

Approved Ivan Sand 4/24/86
Date

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT

The meeting was called to order by REPRESENTATIVE IVAN SAND at
Chairperson

1:30 ~~xxx~~/p.m. on MARCH 31, 1986 in room 521-S of the Capitol.

All members were present except: Rep. L. V. Roper, excused
Rep. Kenneth D. Francisco, excused
Rep. Martha Jenkins, excused

Committee staff present: Mike Heim, Legislative Research Department
Mary Hack, Revisor of Statutes Office
Gloria M. Leonhard, Committee Secretary

Conferees appearing before the committee:

Mr. Dennis Schwartz, Kansas Rural Water Assn.,
SB 677
Ms. Beverly Bradley, Kansas Assn. of Counties,
SB 678
Mr. Gerald D. Oroke, Leavenworth Co. Commission,
SB 678
Mr. Don Schnacke, Kansas Independent Oil & Gas
Assn., SB 678
Mr. Ross Martin, Kansas Petroleum Council, SB 678

Chairman Sand called for hearings on the following bills:

SB 677 concerning the annexation of land located in certain water districts;

Mr. Mike Heim, Staff, explained background and intent of SB 677. (See Supplemental Note - Attachment I.)

Committee members pointed out the following: (1) A duplication may exist by requiring value of the property, plus the indebtedness; (2) more study of the issue is desirable.

Mr. Dennis Schwartz, representing Kansas Rural Water Assn., appeared in support of SB 677. Mr. Schwartz said the language in Line 36 is a little vague; that duplication was not the intent; that Line 36 might be deleted. Mr. Schwartz explained that a rural water district comes under different statutes than a water district which is a taxing entity. Mr. Schwartz explained that when land, located in a rural water district is annexed, the rural water district usually loses a significant portion of its customer base but that there is only a small reduction in the cost to the rural water district; that usually low population areas are left.

A committee member asked what geographical areas are presently being affected by annexation in rural water districts. Mr. Schwartz said examples would be Rural Water District #5 in Olathe, a district near Arkansas City, and a district in Southeast Shawnee County.

Another committee member asked what happens to membership fees. Mr. Schwartz said they are non-refundable and stay with the original district.

Rep. Samuel Sifers made a motion to amend SB 677 by striking the phrase "In addition to the amount for the physical facilities." in Line 36.

Rep. Dorothy Nichols seconded the motion to amend. The motion carried.

Rep. George Dean made a motion that SB 677 be passed as amended. Rep. Robert D. Miller seconded the motion. The motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON LOCAL GOVERNMENT,
room 521-S, Statehouse, at 1:30 ~~am~~ p.m. on MARCH 31, 1986

SB 678, relating to counties; concerning county home rule powers; prescribing certain limitations thereon;

Mr. Mike Heim, Staff, explained background and intent of SB 678. (See Supplemental Note - Attachment II.)

Ms. Beverly Bradley, representing Kansas Association of Counties, expressed concern over further erosion of home rule powers of counties. (See Attachment III.)

Mr. Gerald D. Oroke, Chairman, Leavenworth County Commission, appeared in opposition to SB 678. (See Attachments IV, V, and VI.) Mr. Oroke circulated pictures showing problems created in Leavenworth County by the oil industry.

Mr. Don Schnacke, representing Kansas Independent Oil and Gas Association, appeared in support of SB 678. (See Attachment VII.) Mr. Schnacke pointed out that K.S.A., Chapter 55 authorizes the Kansas Corporation Commission to regulate the oil and gas industry; that K.S.A., Chapter 65 sets out HEW rules and regulations. Mr. Schnacke said the oil industry does not approve of the problems created by some of its members but that the industry, rather than the counties, should correct the problems.

Mr. Ross Martin, representing Kansas Petroleum Council, said there are already several layers of control; that more control is not needed at the county level; that the Council supports SB 678.

The hearing on SB 678 was closed.

SB 683, concerning motor fuel taxes; relating to the apportionment thereof to cities and counties;

Rep. Sand explained intent of SB 683 and reviewed its relationship to HB 3012.

Ms. Mary Hack, Staff, reviewed amendments to SB 683. (See balloon bill prepared by Staff - Attachment XVI filed with minutes of 3/27/86.)

Rep. Clinton Acheson made a motion that SB 683 be amended as proposed in balloon bill. Rep. Phil Kline seconded the motion. The motion to amend carried.

Rep. Phil Kline made a motion that SB 683 be passed as amended. Rep. Clyde Graeber seconded the motion. The motion carried with Rep. Elizabeth Baker being recorded as voting "no."

