

MINUTES OF THE Senate COMMITTEE ON Energy and Natural Resources

The meeting was called to order by Senator Charlie L. Angell at
Chairperson

8:00 a.m./~~p.m.~~ on Wednesday, February 16, 1983 in room 123-S of the Capitol.

All members were present except:
Senator Paul Hess

Committee staff present:
Ramon Powers, Research Department
Don Hayward, Revisor's Office
LaVonne Mumert, Secretary to the Committee

Conferees appearing before the committee:
Representative Keith Farrar
Dr. William W. Hambleton, Kansas Geological Survey
Bill Hanzlick, Fish and Game Commission
William R. Kauffman, Board of Regents
Mark Beshears, Department of Revenue
Arthur E. Schumann, Department of Social and Rehabilitation Services

The minutes of the February 15, 1983 meeting were approved.

S.B. 20 - Mineral production leases on state real property, requiring state agencies to give information to state geological survey

S.B. 21 - Mineral production leases on state-owned real property, prescribing powers and duties of state geologist

Ramon Powers explained these bills were the result of the Interim Committee on Ways and Means. The committee was directed to assemble information on leasing arrangements and on federal and state owned lands in Kansas under Proposal No. 33. The federal government owns 1.39% of the land of the State of Kansas. In the late 1980's many of the mineral interests leased by the federal government will revert from private individuals to the federal government. The federal government will receive 75% of the revenue under these leases and the county 25%.

Representative Keith Farrar said the interim committee came up with 36 state agencies who have some type of leasing practices. This committee felt that there was really no coordination or central agency keeping track of this area. It was felt there could have been considerable more income to the state on some leases by state agencies if more research on the worth of the land had been done. Representative Farrar said that S.B. 21 would provide for a central agency to do the leasing. S.B. 20 would provide that all the information about leases involving state agencies would go to the Kansas Geological Survey (KGS). He said, as far as he is concerned, there is no question that there should be better coordination of leasing information as provided by S.B. 20. In choosing KGS as the agency to have the prime responsibility for leasing, Representative Farrar said the interim committee considered several agencies but felt KGS would be able to make a more knowledgeable approach to whether or not a lease should be allowed in the interests of the state as a whole. Answering a question from Chairman Angell, Representative Farrar said that S.B. 21 provides that KGS would handle leasing of the mineral rights but the individual state agencies would continue to handle leasing of the land. Senator Kerr asked about the provisions of S.B. 21 that the monies generated would go to the state treasury. Representative Farrar said it was decided that if there was going to be uniform leasing, then perhaps the revenues should go to the state fund. The position of the interim committee is reflected in the minutes of their meetings.

Dr. William W. Hambleton read his written testimony (Attachment 1). He said they have no objection to S.B. 20 but are concerned about the appropriateness of assigning the responsibility of being the central leasing agency to KGS. He feels such a responsibility would be a detriment to the Survey's basic research and analysis functions. Dr. Hambleton is concerned about the Survey as an academic institution taking on a regulatory function as well as it being a mineral leasing authority over the state agency under which it functions. Dr. Hambleton said the staff of KGS is not experienced in leasing practices. He mentioned the Conservation Division of the U. S. Geological Survey as being an example of what happens when a research organization attempts to regulate. Dr. Hambleton briefly

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Energy and Natural Resources,

room 123-S, Statehouse, at 8:00 a.m./~~PM~~ on Wednesday, February 16, 1983

described how the state of Colorado handles leasing of state lands. He went on to urge the Committee's support for energy information integration. He noted that it does not seem to make much sense to separate the functions of S.B. 20 and 21. Senator Roitz asked him for any suggestions as to what state agency would be most appropriate for this responsibility. Dr. Hambleton answered he did not really have any suggestions other than the fact that the Department of Administration probably has the most experience with contract negotiations.

Bill Hanzlick testified they have no problem with S.B. 20 but oppose S.B. 21 as it is written. The Fish and Game Commission uses federal aid funds from federal excise taxes. S.B. 21 would jeopardize their portion of these funds as explained in a letter from John D. Green to Mr. Hanzlick (Attachment 2). The Commission must control the leasing of their lands in order to be eligible for these funds. Mr. Hanzlick gave a description of their four mineral leases now in effect. He said exploration can be detrimental to the land. He said these lands were purchased by sportsmen, and he does not feel it is just for the revenue derived from these lands to go to the state fund. Answering a question from Senator Feleciano, Mr. Hanzlick said decisions whether to lease or explore are made by the five-member commission of the Kansas Fish and Game Commission.

William R. Kauffman summarized his written testimony (Attachment 3). They oppose Kansas Geological Survey being the agency responsible for leasing because they do not feel a research function should be changed into an administrative agency. They also question whether KGS should decide what land is appropriate for leasing. They feel the state agency involved should give its permission before a lease is entered into. Further, they feel that the state educational institution leasing the property should receive the benefits of that lease.

Mark Beshears said the Department of Revenue is responsible for the oil, gas, sand and gravel on the Arkansas River, Kansas River and west bank of the Missouri River. His agency is in support of the concept of one central agency but has doubts that KGS is the appropriate agency. They also see no need for a special fund for the sale of timber and hay.

Arthur E. Schumann distributed his written testimony (Attachment 4) and said they are not really opposed to S.B. 20 or 21. He pointed out that S.B. 20 would cause additional paperwork. If S.B. 21 were passed, it would be necessary for additional funding for Winfield State Hospital. Mr. Schumann suggested S.B. 21 contain provisions for patient safety as is presently set forth in his agency's rules and regulations and also contain provisions to protect farm leases from unreimbursed damages.

The meeting was adjourned at 8:59 a.m. by the Chairman.

The next meeting of the Committee will be at 8:00 a.m. on February 17, 1983.

