

Approved March 26, 1986
Date

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

The meeting was called to order by Representative Ron Fox at
Chairperson

3:30 ~~xxx~~/p.m. on March 18, 1986 in room 526-S of the Capitol.

All members were present except:

All members were present.

Committee staff present:

Ramon Powers, Legislative Research Department
Theresa Kiernan, Revisor of Statutes' Office
Betty Ellison, Committee Secretary

Conferees appearing before the committee:

Representative Bob Vancrum
Scott Landers, Assistant City Administrator, City of Overland Park
Tom Stiles, Kansas Water Office
Representative Rochelle Chronister
Robert Manske, Tri County Legislative Coalition
Rex Ashlock, Geologist
Representative Edwin Bideau
William Bryson, Bureau Manager, Oil Field & Environmental Geology Bureau,
Kansas Department of Health and Environment
Steve Gustison, Eastern Kansas Oil and Gas
Don Schnacke, Kansas Independent Oil and Gas Association
Sharad Bhatia, Director, Division of Environment
Kansas Department of Health and Environment
Joseph F. Harkins, Director, Kansas Water Office
Douglas Smith, Director, Health Services, Johnson County
John Metzler, Chief Engineer, Johnson County Districts
Janet Stubbs, Home Builders Association of Kansas
M.S. Mitchell, Legislative Chairman, Home Builders Association of Kansas
Bill Ramsey, City of Olathe

The meeting was called to order by Chairman Ron Fox. There were no objections to the minutes of March 3, 4, and 5, and they were adopted.

The first item on the agenda was HCR 5048--Kansas water office memorialized to negotiate a stormwater management compact with Missouri. Representative Vancrum, a co-sponsor, told the committee that this Resolution would deal with a series of problems with stormwater runoff and stormwater damage, primarily within the boundaries of the City of Overland Park. The area has had two major floods within two years of each other. The most recent flood occurred in June, 1984 and caused an estimated \$10.5 million in public and private property damage. He felt that a major study needed to be done relative to the causes and possible remedies.

Scott Landers, Assistant City Administrator of the City of Overland Park, supported HCR 5048. He said that after the serious flood in June, 1984, the Johnson County Council of Mayors petitioned the Board of County Commissioners to create the Johnson County Stormwater Management Board, consisting of two commissioners and seven mayors in Johnson County. This group was formed to work with a similar group from Jackson County and with MARC, the MID-America Regional Council, to develop a bi-state compact which would solve the Metropolitan Area stormwater management problems. Mr. Landers noted that the states of Kansas and Missouri needed to pass identical legislation relative to this and have it approved by Congress. He said that Missouri had passed a law that would allow for this, but it was unacceptable to the Kansas Water Office.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,

room 526-S, Statehouse, at 3:30 ~~a.m.~~/p.m. on March 18, 1986.

Tom Stiles, representing the Kansas Water Office, testified in support of HCR 5048. He stated that Missouri did pass specific Compact language dealing with the stormwater problems in the Kansas City area in their law. The Kansas Water Office did not find the law acceptable because on checking with the Johnson County residents and the members of the Mid-America Regional Council, neither group felt that the Compact language went far enough. The Water Office prefers the mechanism provided by this Concurrent Resolution to achieve regional management of stormwater, as well as providing the opportunity for significant local involvement in the formulation of such a mechanism.

HCR 5051--Abandonment and plugging of oil wells; corporation commission powers; moratorium. Representative Chronister explained the Resolution and introduced Robert Manske of Yates Center. (See Attachment 1) Mr. Manske spoke on behalf of a group called the East Central Kansas Oil and Royalty Owners located in Greenwood, Coffey, and Woodson Counties. He explained that the group had been expanded to include Allen, Neosho, and Bourbon Counties, and was composed of producers, royalty owners, oil and gas service and supply businesses, County Commissioners, and other individuals having a vested interest in the oil and gas industry. The group was requesting support of the Legislature for joint hearings with the State Corporation Commission and Kansas Department of Health and Environment to discuss regulation of plugging and testing of the shallow wells in Southeast Kansas. Mr. Manske submitted a general statement with a map of the area, letters and cost estimates representative of the area, along with newspaper clippings concerning the problems. (See Attachment 2) He noted that most of this production area was very old and most of the producers were small, independent ones who had been involved in the area for virtually their lifetimes. Mr. Manske felt that the problems the group was experiencing were caused by plugging costs and integrity testing costs, as indicated in Attachment 2. Following Mr. Manske's testimony, Representative Patterson asked for an explanation of integrity testing. Rex Ashlock, a geologist with the group, explained that the casing of the well is filled with a fluid and pressurized to a certain pressure which must be held at a constant rate for a certain period of time. Both Mr. Manske and Mr. Ashlock answered further questions of the committee.

Representative Bideau spoke briefly in favor of HCR 5051. He commented that these are lifetime oil producers who are simply asking for an extension of time to meet the requirements of the law in a proper manner.

William Bryson submitted written testimony which stated the official position taken by the Kansas Corporation Commission on HCR 5051. (See Attachment 3) During discussion, Representative Patrick asked why the expensive mechanical integrity testing (MIT) was required in Eastern Kansas where there was no groundwater to protect. Mr. Bryson replied that there were a few small areas in Eastern Kansas that did have groundwater and it was difficult to exclude those areas from the ones that did not have groundwater.

Steve Gustison, a geologist and operator from Ottawa, Kansas, and representing the Eastern Kansas Oil and Gas Association, testified in support of HCR 5051. He felt that this Resolution did not include all of the counties that needed to be included for relief of this type. He also noted that in the last two months, a lot of companies have had to reduce staff in order to cut the lifting costs of their oil, and they need some type of relief in a time frame to get all of the work done with a reduced staff.

Don Schnacke spoke on behalf of the Kansas Independent Oil and Gas Association. He submitted copies of his testimony in favor of HCR 5051. (See Attachment 4) He noted that the reference to six counties should be dropped from the Resolution, because he felt that this was a statewide problem.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,

room 526-S, Statehouse, at 3:30 ~~x~~m./p.m. on March 18, 1986.

Mr. Schnacke also felt that HCR 5051 should be re-directed to ask the U.S. Environmental Protection Agency to suspend the expensive testing program while depressed prices are having such an influence on cessation of production and temporary abandonment of wells status is now a common practice in Kansas.

SB 482--Countywide water-wastewater management plans.

SB 486--Subdivision water and wastewater management plans required.

SB 487--Environmental protection plan required of public water supply systems.

SCR 1632--Requesting modification of K.A.R. 28-16-28c and 28-16-28d, surface water quality standards.

Sharad Bhatia presented the position of the Kansas Department of Health and Environment with testimony in support of the above bills. He provided printed copies of his testimony, which described what the bills would do. (See Attachments 5, 6, and 7) Responding to a question of Representative Patterson relative to SB 482, Mr. Bhatia said that if federal funds were not available, this would be considered a mandate to the counties to expend their own funds to implement this program. He noted that counties with populations less than 30,000 may apply to the Secretary of Health and Environment for an exemption from the plan preparation requirement. Eleven counties with populations exceeding 30,000 and being required to prepare the plans even though other funds were not available would include: Barton, Douglas, Johnson, Leavenworth, Lyon, Montgomery, Reno, Riley, Saline, Sedgwick, and Wyandotte. Representative Spaniol asked about the fiscal notes on these bills. Mr. Bhatia said that the original estimate was \$700,000, but it now was believed to be 30 to 40 percent less. He was requested to provide a cost-by-cost analysis of the cost per county. (Fiscal notes relative to these bills may be noted in Attachments 8, 9, and 10.)

In regard to SB 486, Mr. Bhatia described the need for legislation regulating minimum standards for sanitary services for water and sewerage for new subdivisions. He noted that this legislation had been approved by the Kansas Water Authority and was included in the State Water Plan. During discussion, Mr. Bhatia noted that this would apply statewide, to businesses as well as residences, with the local government having jurisdiction over the proposed subdivision and being required to certify to the Secretary of the Department of Health and Environment that sanitary needs had been reviewed for compliance with state regulations and were adequate.

Relative to SB 487, Mr. Bhatia said that this bill was intended to prevent contamination of drinking water and would require the filing and approval of environmental protection plans for all new or proposed public water supply impoundments and water wells. The plans would be submitted to municipal agencies, who would be responsible for implementation. Water supply permits would be issued for a five year period, allowing the Department to phase in existing supplies over a period of time. This concept also was approved as a recommendation of the State Water Plan.

Addressing SCR 1632, Mr. Bhatia explained that this Resolution involved some very minor changes in Rules and Regulations which had been recommended by the Ways and Means Committee. It would delete the maps showing locations of wetlands and locations of stream segments designated for contact recreation.

Joe Harkins, Director of the Kansas Water Office, noted that SB 482 was not a new program, but because of a deep loophole in the current law requiring the availability of federal funding, the program had been suspended. He said that the Water Office and Water Authority had examined this situation thoroughly and recommended continuation of the existing program and that the state provide financial assistance to continue that work.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,
room 526-S, Statehouse, at 3:30 XX a.m./p.m. on March 18, 1986

Regarding SB 486, Mr. Harkins stated that the Water Office had strong support for the concept of preventing public health problems through the provisions of this bill.

Addressing SB 487, Mr. Harkins said it was unthinkable to allow sewerage to run to the surface as had occurred in some subdivisions. He also noted that chemicals had been found in some public water supply systems. Representative Patrick asked if there was documentation that such situations as Mr. Harkins described had existed. Mr. Gyula Kovach, Bureau Manager for Water Protection, KDHE, was in the audience and said that he would provide such documentation. Representative Patrick wondered why the state should become involved with rules and regulations concerning water protection, rather than the cities and counties. Mr. Harkins could only conclude that it was because of lack of knowledge of the complex chemical problems which are being encountered, as well as a lack of availability of the type of equipment necessary for monitoring the systems. He also noted that this is not a new concept--the state has been monitoring public water supplies for many years.

Douglas Smith, Director of Health Services for Johnson County, spoke in his capacity as the Administrator of the Johnson County Unified Wastewater Districts, which serves about 200,000 people. He commented that the objectives of SB 482 and SB 486 were commendable, but he cited four reasons for his opposition to them. (See Attachment 11)

1. The coordination required by many jurisdictions.
2. In essence, the sanitary code being administered by KDHE.
3. The funding situation which is entailed.
4. The deadlines which he felt were unreasonable.

Mr. Smith introduced John Metzler, Chief Engineer of the Johnson County Wastewater District, who offered possible solutions to the problems cited by Mr. Smith. (See Attachment 12)

1. Exclude the clean water evaluation and leave it in the Countywide Wastewater Management Plan, as opposed to the Water-Wastewater Management Plan.
2. Some problems with sewerage, largely in relationship to septic tank areas should be addressed through the minimum statewide sanitary code. The Secretary of KDHE might appoint a Task Force of perhaps eleven members across the state to develop this minimum state code.
3. There is no clear statutory authority for counties to fund such programs. It was recommended that this legislation include language to the effect that counties can fund these Wastewater Management Plans on a countywide basis.
4. The deadline of July 1, 1989 does not give the counties adequate time to implement this legislation because of funding problems, water utilities being added, and no time to put it into the 1987 budget. It was recommended that the deadline be extended to at least July 1, 1990.

Janet Stubbs, representing Home Builders Association of Kansas, distributed handouts relative to Countywide Water/Wastewater Management Plans (See Attachment 13) and New Subdivision Water and Wastewater Plan. (See Attachment 14) She introduced M.S. Mitchell, Legislative Chairman for her organization. Mr. Mitchell's testimony addressed SB 482, SB 486, and SB 487, and detailed his reasons for opposing them. (See Attachment 15) Two related handouts were also submitted. (See Attachments 16 and 17)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES,
room 526-S, Statehouse, at 3:30 ~~xx~~ p.m. on March 18, 1986.

Bill Ramsey represented the City of Olathe in opposition to SB 482. He felt that the issue of water protection was already being addressed and noted that implementation of this bill would cost the City of Olathe \$200,000. Mr. Ramsey also commented that most of the opponents did not appear when these bills were heard on the Senate side because they were under the impression that it was part of the State Water Plan which most supported, but they have now learned that it just has to do with state water.

Written testimony supporting Senate Bills 482, 486, and 487 was submitted by the Kansas Natural Resource Council. (See Attachment 18)

Due to the length of this meeting, it was announced that the Natural Resources Subcommittee would hear the remaining testimony on Senate Bills 482, 486 and 487 at a later time.

The meeting was adjourned at 5:35 p.m.

The next meeting of the House Energy and Natural Resources Committee will be held on March 19, 1986 at 3:30 p.m. in Room 526-S.

Date: March 18, 1986

GUEST REGISTER

HOUSE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

NAME	ORGANIZATION	ADDRESS	PHONE
R. R. Stoll		El Dorado, KS	321-9520
Arnold E Kraft	Tri County	Gridley, KS	316-836-4570
Bill RAMSEY	City of Olathe	Box 768 Olathe, KS 66061	
Wayne Z Smith	Johnson County Wastewater	P.O. Box 39, Mission, KS 66201	913-384-1100
John A. Metzler	" " "	" " " "	"
Rebecca Chreniata	Leg.		
John A. Hoar	Water Center, Kan	Box 288	316-625-2171
Robert Smith	Tri-Co. Leg. Coalition	Water Center	316-625-2137
Bob Deane	5th Dist Leg.		
Linda Cole	Tri Co. Leg. Coalition Chamber of Commerce	Water Center	625-3235
Bernice Williams	Tri County Coalition	Gridley	836-3285
Sarah Grimm	Tri County Coalition	Gridley, KS	836-3285
Edward Cronan	" " "	Gridley, KS	836-2303
Wallace Schauke	" " "	Madison, KS.	437-2595
Pat H. Low	" " "	MADISON, KS.	316-437-2250
John A. Barker	" " "	Chanute, Kans.	316-431-3844
J. B. McCarney	" " "	Water Center, KS.	316-625-2560
Walter Dunn	EKO GA	Joplin	272-5674
Steve Huston	EKO GA	Ottawa	913-242-2985
Mary Kay	10 Co Commissioners	Olathe	782-5800
PAT SCHAFER	DIVISION OF BUDGET	TOPEKA	296-2436
Kenneth W. Wynn	Tri-County Coalition	Emporia, Kans	342-9580

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

ROCHELLE CHRONISTER
ASSISTANT MAJORITY LEADER
REPRESENTATIVE, NINTH DISTRICT
WILSON-WOODSON COUNTIES
LIBERTY AND NEOSHO TOWNSHIPS
IN COFFEY COUNTY
ROUTE 2-BOX 321A
NEODESHA, KANSAS 66757

COMMITTEE ASSIGNMENTS
VICE CHAIRMAN: WAYS AND MEANS
MEMBER: CALENDAR AND PRINTING
COMMUNICATIONS, COMPUTERS AND
TECHNOLOGY

TESTIMONY BEFORE THE HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE

Tuesday, March 18, 1986, 3:30 p.m.

HRC 5051

Thank you, Mr. Chairman and members of the committee.

HRC 5051 is at the request of a group called the East Central Kansas Oil and Royalty Owners located in Greenwood, Coffey and Woodson counties. The resolution is fairly self-explanatory and mainly requests a joint hearing with the Kansas Corporation Commission and Kansas Department of Health and Environment to discuss what the oilmen and royalty owners consider to be excessive regulation of the shallow wells in southeast Kansas oil country.

Several members of the group requesting the resolution are present, and I would like to introduce Robert Manske of Yates Center who will speak on their behalf and answer questions.

TO: Members of the House Energy and Natural Resources Committee

**RE: House Concurrent Resolution 5051,
Hearing March 18, 1986, 3:30 P.M.**

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Newspaper Article from Tulsa World, March 3, 1986

The Yates Center News Article, November 21, 1985

The Yates Center News Articles, February 20, 1986

The Yates Center News Articles, February 27, 1986

The Yates Center News Article, March 6, 1986

The Yates Center News Articles, March 13, 1986

GENERAL STATEMENT

On February 22, 1986 at one of Representative Chronister's regular visits to Yates Center, many of the local independent oil producers indicated an interest in obtaining some relief from state regulations concerning testing and plugging of wells. Representative Chronister requested that they present her with a written request by February 28, 1986. Later that week, an ad hoc group met and decided that they would support a moratorium on enforcement of the regulations for a period of one year and until the price of oil stabilizes. They drafted a resolution calling for the support of the Legislature for State Corporation Commission hearings concerning their local area.

This area was originally Woodson, Greenwood and Coffey Counties, and by the time the resolution (HCR 5051) was introduced, this area was expanded to include Allen, Neosho and Bourbon Counties. This was done at the request of local legislators for these areas.