Chairman Sand called for action on SB 678.

Rep. Robert D. Miller made a motion that SB 678 be passed. Rep. LeRoy Fry seconded the motion. The motion carried.

The minutes for the meeting of March 26, 1986, were approved as presented.

The meeting was adjourned.

SUPPLEMENTAL NOTE ON SENATE BILL NO. 677

As Amended by Senate Committee on
Local Government

Brief of Bill*

S.B. 677 attempts to clarify provisions of a statute dealing with the payment by annexing cities to rural water districts for facilities. The bill requires cities pay the "reasonable" value of the water district property and provides that the compensation include an amount to reimburse the water district for any outstanding bonded indebtedness based on the factors listed. The bill also specifies when the payment must be made.

Background

S.B. 677 was introduced by the Senate Committee to address the single issue of a city reimbursing a rural water district when annexation occurs after consideration of S.B. 428 which has a considerably broader scope. The 1985 interim Special Committee on Local Government recommended S.B. 428 dealing with issues involving city annexations and utilities furnishing water, gas, electric, telephone, and other services to the area being annexed. Members of the Senate Committee plan to request an interim study on the impact of city annexation on utilities serving the area being annexed.

* Bill briefs are prepared by the Legislative Research Department and do not express legislative intent.

ATTACHMENT I

3/31/86

Hs. Local Gov.

SESSION OF 1986

SUPPLEMENTAL NOTE ON SENATE BILL NO. 678

**As Amended by Senate Committee on
Local Government**

Brief of Bill*

S.B. 678 amends the county home rule statute to provide that counties may not regulate the production or drilling of oil and gas wells which would duplicate state law nor may counties require any license, permit, fee, or charge for the drilling or production of oil and gas wells.

Background

The bill was supported by the Kansas Independent Oil and Gas Association and the Eastern Kansas Oil and Gas Association. It was opposed by Leavenworth County which recently imposed a \$200 permit fee for all oil and gas wells, and Johnson County. The \$200 permit fee was upheld recently in the district court but the decision is being appealed.

* Bill briefs are prepared by the Legislative Research Department and do not express legislative intent.

ATTACHMENT II

3/31/86

Hs. Local Gov.

Kansas Association of Counties

Serving Kansas Counties

Suite D, 112 West Seventh Street, Topeka, Kansas 66603

Phone 913 233-2271

March 31, 1986

To: Representative Ivan Sand, Chairman
Members of the House Local Government Committee

From: Beverly Bradley, Legislative Coordinator
Kansas Association of Counties

Re: SB-678

Good afternoon. Thank you for the opportunity of presenting testimony on SB-678 as amended. The amendment as I understand it does not prohibit a county from passing a resolution to regulate maximum weight limits for roads or bridges, "set backs" of tank batteries from roads, safety fences etc., so this probably addresses our major concerns of the original bill.

We do, however, oppose further erosion of the home rule powers of counties. If this restriction is necessary it seems to us to be more appropriate to pass a general law with general application to all counties as is usually done with cities instead of the continual limiting and further erosion of the home rule statute.

ATTACHMENT III

3/31/86

Hs. Local Gov.

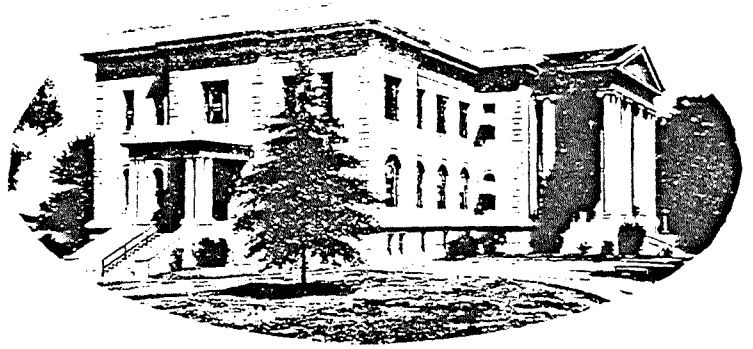
COUNTY OF LEAVENWORTH

COURTHOUSE
4TH & WALNUT
LEAVENWORTH, KANSAS 66048
AREA CODE 913-682-7611 ext. 205

COUNTY COMMISSIONERS
GERALD D. OROKE, Chairman
Third District

DON AARON
First District

EDWARD E. POWERS
Second District



March 31, 1986

To: Local Government Committee Member

We, the Board of County Commissioners of Leavenworth County, oppose the erosion of home rule powers.

