

MINUTES OF THE HOUSE SUB-COMMITTEE ON ENERGY

The meeting was called to order by Representative Jim Patterson at  
Chairperson

3:30 ~~am~~/p.m. on February 25, 1985 in room 313-S of the Capitol.

All members were present except:

Representative Spaniol (excused)

Committee staff present:

Ramon Powers, Legislative Research  
Theresa Kiernan, Revisor of Statutes Office

Conferees appearing before the committee:

Representative Eugene L. Shore  
Judge L. L. Morgan for City of Hugoton  
Jack Glaves, Attorney for Anadarka Production Co. and Pan Eastern  
Export Company  
Robert Anderson, Mid-Continent Oil & Gas Association  
Representative Sam Roper  
Ed Schaub, Southwestern Bell Telephone Company  
Jerry Connrod, Kansas Gas and Electric Company  
Lou Stanton, Northern Natural Gas Company

Bills before the committee were: HB 2037 and HB 2041.

The meeting was called to order by Chairman Patterson.

Representative Eugene Shore presented prepared testimony (Attachment No. 1) that explained the history of the gas well in Hugoton and the purpose or objectives of HB 2037.

Judge L. L. Morgan expanded upon the history of the gas well, changes in the law affecting proration and explained the operation of the system and Hugoton's current problem with its gas well allowable. (Attachments No.2 & 3)

Mr. Jack Glaves explained Anadarka's opposition to exempting this gas well from Kansas Corporation Commission's determination of allowables. He expressed the opinion that once exemptions are made to KCC jurisdiction, others would request like exemptions. He explained the movement of gas in a reservoir pointing out that the jurisdiction of KCC is to protect correlative rights and prevent waste.

Mr. Robert Anderson testified the Legislature very wisely created the Corporation Commission for the purpose of determining oil and gas conservation matters. He stressed the protection of correlative rights and preventing of waste should remain with the Commission. He was opposed to this exemption.

Representative Sam Roper explained that HB 2041 would establish a Kansas Coal Commission to study ways to expand and create new markets for Kansas coal. The funding of the Commission would be from appropriations of the Department of Economic Development with additional cost to come from contributions by utilities. The fiscal cost to the Department of Economic Development is estimated to be \$9,360 for six meetings. The amounts are not included in the FY 1986 Governor's Budget Report. (Attachment No. 4)

Mr. Ed Schaub of Southwestern Bell Telephone Company pointed out that additional charges to utilities was very broad and requested that the word "utility" be defined to exclude operating telephone companies.

CONTINUATION SHEET

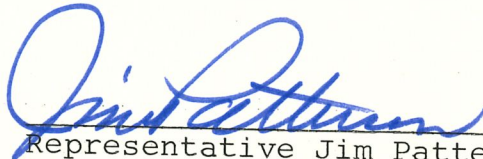
MINUTES OF THE HOUSE Sub-  
COMMITTEE ON Energy  
room 313-S, Statehouse, at 3:30 ~~a.m.~~/p.m. on February 6, 1985

Mr. Jerry Connrod endorsed the concept to improve the sale of coal, but objected to having his company be included in sharing the cost of the Commission. Funds requested in the Governor's Budget for technology may be available for the study.

Mr. Lon Stanton of Northern Natural Gas did not think that his company should share in the cost of a Coal Study Commission that may substitute coal for oil and gas in industry and homes.

The meeting was adjourned at 4:45.

The next meeting of the Energy Sub-Committee will be at the call of the Chairman.



Representative Jim Patterson  
Chairman

SPEECH

Representative Eugene L. Shore

HUGOTON GAS WELLS

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

House Bill 2037 exempts a second class city from KCC regulations if it owns the minerals and has its own gas well.

As background the city of Hugoton owns all the minerals on 640 acres and has drilled its own gas well which is used to power its electric generating plant to serve the city of Hugoton. Hugoton generates all its own electricity with no back-up provisions from another source. Because of low usage from the field and correlative rights of the surrounding wells the allowable for Hugoton's well falls short of the necessary production to run its electric plant. The city thus has bought and paid for its own gas supply for its power plant, is capable of producing an adequate supply of gas, yet is forced to pay an additional 5-600,000 dollars per year for supplemental gas supplies.

