Approved 3/28/84
Date

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources.

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

3:30 ~~a.m.~~/p.m. on February 7, 1984 in room 519-S of the Capitol.

All members were present ~~except~~:

Committee staff present:
Ramon Powers, Legislative Research
Theresa Kiernan, Revisor of Statutes
Pam Somerville, Committee Secretary

Conferees appearing before the committee:

Randall Loder, Garden City, Kansas
Representative Susan Roenbaugh
J.R. Ham, Master Land Company
Dee Likes, Kansas Livestock Association
Ed Peterson, Kansas Corporation Commission

Representative Rosenau moved to approve the minutes of January 11, 12, 16, 17, 19, 23, 24, 26, 26, 30, and 31, 1984, as written. Representative Fox seconded the motion. Motion carried.

Hearing on: HB 2123 - Natural gas price protection act of 1983.

Representative Farrar briefed the committee on the history of the bill stating it would create the Kansas Natural Gas Price Protection Act of 1984. Provisions in the bill define first sale of natural gas for irrigation and grain drying, maximum lawful price per million btu would equal the contract price in effect of the effective date of the act.

Randal Loder, Garden City, Kansas, appeared and testified in support of HB 2123. Mr. Loder stated that little has challenged the viability of his farming operation as severely as the consequences of Section 108 of the Natural Gas Policy Act of 1978. The reclassification of a gas well to "stripper" status had caused economic hardships to the irrigators affected by them. HB 2123 would address that concern and allow irrigation to be more viable. (Attachment 1).

Ed Peterson, Kansas Corporation Commission, testified and said the commission was in favor of the concept. Provisions in the bill would all the corporation commission to implement and enforce the Act. Mr. Peterson did not that the provisions were not directly solely at irrigators and that other concerns would benefit from enactment.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Energy and Natural Resources,

room 519-S, Statehouse, at 3:30 ~~a.m.~~/p.m. on February 7, 1984, 19__.

HB 2641 - Natural Gas for irrigation of land where wells and gathering systems are located.

Representative Susan Roenbaugh appeared before the committee in support of the proposed legislation. HB 2641 would help guarantee to the state of Kansas the continued benefit to the economy, provided by irrigation and related business it has generated in recent years. Rep. Roenbaugh said there were two major ways to deprive farms of the fuels they need to raise food for this country: price and priority. She asked what good is a price we're willing to pay when there is no fuel available. (See Attachment 2).

Andrew Larson, resident of Garden City, appeared and submitted a copy of a Pipeline Right-of-Way Grant (Attachment 3) for the committee's review. Mr. Larson supports HB 2641.

Mr. J. R. Ham, Master Land Company, was unable to be present and written testimony was submitted on his behalf by Randal Loder of Garden City. (Attachment 4). Mr. Ham supports HB 2641 and asked that the amendment in Attachment 4 be adopted.

Randal Loder, Southwest Kansas Irrigation Association, appeared in support of HB 2641 and asked for the committees favorable recommendation. (Attachment 5).

The final conferee, Mr. Dee Likes, Executive Secretary, Kansas Livestock Association, appeared and addressed HB 2123 and HB 2641. KLA supports both pieces of legislation. In regard to HB 2641, Mr. Likes stated KLA believes that if one operates the land where a natural gas well or pipeline exists that person should have access to the gas crossing or being produced from the land. HB 2123 provides authorization to states to prescribe lower maximum prices levels for first sales of natural gas, and in respect to irrigators, KLA supports this legislation. (Attachment 6).

There being no further business before the committee, the meeting was adjourned at 4:55 p.m.

The next meeting of the House Energy and Natural Resources Committee will be held on February 8, 1984 at 3:30 p.m., Room 519-S.

DJ Heineman

David J. Heinemann, Chairman

Date Feb. 7, 1984

GUESTS

HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

NAME	ADDRESS	ORGANIZATION
Randal Looder	Rt 2 Garden City, KS	SW Ks Irr Assoc
Andrew E Larson	Rt. 1 Garden City, KS	" " " "
Don Schnacke	Topeka, KS	KIOGA
Joe Hodges	Tulsa, OK	Cities Service
Jack Randall	Wichita, Kans	Petroleum, Inc.
Spencer Gleason	Wichita, Kansas	KIOGA
Jack Glaves	" "	Panhandle Eastern
Ed Peterson	Topeka	KCC
JoAnn Klesath	Topeka	KAPE
Paul Johnson	"	PACK
Helen Stephens	Prairie Village	LWV
Ross Martin	TOPEKA	KPC
Jake Rosenbaugh	Lewis, Ks	—
Carl Anderson	Topeka	AG
Glenn Cogswell	Topeka	Northwest Central Pipeline Corp.
N. Zogleman	"	Speaker's office
ML Jenkins	"	"

I am Randal Loder, and I reside and farm near Garden City, Kansas.

This statement represents my individual concerns, as well as those of the membership of the Southwest Kansas Irrigation Association. We strongly support House Bill 2123, and request the committee give it favorable consideration.

