

MINUTES OF THE Senate COMMITTEE ON Energy and Natural ResourcesThe meeting was called to order by Senator Charlie L. Angell at
Chairperson8:00 a.m. ~~xxx~~ on Tuesday, March 22, 1983 in room 123-S of the Capitol.All members were present except:
Senator Fred Kerr (Excused)

Committee staff present:

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

Conferees appearing before the committee:

Jack Graves, Anadarko Production Company
Representative Bill Brady
Patty Gorham, Kansas Corporation Commission
Representative Edgar Moore

H.B. 2208 - Oil and gas leases; covenants of reasonable exploration

Jack Graves said this bill probably would not be all that unreasonable on a single lease basis, but the problem arises that some companies have a lot of acres under lease. Large companies have organized demands for development of their leases. Mr. Graves said it is one matter to study an area and do seismic work on an individual basis but quite another thing to develop 90 acres or whatever. He mentioned budget limitations and practical economics. He said H.B. 2208 would establish an implied covenant to explore and would be applied to exploratory wells in an area they don't know that much about. Mr. Graves said they feel there is a misconception about the geology of the Morrow. He said he thinks the matter of a "reasonable period of time" should be left to the courts, but if a specified time has to be set, it should be more than 90 days, perhaps six months. Mr. Graves stated this bill would shift the burden of proof to the operator and force them to prove a negative. They feel, from a practical standpoint, they would either end up having to drill the well or give up the lease. Mr. Graves said it is an impossible burden to meet. He discussed the chart of wells drilled (Attachment 1). He pointed out the dramatic rise in costs for drilling wells. Mr. Graves questioned whether this bill would actually cause increased drilling activity. He said it is basically a matter of economics, and there has been a dramatic decline because the gas market has collapsed. They feel the landowner presently has a remedy available. Senator Werts asked Mr. Graves why the gas market has collapsed. Mr. Graves replied: (1) the economy, (2) NGPA pricing which has created an artificially high price, and (3) the decline in oil prices which makes it competitive with gas.

H.B. 2424 - Operators and contractors of natural gas wells; fees for licensure

Representative Bill Brady explained this bill is related to a bill passed last year, S.B. 498, which requires a \$100 annual license fee for natural gas wells. He said there is no distinction made between a personal user and a commercial user. He said the majority of these people who have a gas well they use for personal purposes don't even know they are required to pay this fee. Answering a question from Chairman Angell, Representative Brady said the intent was that the total production of all wells must be less than 250 mcf annually.

Patty Gorham said this bill is similar to S.B. 175 but it puts a limit on the amount of gas and provides that it must be used for personal consumption. The Commission opposes this bill for the same reasons it opposed S.B. 175. S.B. 498 (1982) was passed to help the Commission get a handle on wells that are potential sources of groundwater pollution. She said the potential is there for pollution from these single wells, and maybe even more so, just as it is for operators who are in the business on a fulltime basis. Ms. Gorham said this bill would cause a lot of additional work to determine who is eligible for the \$25 fee as opposed to the \$100 fee. She said if this bill is passed, the Commission requests that provisions be made that requested documentation be provided to the Commission along with the application. She also requested that the bill be amended by striking the language in lines 49, 50, 51 and 52 beginning with the word "the" and inserting the following: "All licenses shall be renewed July 1 of each year. The Commission shall prorate the license renewal fee to take into consideration the initial approval date of the license."

H.B. 2480 - Parks and recreation, Johnson county park district; sale of land

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Energy and Natural Resources,

room 123-S, Statehouse, at 8:00 a.m./~~xxx~~ on Tuesday, March 22, 1983.

Representative Edgar Moore told the Committee that the present law allows the Johnson County Park and Recreation District to exchange only 10 acres or less of park ground. They have an opportunity to exchange 110 acres of ground for 300 acres, and this bill would give them the authority to make this transaction. Mr. Moore said the entire Johnson County delegation is in favor of the bill and provided a letter to this effect (Attachment 2).