Leavenworth County does not have drilling permits just to make money.

Home Rule Powers should not be lost to local counties because all counties or areas do not have the same geographic makeup.

In Leavenworth County drilling for gas wells was ten (10) acres until the fall of 1985 when that was changed to forty (40) acres. In the Hugoton gasfields the spacing is one well per 640 acres.

Leavenworth County has three (3) major watershed districts whereas some Counties have none.

Leavenworth County has 750 miles of roads of which over 250 miles are blacktop while some counties have few blacktops, if any.

Leavenworth County has over 450 major structures over creeks and streams, 172 of those bridges being 20' or longer.

Not all counties are zoned and have the same density population. What may apply in central or western Kansas may not apply in Leavenworth County.

All other utility companies, whether it be water districts, telephone companies, electric companies, all purchase permits for road crossings, tanks, microwave structures and the like. We do not see why gas and oil should be the exception.

ATTACHMENT IV

3/31/86

Hs. Local Gov.

Page 2
Re: Home Rule Powers

Please give all counties due consideration before one more local power is eroded.

Sincerely,

Board of County Commissioners
Leavenworth County, Kansas



Gerald D. Oroke, Chairman



Edward E. Powers, Member



Don Aaron, Member

GDO:vv

Pipeline triggers Leavenworth oil, gas boom

By BONAR MENNINGER

Easton, Kan., about 12 miles west of Leavenworth, lies wedged between the rolling crop land and timbered hills pushing into Kansas from the Missouri River to the east. By appearances, this dusty town hasn't changed in decades. Roosters crow near the edge of Main Street, which begins where highway 192 ends at the bridge crossing Stranger Creek.

The drowsy pace of Easton, however, is misleading. Just beneath its surface, things are booming in this little Kansas

farm town.

A mere 30 miles from Kansas City, Easton is smack in the middle of the hottest oil and gas drilling play in the state. Since a natural gas gathering line went into operation in January, operators from Kansas and around the country have been buying up drilling rights and sinking holes faster than a country boy can say Rockefeller.

Oilmen say 100 oil or gas wells are planned for 1985 in Leavenworth County alone, on top of the 150 or so already in

place. Additional gas wells will be operational west of town in Jefferson County this year.

And all this may just be the beginning. Most observers agree drilling in the area will increase dramatically in the years to come. Right now, wildcatters and promoters from Texas, Oklahoma, Wyoming and Nebraska are rolling in.

Why would anyone drill for oil in a part of the state not especially known for it, at a time when prices are drastically down?

Why else? Money. Potentially big

money.

What has made oil production in Leavenworth County so attractive is the relative low cost of removing it. The oil is shallow — only about 1,400 feet down. To oilmen used to drilling 3,000 feet and more, getting oil out at that depth represents little more than brushing off a few yards of topsoil.

As a result, recovery costs are one-third to one-quarter what they are in western Kansas or Oklahoma, according to Geoff Hertel, a Houston oilman who has played a key part in the development of the area.