Senate Energy + Natural Resources

Feb. 16, 1983

<u>Name</u>	<u>Organization</u>
M. Beshears	Revenue
Bill Kaufman	KS Board of Parks
Carol Zarley	Ks. Geol. Survey
Dale BAJEMA	KS GEOL SURVEY
Gene Bruhn	Kansas Fish & Game
William W. Hambleton	Ks. Geol. Survey
Dr. Gerald F. Hannah	BRS/MHRS
Arthur Schumann	SRS
Bill HANZlick	Fish & GAME
A P Smar	" "
Don Schuckler	KIOGA
D.B. Dallam	Division of Budget

TESTIMONY BEFORE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
REGARDING S.B. 20 AND 21

by William W. Hambleton, Director of the Kansas Geological Survey
and State Geologist

February 8, 1983

I am very sympathetic to the intent of S.B. 20 and 21 to consolidate the leasing of all State mineral lands and the record keeping thereof in one office. Additionally, the bills provide opportunity for promoting the mineral leasing of State lands where appropriate, and the verification or auditing of production in order to assure that Kansas is receiving its appropriate share of royalty income. My recent visit with the Colorado Land Commission, which has responsibility for leasing 4 million acres in Colorado, convinces me that Kansas would benefit from a single point of leasing and reporting. This kind of practice is prevalent throughout the western states to the extent that a Western States Land Association coordinates information about such activities and provides model legislation.

However, I am concerned about the appropriateness of assigning this responsibility to the Kansas Geological Survey (State Geologist), for the following reasons:

(1) The Kansas Geological Survey has a long (since 1864) and productive history of providing research, analysis, and information about the resources of Kansas. With only a mild blush, I report to you that the KGS is nationally and internationally known as one of the very best geological surveys in the United States. This standing is due, at least in part, to the fact that the Kansas Legislature has never thrust regulatory responsibility upon us. To put it another way, those state geological surveys with regulatory responsibilities have grown greatly in recent years, but their capability to provide outstanding research and service has diminished. Quite candidly, I wish to avoid growth at this cost.

(2) The Kansas Geological Survey is a Division of The University of Kansas, an academic institution falling within the purview of the Board of Regents. I am greatly concerned that a part of an academic institution should take on a regulatory function, and I believe that the matter should give this Committee pause. Additionally, the Kansas Geological Survey would become an independent mineral-leasing authority for the State Agency to which it reports.

(3) To the best of my knowledge, no professional member of the Kansas Geological Survey staff has leasing experience. In fact, most of our staff members were sought because of their research capability, and have little orientation to a regulatory environment. The Kansas Geological Survey could, very appropriately, provide geological evaluation of State lands.

Atch. 1

(4) Finally, the experience of the Conservation Division of the U.S. Geological Survey is instructive. This agency, until recently, had responsibility for certain evaluation, leasing, and royalty auditing on all U.S. off-shore lands. The functions were transferred to a new Minerals Management Service, external to the U.S. Geological Survey, following a task force report that these matters were in disarray because the U.S. Geological Survey, a research organization, did not have an appropriate orientation to the regulatory function. Perhaps Kansas would be wise not to repeat this mistake.

I would like to bring two other matters to your attention. First, I was the guest of Rowena Rogers, Colorado Land Commissioner on January 19. I learned that Colorado has a single office for leasing matters for 4 million acres of State lands. Interestingly, the Commission operates without rules and regulations for these rules and regulations are incorporated in the mineral leases. Leases are identified by nomination, and are auctioned on a bonus basis, with additional annual rental of \$1 per acre, and a state royalty interest of 12.5 percent. I witnessed one of the auctions, and saw the State of Colorado gain \$182,000 from bonus and rentals in one-half hour. I also learned that gas leases are a particular problem for Colorado because the Commission must review gas contracts with complex pricing structures in order to determine whether the State is receiving its fair royalty interest.

My second point relates both to the problems and opportunities for Kansas that relate to the need for an integrated energy information system. At the present time, the Kansas Corporation Commission, Conservation Division, is responsible for information about oil and gas wells and production. Senate Bill 20 would confer a similar responsibility upon the Kansas Geological Survey for information concerning leases, royalties, revenue, production, and other appropriate information. If the Legislature passes a severance tax on oil and gas, the Department of Revenue will be greatly concerned with similar information, and the need for verification and audit of production, along with concern for the price basis for revenue computations. A meeting has been scheduled for February 7 by Carol Larson, Director of the Conservation Division of the Corporation Commission, to review the possibilities for further improvement of our energy information system. I applaud her enterprise in this matter, and urge your strong support as the need for information integration becomes more critical with new legislative initiatives.



United States Department of the Interior
FISH AND WILDLIFE SERVICE

MAILING ADDRESS:
Post Office Box 25486
Denver Federal Center
Denver, Colorado 80225

STREET LOCATION:
134 Union Blvd.
Lakewood, Colorado 80228

IN REPLY REFER TO:

FA/Admin.
KS-30

JAN 21 1983

William Hanzlick, Director
Kansas Fish and Game Commission
Route 2, Box 54A
Pratt, KS 67124

Dear Mr. Hanzlick:

We have received Mr. Gasswint's December 23, 1982, letter transmitting for review two proposed State mineral leasing bills (Senate Bill No. 20 and Senate Bill No. 21) giving mineral information and leasing authority to the State geologist.

In our opinion, there is potential for problems relative to Federal Aid Rules and Regulations, Sections 80.4 and 80.14, as we do not know how far the safeguards in Section 3(c) and Section 5 would go. There are questions of administrative control as well as loss of funds (license or income) connected with Federal Aid acquired lands and license funded lands.

Under program Rules and Regulations, Section 80.4, the fish and wildlife agency must retain control over all license revenue and lands (capital assets) acquired with license funds to avoid a diversion situation. Minerals are considered a capital asset as they are real property and obviously connected with the lands involved. To avoid a diversion situation, the fish and wildlife agency would have to assure that fish and wildlife management objectives would not be compromised by mineral development. The fish and wildlife agency must retain the control authority over any leasing program to assure compatibility with agency purposes. If leasing or sale, etc., was allowed by the fish and wildlife agency, all income generated from license-funded lands would have to be retained for administration of the fish and wildlife agency. If mineral income from or control over license-funded lands were lost by the fish and wildlife agency, a diversion situation would occur.