Little has challenged the viability of my farming operation as severly as the consequences of Section 108 of the Natural Gas Policy Act of 1978. The reclassification of a gas well to "stripper" status has caused economic hardships to the irrigators affected by them. In many cases it has forced farmers to abandon irrigation where their gas supply has been affected.

The problem is complex, with many diverse factors playing a role. The main problems consist of the production methods used on some gas wells, the purchasing practices of pipelines connected to these wells, and the regulatory practices at the state and federal level. I hope that this rather short discussion can adequately explain the problems we face in this area. Because of the complexity of the issues, I encourage your questions should you have any.

<u>Production Methods</u> - The first page of the material submitted with this statement details the production of pipeline and irrigation gas for a well that was reclassified a stripper well. The price change became effective July 1, 1979, To the left of the date column I have figured the total production, and

Attachment 1

the daily average for the years 1978 and 79. (see production data) Beginning with the March 1978 production month this well appears to have developed a mysterious inability to produce pipeline gas. The statement at the bottom of the 1978 production data indicates that this is caused by irrigation demand lowering the wellhead pressure to the point that gas will no longer flow to the pipeline because of the pressure drop. The statement is just not factual and the production record bears this out. In the Feb. thru June, 1977 the well shows a good ability to produce pipeline gas while irrigation gas is taken. Likewise the Dec. 77 thru Feb. 78 period.

This production data was a part of the producers petition to the Kansas Corporation Commission, and the Federal Energy Regulatory Commission requesting stripper status for this well, and is submitted under oath. The statement is misleading at best,and contributes to problems at the regulatory level.

Pipeline Purchase Practices of Stripper Gas -

Congress established, with the passage of the NGPA, a system of ceiling prices for the various classes of natural gas wells. The price formula includes a monthly inflation adjustment factor. The current ceiling price is about $ 3.70/mcf with variations due to BTU content of the gas.

As recently as Sept. of 1983, the pipeline with the largest deliverability in the Hugoton Field (42 % of the available gas) found it necessary to agree to pay $ 3.70/mcf for newly declared stripper gas, when they didn't even have a market for a large percentage of their lower priced old gas supplies. Why they would choose to pay $ 3.70 for gas when excessive supplies of 40 ¢ to 60 ¢ gas are going unused defies logic. Surely this is not an arms length transaction between two disinterested parties.

As irrigators, we either match this unrealistic price, or discontinue irrigation. We have no other economic alternatives.

Regulatory Practices at the State and Federal Level

Our problems with stripper gas continue to escalate at the regulatory level. Attempts to intervene at hearings on classification determinations have proven futile and expensive. The handling of regulatory matters have proven to be equally frustrating, and the well production information before you provides an excellent example of this.

During the months of Sept, Oct., and Nov. of 1979, this well produced gas at the rate of 65 mcf/day, disqualifying it as a stripper well. It continued production in excess of 60 mcf/day for the Oct. 79 thru June 80 production period. The producer filed a petition with the KCC requesting the status of seasonally affected stripper well, a subsection of wells that came about through regulations governing stripper wells. Although the petition requesting this status did not contain a valid reason for requesting this status, this classification was granted 4 days after the Conservation Division Office received the petition. Regulations of both the KCC and FERC spell out a procedure of notification of gas purchaseres in these NGPA classification determinations. None of the irrigation gas purchasers were given the required 10 days to protest this administrative grant, because no notice was given.

I had the opportunity to visit with Mr. Steve Melton, Acting General Counsel for the FERC after his appearence before this committee on January 12, 1984. Mr. Melton confirmed my doubts about the contents of this petition, and put me in touch with a member of his staff who was able to explain why the petition did not represent a valid request for the seasonally affected classification, and in fact gave reasons why it did not qualify.

This chain of errors was expensive for the irrigation customers drawing gas from this well, and resulted in overcharges in excess of $60,000.00 to these 4 customers who irrigate 600 acres.

The financial condition of irrigated farms cannot bear the consequences of natural gas stripper wells. I have provided in your material 4 years of detailed financial information that illustrate this. Some very disturbing trends have developed since 1979. I believe the information on Gross Farm Income, Cash Operating Expense, Expenses/$100 Gross Income, and Total Loans to Net Worth ratio can provide some insight on our ability to withstand 700+ % increases in the price of natural gas.

The final page of the material shows the basis for the remedy that we request in H. B. 2123. I think it's quite significant that Congress gave the States the ability to deal with these problems in an effective manner. While regulatory reform is certainly necessary, it will not correct the mistakes of the past. This bill provides the relief that is needed, and with this in mind I urge you to act favorably on House Bill 2123.

DATE	*DAYS ON	PIPE LINE GAS	IRRI-GATION GAS	TOTAL
Dec. 1976	7	386	43	429
Jan. 1977	31	2,028	693	2,721
Feb. 1977	31	1,890	223	2,113
Mar. 1977	28	1,424	1,050	2,474
Apr. 1977	18	836	1,169	2,005
May 1977	30	1,791	159	1,950
June 1977	25	1,479	310	1,789
July 1977	4	175	3,858	4,033
Aug. 1977	21	968	479	1,447
Sept. 1977	30	1,706	430	2,136
Oct. 1977	30	1,472	880	2,352
Nov. 1977	31	1,804	268	2,072
Dec. 1977	30	1,924	256	2,180
Jan. 1978	31	1,769	491	2,260
Feb. 1978	31	1,589	579	2,168
Mar. 1978	13	658	311	969
Apr. 1978	0	0	664	664
May 1978	0	0	1,126	1,126
June 1978	0	0	226	226
July 1978	0	0	675	675
Aug. 1978	0	0	1,513	1,513
Sept. 1978	0	0	1,129	1,129
Oct. 1978	5	486	985	1,471
Nov. 1978	28	2,306	94	2,400
Dec. 1978		803	628	1,431

27,272 MCF (75 MCF AVG.)