The ad hoc group is composed of producers, royalty owners, oil and gas service and supply businesses, County Commissioners, and other individuals in our communities who have a vested interest in the welfare of the oil and gas industry. Our area has been particularly hard hit in recent years by a severely depressed farm economy, and in recent months by the rapid decline of the price of oil. In Woodson County in 1985, producers and royalty owners paid approximately \$800,000 in taxes, nearly one-third of the total tax revenue. Due to sharp declines in the oil price, it is estimated that the value of oil and gas properties may decrease from as little as 31% to as much as 50% for 1986, with an accompanying decrease in tax revenue. Thus, we find ourselves in a situation where there will be much personal financial suffering by producers and royalty owners, and our local governments placed in an intolerable situation with regard to their budgets.

Attached hereto are the following:

1. Map of area;
2. Letters and cost estimates representative of our area;
3. Numerous newspaper clippings concerning the problems, not only locally, but state and nation wide.

It is the understanding of this group that a written response from the State Corporation Commission and the Environmental Protection Agency to our request are forthcoming.

Many of our local producers are going to have a negative cash flow situation in 1986. This negative cash flow will result even if development of leases totally ceases. If given time, many producers will be able to make a decision with regard to the plugging of marginal wells. If the oil price remains severely depressed, most producers will decide to plug marginal wells, rather than spending thousands of dollars attempting to test said wells. If there is no relief forthcoming, many leases will be prematurely plugged and abandoned. For those producers who have borrowed money to purchase and/or develop these leases, the situation is much more drastic. With negative cash flows, there will be no money to meet principal

General Statement, continued.

and interest payments, many financial institutions will be forced to commence foreclosure of mortgages on leases and equipment, many service companies will be forced to file and foreclose mechanics liens. This type of action will only make a bad situation worse.

This group is not asking the legislature to take a position for or against relief. We are only requesting that the legislature recommend that the State Corporation Commission hold hearings and receive evidence concerning the problems we are having in our local area.

Total Barrels of Oil Production 11-83 thru 10-84
71,174,466 Barrels

CHEYENNE 96,363	RAWLINS 690,920	DECATUR 508,335	NORTON 321,484	PHILLIPS 998,125	SMITH —	JEWELL —	REPUBLIC —	WASHINGTON 373	MARSHALL —	NEMAHA 241,205	BROWN 1,518	DONIPHAN —
SHERMAN 15,661	THOMAS 400,469	SHERIDAN 36,792	GRAHAM 2,222,158	ROOKS 4,802,723	OSBORNE 191,705	MITCHELL —	CLOUD —	CLAY —	RILEY 54,736	POTTAWATOMIE 5,668	JACKSON 14,260	ATCHISON —
WALLACE 2,772	LOGAN 414,117	GOVE 702,667	TREGO 1,928,540	ELLIS 5,700,763	RUSSELL 4,449,663	LINCOLN —	OTTAWA —	DICKINSON 62,054	GEARY 1,319	WABAUNSEE 133,665	SHAWNEE —	JEFFERSON 122,522
PEELEY 5,613	WICHITA 32,359	SCOTT 186,599	LANE 1,792,005	NESS 2,233,021	RUSH 611,727	BARTON 4,703,092	ELLSWORTH 894,284	MCPHERSON 1,370,660	MORRIS 196,194	LYON 91,764	OSAGE 3,872	DOUGLAS 81,430
SMITH 2,258	KEARNY 287,628	FINNEY 1,144,475	HODGEMAN 895,976	PAWNEE 561,383	EDWARDS 620,312	STAFFORD 2,553,467	RENO 847,796	MARION 575,682	CHASE 61,432	COFFEY 243,594	ANDERSON 336,293	JOHNSON 123,690
ANTON 1,103	GRANT 99,282	HASKELL 809,720	GRAY 195,190	FORD 95,670	KIOWA 940,797	PRATT 1,161,557	HARVEY 273,083	BUTLER 3,055,505	GREENWOOD 1,359,380	WOODSON 1,018,087	ALLEN 792,598	FRANKLIN 415,502
MORTON 859,636	STEVENS 638,971	SEWARD 1,468,585	MEADE 409,367	CLARK 877,763	COMANCHE 323,015	BARBER 1,737,129	KINGMAN 1,095,068	SEDGWICK 561,788	WILSON 483,575	NEOSHO 294,795	MIAMI 454,681	LINN 165,144
							HARPER 68,741	SUMNER 1,393,575	ELK 284,169	WILSON 483,575	BOURBON 167,711	CRAWFORD 35,151
								COWLEY 1,736,263	CHAUTAUQUA 1,044,875	MONTGOMERY 714,044	LABETTE 24,025	CHEROKEE —

LEAVENWORTH
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WYANDOTT
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WESTERN DRILLING TOOL & SUPPLY CO., INC.

OIL COUNTRY & INDUSTRIAL SUPPLY HOUSE WITH MACHINE SHOP FACILITIES

P. O. BOX 593

CHANUTE, KANSAS 66720

316-431-2750

KANSAS WATTS 800-362-0771

March 12, 1986

Ms. Brenda Manske, Secretary
Tri-County Legislative Coalition
P. O. Box 100
Yates Center, KS 66783

Dear Ms. Manske:

I appreciated receiving your letter and inasmuch as I will be in California at the time of your March 14 meeting, I would like to address another problem that goes in hand with the producers and royalty owners' problems.

As you well know, we in the service and supply industry, as well as the banking and lending institutions, have a very negative, inherent problem when we have had to file liens and mortgages to protect ourselves. The foreclosures on these properties many times comes into our hands.

The inherent possibility of plugging out some of these leases is and can be devastating. I would say in some cases that the cost of plugging these wells can exceed the valuation of the equipment left. Although it is natural that we do try to sell the leases intact in order to forestall the plugging liability, with the current prices of crude these leases will not sell. As a matter of fact, in many cases we have no knowledge of how run down a lease may be and how much surface equipment has been stolen. We took over a property in early January through a court sale and at this writing we still do not have the necessary papers acknowledging the property to be ours.

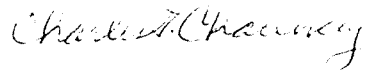
Tri-County Legislative Coalition

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March 12, 1986

We feel that this moratorium should cover the State. Enclosed is a \$50 contribution.

Sincerely,



Charles G. Chauncey
President

CC/jt

Enclosure

MARK L. HAAS OIL COMPANY, YATES CENTER, KANSAS

1985 Lease Revenues	\$ 568,181.90
1985 Direct Lease Expense	<u>331,280.14</u>
1985 Gross Profit	\$ 236,901.76
1986 Estimated Lease Revenues (based on today's oil prices and no decline in production assumed)	\$ 284,090.95
1986 Estimated Direct Lease Expense	<u>331,280.14</u>
1986 Gross Loss	\$ 47,189.19
Estimated expense of compliance with rules and regulations (M.I.T. tests) in 1986, 13 wells @ \$6,500.00 to \$12,500.00 each	\$84,500.00 to \$162,500.00
Estimated expense for well plugging in 1986	\$ 10,000.00

French and Winterscheid, Inc.

Gridley, Kansas
OIL OPERATORS

R. E. FRENCH
President

ROBERT WINTERSCHIED
Vice-President

We have spent over \$67,434.54 on 5 wells in 1985, on MIT tests and related expenses. Because our budget was exhausted with these expenses, we were unable to prospect for oil. New wells drilled would have increased our production and in turn would have increased the taxes we pay, i.e. Severance and Ad Valorem, etc. The cost to us for complying with MIT requirements did not allow us to improve our existing wells by servicing and cleaning out our old ones.

These dollars thus spent are 'dead' dollars. They do not generate income or a tax base. If we had been allowed to alternate the tests on an every other year basis or so, we would have been able to recover financially enough to allow us to prospect for new production.

If we could have a schedule that would allow us recovery time, it could greatly benefit the state and county, as well as stimulate the oil industry, creating jobs and income. Southeast Kansas is in an economic crunch due to the depressed farm situation and now the oil industry with falling crude prices.

In addition to the above figures, we have invoices for the costs we have been out on both our companies, French Oil and French & Winterscheid, Inc. amounting to over well over \$100,000. for MIT related expenses. We paid Long Drilling Company over \$103,000. in 1985. They are only ONE of our service/supply firms who provided the necessary work and materials for the KCC requirements. These costs are for MIT testing standards only. We did not include the costs of fiberglass tanks to replace ponds and the cost of draining and closing ponds.

EDWARD CRANE-BERRY LEASE
Gridley, Greenwood County, Kansas

Old oil well started flowing, work necessary to repair, total depth 1806'.

10 days setting surface 10", \$60 per hour	\$ 4800.00
105' 10" surface	2105.00
15" hole-160 sacks cement	2150.00
Rotary rig, wash hold to 1785' (40 hr. x \$100)	4000.00
Cement, 200 sacks	2500.00
1780' of 4" casing	2815.00
March 17, 1986-300 sacks cement	3200.00
March 18, 1986-300 sacks cement	3200.00
Extra Labor	1580.00
Welding	150.00
Trucking 10" and 4" pipe	780.00
Long rig estimate	<u>6500.00</u>
Total	\$33780.00

This is an old well that broke out and was flowing. They have this well stopped flowing and cemented back to surface. This work has been taken care of.

WELL PLUGGING COSTS

(Supplied by Edwin Long , Hamilton, Kansas)

Example #1

Cost of Plugging well in Greenwood County, Kansas

Total Depth 1750'	
Rig Time 33 Hours (33 x \$50)	\$ 1980.00
76 sacks of cement (\$76 x \$5)	380.00
3 Hours Water Hauling	56.00
Dozer work in pit (4 x \$50)	200.00
Plugging permit	35.00
Moving tank batteries and clean-up	<u>965.00</u>

Total Cost of Plugging \$ 3616.00

Recovered 700' of 4½" (700 x \$1.50) \$ 1050.00
Tank Battery 3500.00

Total Salvage Value \$ 4550.00

Example #2

Total Depth 1750'	
Rig time 42 hours (42 x \$50)	\$ 2520.00
16 sacks of cement (16 x \$5)	80.00
Pump Truck	960.00
Water hauling	160.00
Dozer (2 hours x \$50)	100.00
Plugging permit	<u>35.00</u>

Total Cost of Plugging \$ 3855.00

Recovered 750' of 4½" casing (750 x \$1.50) \$ 1125.00

LISTING OF AREA RESIDENTS SUPPORTING HOUSE CONCURRENT RESOLUTION 5051

John L. Haas
Mark L. Haas
Arnold Kraft
Shirley Kraft
Beryl Ashlock
Leland Dreyer
Kenneth Dreyer
John A. Bashor
Robert W. Manske
Murl Corbet, Mayor of Yates Center, Kansas
Bill Linde, Woodson County Commissioner
M. Burdett Mentzer, Woodson County
Commissioner

Loren Steinforth
Brenda M. Manske
Tom Kraft
Elaine Horsch
Janice Sorenson
Thelma Brown
Edwin Long
Elmer Light
Clara Light
Jill Smith
Richard L. Kellison
P. R. McClelland
O. R. McClelland
Peggy McClelland
Tampa L. Randolph
Dick Albert
Robert Schidle
Jerry Highes
Forrest Cheever
E. C. Murphy
Vada Murphy
Teresa L. Rawlings
Jay Rasmussen
Glenn E. LeRoy
Geo. Nuessen
Robert Fry
Eileen Istas
Curtis Van Andale
Frank Ketley
P. B. Meyer
Robert G. Kimberlin Jr.
Gilbert E. Rhodes
Earl L. Armitage
Cliff Scharkie

R. D. Cookson
Dale Cross
Keith E. Owen
Erwin Smith
David R. Young
George A. Marnard
Cindy Wilson
Bob Winterscheid
Bernie Blevins
Dean Morris
Judie Splechter
Raymond Klaus
Bill Norris
J. B. McCartney
Bradford W. Oakes
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Oil glut takes toll on jobs, businesses in eastern Kansas

By Barbara Musfeldt

The Star's energy/environment writer

Chanute, Kan.—When the Eastern Kansas Oil and Gas Association met here Wednesday night for a steak and potatoes dinner at the Brass Lantern, it wasn't to celebrate the 96-cent prices at local gasoline pumps.

"I wish it was \$5 a gallon," Richard English, an oil producer and equipment supplier from nearby Eureka, Kan., said grumbling to others at his table.

Well, the others ribbed him, he might have lost \$500 that day on some oil wells he owns in the area, but at least he saved \$4 at the gasoline pump.

That was about all that association members found to laugh about.

In eastern Kansas oil talk is always serious and with the recent world oil glut it has become grim.

There was little talk at all as association members heard crude oil purchasers report that spot mercantile prices

had closed that day at \$17.75 a barrel, down about \$9 since mid-January.

The impact is as devastating as it is easy to calculate. About 30,000 barrels of oil are produced daily in eastern Kansas, marking an almost \$270,000 loss per day in prices from a month ago.

A few small oil companies already have died, and more are likely to follow, industry experts say. No one knows how low prices will go, but if they don't find bottom soon larger companies could follow.

"This is a disaster, just a disaster. I don't know who's going to collapse first, but you can better believe it will be the eastern Kansas market before it'll be Saudi Arabia."

—Donald Schnacke, executive vice president of the Kansas Independent Oil and Gas Association

The face of the area's economy already is beginning to change as business officials, fighting the slide of oil, try to attract new and different industry.

As for the oilmen, most made a point Wednesday night of not talking about the number of workers they have laid off or the wages they had slashed.

"Oilmen, they're proud, proud people," Mr. English said. "It's not easy for them to come here and talk about laying people off and cutting back. They won't say much at all because they feel bad,

real bad. You do when you lay off some guy that you know has three kids and a house payment."

The next morning across town, past a sign touting "Chanute: A Community of Pride, Population 10,600," a worker in a blue hat with the insignia Consolidated Oil Well Services Inc. on it was worried.

He told the others in his crew he might wait to buy shoes for his son because he was afraid he will lose his job.

Such talk would once have been startling in Chanute, considered the hub of the eastern Kansas oil industry. Billboards advertise oil marketers; want ads in the local newspaper are filled with drilling equipment.

Edsel Noland, owner of Consolidated—and a man called "Mr. Chanute" by many residents—had been proud of not laying off a single employee in more than 29 years of operation.

But in January he laid off 30 of his

See Oil, pg. 14A, col. 1

~~approximately 215 employees.~~
Friday morning he was making plans to lay off more, in addition to cutting wages 10 percent for everyone "from president to janitor."

In addition, some employees were being demoted, benefits were to be cut, expense accounts reduced and small equipment sold.

"Now that's the plan for this week," he said. "A week from today call me back and there might be something more. It's tough, it's just real tough."

The problems in Chanute also can be seen in western Kansas, Oklahoma, Texas and other oil-producing states, said Donald Schnacke, executive vice president of the Kansas Independent Oil and Gas Association.

But that doesn't lessen the impact.

"This is a disaster, just a disaster," Mr. Schnacke said. "I don't know who's going to collapse first, but you can better believe it will be the eastern Kansas market before it'll be Saudi Arabia."

In an industry where victories and losses mimic the rhythmic nodding of oil well pump jacks in the Kansas pastures, oilmen complaining about their prices are as commonplace as farmers griping about grain prices. But it's much more serious this time, industry officials say.

Most of the producers, drillers and suppliers in eastern Kansas flourished through the oil boom of the early 1980s. ~~Oil prices rose to \$17 a barrel and Canadian investors came to town, cash-heavy briefcases handcuffed to their wrists.~~

Then the boom began to break in 1981. Many investors disappeared and prices settled down to \$25 to \$27 a barrel.

But in the middle of last month prices began to drop again—this time faster than oil purchasers could post in their offices.

The price of crude per barrel was at \$26.25 on Jan. 1, about 75 cents lower than the price on Jan. 1, 1985, said Don Martin, district manager for Square Deal Oil Co. Inc., a crude oil purchasing company in Chanute. By Jan. 16 the price had fallen to \$24.75. Then after a steep drop, by the end of last week it had rallied slightly to \$18.75.

The bottom

Conversations around Chanute are peppered with talk about when "the bottom will hit."

It doesn't have much further to go before it passes the average eastern Kansas "lifting cost"—the cost of getting the oil out of the ground.

Donald Boyer, a major producer in Iola, Kan., said lifting costs in the area average about \$14 to \$15 a barrel—prices that recently rose when Kansas Gas and Electric Co. of Wichita began collecting higher rates to pay for its share of the Wolf Creek nuclear power plant. Many oil wells run on electricity.

The price drop is sending a ripple through the eastern Kansas economy that will take much longer to stop than it did to start, Mr. Schnacke said.