Under Rules and Regulations, Section 80.14, you will find the specific coverage on Federal Aid acquired real property (lands and minerals, etc.). Again, management control must be retained by the fish and wildlife agency. If Federal Aid acquired or constructed real property is lost or used for purposes that are not compatible with project objectives, then lands and facilities must be replaced or returned to your control. Noncompatible activities must cease and adverse effects remedied. Also, on Federal Aid acquired lands where Federal Aid funding

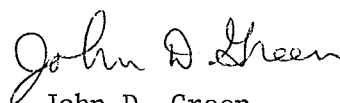
Atch. 2

included mineral rights, etc., if leasing or sale occurs, funds generated must be treated as program income. Program income must be credited to the appropriate Federal Aid program or used to further eligible and approved activities for the Federal Aid program involved.

If the proposed bills operate in line with the above, we could accept the safeguards mentioned earlier as adequate. If the bills do not encompass the above concerns, you have the potential for a diversion of license fees (80.4), loss of Federal Aid acquired or constructed real property control, and improper disposal of program income (80.14).

We hope the above clarifies your responsibilities in connection with the proposed Senate Bills. If you have further concerns, please advise.

Sincerely yours,



John D. Green
Assistant Regional Director
Federal Assistance

cc: Oliver J. Gasswint

SENATE ENERGY AND NATURAL RESOURCES COMMITTEE

Testimony of William R. Kauffman
General Counsel, Kansas Board of Regents
Concerning Senate Bills 20 and 21

February 16, 1983

On behalf of the Kansas Board of Regents and the State educational institutions under the jurisdiction of the Board, I am appearing to indicate our opposition to several significant features of Senate Bills 20 and 21.

The measures before the Committee would require State agencies to provide the State Geologist with information concerning the agencies' oil, gas, sand, gravel and other mineral leases (S.B. 20) and make the State Geologist the State's agent for the leasing of such interests in the future. The State Geologist would be given the authority to decide which lands under the control of the State would be leased and would provide the authority to lease those lands. Additionally, all rents, royalties or bonuses and other income from such leases would be deposited in the State General Fund.

The first concern of the Board is the assignment of the responsibility for the leasing of state mineral interests to the State Geologist. As indicated by the testimony of Dr. William Hambleton, Director of the Kansas Geological Survey and State Geologist, the long history of the Survey has centered on "research, analysis and information about the resources of Kansas." We must question whether it is proper to convert, or dilute a quality research function into an administrative agency. This is not to say that some centralization of the leasing function may not be helpful to the State. I submit, however, that the State Geologist should not be the recipient of that centralized authority.

I will note parenthetically that there may be alternatives to a centralized function. Although I may be mistaken, I am not aware that there have been attempts by the agencies to develop common approaches to the leasing of lands and monitoring of production. That is not to say that it cannot occur. The Board of Regents would certainly be willing to work with other leasing agencies in an attempt to address the issues and, possibly with the technical assistance of the Geological Survey, avoid the need for legislation.

The second significant concern deals with section 3(c) of S.B. 21. That section provides:

2

The state geologist may enter into or renew a state mineral lease only after advising and consulting with each state agency having jurisdiction over the state real property to be leased and determining that the state mineral lease is in the best interest of the people of Kansas.

I suggest that if legislation is to be adopted, then this section should require the consent of the State agency to lease the property. Is it appropriate to force the State Geologist to decide if permitting drilling in a field of experimental sorghum or wheat is in the best interest of the State? Before the Board of Regents seeks to lease any lands under the control of our universities and institute, we ask the president or chancellor whether he wishes to lease the land. Typically an affirmative response has been received, but the key is that it is the chief executive officer of that agency who is responsible and accountable for protecting and utilizing that land for the purposes for which it has been preserved.

The final point is that the State educational institution leasing the property should receive the benefits of that lease. As the bill is currently drafted, the revenues generated from any leases are directed to the State General Fund. Under current statutory provisions, such revenues are credited to the fee accounts of the Regents institutions. I submit that the current practice should continue. Such a practice provides an appropriate incentive to promote mineral exploration, for notwithstanding any terms of the leases, a substantial inconvenience has been experienced by our institutions in leasing for oil and gas exploration. Farm gates are left open and sites are not restored with the institution then being required to initiate the efforts to cure the problem. By provision of the fiscal note supplied by the Department of Administration, the income which currently goes to the institution amounts to approximately \$1,000 for Fort Hays State University and \$16,000 for Kansas State University.

With respect to the question of permitting the agencies to retain moneys generated through mineral leasing, I must note the specific mention of this fact made by both the Senate and House Ways and Means subcommittees for the FY 83 budget of Fort Hays State University. In its report the Senate subcommittee stated that it encouraged Fort Hays State University in its efforts to further develop mineral leasing on the University Farm. It continued by indicating that should the University be successful in generating additional revenue from that leasing, the Legislature should consider the creation of a special fund dedicating portions of those revenues to farm improvements. The House subcommittee indicated its concurrence with the Senate recommendation and then expanded on that recommendation to recommend that all oil and gas royalties generated from the University Farm be retained to

support the Farm operation. It specifically included a recommendation that as a result of "this decision" the University should no longer request State support for capital improvements on the Farm. I would urge this Committee to reaffirm the subcommittees' position supporting retention of proceeds from oil and gas leases and that it would therefore delete the provision in S.B. 21 calling for such moneys to be deposited in the General Fund.

In summary, the Board's concerns center on the appropriateness of assigning administrative responsibilities to the State Geologist; whether the State Geologist should decide what land is appropriate for leasing; and finally, whether such moneys should be deposited in the General Fund. We contend that amendments to the two bills under consideration are called for and I urge your favorable consideration of our responses to those issues.