FOR 2 YEARS 43,304 MCF (59.32 AVG.)

16,032 MCF (43.9 AVG.)

42,302 MCF 57.9 MCF Avg.

16,781 MCF 50 MCF Avg.

7,414 MCF 40.5 MCF Avg.

5,000 MCF 54.9MCF Avg.

*Designates days well was actually flowing into pipe line
The farmers use gas to power irrigation engines and in so doing, at times, will pull the well pressure below pipe line pressure so gas will not flow into pipe line, but gas is still being produced and sold.

DATE	PIPE LINE GAS	IRRIGATION GAS	TOTAL	Avg. Per Day
Dec. 1978	803	628	1,431	46.16
Jan. 1979	2,353	0	2,353	75.90
Feb. 1979	1,848	0	1,848	66.00
Mar. 1979	885	231	1,116	36.00
Apr. 1979	0	695	695	46.33 (15) DAY'S
May 1979	0	1,165	1,165	37.58
June 1979	0	248	248	24.80 (10) DAYS
July 1979	0	1,542	1,542	49.74
Aug. 1979	0	1,001	1,001	32.29
Sept. 1979 30 DAYS	0	1,877	1,877	62.57
Oct. 1979 31 "	777	1,060	1,837	59.26
Nov. 1979 30 "	2,136	60	2,196	73.20
Dec. 1979 31 "	1,946	9	1,955	63.06
Jan. 1980 31 "	1,815	0	1,815	58.5
Feb. 1980 28 "	1,768	0	1,768	60.93
Mar. 1980 31 "	1,602	29	1,631	52.61
Apr. 1980 30 "	1,635	150	1,785	59.50
May 1980 31 "	1,600	97	1,697	54.74
June 1980 30 "	1,704	0	1,704	58.00

303 DAYS

5910 MCF 65 AVERAGE FOR 91 DAY PERIOD

18,265 MCF 60.3 AVG.

Avg. for 19 Month Period 53.54

5

ANALYSIS OF IRRIGATED FARMS IN FARM MANAGEMENT ASSOCIATION NO. 3, 1979 - 1982

Year	1979	1980	1981	1982
Number of Farms	114	123	128	92
Gross Farm Income	224,643	231,288	191,218	232,575
Cash Operating Expense	133,524	148,320	169,107	186,279
Depreciation	25,504	26,923	29,604	28,099
Total Farm Expense	159,028	175,243	198,711	214,378
Net Farm Income	65,615	56,045	(-7,492)	18,197
Net Farm Income/Opr.	56,157	46,895	(-5,963)	15,558
% Return on Net Worth	8.73	4.98	(9.29)	(6.05)
Expense/$100 Gross Income	71	76	103.91	92
Net Income/Gross Income (%)	29	24	(-3.92)	8
Total Loans/Net Worth (Dec. 31)	.45	.44	.50	.62
Capital Managed	1,051,643	1,440,573	1,475,637	1,445,853
Acres Operated	1657	1610	1740	1722
Total Crop Acres	1447	1440	1535	1527
% Crop Acres Irrig.	68.85	66.44	63.99	62.80
Number of Men	1.95	1.98	2.04	1.93
Man Work Days/Man	–	–	–	182
Mach. Invest/Crop Acre	51.56	56.14	57.59	54.60
Mach. Cost/Crop Acre	46.84	55.17	57.85	57.92
Gross Crop Value/Crop Acre	165.60	192.55	146.25	167.38
Fertilizer Cost/Crop Acre	13.41	14.52	12.09	13.11
Crop Prod. Cost/Crop Acre	89.85	102.10	108.71	114.27

Farm Management Association No. 3 is a cooperative effort between farmers and ranchers in Kansas, and the Cooperative Extension Service at Kansas State University.

An excerpt from:

PUBLIC LAW 95-621—Nov. 9, 1978

THE NATURAL GAS POLICY ACT OF 1978

SEC. 602. EFFECT ON STATE LAWS.

(a). AUTHORITY TO PRESCRIBE LOWER MAXIMUM LAWFUL PRICES. Nothing in this Act shall affect the authority of any State to establish or enforce any maximum lawful price for the first sale of natural gas produced in such State which does not exceed the applicable maximum lawful price, if any, under title I* of this Act.

* Title I — Wellhead Pricing.

This section of the Act describes the various classifications of natural gas wells, and prescribes the ceiling price for each class .

TESTIMONY BY REPRESENTATIVE SUSAN ROENBAUGH

BEFORE THE HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

HOUSE BILL 2641

FEBRUARY 7,1984

Thank you Mr. Chairman and members of the committee for giving me the opportunity to appear before you this afternoon.