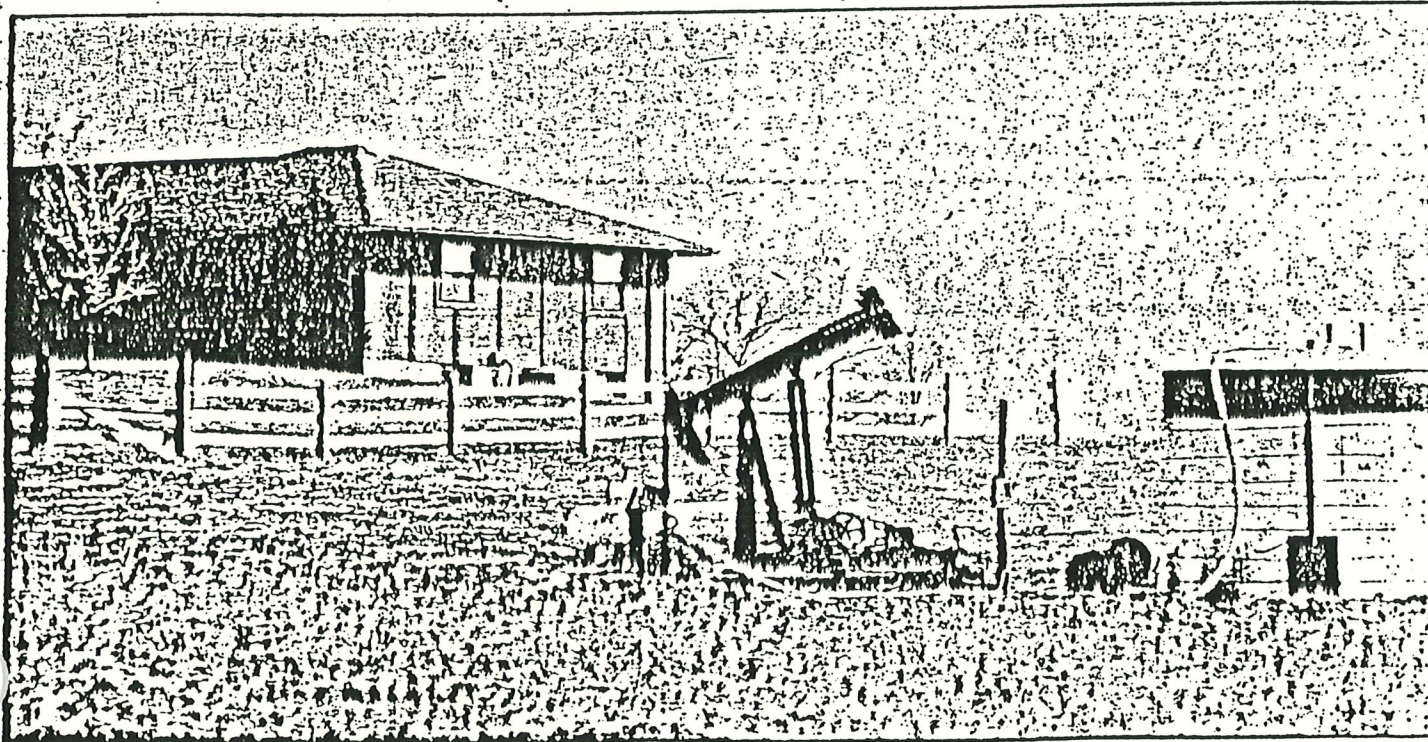
Most of the wells are producing in commercial quantities. On the average, producing wells are pulling up between five and 10 barrels a day. At \$21 a barrel, that averages out to \$100 to \$200 a day — every day.

Also, the success rate in the area is relatively high. In western Kansas, about one out of every 15 holes is a producer. Around Leavenworth, that number is closer to one hole in four, according to John Jennings, a long-time oilman from Lawrence.

But what really has pushed the boom is a natural gas pipeline that began operation in January. Much of the oil in the area is mixed with gas and cannot be removed without taking out the gas as well.

In Kansas, flaring, or burning off the excess natural gas at the wellhead is prohibited by the Kansas Corporation Commission. With no way to dispose of the natural gas, there was no way to get the oil out.

One individual, however, saw the need and gambled. Hertel, president of Fairway Petroleum Inc. of Houston, decided last year to construct the Leavenworth-Atchinson Gas Gathering System, or



Andy Cline photos

The land owners' 12.5 percent of 5 to 10 barrels a day at \$21 per barrel takes the sting out of unsightly pump jacks.

Please turn to next page

ATTACHMENT II - 3/31/86 Hs. Local Gov.

New wells linked to pipeline

Continued from Page 16

LAGGS. Hertel's company had been drilling in the area, and needed a market for its own gas.

Completed in January at a cost of \$40,000 to \$60,000 per mile, the line runs west from Northwest Central's north-south line outside Leavenworth 10 miles into the oil field.