Charles V. Hamm

Arthur E. Schumann

Proposed SB 20 and 21

December 29, 1982

I have reviewed proposed Senate Bills 20 and 21 by Special Committee on Ways and Means. Reference Proposal No. 33.

I find no problem with proposed Senate Bill No. 20 except it would add to an already top heavy State system of paper flow requirements.

Senate Bill No. 21 in its present form would cause problems.

1. New Section 3 (b) provides that all existing leases will be transferred to the State Geologist effective July 1, 1983.
2. New Section 5 provides that lease income will be deposited to the State General Fund.
3. Winfield State Hospital's FY 84 budget presently projects \$212,000 of Fee Fund income will be derived from lease and/or royalty income. Additional State General Funds would need to be appropriated if Senate Bill No. 21 becomes law.
4. New Section 3 (c) should contain some of the provisions for patient/client safety presently included in S.R.S. Rules and Regulations.
5. New Section 3 (c) should contain some provision to protect farm leasees from unreimbursed damages.

Atch. 4

MEMORANDUM To Peter Rinn

STATE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

FROM: Arthur E. Schumann

RE: Oil Leases

DATE: December 22, 1982

<u>Agency Name</u>	<u>Legal Description</u>	<u>Active</u>	
		<u>Yes</u>	<u>No</u>
Osawatomie St. Hosp.	SW $\frac{1}{4}$, S.24, T17S, R22E	*X	
Winfield St. Hosp. & Training Center	95A NW $\frac{1}{4}$, S15, T32S, R4E	X	
	SW $\frac{1}{4}$, S24, T22S, R13W		X
	SW $\frac{1}{4}$, S14, T32S, R4E	*X	
	SE $\frac{1}{4}$, S15, T32S, R4E	*X	
STATE MINERAL RIGHT			
Per Ch. 342, 1982 Session Laws	SW $\frac{1}{4}$, S29, T15S, R8W	*X	
Norton State Hospital	S $\frac{1}{2}$ of SW $\frac{1}{4}$, S29, T2S, R22W		X
	S $\frac{1}{2}$ of NE $\frac{1}{4}$, S29, T2S, R22W		X
	W $\frac{1}{2}$ of SE $\frac{1}{4}$, S29, T2S, R22W		X

*New leases in 1982. One well has been drilled on Winfield State Hospital and Training Center land.

AES:rh

cc: Dr. Harder

Winfield State Hospital

July 13, 1982

INCOME FROM OIL LEASES in FY1982:

		BBL	
(1)	95A NW $\frac{1}{4}$ S15 TWP 32 Rg 4E Cowley County, KS	17,075	\$107,998.82
	Leased to: Total Petroleum E. Superior St. Alma, Michigan 48801		
(2)	160A SW $\frac{1}{4}$ S24 Twp 22 Rg 13 Stafford County, KS		\$160 (delay rent)
	Leased to: Credo Petroleum 475 Seventh St. Suite 1010 Denver, Colo. 80202		
(3)	160A SW $\frac{1}{4}$ S14 Twp 32 Rg 4E 160A SE $\frac{1}{4}$ S15 Twp 32 Rg 4E Cowley County, KS		\$82,550 (bonus)
	Leased to: Osborne Heirs		
	Norton State Hospital Lease ends June 1983 FY 82 Delay Rental		\$480

76-112. Lease of lands for oil, gas or other mineral purposes under L. 1925, ch. 266 [°] as amended. The state board of administration [°] is hereby authorized to lease any of the lands the title of which is vested in the state of Kansas, under its control for the production of oil, gas, or other minerals, which the board may deem valuable for the purpose, except as otherwise provided by law, for a term not to exceed five years and so long thereafter as oil, gas, or other minerals, may be produced therefrom in paying quantities; and upon such terms and conditions, and in such quantities as the board [°] shall by rules and regulations prescribe. Each such lease shall be upon the usual standard form of mineral lease customarily used in the vicinity of said state lands, and shall contain the usual provisions of such standard form of lease: *Provided, however,* That there shall be reserved to the state a royalty of not less than one-eighth part of the oil, gas, or other minerals, produced from the leased premises, or in lieu thereof, payment to the state of the market value of such royalty interest as provided in said lease; and also of the payment by the lessee to the state of an annual delay rental to be fixed by the board [°] payable in advance. [L. 1925, ch. 266, § 1; L. 1935, ch. 284, § 1; March 19.]

° Exercise of powers vested hereunder in the former state board of administration:

(a) By the state board of regents, see 76-108c, 76-108d;

(b) by the state department of social welfare, see 75-3307;

(c) by the state director of penal institutions, see 75-20d02, 75-20d04, 75-20d05, 76-2301, 76-2404, 76-2501, 76-2504, 76-2903.

Source or prior law: L. 1919, ch. 296, § 1; R. S. 1923, 76-112.

Cross References to Related Sections:

Sections 2 and 3 of L. 1935, ch. 284, see 76-112e, 76-112f.

Later acts granting similar powers to state board of regents, see 76-164 to 76-163, 76-514 to 76-518.

Research and Practice Aids:

Mines and Minerals 6.

C. J. S. Mines and Minerals §§ 128 to 130.

CASE ANNOTATIONS

1. Employment to obtain contract from state upheld; public policy. *Millsbaugh v. McKnab*, 134 K. 579, 580, 7 P. 2d 51.

76-112a to 76-112c. [L. 1925, ch. 266, §§ 2 to 4; Repealed, L. 1935, ch. 284, § 4; March 19.]

CASE ANNOTATIONS

1. Employment to obtain contract from state upheld; public policy. *Millsbaugh v. McKnab*, 134 K. 579, 580, 7 P. 2d 51.

76-112d. Same; lease not to interfere with original purpose [°]. All such leases and the occupancy thereunder of the lands leased shall not interfere materially with the purposes for which said lands are occupied by state institutions. [L. 1925, ch. 266, § 5; March 17.]