In my opinion, the proposed legislation, HB 2641, would help guarantee to the State of Kansas the continued benefit to the economy, provided by irrigation and the related business it has generated in recent years.

I'm not going to take up your time telling you what irrigation has meant to Kansas, and to the balance of payments of the United States as a whole. But I'm sure you'll all agree that the benefits to the economy provided by irrigation is of utmost importance.

Farmers, and more specifically irrigators, do not make the decision to irrigate a piece of land without a great deal of thought, time and money. It's hard to tell how many farmers have "put up" with the inconveniences of gas lines across their fields only to find that it was impossible to get permission for a tap to fuel an irrigation system.

You might wonder, why natural gas, when there are alternate fuels available? There have been times in the past that the availability of diesel was a problem - Rural Electrics simply will not run lines in many places and very often - out west - you could be several miles from an electric power source. Propane is too prohibitive price-wise to even mention. Farmers don't operate in a marketing system where they can pass their increased costs along to the buyers of their product. The tremendous capital outlay required

2-7-84
Att[illegible]

to switch to alternative sources of energy are far greater than farmers or power companies could stand over a short period of time.

There are two ways to deprive farmers of the fuels they need to raise food for this country - Price and Priority - what good is a price we're willing to pay when no fuel is available.

This bill would help to solve this problem. The gas is there. It's a very small percentage of this resource that is used for irrigation purposes. This proposed legislation, recommended by the 1983 Interim Committee on Energy and Natural Resources would help guarantee to the State of Kansas the benefit to the economy provided by irrigation and the increase in related business it has generated.

I would like to briefly remind the committee that in many years the irrigator is what keeps this country from a return to the dust bowl days of the thirties and at the same time have made giant strides in conserving both fuel and water.

House Bill 2641 is remedial, and as responsible legislators we would be remiss if we didn't deal with this serious problem. I respectfully request that the House Committee on Energy and Natural Resources recommend HB 2641 favorable for passage.

75 Horsepower Engine - 1100 hours

fuel	cost/unit	total cost
Natural gas	\$2.75 \$3.75	\$2270.00 \$3093.75
Electricity	6½¢	\$4505.00
Diesel	\$1.00 gal.	\$5500.00

100 Horsepower Engine - 1100 hours

fuel	cost/unit	total cost
Natural gas	\$2.75 \$3.75	\$3933.00 \$5362.00
Electricity	6½¢	\$5792.00
Diesel	\$1.00 gal.	\$7333.00

Form SWKROA (1975)

PIPELINE RIGHT-OF-WAY GRANT

HUBBARD IN HUGOTON

KNOW ALL MEN BY THESE PRESENTS:

That Andrew E. Larson and Jean Margaret Larson, his wife

R.F.D. No. 1

Garden City, Kansas 67846

hereinafter referred to as Grantor, whether one or more, for and in consideration of the sum of Ten and No/100 Dollars ($10.00), and other good and valuable consideration, the receipt of which is hereby acknowledged, does hereby warrant and convey unto

Kansas-Nebraska Natural Gas Company, Inc.,

a Kansas corporation, having its principal office at Phillipsburg, Kansas 67661, its successors and assigns, hereinafter referred to as Grantee, the right to lay, construct, maintain, alter, inspect, repair, replace, change the size of, operate and remove a pipeline not to exceed six (6) inches in diameter, and any appurtenances listed herein incident to the operation or protection thereof, for the transportation of oil, gas, petroleum or any of its products, on, over and through the following described real estate situated in Finney County, Kansas, to-wit:

The South Half (S/2) of Section Thirty-three (33),
Township Twenty-three (23) South, Range Thirty-one
(31) West of the 6th P.M.

APPURTENANCES:

Grantee agrees as further consideration for the execution of this easement to install a tap on an existing pipeline in the West Half of Section 32, T 23S, R 33W, Finney Co., Kansas for use for doestic or irrigation purposes. for benifit of Grantor.

TO HAVE AND TO HOLD THE SAME unto Grantee, its successors and assigns, together with the right of ingress and egress to and from said premises, for the purposes aforesaid.

1. Said pipeline shall be located as shown by the attached plat, which is made a part hereof as though fully set forth herein. All above-ground appurtenances, if any, shall be placed at or adjacent to the property line of the above described real estate.

2. The easement herein granted shall be limited to sixty-six feet (66") for construction, replacement and removal purposes, and to fifty feet (50") in width for the permanent easement, with the pipeline located in the center thereof.

3. The pipeline shall be buried to a depth of not less than sixty inches (60") below the surface, except in rock, where a minimum cover of twenty-four inches (24") will be provided.

4. If the easement is abandoned, the pipeline may be removed at the expense of Grantee within twelve months from the abandonment, and a release of the easement shall be filed of record by the Grantee. If not removed within such period, such line will be considered abandoned in place and become the property of Grantor.

5. Grantor shall have the right to fully use and enjoy the above-described premises, subject to the rights herein granted. No consent from the Grantee is necessary for Grantor to fence, place temporary structures, to excavate for irrigation ditches, or to level the land, in the proper enjoyment of the land for agricultural purposes.

