

Approved \_\_\_\_\_ Date \_\_\_\_\_

MINUTES OF THE House Sub COMMITTEE ON Natural Resources

The meeting was called to order by Chairman Spaniol at \_\_\_\_\_  
Chairperson

4:15 ~~xxx~~ a.m./p.m. on February 24, 1987 in room 526-S of the Capitol.

All members were present except:

Representative Sifers

Committee staff present:

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

Conferees appearing before the committee:

Rep. Shore  
Dick Brewster, Amoco  
Jack Glaves, Pan Handle Eastern  
Jeff Chanay, KIOWA  
Mike Beam, Kansas Livestock Assn.

Chairman Spaniol called the meeting to order.

Rep. Shore was introduced and went over HB 2351. He stated that HB 2351 is an effort to keep southwest Kansas big enough for both the natural gas producers and the irrigation farmers. (Attachment 1)

Dick Brewster appeared in opposition to the bill. He stated that the bill is not necessary and not essential to economic survival of that part of the state of Kansas.

Jack Glaves appeared in opposition to HB 2351. He stated the bill is a legal non-event, and in the final analysis, it isn't fair.

Jeff Chanay urged the bill be killed in this committee.

Mike Beam appeared in support of HB 2351.

The hearings on HB 2351 were concluded.

The meeting was adjourned at 5:15 p.m.

ene L. Shore

ENERGY & NATURAL RESOURCES COMMITTEE: Testimony for 2/25/87.

PROPONENT FOR HB 2351.

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. HB 2351 IS AN EFFORT TO KEEP SOUTHWEST KANSAS BIG ENOUGH FOR BOTH THE NATURAL GAS PRODUCERS AND THE IRRIGATION FARMERS. NATURAL GAS MAY BE WITHHELD BY EITHER OVER PRICING OR BY NOT ALLOWING AN IRRIGATION HOOK-UP. TRADITIONALLY, WELL-HEAD TAPS HAVE BEEN ALLOWED WITH GOOD COOPERATION BETWEEN GAS PRODUCERS AND IRRIGATORS, BUT AS PEOPLE CHANGE, POLICIES AND PROCEDURES SEEM TO BE CHANGING.

I HAVE OFFERED TO LOCALIZE THIS BILL TO THE HUGOTON GAS FIELD BUT LEGISLATORS IN OTHER PARTS OF THE STATE REQUESTED IT BE LEFT STATEWIDE. I LEAVE THAT TO YOUR JUDGMENT.

LET ME DEFINE SOME TERMS IN THIS BILL, EXPLAIN IT BRIEFLY, THEN USE MY DIAGRAM TO GIVE EXAMPLES AND ANSWER QUESTIONS.

A FIRST SALE IS A WELL HEAD SALE. THE IRRIGATOR PAYS FOR ALL METERS, REGULATORS, PIPELINE, LABOR, RIGHT-OF-WAYS, AND OTHER EXPENSE PLUS A SERVICE CHARGE: IN ADDITION TO THE PRICE THE PIPELINE COMPANY PAYS THE PRODUCER. HE ALSO USES GAS IN THE OFF-SEASON SO IT SHOULD MAKE HIM A PREFERRED CUSTOMER.

THIS GAS IS DEDICATED TO INTERSTATE USE, SO MUST BE ABANDONED OR EXCLUDED FROM INTERSTATE SALES BY FERC. THIS IS COMMON PRACTICE AND FERC ALWAYS GRANTS THE ABANDONMENT FOR FIRST SALES FOR INTRASTATE IRRIGATION USE IF REQUESTED.

PLACE OF USE AND POINT OF DIVERSION ARE IRRIGATION TERMS MEANING WHERE YOU USE THE WATER AND THE LOCATION OF THE IRRIGATION WELL. THIS