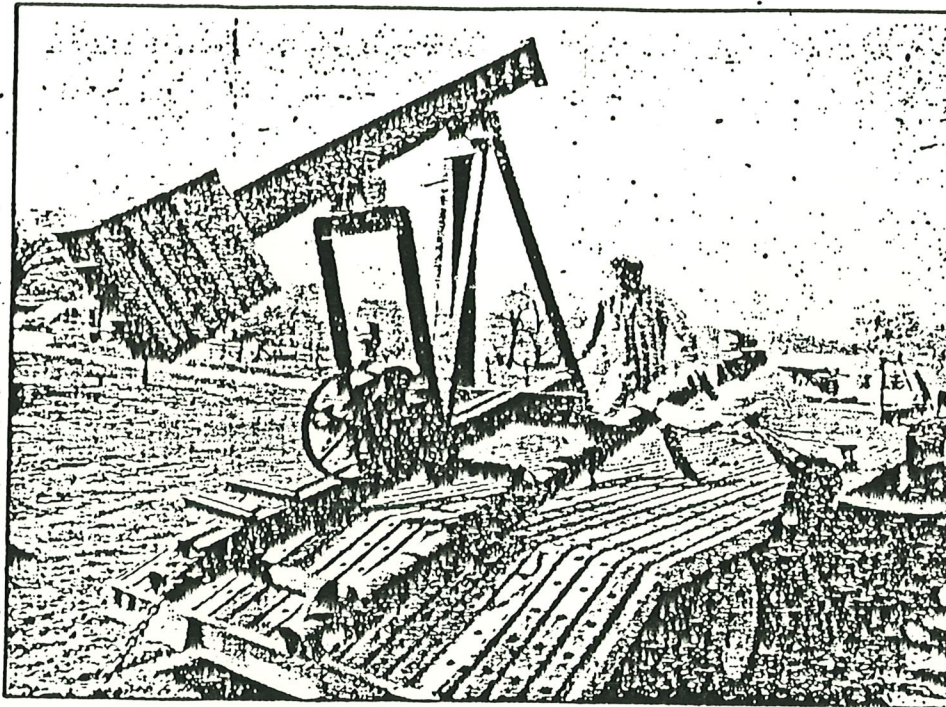
Since the line went into operation, 17 wells have been tied into it. About 100 will be linked up when the pipe is complete. Hertel said the jury is still out on the long-run profitability of the gas line, but his confidence grows daily. He said he expects to recover his costs in less than three years.

Other wildcatters hitting big are less reticent. Hertel "deserves a lot of credit for what's happening here," said Jennings. He had the guts to build the pipeline."

Although new wells and storage tanks are sprouting like giant mushrooms almost overnight in the pastures and hollows east of Easton, the recent boom is not the first time oil or gas has been pulled from the ground in Leavenworth County.

In the 1950s and 1960s, a number of companies came in and found substantial quantities of gas west of town. They also found oil, but with the price around \$2 a barrel, it didn't make much sense to get it. Then in the late 1970s, with oil near \$40 a barrel, the firms returned to the field.

A gasline was built west of town. However, Hertel said, many of the companies lied on the initial flows from both the surface and oil wells to project profitability. They drilled wells often will produce only for a period of time, then drop



Andy Cline photo

Oil men say that drilling should increase five-fold over the next year which will mean more pumps being dropped into more fields.

off dramatically.

Production did indeed drop off, and a number of people lost big after becoming overextended. One company, which operated the Stranger Creek pipeline, went bankrupt.

Today, the pipeline and a number of wells in the area are still tied up in bankruptcy court. The events had a chilling effect on production around Easton.

Still, in the early '80s, producers cautiously began returning to the area. This time they brought skilled geologists and electronic equipment that made sinking a hole less of a gamble. Some even began looking east of Stranger Creek, where no wells had yet been sunk.

Bingo.

Jennings hit five miles east of Easton in the Spring of 1983. Today, the well continues to produce 10 barrels a day. Jennings now has nine wells producing, and he's purchased leases for an additional 40,000 acres stretching northeast of the town.

"This is a hell of a discovery," he said.

Jennings estimates his company has invested \$80,000 in the area. A partnership agreement with a large eastern chemical company bankrolls him with the rest of the cash needed for his operations.

That company, which Jennings won't name, has put \$400,000 into Jennings's leases in the area, he said. He estimated there are 30 other producers in the area.

One of them, Jim Reese of Kansas City,

is not quite so taken with the oil drilling east of town. He is concentrating on gas drilling near the old Easton field, and plans another pipeline in the area.

He said because the oil is heavy, it requires special, expensive equipment to get it out in the winter.

Hertel as well is careful to qualify the boom taking place in the county. Because of the continued low price of oil and the relatively low production rates in the area, he said, "the economics are such that you have to be very careful."

"There is very little margin for error," he said, adding "these are scratch singles and doubles, not home runs."

Hertel also is concerned about Leavenworth County taxes. The county has enacted several which can run up the overhead on each well.

But whether the oilmen win, lose or draw, those on the sidelines stand to make money anyway. Most landowners have agreements that pay them 12.5 percent of the revenues generated by the wells, plus additional bonus money from leased acreage. A spokesperson at the local bank said some hefty checks are being deposited.

Businesses connected with the oil fields are profiting, too. Dewey Oil Supply Co. came to the area in the early '80s. Manager Larry Culbertson said sales have jumped 40 percent since the gas pipeline was laid. Loggers, bulldozer operators and water haulers also are getting a piece of the action.

What happens next?