6. Any pipeline ditch across irrigated land shall be water packed when backfilled, and the right-of-way leveled so as to allow irrigation water to cross the pipeline ditch in a normal manner. The water packing, backfilling and leveling shall be performed in a workmanlike manner by Grantee and to the satisfaction of Grantor.

7. Water used for water packing the pipeline and expenses incurred in connection therewith shall be paid by Grantee.

8. Grantee agrees to pay for damages to land, crops, grasses, fences, timber, livestock and for damages to other personal property caused in the construction, maintenance, replacement, repair or removal of the pipeline, such damages to be paid after the damage is done.

9. As a part of the consideration hereunder, in addition to the damages provided in Paragraph 8 above, Grantee agrees to pay Grantor for any deficiency in growing crops on irrigated land, if the construction of the pipeline causes delay or inability to properly irrigate said growing crops below the pipeline right-of-way. Such deficiency in growing crops, if any, shall be determined by comparison of the growing crops above and below the pipeline.

10. Grantee also agrees, that at the time excavation for the pipeline is made, Grantee shall cause the top soil to be separately placed from the subsoil and replaced on top of the backfill, so that the ground will be restored to its original condition as nearly as possible upon completion of construction.

11. Grantee, upon written application by Grantor, agrees to make, or cause to be made, a tap in any gas pipeline constructed by Grantee upon the above described premises. Such tap shall be for the purposes of supplying gas to Grantor for his own use only, and not for resale. Grantee shall make such tap and will install and maintain a meter and regulator at the point of connection with its pipeline, all at no cost to Grantor. All piping and connections downstream of Grantee's meter shall be furnished, installed and maintained by Grantor, at no cost to Grantee.

Said tap shall be provided at a point adjacent to an existing public road, or at such other convenient point on its line as Grantee may determine. Gas to be taken under this provision shall be measured and furnished to Grantor at such rate, and upon such terms, as may be established by Grantee, or its assigns, from time to time. All of the foregoing shall be subject, however, to Grantee's right, without further obligation to Grantor, to discontinue or interrupt its use of any such line or to transport substances through the same which are not suitable for use by Grantor.

12. Grantee agrees to assume the responsibility for and the expense of lowering said pipeline when requested by Grantor when reasonably necessary for the use of Grantor in his agricultural operations, including but not specifically limited to the use of said land for irrigation purposes.

13. The rights herein granted may be assigned in whole or in part.

14. Grantee shall be obligated, at Grantee's expense, to reseed and establish native grass cover, if any, on the right-of-way and the adjoining land used in the pipeline construction.

15. Grantee shall take all reasonable precautions to prevent and suppress fires, to prevent pollution of soil and water resources, and to control excessive soil erosion.

16. Grantee agrees to indemnify Grantor against all damages, expenses, costs and charges, and to save Grantor harmless from any and all claims for damages by third parties, and all loss and liability incurred by reason of Grantee's use and enjoyment of such right of way.

Grantee agrees to settle Right-of-way and damages on the basis of $10.00

17. Grantee agrees to compact, backfill and maintain the pipeline ditch at original level.

18. Grantor agrees that all payments due and payable hereunder shall be paid to .... as agent on behalf of Grantor.

19. Further terms and conditions. Grantee agrees to compact, backfill and maintain the pipeline ditch at original level.

The terms and conditions and provisions of this grant shall extend to and be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns.

WITNESS OUR HANDS, this .... day of December, 1977.

O. F. Sellers

Grantee Kansas-NebraskaNatural Gas Co.
By - O. F. Sellers

Andrew E. Larson

Jean

Jean Margaret Larson GRANTOR

Attachment 3

Special Committee on Energy and Natural Resources
David Heinemann, Chairman

In many instances essential agriculture users are unable to buy gas at the lowest applicable price, and in some cases not at all, because the wellhead producer or the pipeline company refuses to make such sale. They use the excuse that it is not allowed by State and/or Federal regulations.

It is my purpose to point out that the "Blanket Authority Certificates" issued by the FERC under Docket No. RM81-19-000 allows for the sale of such gas. Such sales may be made under this authority automatically, without FERC notice.

Also, under Section 602 of the N.G.P.A. of 1978 it is very clear that the State has the authority to set prices for these sales lower than the applicable N.G.P.A. price.

In many instances where gas which is being produced on the farm and sold at a low price (sometimes 50¢/MCF or less) the farmer is being required to pay from $2.50 to $3.40 per MCF for the same gas back, from a meter just a few feet down the line.

I respectfully request that HB No. 2641 including the enclosed amendment, be passed out of committee with recommendation for approval in order to see that the citizens of this State gain at least a small amount of the benefits of the sale of this low priced gas, and help our agriculture stay in business through these difficult times.

I would also like to support the passage of HB No. 2123, which is an attempt to remedy another unfortunate manipulation of the regulations to detriment of all consumers of natural gas.

Thank-you,

J. R. Ham

J. R. Ham
Master Land Company
Garden City, Kansas

Attachment 4

An excerpt from:

PUBLIC LAW 95-621—Nov. 9, 1978

THE NATURAL GAS POLICY ACT OF 1978

SEC. 602. EFFECT ON STATE LAWS.