° See asterisk "*" notes under 76-112.

76-112e. Same; competitive bids required under 76-112[°]. The state board of administration shall, before entering into any such lease, advertise for bids thereon for not less than thirty days by publication in some newspaper authorized by law to publish legal notices, and shall be published in the county where the land is situated. Competitive bids shall be required by the said board of administration and the same shall be opened and the said lease contract shall be determined and entered into at the office of the said board in Topeka, Kan. In such letting the board shall have the right to reject any and all bids. [L. 1935, ch. 284, § 2; March 19.]

° See asterisk "*" notes under 76-112.

76-112f. Proceeds from leases under 76-112, 76-112c [°]. The proceeds of such leases shall be paid into the state treasury and kept in a separate fund for distribution: *Provided, however,* That the bonuses, rentals, and royalties received from lands held in the name of the state, acquired or controlled by the forestry, fish and game commission, shall be kept by the state treasurer in a special fund for the use and benefit of said commission. [L. 1935, ch. 284, § 3; March 19.]

° See asterisk "*" notes under 76-112.

76-113. Same; proceeds from leases under L. 1925, ch. 266 [°]. That the proceeds of such leases shall be paid into the state treasury and shall be by the treasurer of state credited to the general revenue fund of the state. That the treasurer of state is hereby authorized and directed to transfer to the general revenue fund of the state all moneys now in the state treasury in the separate fund from fees, bonuses and royalties derived from leases for the production of gas and oil and other mineral purposes on state's property, pursuant to the provisions of chapter 266 [°], Session Laws of 1925. That the state treasurer, immediately upon the transfer of the foregoing moneys to the general revenue fund shall

notify the state controller of such transfer, and the state controller shall forthwith make proper entries on his records to correspond with the transfer in the state treasury. [L. 1925, ch. 266, § 6; L. 1929, ch. 273, § 1; March 1.]

° "Chapter 266," see 76-112 (as amended), 76-112d, 76-113 (as amended); repealed sections 76-112a to 76-112c; and asterisk "°" notes under 76-112.

Source or prior law: L. 1919, ch. 296, § 2; R. S. 1923, 76-113.

Edited, 1963:

"Auditor of state" inserted in lieu of "state controller."

Revisor's Note:

Later acts, see 76-112f, 76-168, 76-518.

76-114. Oil and gas well contracts for drilling on lands under L. 1923, ch. 218, § 1 [°]. That the state board of administration is authorized and empowered to make contracts for the drilling for oil or gas on any land under its control belonging to the state of Kansas on which there is now located a state institution, and which must be located within two miles of one or more producing wells or proven territory: *Provided*, That if any oil or gas is produced on any land owned by the state in excess of what is required for the institution located on such land, then the state may sell and dispose of such excess quantity of oil or gas so produced: *Provided further*, That the said board shall not make any such contract to so drill until the location for such drilling has been approved by the state geologist of Kansas, and said drilling shall be under the supervision and direction of the state business manager. [L. 1923, ch. 218, § 1; June 9; R. S. 1923, 76-114.]

° Exercise of powers vested under L. 1923, ch. 218, § 1 in the former state board of administration:

(a) By the state board of regents, see 76-108c, 76-108d;

(b) by the state department of social welfare, see 75-3307;

(c) by the state director of penal institutions, see 75-20d02, 75-20d04, 75-20d05, 76-2301, 76-2404, 76-2501, 76-2504, 76-2903.

Cross References to Related Sections:

Later acts granting similar powers to state board of regents, see 76-164 to 76-168, 76-514 to 76-518.

76-115. Same; use of funds [°]. That the board of administration shall use out of the maintenance fund heretofore or hereafter appropriated to the state institutions any sums of money not in excess of \$10,000 in paying for such drilling for oil or gas described in section 1 [76-114°] of this act, and shall replace such sum so used of the maintenance fund of the state institutions by supplying the institutions with oil and gas at the rates allowed therefor by the board of administration. [L. 1923, ch. 218, § 2; June 9; R. S. 1923, 76-115.]

° See asterisk "°" notes under 76-114.

is requested the rate of \$1.00 per page will be charged for such copies. A statement of the charges shall be sent and the remittance received prior to the sending of medical information. The statement of charges shall be sent on a standard billing form approved by the director of mental health and retardation services. Receipt shall be deposited as outlined in chapter 369, Laws of Kansas, 1973. (Authorized by K.S.A. 1973 Supp. 76-12a10; effective Jan. 1, 1974.)

Article 27.—OIL AND GAS LEASES ON INSTITUTIONAL PROPERTIES

30-27-1. Determination of land to be leased for oil, gas, or other mineral purposes. The secretary will determine which lands under his control may be leased for the production of oil, gas, or other materials without undue interference upon any state institution or any purpose or function of the secretary. (Authorized by K.S.A. 76-112, 76-112d; effective, E-74-26, May 1, 1974; effective May 1, 1975.)

30-27-2. Bidders; notice; form of bids. Legal notice to bidders for designated oil and gas lease land under the control of the secretary will be advertised for not less than thirty (30) days by publication in some newspaper authorized by law to publish legal notices, and shall be published in the county where the land is situated. Publication for five (5) consecutive weeks in a weekly newspaper meeting the above requirements shall be sufficient. The secretary will accept the highest and best bid from a responsible bidder reserving the right to reject any and all bids and readvertise. Separate sealed bids accompanied by a certified check or bank draft in the amount of the bid payable to the secretary, for each tract must be submitted on forms supplied by the secretary and filed with the secretary of social and rehabilitation services, state office building, Topeka, Kansas, in accordance with the publication notice concerning such bids. The successful bidder may be required to pay publication costs before the execution of the awarded lease. (Authorized by K.S.A. 76-112, 76-112e; effective, E-74-26, May 1, 1974; effective May 1, 1975.)