He said it moves this way:

● First it hits drillers.

Drilling already had slowed in Kansas.

Pat Chase, who with his son Mike runs Chase Drilling, said their Chanute firm drilled about 200 wells in eastern Kansas in the boom year of 1980. In 1985 they drilled 50.

"And the way it looks now, 1986 isn't very bright," he said.

He believes half of the drilling rigs running in 1985 will be idle in 1986.

In Kansas, 15,799 permits indicating intent to drill new wells were filed in 1980 with the Kansas Corporation Commission. In 1985 that number fell to 2,675.

These days there are plenty of drill rigs for sale, Mr. Chase said. The rigs, which five years ago may have cost \$250,000 to \$300,000, are selling for about 11 cents on the dollar, he said.

"I'd say if you got a rig and you owe any money for it, you're better off letting the banker man take it back," he said.

● Next it hits the industries that supply equipment to drillers and producers.

Evert Davis, general manager of Western Drilling Tool and Supply Co. in Chanute, said Friday he too was making plans to lay off some of his 20 employees.

"Nobody's drilling, a lot of well contracts are being canceled," he said. "It's just real bad news for us, for everybody out here. And nobody knows when it's going to stop."

● Then it hits the producers.

Iola producer Mack Colt said he has laid off seven of his 34 employees. Chanute producer Jerry Wimsett said he didn't have layoffs planned, but he was reducing hours and cutting back on insurance.

Other producers are considering plans to reduce drilling, plug wells and cut back on production of others.

In 1980 some 481 wells were plugged, according to KCC records. In 1985 that number rose to 1,179—before January's price slide.

Plugging wells is a drastic step—and a final one because a plugged well is seldom reopened, said L.O. Tenk, president of the Eastern Kansas Oil and Gas Association.

The ripple also will affect the state treasury. Declining oil profits will mean less severance tax revenue for the state treasury. Officials were calculating the state already had lost \$7 million in oil severance taxes in January.

Oil talk

Although the cuisine in Chanute may not be continental, the conversation is.

In the TIOGA Dining Room diners' complaints span oceans, cultures and political parties.

They grumble that "Margaret" (British Prime Minister Margaret Thatcher) will keep oil flowing from the North Sea rigs until "the last banker screams" because she promised a tax cut and the oil revenue is needed for the national budget.

The glut of British oil, they

know, will keep prices down.

Criticized even more vehemently is "that power-hungry sheik," Sheik Ahmed Zaki Yamani, oil minister of Saudi Arabia, which has contributed to the world glut by flooding the market to keep its share of oil sales.

What really grates some residents is that Mr. Yamani's a Harvard-educated economist, using his American education to squeeze American pocketbooks.

~~"We don't control our future, the Saudis do,"~~ said Ace Bailey, a Chanute producer.

Oil talk is not limited to oilmen, though—other businessmen know their fortunes are tied tightly to oil.

"I think anytime you have a loss in employment, it has a spillover effect into other areas," said City Manager Robert Walker. "The retailers are affected, the suppliers, the transportation industry."

Merchants report slower traffic in their stores and customers unwilling to make long-term purchases.

"I think everybody feels it throughout the whole town," said Ralph Smith, general manager of Rooster's Thriftway. "It's a small town—if one guy gets hurt, it's bound to get spread around."

The unemployment rate in Neosho County reached about 9.5 percent in December, said Myrna Burton, office manager for the Job Service Center in Chanute.

"It's not good, and we expect the January figures to be much higher," she said.

The office has been unable to find jobs for oil workers already laid off, she said. She speculates many will have to leave the area.

Meanwhile, city and chamber of commerce officials are struggling to find new industries to move into town. They've been heartened with recent news that a display case firm will open its doors, employing about 130 persons.

Officials also are happy that a Holden, Mo., firm intends to open a PCB incinerator that will burn toxic polychlorinated (PCB) wastes and use that energy to power an abandoned oil refinery in town that closed in 1981.

Employment for the operation is estimated at 100 to 150, but it is unclear how many of those jobs will be filled by local residents.

In the meantime, residents are pressed hard to find any good in the oil downturn.

Many, an Eastern Kansas Oil and Gas Association official said, even feel guilty when they take advantage of the low prices at the gas pumps.

TULSA WORLD

Newspapers
In Education
Week page A-7

81st Year—No. 168

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Tulsans Seek Park Fun, Sun

River Parks became a traffic jam Sunday as thousands of Tulsans embraced a warm March day.

On Riverside Drive, traffic was bumper-to-bumper from 38th Street north to the pedestrian bridge park. Most of the cars were jammed with passengers, watching the runners, joggers and playful throngs in the parks.

Cars crept along paths into the park, with people sitting on trunks. Radios blared, frisbees flew. Many people sipped beers.

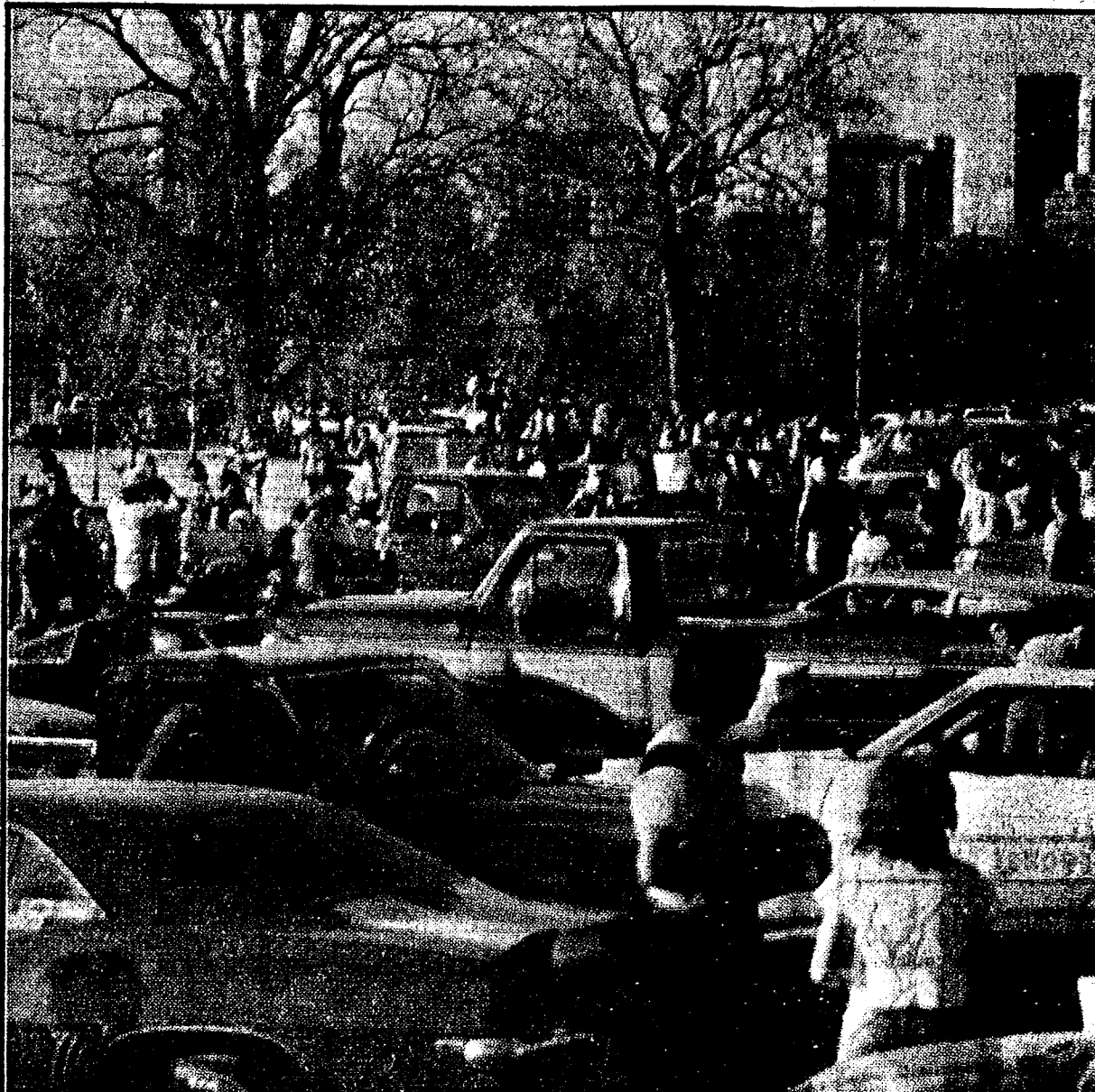
A hand-held sign asked females driving by to "show something," the day's running gag.

"There weren't any fights here," said Stan, 24, a friend of the sign-maker. "If someone wants trouble, that's their problem."

Lots of women wore shorts, and many sat on the hood of friends' car.

A hotshot in a big-wheeled pickup provoked repeated screams when he revved his engine, causing his back tires to shoot streams of dirt about 10 feet.

"Why can't these kids cool their jets," asked Troy Duncan, 22, from the seat of his friend's 1955 Bel-Air. "They run their hot rods every



Killer F Stalked sh Prime Minister

By KENNETH JAUTZ
Associated Press Writer
STOCKHOLM, Sweden — The man who killed Prime Minister Olof Palme apparently had him under surveillance for some time before he shot him with a powerful American-made revolver, police said Sunday.

Police Commissioner Hans Holmer told reporters that two bullets recovered at the scene of the late Friday night shooting, a

Related news on B-9
downtown sidewalk, were fashioned from an unusual combination of metals and may have been handmade.

Police said this could make it harder to track down the source of the bullets.

Sweden's two-day-old caretaker government meanwhile held its first session and discussed arrangements for the funeral of Social Democratic leader Palme, set for March 15.

Foreign Ministry spokesman Lars Loennback said the funeral would be closed to the public, but "many foreign guests" would be invited. Palme, 59, was serving his fourth term as prime minister and was regarded as a top Western European spokesman on dis-

"The spontaneous reaction of mourning, how people reacted, was correct," she said.

Palme was shot once in the back while walking with his wife, Lisbet, 55, after they attended a movie. He was pronounced dead at 12:06 a.m. Saturday, less than an hour later, on a hospital operating table. Mrs. Palme was grazed by a bullet and slightly wounded.

Police had said Saturday they believed the assassin fired only one bullet, but on Sunday they reported finding a second bullet. They said one grazed Mrs. Palme and the other may have been the one that killed the prime minister.

Holmer told a news conference the couple decided on the spur of the moment to attend the movie, leading police to believe the assassin must have been keeping the prime minister under surveillance.

"Everything indicates that the perpetrator shadowed the (Palme) to the movie theater, the way from their home," Holmer said.

The police commissioner said the Palmes traveled to the cinema by subway. He asked anyone who may have seen a man trailing

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State's Oil Royalty Owners May Face Gusher of Red Ink

By SUSAN ELLERBACH
Of the World Staff

Oklahoma's estimated 263,000 royalty owners will lose approximately \$270 million in the next year if current trends in oil prices prevail, says the Ada-based National Association of Royalty Owners.

In addition, a study released Sunday by the Interstate Oil Compact Commission says the U.S. could lose over 734 million barrels of oil as producers of stripper wells are forced to shut in production — in other words, leave the oil in the holes — because of falling oil prices.

Stripper wells produce fewer than 10 barrels of oil per day.

The study, prepared by Oklaho-

ma City-based the Ram Group Ltd., indicates Oklahoma's loss in stripper well production would be significant. More than 60 percent of production in the state is attributed to stripper wells.

At \$15 a barrel, the state would shut down almost 19,000 stripper wells that collectively produce close to 57,000 barrels per day, or nearly 13 percent of Oklahoma's total oil production from all wells, the study said.

The National Stripper Well Association says some wells are already being shut in.

"We don't have a handle on the exact numbers yet," said Glen Michel, executive vice president of the association. "We know they're being shut in, we just hope that they're not being plugged."

Plugged wells usually mean that production is lost forever as economics prohibit the cost of reopening the wells.

Production being shut in will depend on the lifting costs, Michel said. The average lifting costs for

the nation's 452,543 stripper wells is \$15 a barrel. "Right now we're about \$3 to \$4 off of that," he said.

Royalty owners, many of whom depend on royalty checks and Social Security checks as their sole source of income, will be tremendously affected by shut in production, according to Jim Stafford, executive director of NARO.

On a national level, the recent \$10 drop in the price of the benchmark West Texas Intermediate 42-gallon barrel — from a December price of \$26 to the current \$16 per barrel levels — will cost the nation's 2.5 million royalty owners an estimated \$6 billion in lost royalty income.

Royalty owners hold the mineral rights to oil and gas producing properties. Royalties are individually negotiated with producers, Stafford explained, and in Oklahoma average about three-sixteenths of the total production.

Stafford said that the figures on potential losses to royalty owners were prepared in conjunction with the Senate Finance Committee's hearings on the proposed oil import fee. "Everyone talks about how much the price of oil affects the producer. That's only part of the game," he said.

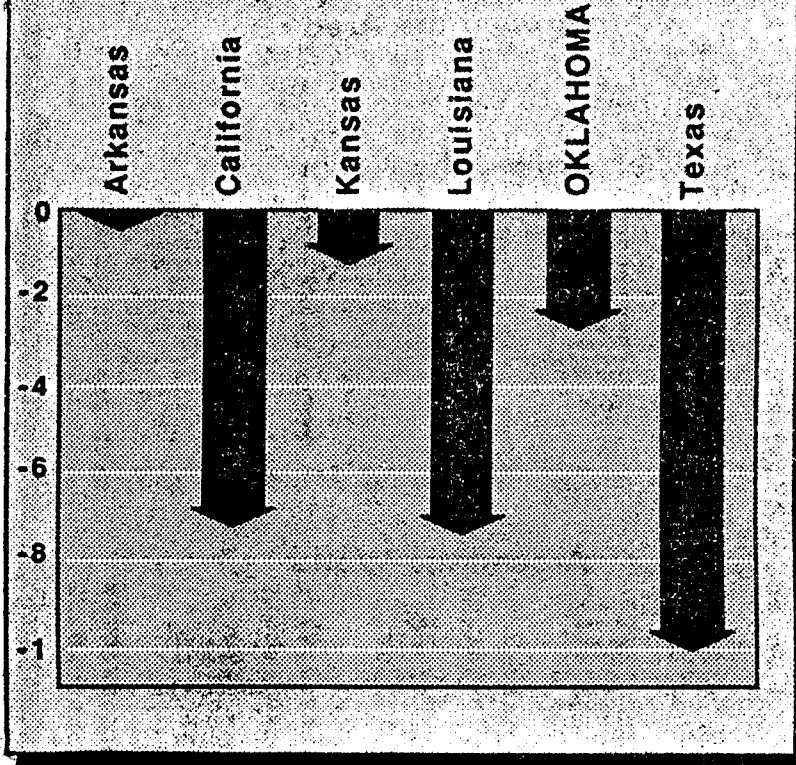
Hardest hit by the drop in royalty income will be farmers and ranchers, rural areas and retirement-age individuals. "NARO surveys show that the average age of our members is 71 years old," Stafford said. "These are people that are surviving on Social Security and their royalty checks."

The group is favoring the import fee as a way to prop up crude prices and guard against "further erosion in domestic exploration and production."

Stafford said the fee would put a curb on the price of a barrel of oil.

Falling Royalties

The impact of the drop in crude oil prices on royalty income
(Shown in \$100s of millions)



"It would guarantee a good working price to insure a reasonable rate of return," he said. "That's the name of the game."

"This is the war against the states again. In the Northeast where they burn fuel oil, their idea of a sane energy policy is a total nationalization of the industry and \$3 per barrel oil."

"There hasn't been any investment capital coming into Oklahoma for the oil and gas industry for the last three years."

"At current prices, the lift costs on marginal wells are too high to make a profit and they're shutting down."

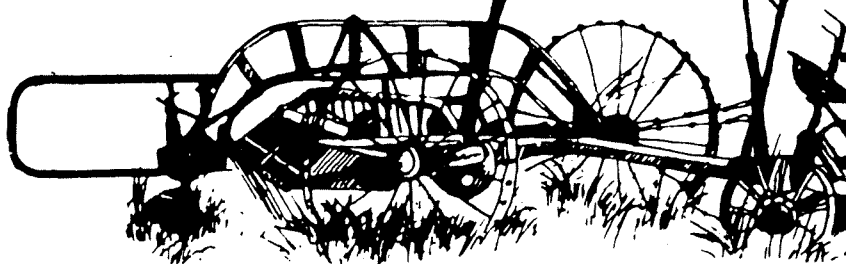
In Texas, which has about one-fourth of the nation's stripper wells, NARO estimates a potential loss this year of \$1.3 billion for royalty owners. Louisiana

royalty owners are projected to lose a possible \$740 million, followed by California with a \$720 million loss, Oklahoma, and Wyoming with a \$146 million drop.