(a). AUTHORITY TO PRESCRIBE LOWER MAXIMUM LAWFUL PRICES. Nothing in this Act shall affect the authority of any State to establish or enforce any maximum lawful price for the first sale of natural gas produced in such State which does not exceed the applicable maximum lawful price, if any, under title I* of this Act.

* Title I – Wellhead Pricing.

This section of the Act describes the various classifications of natural gas wells, and prescribes the ceiling price for each class .

Session of 1984

HOUSE BILL No. 2641

By Special Committee on Energy and Natural Resources
Re Proposal No. 20

12-19

AN ACT relating to natural gas; concerning the use of natural gas for agricultural irrigation purposes; conferring certain powers and duties on the state corporation commission.

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

Section 1. (a) It is hereby declared to be in the public interest to use natural gas on the land in which the gas is produced and on land in a proven field on which gathering pipelines are located for the purpose of pumping groundwater to the surface to irrigate such land for agricultural purposes.

(b) Upon request, any person owning or operating a well from which natural gas is produced, sold or used off the land on which such well is located shall make available from the production of the well sufficient gas to operate engines used to pump groundwater to the surface for irrigation of the land used for agricultural purposes. All installation costs, including the cost of the gas meter, shall be borne by the person at whose request the gas is furnished.

(c) Upon request, any person owning or operating a natural gas gathering pipeline located on land in a proven gas field, shall furnish sufficient gas to operate engines used to pump groundwater to the surface for irrigation of the land used for agricultural purposes. The owners or operators of such gathering lines shall make connection and furnish the gas meter, but all costs of installation, including the cost of the gas meter, shall be borne by the owner or operator of such irrigation well.

(d) If the parties agree, an hour meter may be substituted on such engine in lieu of a natural gas meter as a method of measuring the amount of the gas so used.

(e) As provided for under Section 602 of the N.G.P.A. of 1978, the maximum lawful ~~The~~ price for any natural gas furnished by a producer from a well pursuant to subsection (b) shall be equal to the average price received by the producer for production from such well. The price for any natural gas furnished from a gathering pipeline pursuant to subsection (c) shall be equal to the contract price or tariff filed by the pipeline owner with the state corporation commission.

(f) The state corporation commission shall have jurisdiction over the sales of natural gas pursuant to this act. The state corporation commission shall adopt any rules and regulations necessary to enforce the provisions of this act.

(g) Nothing in this act shall create in any manner an obligation or duty on the part of the operator of any well or gathering pipeline, who furnishes gas under the provisions of this act, to assume in any way public utility duties to the public at large except as such duties may arise from such operator's acts separate and apart from any performance of obligations imposed under this act.

(h) The provisions of this act shall apply only to natural gas sales not under the jurisdiction of the federal energy regulatory commission.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

My name is Randal Loder. I live near Garden City, Kansas where I have an irrigation farming operation. My primary farm interests lie in the production of feed grains and forage for the cattle feeding operations in my area.

I appear today as an irrigator, and on behalf of the Southwest Kansas Irrigation Association. Our membership supports the intent of House Bill 2641 and would appreciate your favorable consideration.

I believe you are able to understand the frustration of our members when they are denied access to reasonably priced supplies of natural gas that originate on the very land they farm. With vast reserves of gas in our area going unused, there is no justification for denying irrigators access to these supplies. H.B. 2641 will open these supplies to those who can make beneficial use of this resource.

The December 1983 Hugoton Gas Report reveals that pipelines operating in the field were only able to market half of the November basic allowable (only 12% of the November net allowable). We're asking that only a small portion of the excess supply be made available to irrigators. No homes or schools will go unheated, and no factories shut down. In fact, irrigation gas usage peaks in the same month that demands for pipeline sales are at their lowest level of the year. (See chart of gas sales on page 3) As you can see in the lower graph, gas usage varies greatly with the season and purpose