The gas well is capable of producing adequate gas, the question is only whether surrounding rights will be affected. At this time, many producers are before the KCC asking for infill drilling on the premise, that wells a mile apart will not drain the field so it should be difficult to claim damage before this committee and attempt to show the need for closer spacing before the KCC.

*Atch. 1  
S. House ENR & NR  
2/15/85*

Retired Judge L.L. Morgan from Hugoton has prepared testimony as to details and probably can answer questions better than I.

Mr. Jerry Leonard Assistant Manager of the Hugoton electric generating plant also accompanies him and will also be available for questions.

SYNOPSIS  
SENATE BILL No. 41  
HOUSE BILL No. 2037

The city of Hugoton, Kansas by virtue of authority granted by the Kansas Legislature - Chapter 152 - Laws of 1945, drilled a producing natural gas well.

On June 4, 1945 the city entered into a contract selling the gas produced from the well to Northern Natural Gas Company.

On March 15, 1973 the contract was amended to provide :

"Northern agrees to release from Seller's commitment hereunder such volumes of gas as Seller may from time to time use in Seller's power plants located in Sections 16 and 21 T33s-R37w Stevens County, Kansas."

On July 1, 1973 it was agreed by "Northern" for itself and on behalf of the Peoples Natural Gas Division that "Peoples" would transport, supervise and control all the natural gas produced from the City well or wells to the City power plants, calculated each month, for five (5¢) per MCF, on the wells sustained deliverability or regulatory allowables, with the City to pay "Peoples" for all gas delivered in excess of such allowables according to the Rate Schedule on file with the K.C.C.

During the latter part of 1983 "Peoples" notified the City that during the period from November 1, 1980 to January 1, 1984 the City power plants had used gas exceeding the K.C.C. allowables in the amount of \$1,800,000.00 which was settled with the City paying "Peoples" \$104,979.43. The City also paid "Peoples" <sup>\$197,359.19</sup> ~~\$602,338.56~~ for such excesses used for the year 1984.

The K. C. C. was first given control over the Hugoton Gas Field by Ch. 213 - Laws of Kansas <sup>1935</sup> ~~1945~~ - Sec. 3, which excepted any well with an open flow of 750,000 cubic feet or less and limited open flow daily takes to 25%.

Sec. 3 was amended in 1945, 1959 and 1981 with such exceptions being continued until the Laws of 1983 which repealed and eliminated all exceptions in Sec. 3 including the open flow exceptions.

Atch. 2 or 3  
S. House ENR  
2/5/85

CITY OF HUGOTON FEE GAS WELL  
Sec. 16-33-37

1. Mineral & land owner: City of Hugoton - allowable 640 acres producing unit 655 acres.  
1. Lot owners & 2. City of Hugoton 640 acres.  
3. School District No. 210 - 15 acres.

2. Producer: City of Hugoton.

Adjoining producers (correlative rights)

a. Panhandle Eastern Exploration Co. and Anadarko Production Company subsidiaries of Panhandle Eastern Pipe Line Company.

b. Mobil Oil Corporation.

Mineral and land owners are not mentioned or considered by the K. C. C., F.E.R.C. or the Statutes of Kansas, and are only included or covered by inference.

3. Consumers: City of Hugoton.

4. Transporter-purchaser of gas: City of Hugoton electric generating plant.

The City of Hugoton pays Northern Natural Gas Company 5¢ per mcf to transport, refine and clean gas produced from the Hugoton Fee gas well to the Hugoton electric generating plant located on NE $\frac{1}{4}$  21-33-37.

The City of Hugoton does not nor is it permitted by the K. C. C. to make nominations as a transporter-producer of gas. At the present time Northern Natural Gas Company presumably includes the gas produced from the Hugoton Fee gas well in its purchaser-transporter nominations and this is acquiesced in by the City of Hugoton.

The K.C.C. allocation of gas produced from the Hugoton Fee gas well is a very small percentage of the gas used by the Hugoton electric generating plant. The balance is purchased from The Peoples Natural Gas Company, a subsidiary of Northern Natural Gas Co. for ~~\$3.34~~ per mcf. See exhibits attached.