At current prices, Stafford said independent oil producers are "bailing out right and left" - meaning trouble for the industry, since approximately 80 percent of the nation's wells are drilled by independents.

Stafford said that petroleum production in the U.S. approaches \$83 billion a year. A conservative estimate gives royalty owners approximately 15 percent of that total, he said.

In 1984, stripper wells accounted for approximately 15 percent of the nation's total oil production and about 70 percent of the total number of the nation's oil wells.



SEK oil producers claim harassment

Required mechanical integrity
testing taking its toll already

Area oil and gas producers met with county, school district and chamber of commerce officials Friday seeking relief from escalating costs created by the state's recently enacted mechanical integrity testing (MIT) regulations.

"The feeling is we need to start at the local level to persuade elected officials to take a second look at what they've been doing the last five or six years," Yates Center attorney Robert Manske said as he opened the meeting at Haas Oil Company last week.

Many Southeast Kansas oil producers feel that the Kansas Corporation Commission (KCC)-Kansas Department of Health and Environment (KDHE) regulations are excessive and will result in decreased production, premature well abandonment and ultimately in decreased property valuation and tax base necessary for the operation of local government.

"Some regulations are mandatory, but in my opinion these were guidelines, and in

my opinion the state has exceeded these guidelines," John Bashor of Chanute, former district geologist for the Kansas Department of Health, said at the meeting.

The MIT regulations were spawned in conjunction with the July 1982 Kansas Senate bill that combined the authority of the KCC and KDHE, a merger that has prompted accusations of inconsistent enforcement, lack of coordination and just plain poor management between state and regional offices.

"It seems like there is a problem between the KCC and the KDHE," Bashor said. "There is confusion as to why decisions are rendered and how they are rendered."

"The office in Wichita does not communicate with the regional offices," said Harold E. Cornish of Cornish Wireline Services, Inc., in Chanute. "There are no management directives about procedures."

"You talk to someone in Chanute, you're told one thing. You talk to someone in Wichita, you're told

(Continued on page 2)

area news

★ SEK producers claim harassment

(Continued from page 1)

something else," agreed Mack C. Colt, a producer from Iola. "You'll find many inconsistencies. It's like punching a bag that doesn't resist. They require a lot of silly stuff that costs us a hell of a lot of money."

According to John Haas of Haas Oil Co., a simple MIT costs around \$2,500 per well, but water conditions and mechanical problems are anticipated to jump the cost of 80 percent of his company's MIT's to at least \$9,000 per well.

"We spent \$17,400 on one well for the integrity test," Haas said. "Our expense on our integrity tests will be a strong factor in deciding whether we'll keep the wells or not."

"I've seen \$38,000 spent on one lease alone to comply with KCC and KDHE regulations," Bashor said.

"Spending all this money on these leases cannot be justified," oil producer Roy French of Gridley agreed. "We wanted to let our county commissioners know that they're going to lose tax dollars over all this--I'm going to call it harassment."

"We're just not going to spend the money to bring these wells up to MIT standards," Colt said. "They're trying to put you in a strait jacket, an expensive strait jacket."

According to Colt, the integrity test is designed to uncover holes in pipe or bad cement jobs that could allow salt water being pumped from isolated underground sub-structures to leak into fresh water sources of above-ground ponds and streams.

Bashor said he believed Kansas oil and gas producers are extremely conscientious about environmental concerns. The problem stems not so much from the testing regulations, but from their required frequency, he said, combined with perceived inequities in enforcement.

"They have stated that Kansas will be the best environmentally regulated oil and gas state in the country," Bashor said, "but next to the farming industry, the oil and gas industry is the second-biggest in the state and it needs some consideration. The lifting cost to the producer is quite excessive, and it appears that there will be a drastic reduction in Woodson County production as a result."

Figures on a county-by-county state map distributed at Friday's meeting indicate that Woodson County ranked 23rd in the state in total barrels of oil produced from November 1983 through October 1984.

According to Woodson County appraiser Cindy Wilson, current appraisal value on oil and gas in the county is \$9,841,475. Wilson said that oil and gas producers

paid \$823,042 in taxes on that valuation figure.

Independent producers are responsible for most of the oil and gas production in Southeast Kansas, where nearly all wells are relatively shallow.

"The shallow depth and low overburden pressure in this area causes us to have to drill more wells, but it costs us just as much to get a well ready to MIT," Colt said. "The people in the deeper territory just don't understand our problems."

Although Friday's meeting solved no problems for area oil and gas producers, it did heighten awareness of the projected loss to Woodson County's tax base if the producers are forced to lower production by abandoning wells they can't afford to test.

"We have a lot of rules and regulations that don't fit the oil and gas industry in this

part of the state," Manske said, "and the school districts and counties both will take the brunt of the (projected) lower tax base."

Edwin H. Bideau of Chanute attended the meeting on behalf of his son, Edwin H. Bideau III, a state representative from Chanute.

"Do you need some new laws?" Bideau asked. "What shall I tell my son?"

"We don't need so many laws," Haas replied.

The nearly 50 producers, county and school district officials who attended the meeting were urged to contact their local county commissioners and state representatives about excessive environmental regulation and the lower oil and gas production it may be creating.

In the oil patch

Drilling grinds to a halt

By BRENDA MANSKE

Calling steadily declining oil prices "a formula for disaster" in Kansas, Rep. Rochelle Chronister (R-Neodesha) Monday announced the possibility of legislative relief for at least some of the local oil industry's mounting economic woes.

In the face of a \$10.45 per barrel drop in the price of 40-gravity crude oil since December of 1985, Chronister said House and Senate Energy and Natural Resources Committees are considering recommendations that the Kansas Corporation Commission change salt water injection well regulations and current capping requirements for abandoned wells in an effort to help producers cut costs to keep up with rapidly dwindling oil income.

Another consideration is splitting the KCC and the Kansas Department of Health and Environment, according to Chronister. KCC and KDHE authority was combined by the Senate in 1982, a move that has spawned accusations of inconsistent enforcement, lack of coordination and bureaucratic infighting.

"The legislature realizes there are a lot of problems in that area and they're trying to figure out what to do," Chronister said. "If we can see any indication that the KCC is sympathetic to making changes, legislation may not be necessary."

Woodson County oil producers met Nov. 15, 1985, with elected officials at school district, city and county levels to promote support for the area energy industry, which last year paid \$823,042 in county property taxes on \$9,841,475 assessed valuation. Local producers predict that the continuing decrease in oil prices will reduce the industry's contribution to county tax coffers by at least a third in fiscal 1986, a trend that is expected to result in state-wide erosion of the tax base at all levels of government.

"The price decrease will affect producers, land owners, financial institutions, schools,

the county and business in general, right down to the grocery store," John Haas of Haas Oil Co., Yates Center, said Monday. "Right now, I don't see any relief in sight. I think it's going to be disastrous."

"Our senators and representatives have got to do something with the Corporation Commission to relieve the pressure on rules and regulations. The pressure has to come off until oil prices get straightened out," he said.

"If the legislature would cut down on KCC requirements, that would help a lot," agreed Loren Steinforth of Steinforth Well Service in Yates Center.

"They've got too many people working on it, and it's costing us too much."

In the November meeting, Haas and other producers said that excessive KCC plugging regulations and over-frequent mechanical integrity testing requirements were adding unnecessarily to the cost of oil production.

"We need to see more eastern Kansas legislators responsive to the problems of eastern Kansas," Robert Manske, Yates Center attorney and moderator of the November meeting, said. "The legislature needs to give the KCC a mandate directing

(Continued on page 2)

★ Oil story

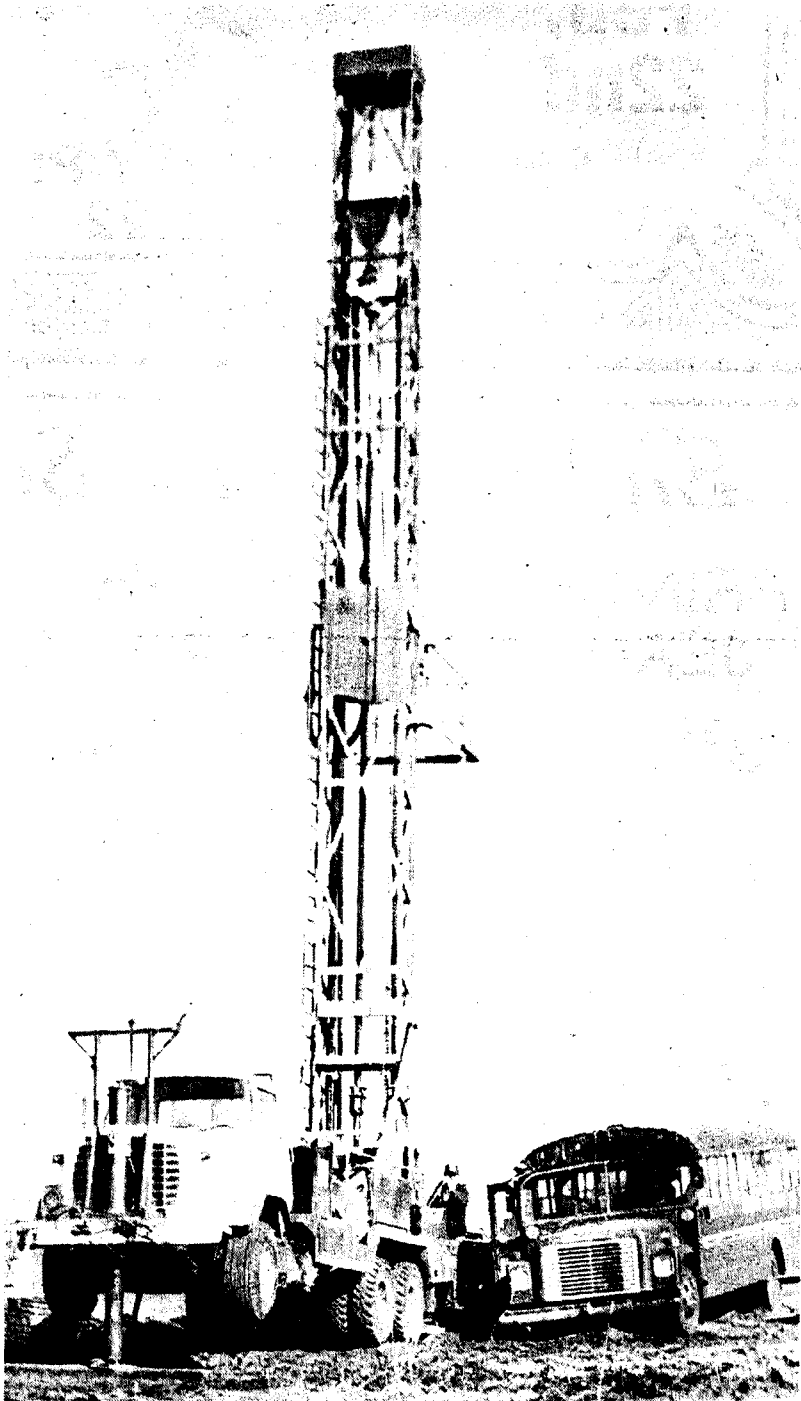
(Continued from page 2)
on foreign oil.

Although local producers are encouraged by reports that President Reagan is considering a \$5-\$10 import tariff, many doubt that such measures will be enacted.

Chronister said she would be "real surprised" to see Kansas lobby for a federal import tariff.

"For the Kansas legislature to claim it could affect national tariff policy would just be blowing smoke," she said.

Reporter's Note: The News will continue to focus on the local oil crisis as further developments occur.



(Photo by Brenda Manske)

It's a muddy job sometimes, but new wells are hard to come by these days and this Coconut drilling rig Monday sank its teeth into a Mississippi well on the Arnold Kraft lease North of Yates Center.

County stands to lose more oil, gas revenue

The depressed local oil economy and what it may mean to the county's projected reappraisal funding were major topics at Monday's meeting of the Woodson County Board of Commissioners.

According to board chairman Bill Linde, recent estimates indicate that the county will lose at least one-third, or approximately \$274,347, of its tax revenue from oil and gas property during fiscal 1986 due to the drastic drop in the price of oil since December of 1985.

Linde said figures from the county appraiser's office show that oil and gas property assessed at \$9,841,475 raised \$823,042 in tax revenue last year.

Coming on the heels of Gov. John Carlin's Feb. 12 announcement that the state will

not have sufficient revenue to reimburse counties for any portion of their reappraisal costs, the estimated loss in oil and gas property tax left the commissioners with questions about reappraisal financing.

Property Valuation director Vic Miller is asking county commissioners to lobby for state reappraisal reimbursement, but according to Carlin, the state won't be able to share in reappraisal costs unless the legislature enacts an additional one-cent sales tax, expected to generate \$8 million toward county reimbursement.

"I wish they would postpone reappraisal until the economy turns around again," commissioner Burdette Mentzer said.

Tuesday the price of 40-gravity crude oil dropped to

(Continued on page 6)

Legislators to be here

Rep. Rochelle Chronister (R-Neodesha) and 15th District Sen. Dan Thiessen will be at the Daylight Donut Shop in the historic Woodson Hotel in Yates Center from 9-11 a.m. Feb. 22 to meet with interested constituents with questions about or problems for the 1986 Legislative Session.

In a telephone interview Monday, Chronister encouraged oil and gas producers in particular to attend the informal coffee-and-doughnut meeting.

★ County commissioners

(Continued from page 4)

\$16.75 per barrel, which amounts to a \$900 decrease per tank of oil, according to Haas.

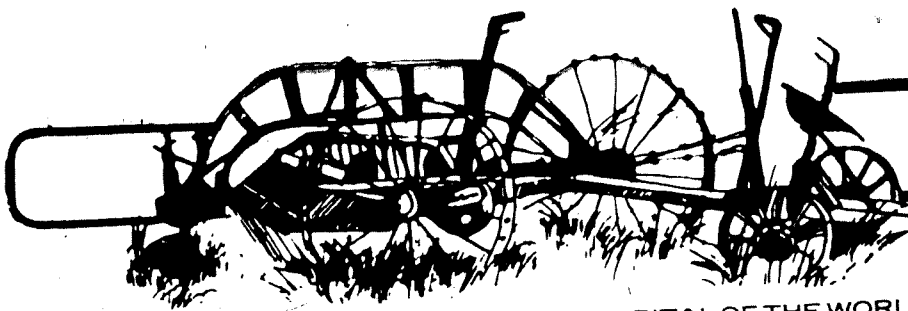
Linde invited Haas to give testimony at a Feb. 27 property valuation hearing in Topeka as Miller attempts to review proposed changes in price schedules on oil and gas valuation.

"When we went to Topeka two weeks ago, we spoke up for the oil industry. We're trying to help you," Linde said. "If we don't do something, I can see you

people in the same position in two years as the farmers are now."

"My main concern is the financial institutions, because so many of them have such a high proportion of energy loans," Haas said.

He suggested that Kansas follow recent examples set by Oklahoma, Arkansas, Mississippi and Louisiana, where state budgets are being cut 23 percent and school budgets by 22 percent to stay in line with decreasing oil and gas tax revenue.



The

VOLUME 108, ISSUE 2

PRAIRIE HAY CAPITAL OF THE WORLD

YATES CENTER

Oil industry winding down

By **BRENDA MANSKE**

The price of 40-gravity crude oil sank to \$15.75 per barrel Monday, fulfilling industry predictions and threatening continued oil production throughout southeast Kansas.

R.E. French, a Gridley producer, already has shut down one lease because the price of oil no longer pays for the cost of production.

"I can see that it's going to cause a lot of wells to be shut down, and probably some entire leases," French said in a recent interview.

John Haas of Haas Oil Company in Yates Center said he doesn't expect drilling to pick up as the weather improves this spring.

"Sales are down, nobody's buying, nobody's doing any drilling, nobody's doing any wildcatting," Bernie Blevins of B & B Steel in Yates Center said, echoing the problems most area oil suppliers and service companies have experienced since the price of oil began to drop in January.

"I didn't think it would ever go this far, but now that it's this low, it'll probably go on down," Loren Steinforth of Steinforth Well Services said. "It's going to be rough on everybody."

The estimated cost of lifting a barrel of southeast Kansas oil runs from \$12-\$15 per

barrel, and when a barrel of oil only brings \$15.75, that means many area producers aren't making enough money to cover the cost of their production.

After the producers themselves, drillers are the first to feel the effects of low oil prices, followed by oil field suppliers and services.