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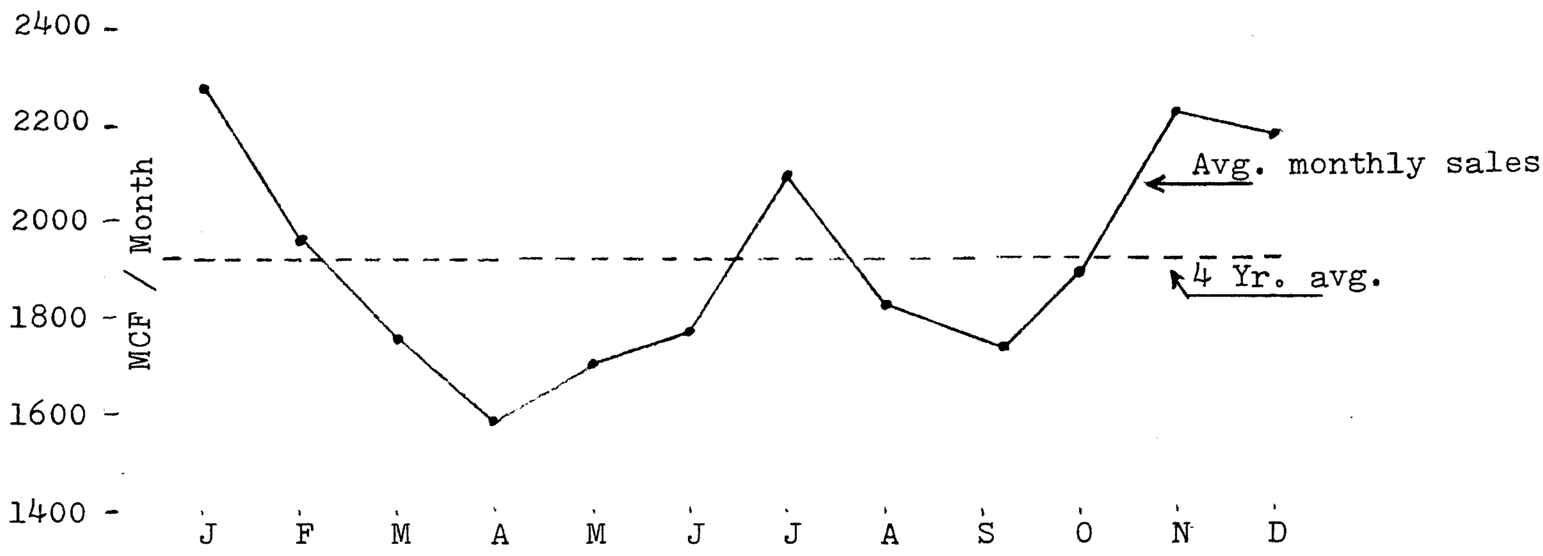
of use. The upper graph shows the stabilizing effect of irrigation gas sales. I think we can agree that the electric utilities in Kansas would court vigorously any customer whose demand peaks while their demand is at it's lowest level.

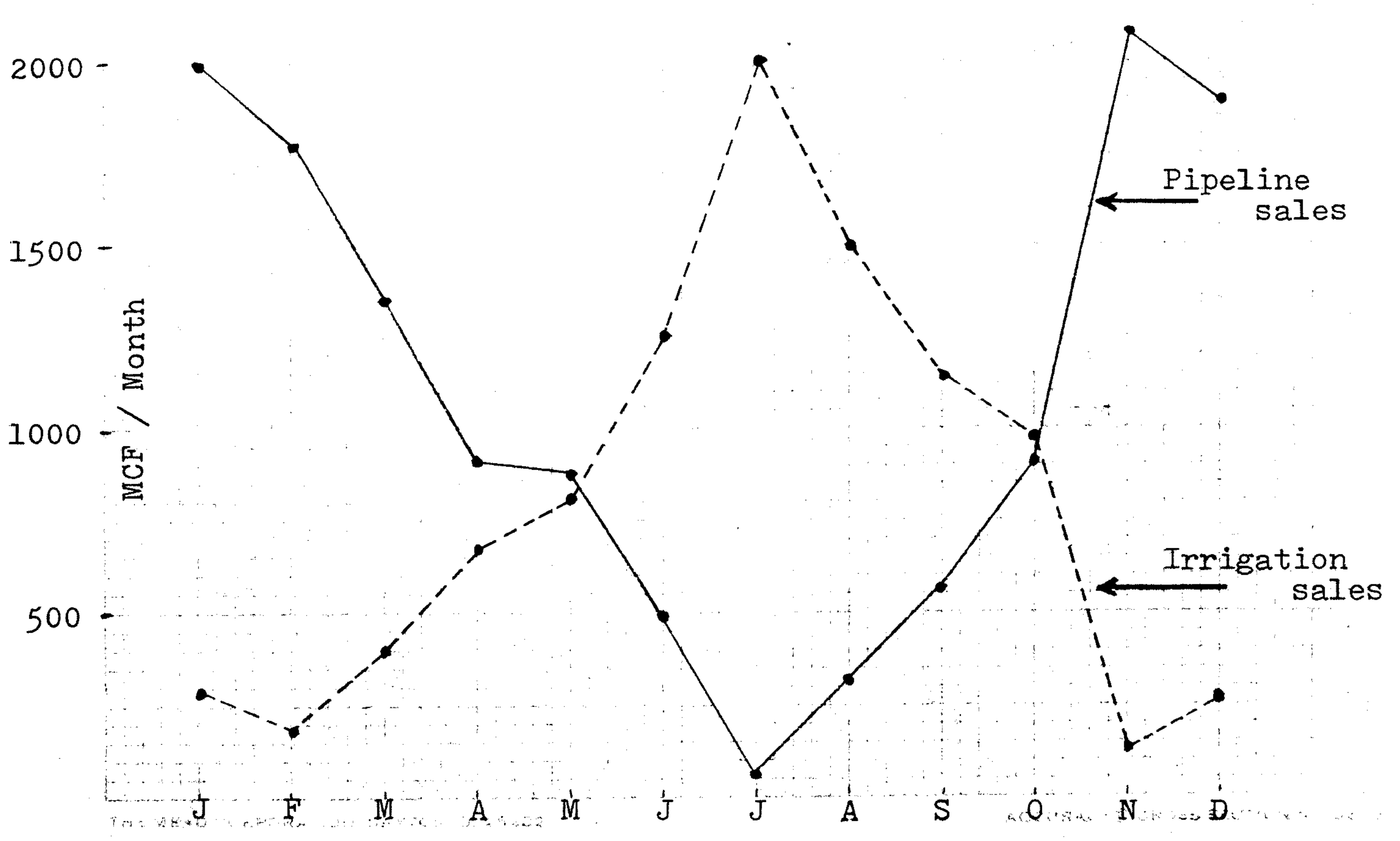
With this bill we recognize the fact that local natural gas supplies, when combined with our land and water resources, play an important role in Kansas agriculture. As a fuel to power irrigation engines, it provides a critical link in the transformation of raw materials into a finished product that has a much greater value than the sum of its parts. Kansans have the choice of exporting our raw resources and losing control of them at the state line, or we can maximize our resource potential by encouraging the further refining and finishing of them within our boundries. The later choice insures that the jobs, market opportunities, and revenues that are created will benefit all Kansans.