Senator Werts made a motion that H.B. 2424 be amended by striking the language in lines 49, 50, 51 and 52 beginning with the word "the" and inserting the following: "All licenses shall be renewed July 1 of each year. The Commission shall prorate the license renewal fee to take into consideration the initial approval date of the license." Senator Gannon seconded the motion, and the motion carried. Senator Chaney moved that the amendatory language in lines 29, 35, 37 and 42 through 47 be stricken and subsections (e) and (f) renumbered. Senator Werts seconded the motion, and the motion carried. Senator Werts moved that the bill be reported favorably, as amended, for passage. Senator Chaney seconded the motion, and the motion carried 9-1.

The meeting was adjourned at 9:04 a.m. by the Chairman. The next meeting of the Committee will be at 8:00 a.m. on March 23, 1983.

Senate Energy & Natural Resources

Mar. 22, 1983

D. Bendell	Douglas Gray Oklahoma City
Ed Reinert	Sierra Club - League Women Voters
Ross Martin	KS Petroleum Council
DALE SATTEKAWITE	Gas Service Co. Topeka
Dick Brewster	Amoco Production Co.
Robert C. Anderson	Mid Central
David W. Nickel	KCC
John Jordan	KCC
Don Schmitt	KI OGA

Attachment 1

ANADARKO PRODUCTION COMPANY

	1976	1977	1978	1979	1980	1981	1982	1983 Est.	8 yr. Total
Development									
Oil	1	5	13	10	6	13	11		59 7 yrs.
Gas	0	5	12	13	5	18	7		60 7 yrs.
D&A	1	3	5	7	12	20	14		61 7 yrs.
Exploratory									
Oil	0	2	0	3	0	1	0		6 7 yrs.
Gas	1	2	1	0	1	2	2		9 7 yrs.
D&A	3	1	8	6	0	8	3		29 7 yrs.
Total Wells Drilled	6	18	39	39	24	62	37	12	237
Cost	\$623,000	\$3,455,000	\$8,086,000	\$8,224,000	\$4,750,000	\$15,084,200	\$10,643,100	\$3,020,000	\$53,885,300(8 yrs)
Counties with Tests									
Stevens	0	4	13	5	6	1	3	4	36
Morton	1	9	9	5	3	31	9	3	70
Seward	2	5	17	23	13	28	24	5	117
Grant	1	0	0	6	2	0	0	0	9
Finney	1	0	0	0	0	2	0	0	3
Haskell	1	0	0	0	0	0	1	0	2

March, 1983

Atch. 1

STEPHEN R CLOUD
REPRESENTATIVE THIRTEENTH DISTRICT
LENEXA MONTICELLO TOWNSHIP
20727 WILDER
SHAWNEE MISSION KANSAS 66218



TOPEKA

COMMITTEE ASSIGNMENT
CHAIRMAN GOVERNMENTAL ORGANIZATION
MEMBER JUDICIARY
TRANSPORTATION

HOUSE OF
REPRESENTATIVES

February 24, 1983

AN OPEN LETTER TO THE HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

We come to you today in unanimous support of HB 2480. This bill, if enacted into law, would amend K.S.A. 19-2868, which is the state statute that the Johnson County Park and Recreation Board is organized under. Johnson County is the only county that has organized under this statute and therefore this change would only affect the Johnson County Park and Recreation Board.

This bill would give needed flexibility to our Park and Recreation Board in the area of securing additional park lands for our county. Under current law, the Board can only trade a maximum of ten acres without going through an election process. The county currently has an opportunity to trade Ernie Miller Park (approximately 100 acres) for an area known as the Wagner farm (300 acres). There is not time to organize an election for this particular opportunity, thus the need for the legislation.

We all agree that, as a policy decision, this flexibility is needed by our park board, not only for the current situation, but for future management of our county park lands. We ask that you support us and recommend HB 2480 favorable for passage.

Ray Fox
Walt Vaneman
Edgar Moore
Phil Klein
Steve Flynn
Ward Thomas
Sam Kattuck
Jack Meyers

W. Hill
Clifford Dault
Stephen R. Cloud
Ken B. Howell
Murid Amman
Jack Hays
Del Sunde
Ann Allen
Norman E. Year
Robert D. Quinn

Atch. 2