The end of the downward cycle arrives when producers begin plugging wells they no longer can afford to produce, and by that time even businesses not traditionally associated with the oil patch can feel the pressure brought on by \$15.75 oil.

"When the oil people start winding down, it begins to affect everyone," Ed Ranz of Ranz Motor Company in Chanute said Monday.

"I think probably the place we've seen it the most is in the truck area," he said. "Truck sales are off 15-20 percent during the last 60 days."

"The oil people are sitting tight, and I don't blame them," he said.

"It's going to hurt the new truck business," Gary Lassman of Iola's Lassman Motors said recently. The trend started as early as last fall, according to Lassman, who said he expects to see more repairs on vehicles that should be traded in.

"They're going to be poor-baying it, making just enough repairs to get by," he said. "Poor old Southeast Kansas has done more than its share to build these big-city monuments, but when money gets tight, we get very little help in return."

Chanute Honda also has seen an oil-related drop in business, according to Kirby Stanislaus.

"When oil prices were high, a lot of oil companies bought 3- and 4-wheelers from us," he said Monday. "Now they're hanging on to them a little longer, not trading them in as quick. They're all making necessary cutbacks."

Area auto parts stores also are being affected by the current oil crunch.

"It's had a direct effect on us because we sell direct to the oil companies," Dave Haar, president of Iola Auto Parts, said recently. "Across the board, it's a variety of things, but it's noticeable in every area."

"In this area, it's nice to see the price of gas come down, but this is going to affect all businesses, even the ones that don't sell directly to oil companies," Haar said.

"It's pretty darn hard to put it into figures, and we won't know for sure until the end of the first quarter, but it's cut

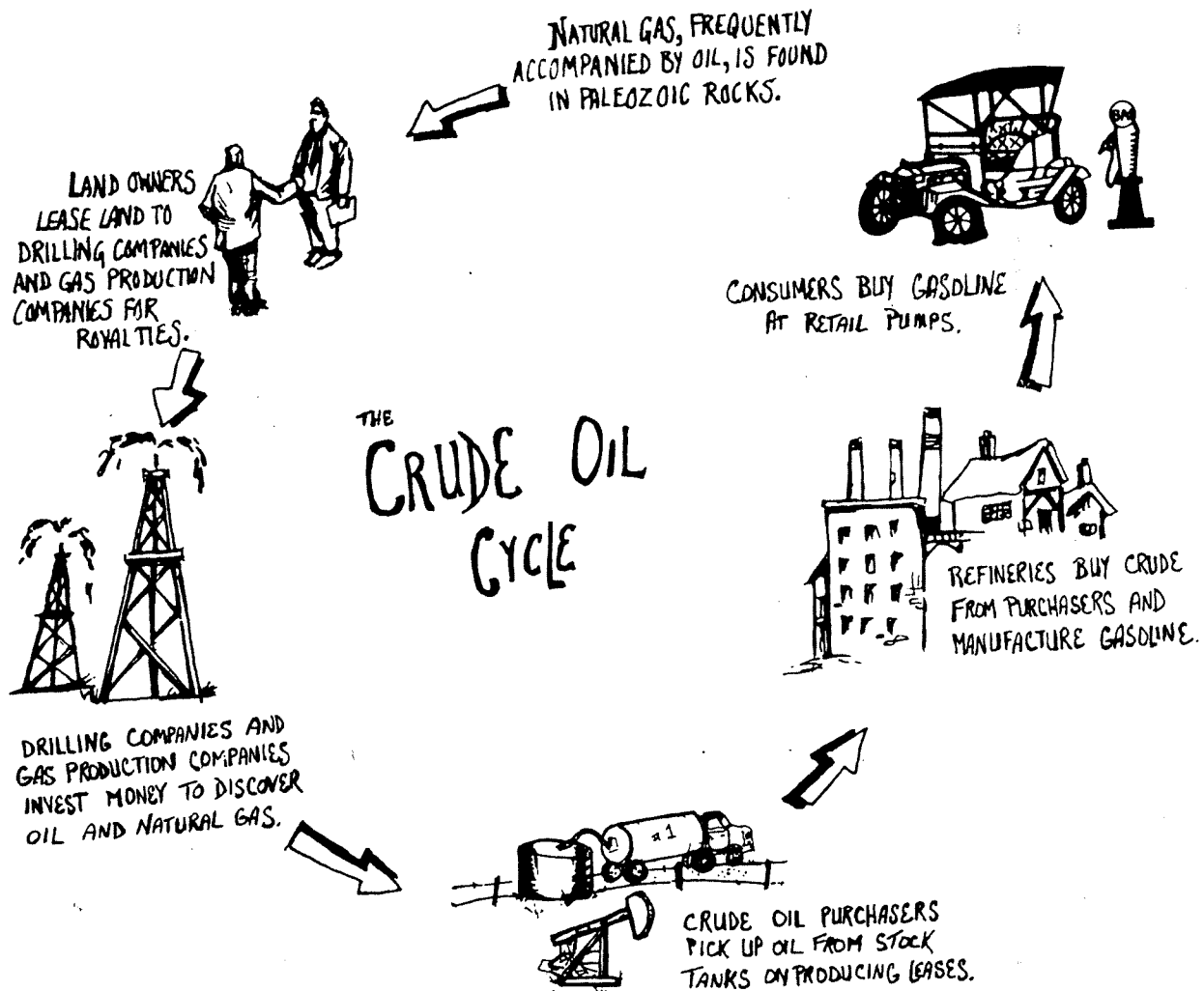
NEWS YATES CENTER NEWS

KANSAS 66783

THURSDAY, FEBRUARY 27, 1986

25 CENTS

Oil affects everyone



out a good 20 percent of my business," Chuck Sievers of Sievers Auto Parts in Yates Center said Monday. "The oil people are flat not doing

anything, and we haven't begun to see the effects yet. A person better have his seat-belt on and get fastened down for a rough ride."

"We've definitely had a decrease in prices," Larry Bell of Yates Center's Bell Auto Parts agreed. "I'm
(Continued on page 4)

★ Oil industry story

(Continued from page 1)
selling a lot fewer accessories. There's a shift toward essentials now and people are harder to sell."

"They're doing more comparative shopping now. They've got time to shop around because they're not as busy as they have been. It makes you have to be a lot sharper to get someone's business," he said.

At Jim's Service in Yates Center, however, business is about normal for this time of year.

"It seems slower, but I'm not sure it actually is," proprietor Jim Solander said. "I haven't noticed any difference in repairs yet. They're still driving just as much every day as they did."

Although things look bleak now, old-timers are quick to say that the oil business runs in cycles.

"Last time it was this bad was in 1945," John Haas said recently. "It got a little better in 1960, and then the price began to rise in 1974-75 and it just went up too fast."

Gary Lassman suggests that a moratorium on taxes would help the oil patch to rebound faster than any other relief alternative.

"If he didn't have to pay these atrocious ad valorem, windfall profits and severance

taxes, the oil man could make a living on \$15 a barrel oil," he said Monday. "They're going to have to abate some of these taxes."

Reporter's Note: Area oil producers, government officials and other concerned individuals interested in forming a Southeast Kansas legislative coalition on oil regulation relief are encouraged to attend an organizational meeting Wednesday, Feb. 26, at 7 p.m. at Haas Oil Company on North Fry in Yates Center.

Legislature discussing alternatives for oil patch, Chronister says

By BRENDA MANSKE

The Kansas Legislature is discussing federal alternatives with regard to regulations on shallow Eastern Kansas oil wells, Rep. Rochelle Chronister, R-Neodesha, told a crowd of about 40 constituents Saturday morning at Yates Center's Daylight Donut Shop.

For two hours Chronister

and Fifth District senator Dan Thiessen answered questions on a variety of topics, ranging from regulation relief for area oil producers to finding a funding source for reappraisal.

"I think the problems you're getting into are with the environmental division of KDHE," Chronister said. "A bill was introduced before the

House yesterday morning to create a free-standing agency combining the KDHE environmental division with the KCC."

Thiessen said he had served on a committee that recommended sole regulatory power for the KCC.

"I think we'd be a lot better off with one agency rather

(Continued on page 4)

(Continued from page 1)

than two or three," he said.

"Oil producers want regulations they can live with," said Bob Manske, moderator at an ad hoc elected officials-producers meeting held last November in Yates Center.

"We cannot change federal regulations," Chronister said.

"No one has any problems with the EPA. They have problems with the KCC," Manske said. "The producers are interested in reasonable solutions to what looks like a temporary situation."

"You come to me with a list of regulations that are not federal, something that we can do without, and we'll try to do something about it," Chronister said.

"Does anyone know they're out counting buildings on leases?" Manske asked.

Thiessen said he would look into charges that KCC employees have been assigned to take a building census on southeast Kansas oil and gas leases.

"I have some real questions about the qualifications of people they're hiring at KDHE," Chronister said.

According to John Haas of Haas Oil Company in Yates Center oil and gas regulatory authority should lie solely with KDHE.

"KDHE has qualified employees," Haas said. "We don't like people who don't know about the oil business telling us what to do."

Chronister said conservation

fee fund balances are "very high," adding that a year's reduction in the mill levy on production would go a long way toward cost relief for oil producers faced with the current \$16 per barrel price of oil.

"They're going to be very protective of those balances, but there's no excuse for those balances being as high as they are," she said. According to Chronister, the mill levy is set by statute and could be reduced by the legislature.

Other alternatives that could be considered in the face of dwindling oil prices include raising the stripper well exemption and reducing the severance tax in proportion to the reduction in the price of oil.

"We can't do a lot, but we are looking at some changes in those four areas," Chronister said.

Reappraisal

"We're fighting like the devil to find the money for reappraisal," Chronister continued. "The budgets being looked at now include \$8 million for the counties on reappraisal."

According to Chronister, the state aims to pay about half the estimated \$48 million

reappraisal cost.

"Whether we'll have that much money is unsure," she said. "But it looks like we're going to raise your taxes and you're not going to get much back for it. The governor took money out of places where we're going to have to put it back in."

"People here say, 'Why don't you tell those people in Topeka to go to hell?'" county

commission chairman Bill Linde told the legislators.

"There is no good answer on it," Chronister replied. "It's either that or face three to four times higher cost on court-ordered reappraisal."

According to Linde, Woodson County reappraisal costs are expected to reach \$328,000.

Asks for moratorium on KCC testing regulations

YATES CENTER NEWS, THURSDAY, MARCH 16, 1986

YATES CENTER, Kan.-- Citing cash shortages brought on by the recent dramatic drop in the price of oil, an ad hoc East Central Kansas citizens' group Friday petitioned Rep. Rochelle Chronister, R-Neodesha, and Fifth District Sen. Dan Thiessen, R-Independence, for a one-year moratorium on Kansas Corporation Commission plugging and testing regulations.

East Central Kansas Producers and Royalty Owners Coalition presented Chronister with a proposed House concurrent resolution endorsing the modification and temporary abandonment of KCC oil well plugging and testing requirements in

Coffey, Greenwood and Woodson counties.

In a telephone interview Tuesday, Chronister said she and fellow representatives Denise Apt of Iola, Edwin Bideau III of Chanute, Jeff Freeman and Rex Crowell hoped to introduce a revised version of the ECKPROC resolution on the floor of the House Wednesday morning.

As originally submitted, the resolution requests that the KCC and Kansas Department of Health and Environment hold public hearings to allow testimony on the economic need for the proposed moratorium.

"We'll do whatever we can to get you a fair hearing, and I

(Continued on page 9)

★ Asks for moratorium on KCC rules

(Continued from Page 1)

think that's what you need," Chronister told coalition representatives Feb. 28. "I think it's certainly appropriate to request that the KCC and KDHE hold hearings in this area concerning the severe financial problems facing the oil industry."

More than 20 people attended the Feb. 27 meeting at Haas Oil Co. offices that spawned the coalition, among them Yates Center's mayor, Murl Corbet, and Woodson County commissioners Bill Linde and Burdette Mentzer.

The group elected Robert W. Manske of Yates Center as its acting spokesman and appointed John Haas, Loren Steinforth and Thelma Brown of Woodson County; Leland Dreyer of Greenwood County and Arnold Kraft of Coffey County to serve as acting board of directors.

"We're encountering wells that are running up to \$15,000 each to integrity test, and the idea of spending all that money this year when it isn't going to be around to spend is

more than most people around here can handle," Manske told coalition members last week. "It's going to put a lot of people out of business."

A Feb. 21 list of drilling intents showed applications to drill only 10 wells for the entire state, according to Haas, who noted that only three of the 10 wells were to be located in Southeast Kansas. The three Southeast Kansas wells were expected to reach depths ranging from 700-1,570 feet, while the seven wells located throughout the rest of the state were estimated to run from 3,000-4,650 feet deep.

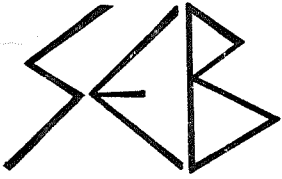
In a Feb. 27 letter to Chronister and Thiessen on behalf of the coalition, Manske said, "As you know, there has been a sharp decline in oil prices which has left many operators in a very cash-poor situation. Inasmuch as the plugging of wells and testing of wells is an expensive undertaking, it would be much better accomplished if producers were able to do so in an orderly manner and with some advance planning,

particularly in the financing of these projects."

"This group is not attempting to change the ultimate responsibility for the costs of implementing these regulations," Manske's letter said. "However, it is simply requesting that they be put on hold for a time until the economics of the situation can stabilize."

"I feel like if something isn't done, we've lost control of our own businesses," Kraft said.

Area residents interested in joining the East Central Kansas Producers and Royalty Owners Coalition are encouraged to contact John Haas at (316) 625-2171 or Robert Manske at (316) 625-2137.



STATE EXCHANGE BANK
YATES CENTER, KANSAS
66783

March 18, 1986

House Energy and Natural Resources Committee
Capitol Building
Topeka, KS 66625


Dear Legislature:

This letter is being written to confirm our support for the Tri-County Legislative Coalition in their efforts to obtain a temporary moratorium on the KCC plugging and testing requirements. Specifically, we would ask that you give favorable recommendation to House Concurrent Resolution No. 5051.

Your recommendations on this resolution will have considerable effect, whether positive or negative, on the economy of Southeast Kansas.

We urge your support for this resolution.

Sincerely,


Judith Splechter
Assist. Vice President

bv

MAX BERRY Workover

Less Berry #1
Greenwood Co
Kerr

Long Drilling

6294.38

Pipe 1840' 3" @ 2.50

4600.00

IS Oil Co. haul hot salt
water to acidize and frac.

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Consolidated

3538.38

Cornish log

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This Expense on running Integrity
Test

St. Patrick's Day - Monday, March 17

er for the St. Patrick's Day drawings to be held at 5:00 p.m. Monday
he bandstand. See pages 2 and 4 for more information!

NEWS

The YATES CENTER

NEWS

YATES CENTER, KANSAS 66783

THURSDAY, MARCH 13, 1986

25 CENTS

Oil coalition makes headway

TOPEKA--The House Energy and Natural Resources Committee of the Kansas Legislature will hold fact-finding hearings on March 18 at 3:30 p.m. concerning a proposed one-year moratorium on Kansas Corporation Commission testing and plugging regulations on oil and gas wells in Woodson, Greenwood, Coffey, Allen, Neosho and Bourbon counties.

An ad hoc citizens group dubbed the East Central Kansas Producers and Royalty Owners Coalition submitted the moratorium request to Rep. Rochelle

Chronister, R-Neodesha, March 28 in the form of a resolution, which was formally entitled House Concurrent Resolution 5051 and
(Continued on page 2)

★ Coalition makes headway with legislators

(Continued from page 1)

introduced on the floor of the House last Thursday.

The resolution cited cash shortages brought on by the recent dramatic drop in the price of oil as the most pressing reason for the proposed moratorium.

"I feel like we've made a lot of headway very quickly," coalition spokesman Robert Manske of Yates Center said Tuesday. "Rochelle Chronister has been very helpful in getting this matter

to the attention of the committee."

In a Feb. 27 letter to Chronister and Sen. Dan Thiessen, R-Independence, Manske said the group is not attempting to avoid the plugging and testing requirements, but is asking that they be put on hold until oil prices stabilize.

Noting that the grass roots organization voted March 7 to change its name to Tri-County Legislative Coalition, Manske said, "We've only made the

first step. We'll have to follow it up with appropriate testimony before the committee and a strong show of support from businesses in the communities involved."

According to Manske, donations to help defray the coalition's immediate administrative expenses may be forwarded to treasurer Thelma Brown, 410 N. Main, Yates Center.