I thank you for your time.

Total Wellhead Natural Gas Sales
4 Wells in Finney Co., Ks.



Average Monthly Irrigation & Pipeline Natural Gas Sales ('79 -'82)
4 Wells in Finney Co., Ks.



Kansas Livestock Association

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Owns and Publishes The Kansas STOCKMAN magazine and KLA News & Market Report newsletter.

Statement

of the Kansas Livestock Association

with respect to

HB 2123 and HB 2641

Natural Gas Availability and Pricing

Presented to

House Committee on Energy & Natural Resources

Rep. David Heinemann, Chairman

February 7, 1984

by

Dee Likes, Executive Secretary, Feedlot Division

Mr. Chairman and members of the Committee, the Kansas Livestock Association has supported legislation similar to these two proposals for several years.

Allow me to briefly address each bill:

HB 2641 -- This bill simply provides that the owners and operators of natural gas wells and pipelines must provide irrigators with access to that gas. Our members believe that if one operates the land where a natural gas well or pipeline exists that person should have access to the gas crossing or being produced from the land. We believe it is only fair and equitable to provide natural gas to the owners and operators of agricultural land. Think about it and put yourself in the place of many Kansas farmers and ranchers ... natural gas right there on

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your land being piped away and you cannot have access to it; just because the producing company doesn't want the landowner to be able to acquire a certain quantity in order to irrigate and prefers instead to dedicate the gas to other buyers. Some natural gas companies want to ignore those who own the land that they produce from and sell to other sources. We disagree and hope you do too. In some instances access to the natural gas produced on or crossing one's land could provide an extremely important price differential since in many cases this is "old gas" upon which the price is much lower than that being received for "new gas".

HB 2123 is nearly identical to HB 2760 which was approved by this Committee during the 1982 legislative session but never considered on the floor of the full House. As many members of the Committee are already aware, the Kansas farm economy has been depressed for several years. Most farmers, ranchers and their representative organizations realize there is little action the state legislature can take to alleviate the current state of the farm economy. This bill, however, speaks to an area where the state legislature does have the statutory authority, as granted by federal law, to take action that could have a positive effect on a particular segment of the farming industry.

Escalating prices for natural gas threaten to push the cost of groundwater irrigation beyond the reach of many farmers. If the price of natural gas rises to the point where it is no longer economically feasible for farmers to use it as a fuel for irrigation, they must therefore return to dryland farming, the economic consequences in some areas of western Kansas will be extremely severe. This bill, while admittedly not benefitting all irrigators does represent an area where state government can act to hold down the price of natural gas which is produced here in Kansas and therefore benefit Kansas agriculture.

Under terms of the Natural Gas Policy Act of 1978, gas producing copmpanies have the power to reduce production from a gas well, have it declared a stripper well under the guidelines set forth by the Federal Energy Regulatory Commission and then charge the maximum unregulated price which is allowable for "new gas".

The intent of the 1978 act was to provide the higher stripper price as an incentive to keep marginal wells in production and to prevent the abondonment of "old gas". In this case, however, the actual effect has been to allow profitable wells to produce at marginal rates and still allow the higher price. Often this means huge price increases for agricultural users. Kansas farmers and ranchers who are the first purchasers of this gas at or near the site of production have seen their costs for irrigation skyrocket by 600, 700, even 800%. It's not uncommon for irrigators to experience price increases which set the price of their gas at \$3.50 MCF versus their old price of approximately 50¢ MCF.

This circumstance causes farmers to switch crops, from irrigated corn to pre-watered milo for example, and to experience much lower yields. Much of the economy of western Kansas depends upon irrigation so this situation is potentially serious in certain areas.

Section 602 of the Natural Gas Policy Act of 1978 appears to specifically authorize states to prescribe lower maximum price levels for first sales of natural gas ... exactly what this bill seeks to do.

We realize that a lot of conflicting dialogue about these two legislative proposals exists. However, since our membership has voted to support these two types of legislation during several of our annual legislative meetings, we respectfully ask the Committee to give favorable consideration to HB 2641 and HB 2123.