowered to the current price per the NGPA Act of 1978, and the effective date of removal.

We consider this account to be correct and payable, after you make an adjustment to Invoice No. 101020 on the Israel G.U. No. 1.

R. A. Sheppard
sm

SDS/sdb

Exhibit B

Invoice

Amoco Production Company

Tax ID No. 73-0466080

750441008

OCT 30 19 78

Invoice No. 1010386

Please show this number on your remittance and mail payment to address designated on back of this invoice or attachment.

EUGENE L SHORE
RURAL ROUTE 2
JOHNSON, KANSAS, 67855

Terms: Net Cash
Payable on Receipt
of Invoice

Reference 29-60-210551-60-2 We Today DEBIT Your Account as Follows:

GAS FURNISHED FOR IRRIGATION FROM MAXEDON GAS UNIT FOR QUARTER ENDING:			
SEPTEMBER 1978 918	270.81		
			270.81

Form 1046 May 78

Invoice

Amoco Production Company

Tax ID No. 73-0466080

750441024

JAN 30 1983

Invoice No. 0110386

Please show this number on your remittance and mail payment to address designated on back of this invoice or attachment.

EUGENE L SHORE
RURAL ROUTE 2
JOHNSON, KS, 67855

Terms: Net Cash
Payable on Receipt
of Invoice

Reference 20-60-210551-60-2 We Today DEBIT Your Account as Follows:

GAS FURNISHED FOR IRRIGATION FROM MAXEDON GAS UNIT FOR QUARTER ENDING:			
DECEMBER 1982 1,245	563.99		
			563.99

Form 1046 May 78

Exhibit C

Invoice

Amoco Production Company

Tax ID No. 73-0466080

617180013

OCT 30 19 78

Invoice No. 1010604

Please show this number on your remittance and mail payment to address designated on back of this invoice or attachment.

JOHN SHORE
C/O EUGENE SHORE
R R
JOHNSON, KANSAS, 67855

Terms: Net Cash
Payable on Receipt
of Invoice

Reference [illegible] We Today DEBIT Your Account as Follows:

GAS FURNISHED FOR IRRIGATION FROM [illegible] GAS UNIT FOR QUARTER ENDING:			
SEPTEMBER 1978	2.383	702.99	
METER SERVICE CHARGE		23.83	
			726.82

Form 1046 May [illegible]

Invoice

Amoco Production Company

Tax ID No. 73-0466080

617180013

OCT 30 19 82

Invoice No. 1010604

Please show this number on your remittance and mail payment to address designated on back of this invoice or attachment.

JOHN SHORE
C/O EUGENE SHORE
R R 2
JOHNSON, KANSAS, 67855

Terms: Net Cash
Payable on Receipt
of Invoice

Reference [illegible] We Today DEBIT Your Account as Follows:

GAS FURNISHED FOR IRRIGATION FROM [illegible] GAS UNIT FOR QUARTER ENDING:			
SEPTEMBER 1982	2.172	7,391.32	
			7,391.32

Form 1046 May 78

Attachment 2
2-07-83 House Energy and
Natural Resources

ATTACHMENT 2

HOUSE BILL No. 2123

By Representatives Farrar, Guldner, Moomaw, Shelor and Sughrue

1-26

AN ACT relating to natural gas; prescribing a maximum price for first sales thereof to agricultural users.

Be it enacted by the Legislature of the State of Kansas:

Section 1. This act may be cited as the "Kansas natural gas price protection act of 1983."

Sec. 2. For the purposes of this act:

(a) "First sale" means a first sale as that term is defined in 15 U.S.C. 3301(21).

(b) "Agricultural use" means an agricultural use as that term is defined in 15 U.S.C. 3346.

(c) "Natural gas policy act of 1978" means 15 U.S.C. 3301 to 3432, inclusive.