\$3.14

App. 2073  
S. J. House E+NR  
2/5/85

	<u>MCF Plants Consumption</u>	<u>MCF Well Take</u>	<u>- kWh sold</u>
January <u>1982</u>	18,287	18,957	
February	18,489	12,852	
March	14,806	8,056	
April	16,158	11,316	
May	15,874	916	
June	13,194	3,655	
July	23,507	205	
August	24,309	205	
September	20,288	162	
October	17,138	128	
November	18,138	1,012	
December (14,525)	17,239 <sup>22,412</sup>	2,448 <sup>57,712</sup>	18,319,04
January <u>1983</u>	17,978	2,387	
February	17,007	11,891	
March	15,597	487	
April	15,946	3,526	
May	15,484	4,536	
June	13,635	21,668	37% ↑
July	21,323	434	
August	27,180	235	
September	25,252	9,975	
October	17,637	17,761	
November	17,678	10,402	
December (115,104)	17,946 <sup>22,605</sup>	23,259 <sup>113,561</sup>	18,941,23
January <u>1984</u>	20,671	20,624	
February	17,315	19,202	
March	15,944	5,222	
April	16,363	52	39%
May	16,278	43	
June	20,180	178	
July	25,131	69	
August	26,194	954	
September	22,936	82	
October	16,873	271	
November	16,996	12,013	
December (161,117)	17,425 <sup>232,306</sup>	12,558 <sup>71,282</sup>	19,541,96

City of Hugoton - purchase of natural gas  
 from Peoples Natural Gas Co. - 1984

	<u>Take from City well</u>	<u>Transportation charge</u>	<u>Excess Volumes per MCF</u>	<u>Minimum Charge</u>	<u>TOTAL Excess Volume Charge</u>
Jan.	20,624 @ .05 = \$1,031.20		47 @ 3.2837 + \$30.00 = \$184.33		
Feb.	17,315 " = 865.75		0	30.00 = 30.00	
March	15,944 " = 797.20		0	30.00 = 30.00	
April	576 " = 28.80		15,787 "	+ 30.00 = 51,869.10	
May	43 " = 2.15		16,235 "	+ 30.00 = 53,340.80	
June	198 " = 9.90		19,982 "	+ 30.00 = 65,644.00	
July	69 " = 3.45		25,062 "	+ 30.00 = 82,326.00	
Aug.	954 " = 47.70		25,240 "	+ 30.00 = 82,910.00	
Sept.	82 " = 4.10		22,854 "	+ 30.00 = 75,015.00	
Oct.	271 " = 13.55		16,602 "	+ 30.00 = 54,545.90	
Nov.	12,013 " = 600.65		4,983		16,045.10
Dec.	12,558 = 627.90		4,867 @ 3.1488 + 30.00		486,803.90
	4,032.35				15,355.20
					497,357.10



*Re Patterson 501-53  
523-9*

Fiscal Note  
1985 Session  
January 30, 1985

Bill No.

The Honorable Ron Fox, Chairperson  
Committee on Energy and Natural Resources  
House of Representatives  
Third Floor, Statehouse

Dear Representative Fox:

SUBJECT: Fiscal Note for House Bill No. 2041 by  
Representative Roper

In accordance with K.S.A. 75-3715a, the following fiscal note concerning House Bill No. 2041 is respectfully submitted to your committee.

House Bill No. 2041 establishes a Coal Commission to study ways to expand existing markets and create new markets for coal. The Commission will be composed of 12 members which shall issue a final report to the Legislature no later than December 15, 1985 concerning their studies. The bill provides that funding for the Commission's activities will be derived from funds appropriated to the Department of Economic Development.

The Department of Economic Development estimates per diem and mileage for 12 members for 1 meeting each month for six months at \$9,360. Additional meetings above the estimated six, would cost approximately \$1,560 per meeting.

In summary, passage of House Bill No. 2041 would increase State General Fund operating expenditures by approximately \$9,360 for FY 1986 and would be in addition to amounts included in the FY 1986 Governor's Budget Report.

*Alden K. Shields*  
Alden K. Shields  
Director of the Budget

AKS:SKS:sr

*Atch. 4  
S. House ENR  
2/5/85*