Rep. Chronister reports from Topeka

By REP. ROCHELLE
CHRONISTER
REPRESENTATIVE OF
9TH DISTRICT
WILSON-WOODSON
COUNTY

On March 6, I and five other southeast Kansas legislators, Denny Apt of Iola, Ed Bideau from Chanute, Rex Crowell from Longton, Jeff Freeman from Burlington and Dick Harper from Ft. Scott introduced a resolution requesting the Kansas Department of Health and Environment and the Kansas Corporation Commission hold a hearing in the southeast Kansas area to determine if there are rules and regulations of the agencies pertaining to plugging and testing of oil and gas wells which could be modified or a moratorium declared for one year except in cases of emergency fresh water contamination. The resolution was requested by a group of east central oil and royalty owners who are concerned that the falling price of oil will

force plugging of many marginal wells. Even a temporary lifting of some of the regulations could save a large number of wells.

The Kansas legislature will reach first deadline on March 12 when all bills must "trade sides" - all House bills will move to the Senate and Senate bills will come to the House or be dead for this session. That also means long days the week of the 10th as the House will be in session all day instead of breaking for the regular committee meetings.

Some of the more important bills which passed the House this week dealt with hazardous waste clean-up and group insurance coverage for mental illness, drug abuse and alcoholism.

The hazardous waste program establishes a one-year pilot program to collect small quantities of household hazardous wastes such as painting materials, pesticides, chemicals used in chemistry classes, old

photographic chemicals, pool cleaners and antifreeze. The pilot program would be located in one large and one small city with the Kansas Department of Health and Environment contracting with a bonded hazardous waste handling company to operate the program. Funding for the program would come from the Hazardous Waste Clean-up fund.

The bill mandating coverage of mental illness, drug and alcohol abuse would require coverage for not less than 30 days per year in a hospital or licensed drug or alcohol

treatment facility. The requirement is expected to add \$1 per month to the cost of health insurance for the average single policy; however the additional money going to mental hospitals and drug and alcohol treatment centers is expected to offset tax dollars which are presently spent on these institutions.

Hot-lines at the Chamber offices in Neodesha and Fredonia and at the Woodson County Clerk's office are still open weekdays or you can reach me at home in Neodesha weekends.

KANSAS CORPORATION COMMISSION

TESTIMONY ON House Concurrent Resolution No. 5051

PRESENTED TO Energy and Natural Resources Committee on March 18, 1986

This is the official position taken by the Kansas Corporation Commission on House Concurrent Resolution No. 5051.

The Kansas Corporation Commission has reviewed House Concurrent Resolution No. 5051 in the context of its rules and regulations concerning the abandonment, plugging and testing of oil and gas wells. Like the legislature, we are acutely aware of the effect sharp decreases in the price of oil have had on the Kansas oil industry and the ability of operators to meet regulatory requirements of the Commission and the Department of Health and Environment.

Although we share the legislators' concern on this issue, we do not consider House Concurrent Resolution 5051 as addressing or responding to any activity which the Commission isn't pursuing at the present time through the Joint Oil and Gas Regulatory Program.

For example, an operator must give notice to the Commission for a temporarily abandoned well under K.A.R. 82-3-111 within 90 days of cessation of well operation or plug the well. We believe this provides the operator a rather simple procedure for temporarily abandoning production and precludes premature plugging of the well. One of the statutory mandates of the Commission is to conserve and prevent waste of recoverable oil and gas resources. Implementation of any program which would cause the premature

abandonment of wells having recoverable reserves would be contrary to the statutory direction. HCR 5051 acknowledges that, even in times of depressed economic conditions, the fresh water must be protected from contamination and that is also a statutory responsibility assigned to the Commission and the Department through the Oil and Gas Regulatory Program. A copy of K.A.R. 82-3-111 is included with the written testimony. Currently we have 4,000 temporarily abandoned wells under the notification program. The Commission may grant extensions on a yearly basis providing the operator can establish well integrity. A fluid level measurement is generally used to do this and is relatively inexpensive.

Testing of Wells

The Commission staff had some difficulty determining what HCR 5051 included in terms of testing of wells. In the preamble on line 21, testing refers to oil and gas wells. In Eastern Kansas, where very few prorated fields exist, testing for productivity is, for the most part, left up to the operator. There is a requirement for testing gas wells under open flow conditions. In lines 32-33, testing refers to wells which would include injection wells. If the concerns of those supporting this resolution revolves around mechanical integrity testing (MIT) of injection wells, then a separate discussion is needed.

The cornerstone of the Environmental Protection Agency (EPA) Underground Injection Control (UIC) Program is the mechanical integrity testing of injection wells to satisfy the Federal UIC

requirements. The Class II program for which the Kansas Corporation Commission has primacy has to meet minimum requirements of the Federal program and this requires each injection well approved for use by Commission Order prior to February 1984 to be tested for mechanical integrity once every five years. The Commission and the Department are committed to causing 2,200 injection wells to be tested each year. If HCR 5051 were to create a moratorium on testing, EPA could elect to administer the program through direct implementation and they are forced by Federal statute to administer stricter program under Section 1422 of the Safe Drinking Water Act rather than the less stringent 1425 program which Kansas and other major oil producing states operate. An example of the 1422 program in action is occurring in Osage County, Oklahoma.

Rules and Regulation Review

The Commission does not see the advantage of holding public hearings since the Industry Rules and Regulations Review Committee will be meeting in May and extending through the summer. One of these committees reviews regulations on Drilling, Completion and Plugging of Wells and another reviews UIC regulations which includes mechanical integrity tests. Any sector of the public, industry, legislature or water users may participate in one or more of the committees. We feel this forum provides a better continuity of discussion than a group of public hearings. The rule making process requires a public hearing prior to adopting regulations after the Rules and Regulation Committees have made their final recommendations to the Commission.

Recommendations

- (1) The Commission believes current regulatory procedures on the abandonment and plugging of wells are sufficiently flexible to alleviate the concern over the premature abandonment of wells.
- (2) The Industry Rules and Regulations Review Committees provides a forum for anyone to comment on regulations and participation is encouraged.
- (3) The testing of injection wells for mechanical integrity meets Federal regulations and direct Federal implementation would be more expensive to the operator.
- (4) HCR 5051, except for the testing issue, only substantiates current program operation by the Commission and Department.

82-3-111. Temporarily abandoned wells. (a) Within 90 days after operations cease on any well drilled for the purpose of exploration, discovery, service or production of oil, gas or other minerals ~~for a period of 90 days or more~~, the owner or operator of that well shall:

(1) plug the well; or

(2) give notice of the temporary abandonment to the conservation division on forms prescribed and furnished by the conservation division.

(b) If ~~it is deemed~~ necessary to prevent the pollution of any freshwater strata or supply, ~~the conservation division shall cause~~ the well ~~to~~ shall be plugged or repaired according to ~~its~~ the direction of the conservation division and in accordance with ~~the~~ its rules and regulations ~~of the commission~~. If the operations on any such temporarily abandoned well or other inactive well are not resumed within a period of one year after the notice has been given, the well shall be deemed a permanently abandoned well, and the owner or operator of the well shall comply with rules and regulations of the commission relating to the abandonment of wells. However, Upon application to the conservation division prior to the expiration of the ~~one-year~~ one-year period, and for good cause shown, the conservation division may extend the period for one year. The conservation division may grant additional ~~one-year~~ one-year extensions ~~may be granted~~ by the ~~conservation division~~ in the same manner. (Authorized by and implementing K.S.A. 55-152; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended, May 1, 1985; amended May 1, 1986.)

APPROVED

ATTORNEY GENERAL

By CMA 10/29/85 Asst.

DEPT. OF ADMINISTRATION

OCT 22 1985

APPROVED BY JK



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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

March 18, 1986

TO: House Energy & Natural Resources Committee

RE: HCR 5051

We are very appreciative of the six sponsors of HCR 5051 for introducing the resolution. We are particularly pleased to have some formal recognition that our important Kansas industry is in financial trouble. Of all the talk of economic development during this session, very little has been said about the tremendous impact on the Kansas economy concerning the drop of oil prices. I can assure you it is taking it's toll on the Kansas economy in the loss of jobs, loss of income, loss of revenues, valuations, and generally a huge deterioration of a major industry that has been doing business in Kansas. We are all hoping for better days ahead.

It seems to me the subject matter of HCR 5051 is addressed under KCC Rule 82-3-111, the 90 day rule of cessation of production and the temporary abandonment of wells regulation. This rule was adopted in response to KSA 55-152 (1982) relating to temporary abandonment and plugging.

On line 32-33 the reference is to "testing of wells". This undoubtedly refers to the Underground Injection Control program authorized by the Congress who mandated the EPA to supervise the program and for which the State of Kansas has assumed primacy. The program in Kansas requires a mechanical integrity test of about 2,000 wells per year. Kansas was granted two alternative MIT tests in addition to a pressure test: 1) a radioactive trace test, and 2) a temperature differential test. We have asked EPA to consider a monitoring test, but that has not yet been approved.

I'm inclined to believe, after talking to EPA, IOCC and IPAA that HCR 5051 should be re-directed to ask the U.S. Environmental Protection Agency to suspend the very expensive testing program while depressed prices are having such an influence on cessation of production and temporary abandonment of wells status is now a common practice in Kansas.

Donald P. Schnacke

DPS:pp

Attachment 4
House Energy and Natural Resources 3/18/86

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

Testimony on Senate Bill 482

Presented to the
House Energy and Natural Resources Committee
March 18, 1986

By
Sharad V. Bhatia, Director
Division of Environment

The Kansas Department of Health and Environment supports the passage of Senate Bill 482. Current statutes (K.S.A. 65-3308, et seq.) passed by the 1980 and 1981 Legislatures require counties to develop countywide wastewater management plans. These plans define areas where water and sewer systems will be constructed to meet population growth, and also define areas where individual sanitary facilities will not be permitted. The existing law requires plan preparation only if federal funds are available. Federal funds, however, are no longer available for that purpose.

Senate Bill 482 amends existing statutes to require, for the following reasons, that plans be prepared even if federal funds are not available. Scattered subdivisions with their own water and sewer systems are often allowed to develop randomly around urban centers with little or no long-range planning. This results in the proliferation of small separate systems, which are costly and difficult to maintain, are frequently replaced within a short period of time, and are likely to create nuisance conditions and public health problems. From a public health as well as economic standpoint, therefore, it is the Department's belief that counties should be required to develop these comprehensive plans even if federal funds are unavailable. Senate Bill 482 accomplishes that. This concept, you may wish to note, was presented and discussed at several public meetings of the Kansas Water Authority, and was eventually approved as recommendation No. 61 of the 1985 Kansas Water Plan.

The existing statutes provide that counties with populations less than 30,000 may apply to the Secretary of Health and Environment for an exemption from the plan preparation requirement. Senate Bill 482 would continue that exemption. Using the criteria of the existing statutes, 19 counties were identified as having a need to prepare the countywide plan. Of these 19 counties, 8 received federal grants and have or have nearly completed their plans. If Senate Bill 482 is passed, the remaining 11 counties which did not receive federal grants would be required to develop their plans. They are: Barton, Douglas, Johnson, Leavenworth, Lyon, Montgomery, Reno, Riley, Saline, Sedgwick, and Wyandotte.

In conclusion, Mr. Chairman, members of the Committee, the Department supports the passage of Senate Bill 482 and urges your approval of the same.

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

Testimony on Senate Bill 486

Presented to the
House Energy and Natural Resources Committee
March 18, 1986

By
Sharad V. Bhatia, Director
Division of Environment

Senate Bill 486 is intended to provide authority to the Department of Health and Environment to ensure that adequate water and wastewater services are provided to new subdivisions. Because of developmental pressures, in many instances new subdivisions are constructed without the provision of adequate sanitary and water service. This has resulted in failing septic tank systems, overloaded sewer lines, inadequate water distribution pressure, and overloading or undersizing water and wastewater treatment facilities. It is the Department's belief that these problems related to public health are easily preventable and should be prevented.

For counties not required to develop countywide water and wastewater plans (K.S.A. 65-3301, et seq.) or are without an approved sanitary code (K.S.A. 19-3701, et seq.) the Department would promulgate regulations to define the minimum sanitary services for water and sewerage for new subdivisions. A standard certification form would be developed and furnished to local officials. The local government having jurisdiction over the proposed subdivision would be required to certify to the Secretary of Health and Environment that sanitary needs were reviewed for compliance with the state regulations and were adequate.

In counties with a countywide plan and sanitary code, the local government would certify to the Secretary that the proposed development and sanitary facilities are consistent with the countywide water and wastewater management plan, state regulations, and county sanitary codes.

The concept of this legislation was presented and discussed at several public meetings of the Kansas Water Authority, and was eventually approved as recommendation No. 62 of the Kansas Water Plan.

In conclusion, Mr. Chairman, members of the Committee, the Department believes that Senate Bill 486 would remedy some easily preventable public health problems and urges your approval of the same.

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

Testimony on Senate Bill 487

Presented to the
House Energy and Natural Resources Committee
March 18, 1986

By
Sharad U. Bhatia, Director
Division of Environment

Increasing evidence suggests that some of our surface and ground-water supplies in the State are being contaminated by pollutants. Pesticides have been detected in surface water samples taken from city lakes. Organic chemicals as well as gasoline are being found in some city wells. The procedures used by the State presently are not adequate.

Senate Bill 487 would require the filing and approval of environmental protection plans for all new or proposed public water supply impoundments and water wells. The plan would outline a strategy for protection of drinking water sources and would provide the necessary background information to the municipal agencies, who would be responsible for its implementation. This would include a review of existing information on the quality of the municipal drinking water, the location of potential contaminant sources, identification of remedial measures and protection strategies, and evaluation of existing regulations and management practices. Another significant aspect of Senate Bill 487 is that water supply permits would be issued for a five-year period instead of perpetuity under current law. This would allow the Department to phase in existing supplies over a period of time.

Numerous meetings of the Kansas Water Authority and the basin advisory committees across the state have established that the public's number one water concern is quality. Contamination of public water supplies, once it occurs, is extremely difficult and expensive to correct. Water wells, in many instances, have had to be shut off because of contamination and the lack of funds to clean it up. Senate Bill 487 is legislation that would prevent this type of contamination from occurring. This proposal was adopted as part of the 1985 Kansas Water Plan as recommendations No. 56 and 57.

Mr. Chairman, members of the Committee, the Department supports Senate Bill 487 and urges your approval of the same.

The Honorable Merrill Werts, Chairperson
Committee on Energy and Natural Resources
Senate Chamber
Third Floor, Statehouse

Dear Senator Werts:

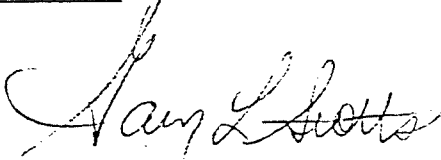
SUBJECT: Fiscal Note for Senate Bill No. 482 by Committee
on Energy and Natural Resources

In accordance with K.S.A. 75-3715a, the following fiscal note concerning Senate Bill No. 482 is respectfully submitted to your committee.

Major provisions of Senate Bill No. 482 amend the Water Pollution Control Act to require counties to prepare water-wastewater management plans with county and municipal funds. Counties are allowed to seek and accept grants and other financial assistance that the state or federal government or other public or private sources make available. The current law regarding the requirement for water-wastewater management plans is not deemed mandatory until 75 percent or more of the moneys necessary to implement the law are certified by the Secretary of Health and Environment to be available from the federal government. Senate Bill No. 482 would also require the periodic updating of approved plans at least once every five years. All references to wastewater management plans are amended to water-wastewater management plans.

Passage of Senate Bill No. 482 would result in 11 counties with populations exceeding 30,000 people being required to prepare water-wastewater management plans regardless of the availability of federal or state funds. The costs associated with the preparation of such plans are not possible to reliably determine as they could vary depending upon the conditions within each county. The costs would be the responsibility of the counties involved if no other funds are available. The 11 counties are Barton, Douglas, Johnson, Leavenworth, Lyon, Montgomery, Reno, Riley, Saline, Sedgwick, and Wyandotte.

No state general funds or special revenue funds are included in the FY 1987 Governor's Budget Report for provisions of Senate Bill No. 482.


Gary L. Stotts
Acting Director of the Budget

GLS:PS:dh

The Honorable Merrill Werts, Chairperson
Committee on Energy and Natural Resources
Senate Chamber
Third Floor, Statehouse

Dear Senator Werts:

SUBJECT: Fiscal Note for Senate Bill No. 486 by Committee
on Energy and Natural Resources

In accordance with K.S.A. 75-3715a, the following fiscal note concerning Senate Bill No. 486 is respectfully submitted to your committee.

