

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./~~pm~~ on Tuesday, March 13, 1984 in room 123-S of the Capitol.

All members were present except:  
Senator Paul Hess

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

Conferees appearing before the committee:  
Representative Susan Roenbaugh  
Dee Likes, Kansas Livestock Association  
Don Schnacke, Kansas Independent Oil and Gas Association  
George Sims, Mobil  
Bob Anderson, Mid-Continent Oil and Gas Association and K-N Energy  
Representative Keith Farrar

Senator Werts moved that the minutes of the March 2, 1984 meeting be approved. Senator Vidricksen seconded the motion, and the motion carried.

H.B. 2641 - Natural gas for irrigation of land where wells and gathering systems are located.  
Re Proposal No. 20

Representative Susan Roenbaugh read her statement in support of the bill (Attachment 1). She said the bill would require natural gas pipelines to give farmers a tap for irrigation purposes where there are wells or gathering lines on their property. She said this would apply only to gas not under the regulation of the Federal Energy Regulatory Commission.

Dee Likes spoke in support of the bill. He suggested that the Committee might consider amending the bill to provide for access to big pipelines as well as the gathering lines.

Staff advised that if the gas is taken off the wellhead, the price would be the wellhead price. If the gas is taken off the gathering line, the price would be the system price.

Don Schnacke read his written testimony (Attachment 2). He urged the Committee to clarify terms in the bill -- "a well", "the land", "proven field" and "natural gas gathering pipeline". Mr. Schnacke suggested that the bill limit the liability of the producers. He also feels an allowance of 2 to 3 cents per mcf should be made for the added costs of providing such a service.

George Sims suggested several modification to the bill. He said the bill should specify that the owner of the natural gas is the one required to provide access. He pointed out the bill should provide that the price of gas cannot be less than the royalty being paid on the well. Mr. Sims said that there could be a problem with who has the priority on this gas, and that the bill should have a provision that the amount of gas taken cannot exceed the allowable. He mentioned that the bill should be amended to say that the liability of the owner of the gas ends at the point of delivery.

Bob Anderson said that it is understandable that irrigators want to have access to this inexpensive fuel. He told the Committee that K-N Energy has 3,700 irrigation gas meters and furnishes a service as a utility to these irrigators. They are regulated by the State Corporation Commission as to the price they charge and the service they render. He raised questions about the language in subsection (g) of the bill concerning obligations of a public utility.

H.B. 2407 - Natural gas production contracts: filed with corporation commission

Representative Keith Farrar said that the purpose of the bill is to provide that copies of contracts are on file to be available for the use of the State Corporation Commission for such activities as rate hearings. He said he did not know how many contracts this would involve. Representative Farrar mentioned that the contracts are filed with the Federal Energy Regulatory Commission.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Energy and Natural Resources,

room 123-S, Statehouse, at 8:00 a.m. ~~p.m.~~ on Tuesday, March 13, 1984.

Don Schnacke read his statement opposing the bill (Attachment 3). He said the Federal Energy Regulatory Commission has not required the filing of contracts since 1978. Mr. Schnacke said this would be very costly and time-consuming and that there has been no need established for such a filing.

Bob Anderson testified in opposition to H.B. 2407. He questioned how the costs of administering the bill would be funded.

The meeting was adjourned at 8:55 a.m. by the Chairman. The next meeting of the Committee will be at 8:00 a.m. on Wednesday, March 14, 1984.

# Senate Energy + Natural Resources

March 13, 1984

<u>Name</u>	<u>Organization</u>
Leland E. Rolfs	DWR-KSBA
Joe HARKINS	RWZ
Don Schwacke	KJOGA
George A. Simis	mobil
Lon Stanton	Northern Natural Gas
A.G. Benning	KPL
Dale Loper	KLA
Susan Rauhaug	House of Rep.
Glenn Cogswell	Northwest Central Pipeline Corp.

TESTIMONY BY REPRESENTATIVE SUSAN ROENBAUGH  
BEFORE THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE  
HOUSE BILL 2641  
MARCH 13, 1984,

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

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. There is plenty of gas in Kansas to use for irrigation, in fact, many wells have been shut in because there's no place to go with the gas.

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

*Atch. 1*

TESTIMONY - HB 2641

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 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, thoroughly studied and 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 they 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 Senate 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	\$2270.00
	\$3.75	\$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	\$3933.00
	\$3.75	\$5362.00
Electricity	6½¢	\$5792.00
Diesel	\$1.00 gal.	\$7333.00



Attachment 2  
**KANSAS INDEPENDENT OIL & GAS ASSOCIATION**  
500 BROADWAY PLAZA • WICHITA, KANSAS 67202 • (316) 263-7297

TO: Senate Committee on Energy and Natural Resources

RE: HB 2641 - Natural Gas  
for Irrigation  
March 13, 1984

We are getting quite a number of adverse comments about HB 2641. The bill is statewide in application and has many vague terms. We would like to assist you in drafting a workable irrigation gas access bill!

For instance, in line <sup>26</sup>65, "a well" may be one from which natural gas is produced, but in minor quantities.-- or that casinghead gas is produced. HB 2641 would make it mandatory to furnish gas to irrigators whether he had it or not. The quantity and use of the gas from the well may limit its ability to serve irrigators.

Additionally, in line <sup>29</sup>27, the term "the land" should be restructured to read "the land attributed to the gas well". Same on line 36.

Line 22 - what is a "proven field"? Line 33 - what is a "natural gas gathering pipeline"? These should be clarified.

We believe there should be provisions in HB 2641 to limit the liability of a producer for explosions and leaks caused by the irrigator.

Independents and small operators have a lot of difficulty in servicing irrigation gas contracts. Special division orders would have to be set up to distribute payments from irrigators. Some irrigators are slow paying; the accounting can be a nightmare. Line 44 relating to price gives no recognition to the overhead, field supervision, accounting and billing. We suggest at least 2-3¢/mcf.

The independents that I represent indicate they are not able to handle this sort of mandated activity on a big scale. Most producers normally and regularly contract with irrigators when the gas is available. In the event you feel HB 2641 should pass, then we suggest you clarify the terms and words that are not clear and provide some protection and price relief for the duties you are imposing on the producers. We are available to assist you in working out a reasonable natural gas access bill for the benefit of irrigators.

Donald P. Schnacke

DPS:pp

*Atch. 2*





Attachment 3  
**KANSAS INDEPENDENT OIL & GAS ASSOCIATION**

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

TO: Senate Committee on Energy and Natural Resources

RE: HB 2407 - Filing of Natural  
Gas Contracts with the KCC  
March 13, 1984

We have had a lot of adverse comments from producers on HB 2407. We do not believe a good case has been made for collecting all of these contracts for purchase, sale, production, or delivery of natural gas in Kansas.

We consider it a useless and costly make-work exercise. The storage, filing and monitoring of all this information will be considerable. FERC has not required this since passage of the NGPA in 1978.

We consider HB 2407 a poorly written bill -- there is no public need or purpose expressed in the bill. There is no statement of how the KCC or the State Government would use this information. There is no provision for contract amendments which would be sizeable.

We are perplexed with this type of legislation and urge your defeat of the bill.

Donald P. Schnacke

DPS:pp

Attch. 3