30-27-3. Cash bonus, rental. Bids for the leasing of oil and gas rights in lands designated by the secretary will be considered on the basis of a cash bonus, annual delay ren-

tal, and the amount of royalty to be paid shall not be less than 12½% of the gross proceeds at the prevailing market rate. Leases will be executed on a standard Kansas lease form. No lease shall be for a period to exceed five (5) years and so long thereafter as oil, gas, or other minerals, are being produced therefrom in paying quantities. (Authorized by K.S.A. 76-112; effective, E-74-26, May 1, 1974; effective May 1, 1975.)

30-27-4. Indemnity bonds. The secretary may require the filing of an indemnity bond of any reasonable amount up to twenty-five thousand dollars (\$25,000) by any successful bidder before the execution of an oil and gas lease with the bidder. The amount of the indemnity bond, if any, required for any oil and gas lease executed under these regulations shall be stated in the published notice for bids for such lease. The secretary may further require that the indemnity bond be in effect for the term of the lease and for six (6) months after the plugging of any well on such lease if this latter period exceeds the term of the lease. (Authorized by K.S.A. 76-112; effective, E-74-26, May 1, 1974; effective May 1, 1975.)

30-27-5. Wells; operation and management. Oil and gas lessees shall notify the secretary thirty (30) days prior to the commencement of each well drilling operation. All wells shall be spaced, located, operated, and maintained in accordance with all applicable state laws and regulations and shall be spaced, located, operated, and maintained at least 500 feet from any building on any state institution. The secretary may require the lessee of oil and gas rights to erect chain link fences of at least eight feet in height along their entire perimeter to fully enclose or encircle any drilling rig, pump, pipe, pool, pit, pile, housing or any other oil or gas drilling or production device or structure situated within 1,320 feet from any building, structure, or area normally used by institutional patients under the supervision or custody of any state institution or the secretary. The secretary may further prescribe reasonable procedures or safety devices to be followed or provided by the oil and gas lessees for the protection of residents, patients, or staff members of institutions from attractive nuisances or items inherently dangerous. The secretary shall notify the lessee of the need for correction of

any dangerous devices or structures or the restoration of any land made dangerous by fill, excavation, or contamination from any operations of the lessee. The secretary may order the removal of any dangerous devices or structures or the restoration of any land made dangerous by fill, excavation, or contamination to its former state if the lessee fails to take any action within ninety (90) days after notification by the secretary to correct the dangerous device or structure or to restore land rendered dangerous to its former safe condition or if the lessee notifies the secretary that the lessee is unable to correct the dangerous devices, structures, or contaminations. The ordered removal or restoration operations shall, if possible, be performed by the lessee and the expenses of such operations shall be paid by the lessee. The costs of any above operations of removal or corrections that the secretary may be required to have performed due to refusal or inability of the lessee and the expenses of any uncorrected dangers or contaminations to land or property under the control of the secretary may be charged against the indemnity bond, if any, filed by the lessee. (Authorized by K.S.A. 76-112, 76-112d; effective, E-74-26, May 1, 1974; effective May 1, 1975.)

Articles 28 to 30.—RESERVED

Article 31.—ALCOHOL AND DRUG ABUSE TREATMENT PROGRAMS

Revisor's Note:

Effective July 1, 1975, the commission on alcoholism was abolished and its powers and duties transferred to the secretary of social and rehabilitation services. At the secretary's request, regulations of the commission were transferred to agency 30 and assigned to articles 31 to 43. Effective May 1, 1976, the secretary promulgated new regulations (30-31-1 to 30-31-11), replacing all regulations formerly promulgated by the commission.

30-31-1. Definitions. The following words and phrases, when used in these rules and regulations or in any of the manuals, standards or handbooks of the state department of social and rehabilitation services shall have the meanings respectively ascribed to them in this article:

(1) *Administrator.* The person delegated the responsibility for carrying out the policies and programs of the licensee or governing authority of the treatment program.

(2) *Alcohol and drug abuse section.* An agency of the department of social and re-

habilitation services whose powers, duties and functions are identified in K.S.A. 65-1001 through 65-4022 and 65-4601 through 65-4610, as amended.

(3) *Department.* Department of social and rehabilitation services.

(4) *Emergency medical services.* Services rendered individuals suffering from acute physical stress requiring immediate action.

(5) *Governing authority.* An individual board or controlling body in whom the ultimate authority and responsibility for management of a treatment program is vested.

(6) *Licensee.* The individual, firm, partnership, corporation, or other entity legally responsible for the operation of an alcohol and/or drug abuse treatment program who has applied for and has been granted a license.

(7) *Physician.* A person licensed to practice medicine as provided by the Kansas healing arts act.

(8) *Resident.* All individuals kept, cared for, treated, boarded or otherwise accommodated in any treatment program.

(9) *Specially trained staff.* Staff that has as a minimum, successful completion of an approved cardiopulmonary resuscitation (CPR) course and is certified by the American red cross as having completed at the minimum, a standard first aid training course.

(10) *Treatment program.* Any place, building, couples of buildings, office or private dwelling, which provides treatment services to alcohol and/or drug abusing persons through the provision of guidance, supervision, and personal services designed to assist the individual in rehabilitation or habilitation to a healthy mode of living. The term alcohol and/or drug abuse treatment program shall not apply to licensed medical care facilities, licensed adult care homes, or licensed mental health centers. (Authorized by K.S.A. 1977 Supp. 39-708c, 65-4016; effective May 1, 1976; amended May 1, 1978.)