Jennings said his company is moving deliberately, if slowly, to add more wells. Last Friday, hearings were held in Wichita to determine how many wells would be allowed on each 10-acre section.

"We don't want too many straws in the pop bottle," Jennings said.

But, he added, "this (the oil pool) may continue right over into Missouri." If that's the case, large scale drilling in the area could continue for years to come. But there is always that if.

**OIL & NATURAL GAS
DRILLING & STORAGE PERMIT
FOR LEAVENWORTH COUNTY, KS**

Date: _____

Permit Number: _____

Name of Property Owner: _____

Address: _____ Phone: _____

Name of Operator: _____

Address: _____ Phone: _____

Name of Drilling Company: _____

Address: _____ Phone: _____

TYPE OF OPERATION

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Oil | <input type="checkbox"/> Natural Gas |
| <input type="checkbox"/> Drilling / Well | Number of Units _____ |
| <input type="checkbox"/> Storage Tanks | Number of Units _____ |
| <input type="checkbox"/> Other | Number of Units _____ |

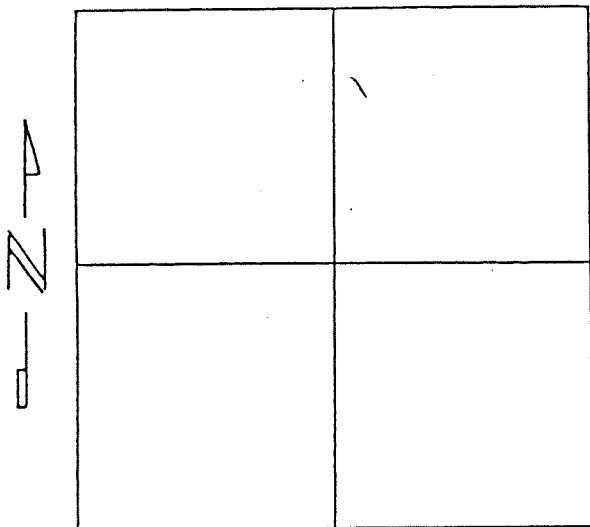
FEE \$200.00 per well unit
TOTAL FEE \$ _____

SEE ATTACHMENT #1
SEE ATTACHMENT #2
SEE ATTACHMENT #3

SITE PLAN

Please locate all structures on the map and identify, providing distances from section lines as reference. This map depicts one section.

Scale: 1" = 2000'



_____ 1/4 Section _____ Township _____ Range _____

Co. Tax # _____ API # _____ License # _____ Elevation _____

This permit is issued in accordance with Article XVIII, "SPECIAL USES", Section 21 of the Zoning Resolution in effect for Leavenworth County. Please note that all structures must be located at least 105 feet from the center line of any road as set out in Article XX, "ADDITIONAL HEIGHT AND AREA REGULATIONS".

It is also necessary for an entrance culvert permit to be obtained from this office if you are unable to use an existing entrance onto the site.

PLEASE ATTACH A COPY OF YOUR APPROVED INTENT TO DRILL NOTICE

Signature of Applicant

Approval by Zoning Administrator

Planning (white) Applicant (green) Engineer (canary) Appraiser (pink) State (goldenrod)

ATTACHMENT VI - 3/31/86 Hs. Local Gov.

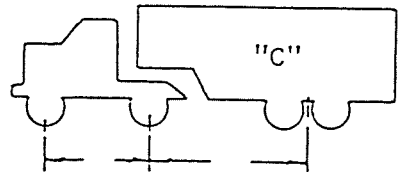
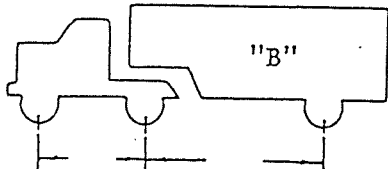
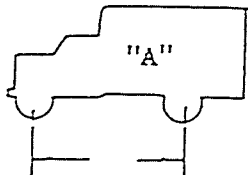
OIL & NATURAL GAS
DRILLING & STORAGE SUPPLEMENT
FOR LEAVENWORTH COUNTY KANSAS

DATE: _____ PERMIT NUMBER: _____
 WELL DESIGNATION: _____ DESCRIPTION: 1/4 S T R
 NAME OF OPERATOR: _____
 ADDRESS: _____ PHONE: _____

LIST ALL EQUIPMENT (AND WEIGHT OF EACH) TO BE USED WHILE DRILLING:
 INCLUDE STATE I.D. # (Per K.S.A. 55-155):