Senate Bill No. 486 requires the Secretary of Health and Environment to adopt rules and regulations establishing guidelines, standards, and procedures for the provision of water supply and sewerage facilities. By July 1, 1989, each appropriate local governing body is required to adopt and approve the water supply and sewerage management plan or an approved county sanitary code, or an approved city code that conforms to the rules and regulations of the Secretary of Health and Environment, unless exempted by the Secretary. After such plan or code is adopted, no local governing body shall approve a subdivision plat or proposal which is not in compliance with the appropriate plan or code.

The Department of Health and Environment indicates that implementation of the provisions of Senate Bill No. 486 would require the addition of one Environmental Engineer II for total expenditures from the State General Fund of \$34,780, of which \$31,840 is for salaries and wages and \$2,940 is for other operating expenditures. Local governing bodies would be responsible for the costs associated with development of appropriate water supply and sewerage management plans, county sanitary codes, or city codes, however, it is not possible to reliably determine the amount of such costs which might be incurred prior to July 1, 1989.

Passage of Senate Bill No. 486 would require the addition of one full-time equivalent position and \$34,780 in expenditures from the State General Fund to those amounts budgeted in the FY 1987 Governor's Budget Report for the Department of Health and Environment.



Gary L. Stotts
Acting Director of the Budget

GLS:PS:dh

The Honorable Merrill Werts, Chairperson
Committee on Energy and Natural Resources
Senate Chamber
Third Floor, Statehouse

Dear Senator Werts:

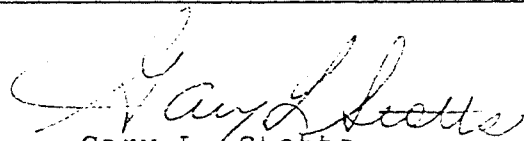
SUBJECT: Fiscal Note for Senate Bill No. 487 by Committee
on Energy and Natural Resources

In accordance with K.S.A. 75-3715a, the following fiscal note concerning Senate Bill No. 487 is respectfully submitted to your committee.

Senate Bill No. 487 amends K.S.A. 65-163 to require the development of an environmental protection plan and the identification of the methods for implementation and enforcement of such a plan as a part of the application for a public water supply system permit. Provisions of Senate Bill No. 487 also specify that a permit is to be issued for a term not to exceed five years and may be modified, suspended or revoked by the Secretary of Health and Environment if it is determined that permit conditions or certain applicable laws, rules and regulations or design standards have been violated. The Secretary of Health and Environment is required to adopt rules and regulations for the issuance of a public water supply system permit and for the development, implementation and enforcement of an environmental protection plan.

The Department of Health and Environment indicates that one half-time Environmental Engineer II would be required to implement provisions of Senate Bill No. 487. Total first year costs are estimated to be \$24,880 in expenditures from the State General Fund, of which \$15,920 would be for salaries and wages and \$8,960 for other operating expenditures. It is not possible to reliably determine the costs which would be incurred by local units of government associated with the development of environmental protection plans required by this act. The costs could vary depending upon the conditions in each locality and upon the rules and regulations developed by the Secretary of Health and Environment.

Passage of Senate Bill No. 487 would require the addition of one half-time position and State General Fund expenditures of \$24,880 for the Department of Health and Environment above the amounts included in the FY 1987 Governor's Budget Report.



Gary L. Stotts
Acting Director of the Budget

SUMMARY OF BILL NO. 482

1. The bill amends the statutes pertaining to County-wide Wastewater Management Plans and renames the Plans to Water-Wastewater Management Plans, with the apparent intent that these plans address drinking water also, not just wastewater. Because of the very different state statutory authority under which wastewater and water utilities operate, this will greatly complicate the planning process. Rather than having to coordinate just wastewater agencies within a County, often a difficult task in itself, all of the drinking water agencies within the County will also have to be coordinated with the plan. Although there are definite advantages to coordinating water and wastewater systems, particularly in relationship to septic tank systems in rural subdivisions, the difficulties in developing a County-wide Wastewater Management Plan have been approximately doubled by this action.
2. The bill requires KDHE to establish minimum standards for sanitary codes and minimum standards for new subdivisions (apparently primarily for those without access to existing sewer systems) and that the County-wide plan is to submit proposed codes and standards for review and approval by KDHE. KDHE has little experience with sanitary code administration, and would not have the expertise for establishing good minimum code standards for state-wide application. Additionally, there is a large diversity of situations that could arise as a result of rural subdivisions, and a minimum state-wide standard will reduce local control of how growth occurs in these areas.
3. The bill removes the provision in the original County-wide Wastewater Management Plan which stated wastewater management plans would not be required if Federal funds were not available to fund the plans. Therefore, now even if Federal funds are not available, a plan must be done. Instead, the act directs that these studies be funded with County and/or Municipal funds. However, I think there are some significant statutory obstacles to counties funding such a study. KDHE needs to propose legislation to clearly establish that a County-wide levy can be assessed for the study.
4. This bill removes all deadlines for development of a plan, so any county could conceivably delay development of the plan indefinitely. It is possible that Senate Bill 486 addresses this issue, however, that bill uses different terminology, and does not specifically refer to the statutes which Senate Bill 482 is amending. The relationship between these two bills is confusing, as is further discussed in the comments on Senate Bill 486.

JAM/jes
99-1703

JOHNSON COUNTY
UNIFIED WASTEWATER DISTRICTS

MAR 13 1986

SUMMARY OF BILL NO. 486

1. This is possibly a bill related to Senate Bill 482, but it uses different language, and makes only a passing reference to the statute (K.S.A. 65-3308 to 65-3313) that Bill 482 amended, relating to the definition of a governing body. This bill requires that each appropriate local government as defined in Senate Bill 482 to develop an "approved water supply and sewerage management plan" or "an approved sanitary code". It is not clear if this is the same document as "Water-Wastewater Management Plan" referred to in Senate Bill 482. The intent is probably that these documents are to be the same, but the different language is confusing.
2. This bill gives a July 1, 1989 deadline for completion of the plan. This is likely to not be enough time due to the following reasons.
 - a. The legal authority of the County to fund such studies without considerable delays due to the provisions of Senate Bill 155 will seriously delay development of the plan.
 - b. Addition of water utilities into the picture greatly complicates the local coordination and cooperation issues.
 - c. Recognizing that local government must establish each annual budget by August of each year, it is clear that there will not be enough time between the passage of this statute, if it does occur this year, and August 1, 1986 to include money for these studies in 1987 budgets. Consequently, these studies would have to be funded in the 1988 budget year, and in most counties, it would difficult if not impossible to obtain the services of a consulting engineer, complete the studies and get KDHE approval by July 1, 1989.
3. As discussed under Senate Bill 482, the Kansas Department of Health and Environment needs to develop legislation which clearly allows counties to fund such studies on a county-wide basis.

JAM/jes
99-1704

Attachment 12
House Energy and Natural Resources 3/18/86

COUNTYWIDE WATER/WASTEWATER MANAGEMENT PLANS

INTRODUCTION

In 1979, by adoption of Senate Concurrent Resolution No. 1640, the State of Kansas adopted the Kansas Water Quality Management Plan. One of the specific plan elements called for the control of pollutants from municipal and domestic sources and included a program requiring the development of water and wastewater management plans in urban or high-growth counties. In 1980 and again in 1981, the Legislature passed statutes (K.S.A. 65-3308 *et seq.*) that required counties to develop countywide water/wastewater management plans to address the provision of acceptable wastewater management contingencies in developing areas of the respective counties.

The statutes provided that counties with populations less than 30,000 could apply to the Secretary of the Department of Health and Environment for an exemption from preparing a plan. Coordination of water and sewerage service was required both by statutes and by regulations developed by the Kansas Department of Health and Environment. The statutes also included a provision that the plans were required

only if federal funds were available to assist local governments in their preparation. In addition to the anticipated 75 percent federal share, the Legislature provided 12.5 percent state money to assist the counties, thereby leaving a 12.5 percent local share. The 1981 amendments to the Federal Clean Water Act removed such planning money from the Act. Therefore, the unavailability of federal funds negated the requirement to prepare the plans.

As a result of the statutory screening process which addressed both population and potential water and sewerage problems, 19 counties were identified with immediate needs to prepare plans: Barton, Butler, Cowley, Crawford, Douglas, Ellis, Finney, Geary, Harvey, Johnson, Leavenworth, Lyon, Montgomery, Reno, Riley, Saline, Sedgwick, Shawnee and Wyandotte. Of the 19 counties identified, only eight received federal grants and began their planning efforts including Butler, Cowley, Crawford, Ellis, Finney, Geary, Harvey and Shawnee (Figure 1). No planning was started by the other eleven counties.

Countywide Water/Wastewater Management Plans Needed

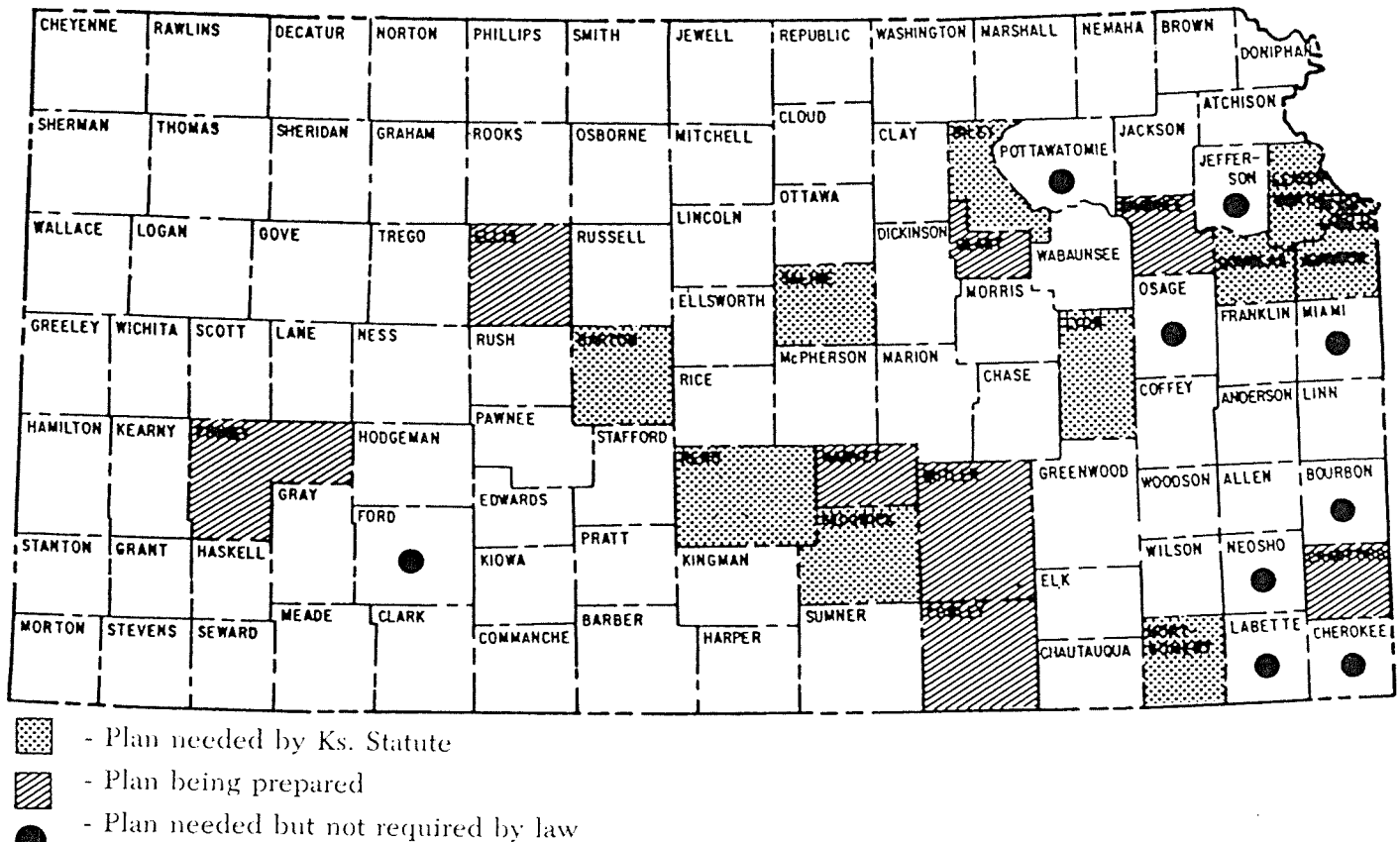


Figure 1.

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CONCEPT

County governments, in cooperation with other local governments in the respective counties, should develop countywide water/wastewater management plans to address the provision of these services to citizens in the urbanizing areas. Scattered subdivisions are often allowed to develop randomly around urban centers with little or no long-range planning to provide permanent, economical water and sewerage services and to avoid the creation of nuisance conditions and public health problems.

The countywide water/wastewater management plans are required to include population projections for 25 years beginning with 1980, and to define areas where water and sewerage systems would be constructed to meet the population growth. The plan is to also define any areas where individual sanitary facilities would not be accepted. The regulations (K.A.R. 28-16-80) also required the plan be updated at least every five years. In accordance with Sections 208(d) and 208(e) of the Federal Clean Water Act as amended, no permits for discharge of waste and no permits for construction of sewerage facilities would be issued in the county unless the improvements were consistent with the approved plan. This, in effect, requires the county and municipal officials to coordinate provision of water and sewerage services with other county development planning.

POLICY ISSUES, OPTIONS AND RECOMMENDATIONS

The state statute made the development of countywide water/wastewater management plans contingent upon federal funding. A lack of federal funds has essentially stopped the program, yet the need is still there.

K.S.A. 65-3308 *et seq.* should be modified to remove the provision requiring plans only if federal funds are available. The statutes and regulations should be carefully reviewed to determine if further revisions are necessary including reassessment of target dates for plan preparation. The issue is whether the state should fund a portion of the plan preparation. The average cost of a plan is estimated to be between \$100,000 and \$200,000. The remaining plans could be completed for an estimated \$140,000 for each county and would take approximately two years to complete.

OPTIONS

11 Counties x 140,000/plan = \$1,540,000
8 Counties x 140,000/plan = 1,120,000

1. No state cost-share for plan preparation. Counties should use their available revenue base to finance countywide plans.
2. State cost-share for plan preparation. The state should participate on a 50-50 state-local cost-share basis. Eight counties that began plan preparation received 75 percent federal money and 12.5 percent state money.

POLICY RECOMMENDATION

K.S.A. 65-3308 *et seq.* should be revised to require preparation of countywide water/wastewater management plans without federal financial support. All counties greater than 30,000 persons, without a plan, should be required to prepare a plan. The state should participate in 50-50 cost-sharing.

PLAN IMPLEMENTATION

LEGISLATIVE ACTION

Legislation will be needed to amend the Water Pollution Control Act, K.S.A. 65-3308 *et seq.*, to allow for countywide planning without federal funding. Legislation would also be required to allow for state-local cost-sharing to encourage development of plans and programs which maintain, protect and provide for the orderly development of water and wastewater facilities.

ADMINISTRATIVE ACTION

The Department of Health and Environment will administer the program. The Department will assess counties under 30,000 population to determine if a plan is needed. All counties with a plan will be reviewed to determine if the plan is adequate. Technical assistance and review during county plan preparation and review and approval of final plans will be provided by Department of Health and Environment staff.

FINANCIAL REQUIREMENTS

The Kansas Department of Health and Environment indicated that the current staff and resources of the agency are adequate to address the workload associated with the state's responsibility in preparation of countywide water/wastewater management plans. Therefore, there would be no additional impact associated with the implementation of this program.

The Department of Health and Environment indicated that the average cost for the preparation of a plan is estimated to be between \$100,000 and \$200,000. The remaining plans could be completed for approximately \$140,000 for each county. Based on a preliminary estimate provided by the Department of Health and Environment, approximately \$700,000 is necessary to provide the 50 percent matching grant to those counties required to prepare a plan. The distribution of these funds would be as follows: \$350,000 for the first year; \$200,000 for the second year and \$150,000 for the third year of the program. All other costs associated with the program would be borne by each county that is required to prepare a plan.

TIME SCHEDULE

It is anticipated that some counties would commence planning in 1986, 1987 and 1988. One to two years is required for completion of a plan.

NEW SUBDIVISION WATER AND WASTEWATER PLAN

INTRODUCTION

Kansas statutes currently allow local governments to develop subdivision regulations and planning requirements within the following policy framework:

1. It is the policy of the state to promote industrial, agricultural, commercial, rural and urban development in an orderly and safe manner without causing detrimental water quality or other detrimental environmental effects.
2. It is the policy of the state to encourage development of local plans and programs which maintain, protect and provide for orderly development of water supply and wastewater facilities.