30-31-2. Classification of treatment components of services. A. *Emergency acute care treatment program.* An emergency acute care treatment program is a twenty-one (21) day or less program which provides twenty-four (24) hour availability of non-surgical, medical treatment, for acute intoxication and/or life threatening conditions, under the direction of a physician in a hospital or other suitably equipped medical

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Pending April 8

AS 49109

REQUEST FOR QUOTATION
SUBMIT BID TO
DEPARTMENT OF ADMINISTRATION
DIVISION OF PURCHASES
STATE OFFICE BUILDING TOPEKA, KANSAS 66612

QUOTATION No. AS 49109
 DATE MAILED February 4, 1982
 CLOSING 2:00 P.M. April 8, 1982

1. IN COMMUNICATING ALWAYS REFER TO THE ABOVE QUOTATION NUMBER.
2. IN ORDER TO RECEIVE CONSIDERATION FOR AWARD, ONE COPY OF THIS "REQUEST FOR QUOTATION" PROPERLY COMPLETED AND SIGNED MUST BE RETURNED TO, AND RECEIVED BY THE DIVISION OF PURCHASES NOT LATER THAN THE SPECIFIED CLOSING TIME.
3. ALL PRICES, TERMS AND CONDITIONS MUST BE SHOWN. ANY PRICES, TERMS AND CONDITIONS NOT SHOWN, AND PRESENTED AFTER THE SPECIFIED CLOSING TIME WILL NOT BE CONSIDERED IN THE BID EVALUATING PROCESS.
4. PURCHASE ORDERS OR CONTRACTS RESULTING FROM THIS QUOTATION MAY NOT BE ASSIGNED WITHOUT WRITTEN PRIOR APPROVAL FROM THE DIRECTOR OF PURCHASES.
5. THE SELLER AGREES TO PROTECT THE PURCHASER FROM ALL DAMAGE ARISING OUT OF ALLEGED INFRINGEMENTS OF PATENTS.
6. UNLESS OTHERWISE SPECIFIED, THE DIRECTOR OF PURCHASES RESERVES THE RIGHT TO ACCEPT OR REJECT ALL OR ANY PART OF THIS QUOTATION.
7. ALL OFFERED DISCOUNTS WILL BE CONSIDERED IN DETERMINING THE LOW BID, AND TAKEN IF PAYMENT IS MADE WITHIN SIXTY (60) DAYS.
8. DISCOUNT PERIODS BEGIN ON DATE OF DELIVERY AND ACCEPTANCE, OR RECEIPT OF PROPER INVOICE BY THE RECEIVING AGENCY, WHICHEVER IS THE LATER.
9. AS A BID AND PERFORMANCE GUARANTEE, ALL QUOTATIONS TOTALING \$2,000 OR MORE MUST BE ACCOMPANIED BY A CERTIFIED OR CASHIER'S CHECK FOR 5% OF THE TOTAL AMOUNT. (ANNUAL BOND MAY APPLY IF FILED AND APPROVED PRIOR TO THE TIME FOR BID CLOSING)
10. ALL PRICES QUOTED ARE TO BE LESS FEDERAL EXCISE AND STATE SALES TAXES.

IF ADDITIONAL INFORMATION IS DESIRED
 CONTACT Gerald L. Merryman PHONE 296- 2373

THIS SPACE FOR BIDDER'S NAME AND ADDRESS

THIS IS NOT AN ORDER

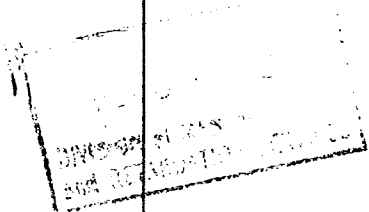
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Agency Purchase Requisition(s) No. _____
 DELIVERED F. O. B. DESTINATION: DEPARTMENT OF SOCIAL & REHABILITATION SERVICES Winfield, Ks

(Name and Address of Agency)

If Given an Order, Bidder Agrees to Furnish the Items Enumerated Hereon at the Price(s) and Under the Conditions Indicated

QUANTITY AND UNIT	ITEMS AND SPECIFICATIONS	UNIT PRICE	AMOUNT
	<p>SHEET OF Oil & Gas Lease</p> <p>See Attached for Notice of Bids for an Oil and Gas Lease.</p>		



It is hereby agreed that the bidder will, if required by law, comply with the Kansas Act Against Discrimination, K.S.A. 44-1030 et seq.

(SEE REVERSE SIDE)

SHOW TERMS _____
 DELIVERY WILL BE MADE _____ DAYS
 AFTER RECEIPT OF ORDER

SIGNED BY: _____
 TITLE _____
 DATE _____
 PHONE _____

CD

BID FORM

MY QUOTE IS AS FOLLOWS:

Cash Bonus Amount	\$ _____
Annual Delay Rental	\$ _____
Oil Royalty (minimum 12-1/2%)	_____
Gas Royalty (minimum 12-1/2%)	_____

FIRM NAME: _____

SIGNED BY: _____

ADDRESS: _____

TELEPHONE NUMBER: _____

BID GUARANTEE

Check Number: _____

Amount: _____

NOTICE OF BIDS FOR AN OIL AND GAS LEASE

ON STATE OWNED PROPERTY

(Winfield State Hospital and Training Center)
Winfield, Cowley County, Kansas

You are hereby notified that the Secretary of Social and Rehabilitation Services is offering the following described property for an oil and gas lease pursuant to the provisions of Kansas Administrative Regulations 30-27-1 through 30-27-5, which regulations are made a part of this offer:

Southeast one-fourth (SE 1/4), Section 15, Township 32 South, Range 4 East and the Southwest one-fourth (SW 1/4), Section 14, Township 32 South, Range 4 East all in Cowley County, Kansas. The above contains 320 acres.

The successful bidder shall be required to pay the costs of this publication before execution of the awarded lease.

The lease will be executed on a standard Kansas lease form with necessary modifications to comply with Kansas Administrative Regulations 30-27-1 through 30-27-5 and shall be for a period not to exceed three (3) years and so long thereafter as oil and gas is being produced therefrom in paying quantities.