1. _____	ST. ID. # _____	WEIGHT: _____	TYPE: _____
2. _____	ST. ID. # _____	WEIGHT: _____	TYPE: _____
3. _____	ST. ID. # _____	WEIGHT: _____	TYPE: _____
4. _____	ST. ID. # _____	WEIGHT: _____	TYPE: _____
5. _____	ST. ID. # _____	WEIGHT: _____	TYPE: _____

FILL IN DIMENSIONS BELOW FOR ANY VEHICLE OVER 20,000# (10 TONS) TO BE USED:
 CORRESPOND VEHICLE # TO ABOVE LIST



SHOW PROPOSED ROUTE TO BE USED TO AND FROM SITE ON ATTACHED MAP:

LIST ALL EQUIPMENT TO BE USED IF WELL BECOMES PRODUCTIVE:

1. _____
2. _____
3. _____
4. _____
5. _____

LOCATION OF SALT WATER DISPOSAL WELL TO BE USED:

WELL DESIGNATION: _____ DESCRIPTION: 1/4 S T R
 PROPERTY OWNER: _____
 INDIVIDUAL RESPONSIBLE FOR HAULING SALT WATER: _____
 PHONE: _____

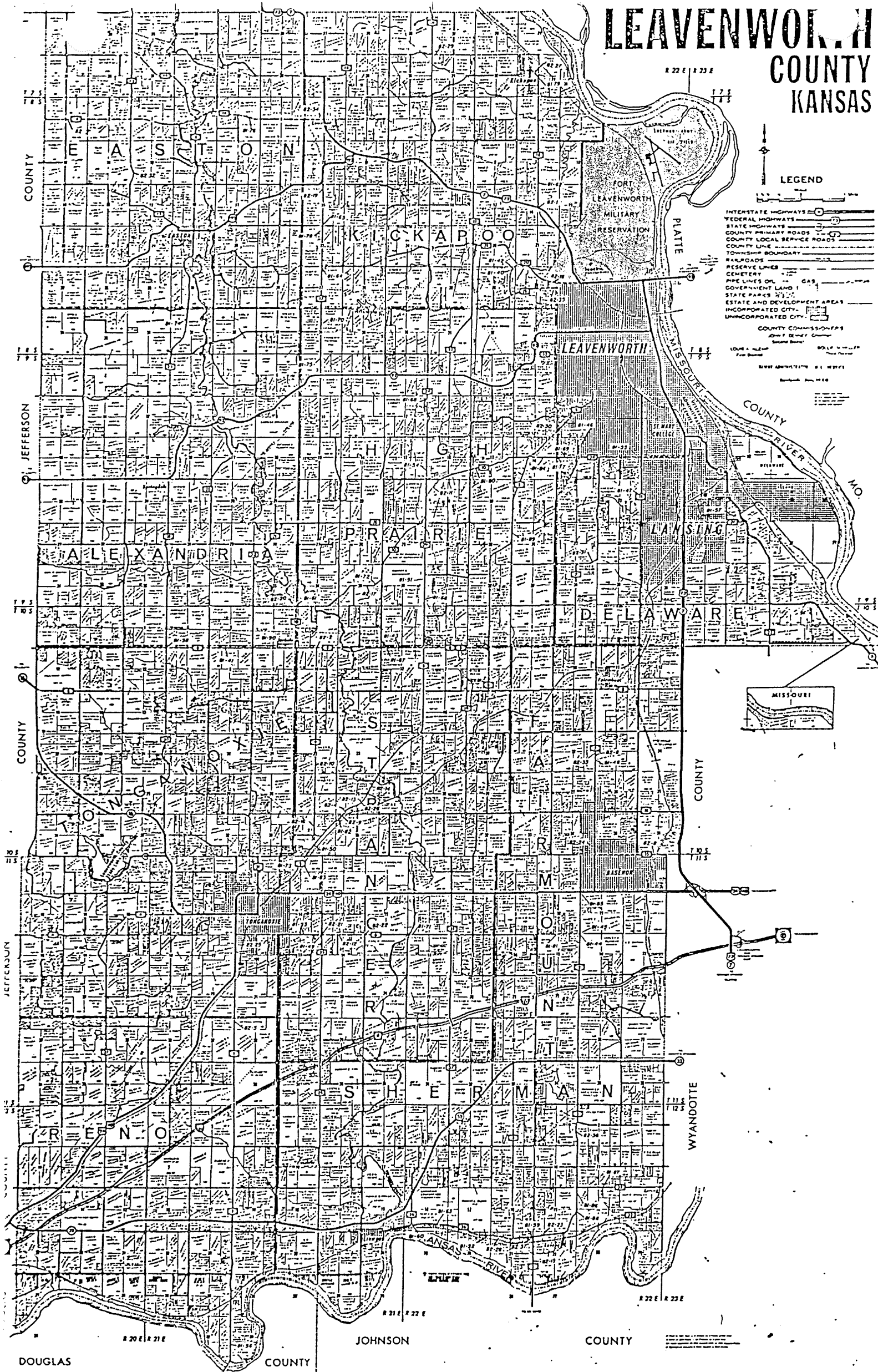
This form must be approved by Leavenworth County Highway Department before the permit can become valid or any vehicle or equipment can be moved within the said County. Operators must have this approved form in their possession at all times subject to inspection by the County Sheriff Department and any other person that the County Commission so designates.