CONCEPT

Community officials are interested in growth of their respective communities. Situations exist where subdivisions have been developed without provision of adequate sanitary and water services to the areas. Common results include failing on-site systems (septic tanks), overloaded sewer lines, inadequate water distribution pressure and overloaded or undersized water and wastewater treatment facilities.

POLICY ISSUES, OPTIONS AND RECOMMENDATIONS

Assurance that subdivisions are built with adequate sanitary services is necessary to protect the public from health problems, nuisances and economic hardships.

OPTIONS

1. *Approval of New Subdivision Plans by Kansas Department of Health and Environment.* The platting process in those counties with planning commissions requiring subdivision and zoning regulations is a time consuming task. Requiring the plat to submit the plat to the Kansas Department of Health and Environment prior to filing would cause another delay in the process. Additionally, requiring plat review at the Kansas Department of Health and Environment would increase the staff work load by an estimated two persons per year.
2. *Delegation of Certification of New Subdivision Plans.* The procedure involves two situations—counties with approved countywide water and

wastewater management plans and counties without a plan.

- a. For counties without a plan (K.S.A. 65-3301 *et seq.*) or an approved sanitary code (K.S.A. 19-3701 *et seq.*) the Department of Health and Environment would promulgate regulations to define the minimum sanitary services (water/sewerage) for new subdivisions. A standard certification form would be developed and furnished to local officials. The local government having jurisdiction over the proposed subdivision would be required to provide certification to the Secretary, Kansas Department of Health and Environment, that sanitary needs were reviewed and were adequate.
- b. In counties with a countywide plan and sanitary code, the local government having jurisdiction over the proposed subdivision would certify to the Kansas Department of Health and Environment Secretary that the proposed development and sanitary facilities are consistent with the countywide water and wastewater management plan, state regulations and county sanitary codes.

POLICY RECOMMENDATION

Local certification of adequate sanitary facilities for new subdivisions is recommended as described in Option 2.

PLAN IMPLEMENTATION

LEGISLATIVE ACTION

Legislation is needed to allow for Kansas Department of Health and Environment delegation of certification and approval of new subdivision water and wastewater plans to local governments.

ADMINISTRATIVE ACTION

1. Kansas Department of Health and Environment would promulgate regulations to define minimum sanitary services for new subdivisions in counties without an adopted sanitary code and an approved countywide water/wastewater plan.
2. A standard certification form would be developed.
3. Kansas Department of Health and Environment would hire one additional professional engineer to review and oversee the certification program.

Attachment 14

House Energy and Natural Resources 3/18/86

TESTIMONY FOR
ENERGY AND NATURAL RESOURCES

SB 482

BY

M.S. MITCHELL

HOME BUILDERS ASSOCIATION OF KANSAS

MARCH 18, 1986

My name is M.S. Mitchell, Legislative Chairman, for the Home Builders Association of Kansas.

Mr. Chairman, Members of the Committee, thank you for the chance to talk to you about the legislation which is before you today, and the effect it will have on the choice of home sites which Kansans now have, but may lose in the future. What is being proposed under the guise of a Water Quality issue is really a land use control issue. That issue is simply this, who will decide where new homes are to be built, the developer-builder who supplies a product to the free-choice market or the Secretary of Kansas Department of Health and Environment whose staff is committed to restricting development to only those areas which can be economically served by large regional or municipal water, sewer and wastewater systems?

Senate Bill 482 seeks to bring back to life a concept first made law in 1979 in the wake of the national goal of providing fishable and swimmable waters in the next decade, and the national commitment to fund the state and local studies and projects needed to meet that goal. So sure was KDHE that federal funding would go on forever that the law was later amended so that "No provision of the act would be deemed mandatory until 75% or more of the moneys necessary to implement such provisions are certified by the Secretary of Health and Environment to be available from the federal government. The remaining costs of implementation of such provisions shall be shared equally by the state and county."

Not long after that amendment went into effect, the Federal carrot of funding for wastewater management plans was withdrawn and only eight counties had made application for a federal grant to prepare the plans. Since 1981 no additional counties have commenced preparation of the plans and there has been no attempt to enforce them to do so.

When KDHE was asked to write the Water Quality Section of the Kansas Water Plan for consideration by the Kansas Water Authority, it drafted nine subsections which outlined "new policy proposals." County Water/Wastewater Management Plans, Subdivision Water/Wastewater Plans and Public Water Supply Aquifer Protection Plans were three of the nine which resulted in legislative proposal for the 1986 legislature. A fourth, Public Water Supply Protection Plan for Small Water Impoundments will require legislation which has not been introduced. All three bills will have a profound effect on the future of land development in Kansas and should be studied carefully to weight the perceived need for government control against the loss of choice by the home-buying public.

Specifically addressing SB 482, major changes in the current law are the amendment of K.S.A. 65-3313 to remove the 75% Federal and 12.5% State funding provision and placing the total cost of preparing, obtaining approval of, and up-dating the plans on the counties and the addition of countywide water supply and service to the wastewater element. Both actions add to the cost of compliance which must be paid for by local taxes at a time when all sections of local government are facing shortfalls in revenue and cutting existing services. The question which will be asked by those county governments, is what service which we now provide is less important than the preparation of another plan? It will be difficult for them to justify further belt-tightening at home just because these plans are part of the Kansas Water Plan already endorsed by the Kansas Water Authority.

The Water Quality subsection of the Kansas Water Plan that was adopted by the Kansas Water Authority had proposed that the State make up part of the lost Federal funding and share the cost with County governments on a 50-50 basis. Somewhere

along the line that recommendation was lost. It is not quite fair to report that the bill before you now was adopted by the Kansas Water Authority which never saw the amendments you are considering today.

KDHE staff would have you believe that the enlarged plans are needed to set priorities for Federal funds to improve or build new wastewater treatment facilities. Not true! Federal funds available now are being allocated to local governments by a rating system which does not need another plan to operate, while the few Federal funds which will trickle down in the future should be administered according to the same priorities in order to be fair to all counties, not just the ones which have prepared plans.

KDHE staff would also have you believe that "establishment of numerous small sewerage and water supply systems"—"surrounding suburban or rural areas"—are the cause of "costly, redundant systems" and that the only trouble-free sewerage treatment systems are those which are part of a regional or large municipal collection and treatment system. There are thousands of on-site water and sewerage treatment systems throughout the state which perform satisfactorily and have given years of service which would not benefit from connection to a regional system. Stories abound about the horrors of overflowing septic tanks or private lagoons which have been breached and now flow out onto the ground. These stories all have some basis for truth, but like so many stories, get stretched in the telling. What is less heard about are the stories about the health hazard created when a regional or municipal type system collection system is temporarily blocked or surcharged with stormwater and backs up several feet deep in basement living quarters. An example is found in the Wichita system which had over 200 backups in two storm periods in 1983 and 1985. Redundant systems are not only found in small collection and treatment systems, the City of Wichita is faced with a \$20 million addition to its sewerage treatment facility in order to meet a new federal discharge standard, and finds that the plans they had to make a \$10 million improvement to the plant are no longer acceptable.

When the amendments proposed in SB 482 are added to the new law proposed by SB 486 and the proposed requirement for an environmental protection plan and

implementation as amendments in SB 487, the picture of statewide control of development outside cities becomes clear. The stated objective of KDHE staff is to direct all development to areas which are, or can become, part of a Regional or Municipal Service Area for water supply and sewerage collection and treatment. All three of the senate bills listed above will make that objective easier to achieve. All three will limit or prohibit development outside regional or municipal service areas and give a State agency control over land use policies which have traditionally been the province of local government. The most devastating of the three is SB 482 which, not only takes away local control over water supply and sewerage treatment decisions, but forces the County governments to pay for such a privilege.

For these reasons we ask that you reject SB 482 and consider the two other senate bills dealing with Subdivisions and Environmental Protection Plans as companions and reject them also.

28-16-80. Elements of plan. (a) Each plan shall incorporate the following elements:

(1) The projected population development of the county for a twenty-five (25) year period beginning June 30, 1980, with subprojections for each five (5) year increment;

(2) Description of each existing sewerage system including treatment plants, major pumping stations, interceptors, and areas of combined sewers, including the age, size and capacity and ownership of each major unit;

(3) An evaluation of the projected ability of existing and projected sewerage systems to meet water quality standards (K.A.R. 28-16-28 and K.A.R. 28-16-28a);

(4) The schedule whereby new sewerage systems will be constructed or existing sewerage systems expanded to provide service for new areas. The schedule shall be such that:

(A) no new permanent treatment facilities will be projected in areas where sewer systems exist unless there is reasonable evidence that the waste to be treated is incompatible or that the existing system would be overloaded;

(B) temporary wastewater treatment facilities may be provided in areas without sewer service, and in which there is a reasonable potential for the construction of new interceptors;

(C) new treatment facilities will be provided in areas where no treatment facilities exist and interceptors are not within a reasonable distance or are not economically feasible;

(D) simplicity, reliability and energy efficiency will be emphasized in the design of treatment systems;

(E) the proliferation of very small waste treatment systems will be discouraged in metropolitan areas; and,

(F) agricultural and municipal waste disposal irrigation systems will be encouraged where practicable and will take into account the maintenance of minimum flow levels in receiving waters and established water rights;

(5) A description of each community water delivery system, including sources of supply, major storage facilities, major lines, pumping stations, and treatment plants;

(6) The schedule whereby new water supply systems will be constructed or existing systems expanded to provide service for those areas in which additional population development is projected;

(7) A description of the mechanisms to be used to coordinate the provision of water delivery and sewerage services in those areas in which further population growth or industrial development is projected;

(8) A land use map indicating those areas in which on-site residential wastewater treatment facilities may be used, a description of the permit and inspection system used to regulate such developments, and the conditions imposed to assure satisfactory operation over a reasonable period of time;

(9) Copies of agreements between units of local government necessary to assure the orderly construction of new or extended sewerage or water delivery facilities;

(10) A land use map showing all significant waterways, flood plains and floodways, parks, lakes and reservoirs, recreational areas, sanitation zones, and critical water quality management areas and clearly establishing the relationship between these land uses and existing and projected water delivery and sewerage systems;

(11) Any predicted community developments which will have a major impact on the demands for water supply or sewerage service;

(12) The location of existing industrial waste treatment facilities, an assessment of potential waste loads and the relationship of these loads to those imposed by municipal discharges;

(13) The estimated costs of projected improvements for sewerage system extensions during the first five (5) year period of the twenty-five (25) year plan;

(14) An evaluation of the extent to which wastewater may be used for municipal or agricultural irrigation and the extent to which municipal wastewater may be reclaimed for industrial use;

(15) An evaluation of the extent to which urban stormwater runoff may contribute to violation of water quality standards, (K.A.R. 28-16-28 and K.A.R. 28-16-28a);

(16) Description and evaluation of current and projected sludge disposal practices and facilities;

(17) Identification of any relationships between the projected sewerage plans and county air quality maintenance plans; and

(18) A plan and schedule for review and updating of the plan at five (5) year intervals.

(b) The plan shall be based, insofar as practicable on available studies or reports and which may be incorporated by reference.

(c) Each plan shall, as appropriate, identify any water delivery or sewerage problems, the solution of which requires coordination with an adjacent county, and the mechanisms to be used to achieve this coordination.

(d) The committee shall hold one (1) or more public hearings on the plan and shall submit to the secretary a report of such hearings at the time it files the plan. (Authorized by K.S.A. 65-3301 and K.S.A. 1979 Supp. 65-3308, 65-3309, 65-3310; effective May 1, 1980.)

28-16-81. Administration of approved plan. (a) Any plan approved by the secretary will become a part of the Kansas water quality management plan. Applicants for effluent permits will be subject to section 208(e) of the federal water pollution control act, 33 U.S.C. 466, et seq., and applicants for municipal construction grants will be subject to section 208(d) of the federal water pollution control act as amended.

(b) Permits issued by the secretary for the operation of sewerage facilities will be consistent with the plan.

(c) Permits issued by the secretary for new or extended sewerage systems will be consistent with the plan.

(d) Comments by the secretary on federally-funded projects pursuant to bureau of budget circular A-95 will be consistent with the plan.

(e) Comments made by the secretary on projects proposed by other state agencies will be consistent with the plan. (Authorized by K.S.A. 65-3301 and K.S.A. 1979 Supp. 65-3303, 65-3304, 65-3308, 65-3310; effective May 1, 1980.)

28-16-77. Exemptions. (a) Counties with populations of 30,000 or less may request exemption by filing a request by June 1, 1980, with the secretary.

(b) Each such request shall include a copy of the document which indicates the official action of the board of county commissioners requesting exemption from the requirement for preparation of a countywide wastewater management plan. In order to reach a determination of approval or denial of such exemption, the secretary may request any of the following information which he determines to be necessary:

(1) The policy of each incorporated city with respect to the provision of sewerage service for an area within three (3) miles of the corporate limit;

(2) The policy of each incorporated city with respect to provision of water delivery within three (3) miles of the corporate limits;

(3) County controls over the construction of on-site residential wastewater treatment facilities, including septic tanks;

(4) County procedures for the approval of water delivery and wastewater systems for developing areas and the county procedures for coordinating these services; and

(5) County procedures for dealing with problem areas of urban stormwater runoff.

(c) The secretary will advise each county requesting an exemption within thirty (30) days after receipt of application of the decision to grant or deny the exemption or of the need for further information concerning wastewater management planning within the county. (Authorized by K.S.A. 65-3301 and K.S.A. 1979 Supp. 65-3308, 65-3309; effective May 1, 1980.)

Kansas Natural Resource Council

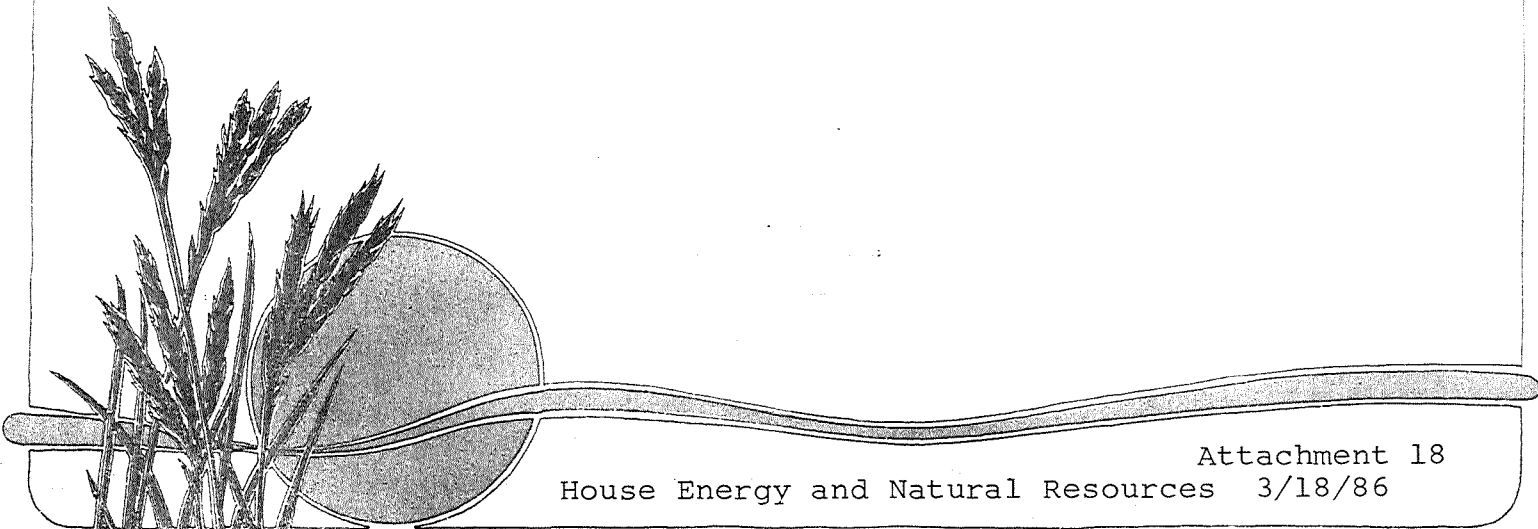
To: Members of the House Energy and Natural Resources Committee

Concerning: Senate Bills 482, 486, 487, water quality component
of the State Water Plan

Date: March 18, 1986

KNRC supports SB 482, 486, and 487 which will implement part of the water quality section of the State Water Plan. Good planning programs to prevent contamination of water are more efficient than cleanup programs, and much less expensive. The legislature needs to continue its commitment to protecting water resources, particularly groundwater, from pollution. These bills provide a cost-effective program for carrying out this commitment.

We urge your favorable consideration of these bills.



Attachment 18

House Energy and Natural Resources 3/18/86