Sec. 3. In any case where the purchaser of natural gas in a first sale utilizes that natural gas for an agricultural use, the maximum lawful price per million BTU for each month shall have a base price equal to the contract price, per million BTU for such natural gas applicable on the day before the date of enactment of the natural gas policy act of 1978. In the case of any month thereafter, the maximum lawful price shall be the maximum lawful price per million BTU, prescribed under this subsection, for the preceding month, multiplied by the monthly equivalent of the annual inflation adjustment factor applicable for such month as determined by section 3311 of the natural gas policy act of 1978, and as computed and published by the federal energy regulatory commission.

The maximum lawful price for the first full month following the passage of this act shall be the base price multiplied by the sum of monthly equivalents of the annual inflation adjustment factors previously determined under section 3311 of the natural gas policy act of 1978.

Sec. 4. Jurisdiction to implement and enforce the provisions of this act is hereby conferred on the state corporation commission of Kansas. The commission may adopt necessary rules and

February 7, 1983

House Committee on Energy and Natural Resources
Kansas Capitol Building
Topeka, Kansas

H.B. 2123

Mr. Chairman, Members of the Committee, my name is Dick Brewster. I am Government Affairs Representative for Standard Oil Company (Indiana), and appear today on behalf of Amoco Production Company, a wholly-owned subsidiary of Standard.

Amoco Production Company (Amoco) produces natural gas from over 1300 wells in the Hugoton Field in Southwestern Kansas. All gas is sold at the wellhead with more than 87% being sold to Northwest Central Pipeline Corp.(formerly Cities Service) in interstate commerce. Most of the gas sold to Northwest is delivered to Amoco's gas processing plant at Ulysses, Kansas through gathering lines owned by Northwest. At Ulysses, liquids in the gas are removed by Amoco and the gas is redelivered to Northwest.

Amoco sells part of its gas production from ~~450~~ 471 wells to farmers in the Hugoton field for use in powering irrigation pumps. This gas is sold pursuant to separate contracts to persons farming land upon which Amoco's gas producing wells are located. These separate contracts have always provided that these irrigation sales are made as an accommodation to the farmer, who may or may not own the mineral interest, who may or may not own the surface and who may be simply a tenant. And, the contracts have always provided for a price equal to the price that Amoco would otherwise receive from its permanent purchaser.

It is pertinent to note that of the 471 wells from which irrigation gas is sold, only 28 wells are classified as stripper wells.

In the case of Amoco, H.B. 2123 is directed at the 471 wells from which irrigation gas is sold. More importantly, this measure will affect only the price of gas sold from 28 of those wells now classified as stripper wells and from any of the other 443 irrigation wells reclassified as strippers in the future. Amoco is opposed to enactment of H.B. 2123.

H.B. 2123 is an attempt to roll back the price for all irrigation gas to the prices charged in November, 1978, with an inflation factor added in.

Clearly, the intent of the supporters of this bill is to prevent producers such as Amoco from charging the higher "stripper price" to the irrigation farmer if and when a well is reclassified as a stripper well.

The price Amoco receives for its gas is determined by the Natural Gas Policy Act of 1978 (NGPA). The NGPA also has established rules by which a well is, or is not, classified as a stripper. The non-stripper price for much of our gas is about 47 cents per million Btu (MMBtu). This price for natural gas is equal to about 7.4 per gallon for gasoline, 4.4 per gallon for propane, and 6.7 per gallon for diesel fuel, in terms of energy cost per unit. The stripper well price of $3.37 per MMBtu at the present time, is equivalent to a gasoline price of about 51 cents per gallon, 31¢ per gallon for propane and about 48¢ per gallon for diesel.

I should point out that the primary reason the stripper price category was established was to prevent the premature abandonment of wells capable of producing only very low rates of natural gas. As a well's production declines, the producer's income declines. These marginal or stripper wells can be economically produced for a longer period if the price is $3.37 per MMBtu instead of the non-stripper price of 47 cents per MMBtu.

The Congress recognized the validity of these observations in enacting the NGPA. This Legislature also recognized the validity of these observations in enacting the price protection act in 1978. K.S.A. 55-1402 defines stripper well, and K.S.A. 55-1405 excepts strippers from the price control provisions of the act. We suggest that enactment of this proposal would be a reversal of that policy determination made by the Congress and the Legislature in 1978, and would be inconsistent with the goal of maintaining production from these low producing wells.