ZONING ADMINISTRATOR

SIGNATURE OF APPLICANT

COUNTY ENGINEER

LEAVENWORTH COUNTY KANSAS



LEGEND

- INTERSTATE HIGHWAYS
- FEDERAL HIGHWAYS
- STATE HIGHWAYS
- COUNTY PRIMARY ROADS
- COUNTY LOCAL SERVICE ROADS
- COUNTY LINE
- TOWNSHIP BOUNDARY
- RAILROADS
- RESERVE LINES
- CEMETERY
- PIPE LINES OIL GAS
- GOVERNMENT LAND
- STATE PARKS
- ESTATE AND DEVELOPMENT AREA
- INCORPORATED CITY
- UNINCORPORATED CITY
- COUNTY COMMISSIONERS
- JOHN DESEY COUNTY
- SECOND DISTRICT
- LOUISIANA
- WYANDOTTE
- MISSOURI
- MISSOURI RIVER
- MISSOURI



ENTRANCE PERMIT

Name: _____

Address: _____ Phone: _____

____ 1/4 Section ____ Township ____ Range ____

Location: _____

- New Home Construction
- Other Construction
- Field Entrance

The amount of bond required for this permit shall be one hundred dollars (\$100.00), and shall be made payable to Leavenworth County Road and Bridge Fund. This is a security bond that insures that the entrance is installed according to county specifications.

This permit shall expire one hundred twenty (120) days from the date of issuance. If the entrance is not completed within that 120 days the bond will be cashed and any temporary entrance or improperly installed entrance will be removed by Leavenworth County and a roadway ditch will be cut at the roadway location.

Please note that no concrete or masonry construction will be permitted within the road right-of-way.

The undersigned hereby agrees to meet the specifications of the County Engineer for the installation of an entrance culvert and to the conditions of this permit.

Date: _____

Signature of applicant

- \$100.00 bond paid
- Applicant wishes to purchase a culvert from the county at a cost of \$_____.
- The culvert will be installed by the county at the request of the applicant.

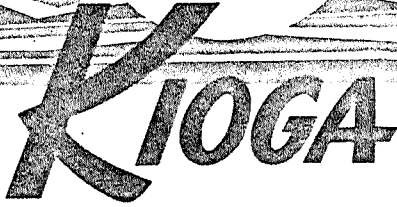
Size of culvert needed: _____

APPROVED BY:

Date culvert inspected: _____

Date bond returned: _____

Department of Public Works



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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

March 31, 1986

TO: House Local Government Committee

RE: SB 678

County Home Rule was granted in 1974 and since that date the Legislature has adopted twenty limitations, primarily because the counties have attempted to undertake activities or duplicate activities that the Legislature has reserved for the State of Kansas.

SB 678 would be a twenty-first limitation, restricting counties from regulating the oil and gas industry as found under KSA Chapter 55 and Chapter 65. It does not restrict the counties from their traditional right to pass county ordinances or resolutions relating to zoning, set backs, safety, posting of roads and bridges, etc., etc.

There has been an attempt by one county to undertake the regulation of the oil and gas industry in conflict with KSA Chapter 55 and charge fees that go into their general fund.

Our industry is highly regulated by state statutes and by rules and regulations issued by the agencies involved. We do not want a new county level of regulations and fees to be started in the ninety producing counties, and the remaining fifteen counties where the industry is doing business. That is the reason for SB 678.

The vote in the Senate last week was 37-2 with one not voting. The Senator from Leavenworth County, where this problem originated, supported and voted for the bill.

We would appreciate your support of SB 678.

Donald P. Schnacke

DPS:pp

ATTACHMENT UTI

3/31/86

Hs. Local Gov.