The successful bidder shall file an indemnity bond in the amount of twenty-five thousand dollars (\$25,000) before the execution of the lease, which bond shall remain in effect for six (6) months after the term of the lease and for six (6) months after the plugging of any well.

The lessee shall erect a fence at least eight (8) feet high around any drilling or production devices within one thousand three hundred twenty (1,320) feet of any areas normally used by Winfield State Hospital and Training Center patients.

Bids will be considered on the basis of a cash bonus, annual delay rental, and the amount of royalty to be paid, which shall not be less than twelve and one-half percent (12 1/2%) of the gross proceeds at the prevailing market rate. However, the royalty or the lessor's share of production may differ between natural gas produced and oil produced.

Bids shall be submitted upon forms supplied by the Division of Purchases. The bid forms may be obtained from the Winfield State Hospital and Training Center Business Office or the State Division of Purchases, State Office Building, Topeka, Kansas 66612. All bids shall be sealed and accompanied by a certified check or bank draft in the amount of the cash bonus bid payable to the Secretary of Social and Rehabilitation Services, State Office Building, Topeka, Kansas, and mailed to the Director of Purchases, Division of Purchases, State Department of Administration, First Floor, State Office Building, Topeka, Kansas 66612.

Interested bidders may inspect the proposed lease forms in the Business Office of the Winfield State Hospital and Training Center and may also view the land being leased by contacting the Business Office.

The land being leased for oil and gas may be presently leased for farming purposes on a cash rental basis. The tenant's rights will be protected. Also the land being leased contains the Winfield State Hospital and Training Center and all its buildings, equipment, employees, and patients or residents, and particular attention must be given to the requirements of Kansas Administrative Regulations relating to oil and gas production in the proximity of patients.

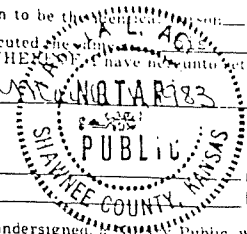
Bids shall be opened at the Division of State Purchases, State Office Building, Topeka, Kansas at the hour of 2:00 P.M. on the 8th day of April, 1982. The Secretary of Social and Rehabilitation Services reserves the right to reject any and all bids and to readvertise.

STATE OF Kansas } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans., Okla., and Colo.)
COUNTY OF Shawnee

Before me, the undersigned, a Notary Public, within and for said county and state, on this 7th
day of July, 1982, personally appeared Robert C. Harder, Secretary of
SSI Social and Rehabilitation Services

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me
that he executed the same as free and voluntary act and deed for the uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires APRIL 30, 1983 James F. Culp
Notary Public.



STATE OF _____ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans., Okla., and Colo.)
COUNTY OF _____

Before me, the undersigned, a Notary Public, within and for said county and state, on this _____
day of _____, 19____, personally appeared _____
and _____

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me
that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

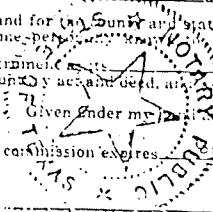
My commission expires _____
Notary Public.

STATE OF Texas } ss. ACKNOWLEDGMENT FOR CORPORATION
COUNTY OF Bexar

On this 7th day of July, A. D. 1982, before me, the undersigned, a Notary Public
in and for the State of Texas aforesaid, personally appeared Charles R. Watson
to me personally known to be the identical person who signed the name of the maker thereof to the within and foregoing

instrument as President and acknowledged to me that he executed the same as a free and
voluntary act and deed, in the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth.
Given Under my hand and official seal the day and year last above written.

My commission expires APRIL 30, 1984 Katie M. Forsman
Katie M. Forsman Notary Public.



No. _____

OIL AND GAS LEASE

FROM _____

TO _____

Date _____, 19____

Section _____, Twp. _____, Rge. _____

No. of Acres _____, Term _____, County _____

STATE OF _____, County of _____

This instrument was filed for record on the _____ day of _____, 19____

at _____ o'clock _____ M., and duly recorded in Book _____ Page _____ of the records of this office.

By _____ Register of Deeds.

When recorded, return to _____

THE KANSAS BLUE PRINT CO. WICHITA, KANSAS
PHOTODUPLICATION SERVICE-UP TO DATE OIL & GAS

NOTE: When signature by mark in Kansas, said mark to be witnessed by at least one person and also acknowledged. For acknowledgment by mark, use regular Kansas acknowledgment.

STATE OF _____ } ss. ACKNOWLEDGMENT FOR INDIVIDUAL (Kans., Okla., and Colo.)
COUNTY OF _____

Before me, the undersigned, a Notary Public, within and for said county and state, on this _____
day of _____, 19____, personally appeared _____
and _____

to me personally known to be the identical person who executed the within and foregoing instrument and acknowledged to me
that _____ executed the same as _____ free and voluntary act and deed for the uses and purposes therein set forth.
IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

My commission expires _____
Notary Public.

EXHIBIT "A"

To Oil and Gas Lease dated July 7 , 1982, from State of Kansas, Department of Social and Rehabilitation Services, Winfield State Hospital and Training Center, as Lessor to Osborn Heirs Company, as Lessee.

1. In addition to the conditions stated in the attached oil and gas lease document, the Lessee will also be bound by Kansas Administrative Regulations 30-27-1 through 30-27-5 including the following items:
 - A. Lessee shall secure an indemnity bond in an amount of \$25,000.00 and keep in effect for 6 months after the term of this lease or for 6 months after the plugging of any well, whichever is the larger term.
 - B. Lessee shall erect a chain link fence at least 8 feet high around any drilling or production devices within 1320 feet of any areas normally used by Winfield State Hospital and Training Center Patients.

ACCEPTED:

Osborn Heirs Company, Lessee

State of Kansas, Department of Social and Rehabilitation Services, Winfield State Hospital and Training Center, Lessor

By: _____
President

ATTEST: _____

BY: Robert C. Harder
Robert C. Harder, Secretary
of Social and Rehabilitation
Services of Kansas

C/S
1/15/82