As you are well aware, the mineral owner who receives royalty payments from the producer may not be the surface owner. This may be true whether the surface owner is farming his land, or renting it out to a tenant. Passage of H.B. 2123 would roll back the price being used as the basis for royalty payments on these stripper wells, thereby penalizing royalty owners whose wells are marginally producing, and force both the royalty owner and the producer to subsidize a small number of irrigation farmers. In the case of a stripper well, royalty settlements under H.B. 2123 could be as low as 15% of the settlement without this bill --- 47 cents per MMBtu v. $3.37 per MMBtu.

The above arguements assume that this bill will accomplish its purpose, to reduce the price of agricultural gas to those relatively few farm operators whose gas supplies come from wells which have been reclassified as stripper wells. I have very serious doubts as to whether this bill will accomplish the goal of making available to the Kansas farmer less expensive gas for agricultural use. In fact, common sense tells me that the bill may make agricultural gas unavailable to the irrigation farmer.

Under this bill, producers operating stripper wells have a choice. They can sell gas to the irrigation farm operator at the low price set out in the bill, or they can decline to sell this gas to the farmer. If they take the latter course, the gas will be sold to the interstate pipeline at the stripper price. Why would a producer sell his gas at 47 cents when he could sell it at $3.37. It must be kept in mind that most contracts to supply irrigation gas to farmers contain language allowing either party to cancel the contract, without cause, and upon 30 days written notice, 60 days in some cases. So, with this legislation in place, the farmer whose well has become a stripper may well be faced with the prospect of turning to alternate higher priced fuels or stopping his irrigation altogether. This bill deprives him of the third alternative he has now, to purchase gas at the stripper price, equal to 31¢ per gallon propane, 51¢ gasoline or 48¢ diesel, the same price paid by the interstate pipeline for this gas, and avoid the high costs of converting his pump motors to alternate fuels, and the higher cost of those fuels. He cannot, after all, purchase gasoline for 51¢, propane for 31¢ or diesel for 48¢. I would suggest that the irrigation farmer might well want to preserve this third option, but you represent him and must decide what is best for him.

Amoco is not unmindful of the difficulties faced by farmers in Kansas and elsewhere. However, their problem is no different than the problem facing all Kansans and other Americans with regard to energy costs. The problem does not lie with the producers of stripper well natural gas. Rather, the problem is the result of nearly 30 years of regulatory controls which have maintained an artificially low price for natural gas which consumers have become accustomed to paying.

The solution to the problem does not lie with the enactment of H.B. 2123 which would put natural gas irrigation prices at the equivalent of 8 cent per gallon gasoline. The solution, instead, lies with a bullet-biting enlightened decision to gradually decontrol the price of all natural gas. Such a decision, in the long run, will provide equity for all users of this precious fuel.

Thank you, Mr. Chairman and members of the Committee, for your time and attention. I'll be glad to try and answer any questions you might have.

E. R. Brewster

ERB

KIOGA

KANSAS INDEPENDENT OIL & GAS ASSOCIATION

500 BROADWAY PLAZA • WICHITA, KANSAS 67202 • (316) 263-7297

Attachment 4

February 7, 1983
House Energy and
Natural Resources

To: House Energy & Natural Resourses Committee

Re: HB 2123 Maximum Price for
1st Sale for Agricultural Use.

We oppose this bill for several reasons---

The thrust of the bill is to cancel all gas contract price amendments and escalations since 1978. It could revert back to 20¢ gas.

Producer would have to pay royalty based on "market price" under "market value" cases. See Light Cap vs. Mobil. Royalty would be getting gas at a cheaper price than he is reveiving royalty.

Our biggest complaint is that this bill runs contrary to national and state conservation energy policies. Wells would become uneconomic sooner and plugging will accelerate.

Donald P. Schnacke

ATTACHMENT 4