① Section Number

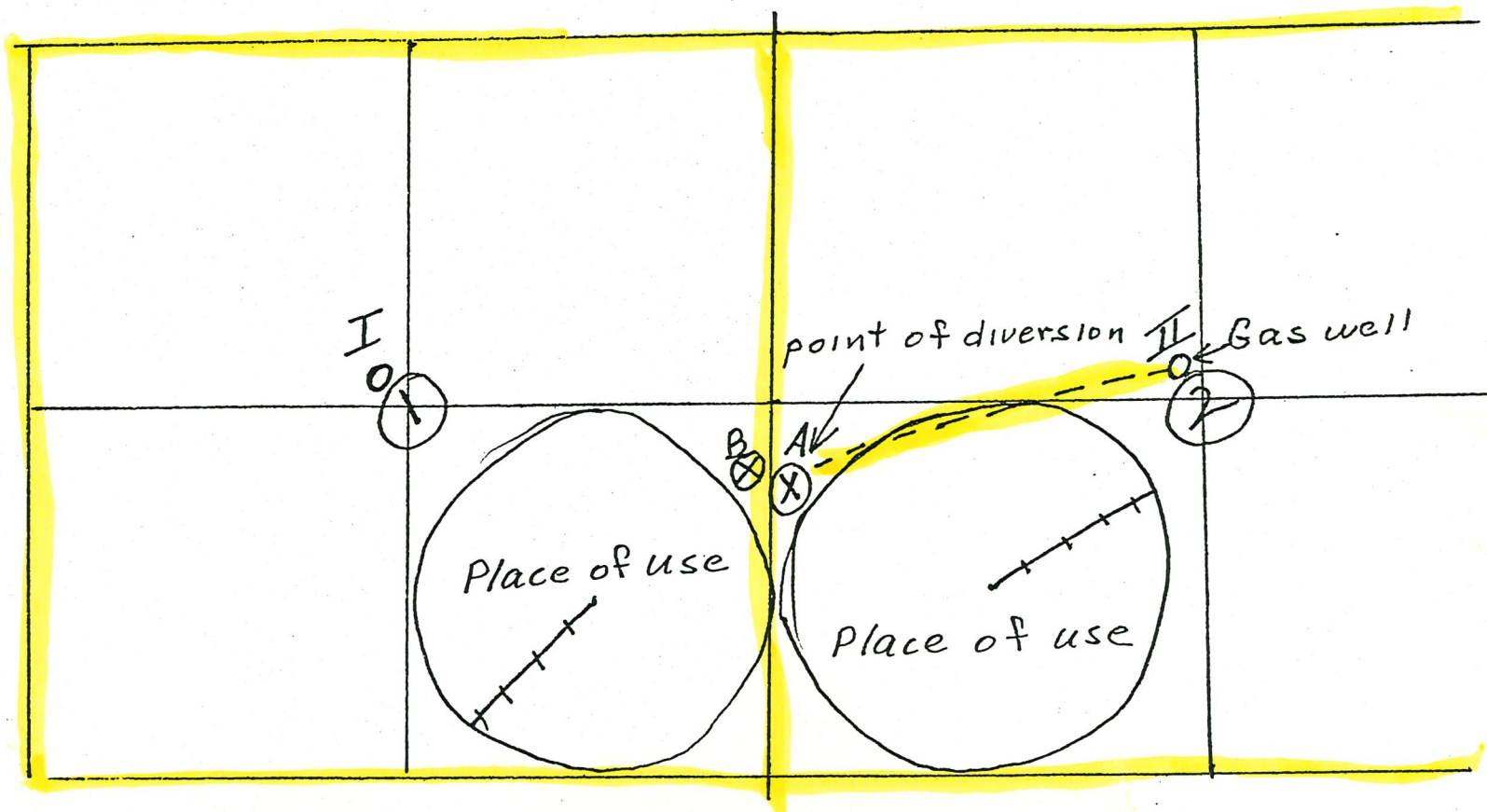
⊗<sup>A</sup> Irrigation Well (Point of Diversion)

○ Gas well

--- Gas line

⊗<sup>B</sup> Replacement well

— Lease lines (also section lines)



FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

FEB 6 1986

Mr. Stephen Morris  
600 Trindle  
Hugoton, Kansas 67951

Dear Mr. Morris:

This letter addresses your recent inquiries regarding your entitlement to use natural gas for irrigation purposes in Stevens County, Kansas. At a meeting held in our offices, you identified the two quarter sections to be irrigated and supplied some information as to natural gas production on these properties. Subsequent to that meeting, both you and members of this Commission's staff have contacted Mobil Oil Corporation regarding this Commission's policy on using gas for irrigation purposes. The following may offer some guidance to your inquiry.

The Commission has approved many situations where producers have filed abandonment applications to supply gas to farmers for irrigation use. The farmer must await approval of this abandonment authority where the involved gas is under the Commission's jurisdiction and is dedicated to an interstate pipeline purchaser. The initial steps consist of the farmer requesting a specific volume of gas for irrigation purposes and having the producer seek release of these volumes from its contract with the interstate purchaser. The amount of gas to be released and the treatment of connection costs and other expenses must be negotiated between the farmer, the producer and the interstate purchaser. Once these items are agreed to the producer would then file an abandonment application with this Commission. Under the present gas supply situation and the priorities afforded agricultural use of natural gas, these abandonment applications are normally considered to be routine in nature and are approved expeditiously. The critical elements thus consist of the producer's agreement to seek release of gas from the interstate purchaser and to file for requisite abandonment authority.

Where the farmer seeks volumes of gas for irrigation purposes equal to or less than his royalty interest in the gas produced from his acreage the release of such gas is unconditional.

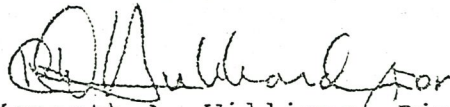
Where the farmer either is not a royalty interest owner or seeks a volume in excess of the amount attributable to his royalty interest, his entitlement to irrigation gas may be limited in the future if the releasing pipeline is forced to curtail deliveries to other irrigation gas users. However, the latter situation is generally not a serious problem, because the timing of a pipeline's greatest need for gas often does not coincide with agricultural growing seasons.

The best approach for a potential irrigation gas user is to deal directly with the producer owning working interests in the acreage to be irrigated. To the extent the potential user is specific as to demands on the producer, the producer will be less reluctant to consider applications for irrigation gas. Next, the involved interstate pipeline should be contacted by the producer to determine whether the pipeline will assist in releasing the gas for irrigation purposes.

Our recent contacts with Mobil Oil Corporation could not establish your specific entitlement to irrigation gas as to the SW/4 of Section 25. Mobil also indicated that it did not own any working interest in the other parcel, consisting of the SW/4 of Section 34. Mobil suggested that any party seeking gas for irrigation purposes should make a specific application to the producer operator owning working interest on the acreage to be irrigated. Absent formal application for specific quantities, Mobil feels that it lacks a basis for approaching the pipeline for the release of the gas and responding to inquiries from farmers.

We hope that this information explains our general approach and views on the release of gas for irrigation use. Enclosed for your information is a copy of an order containing a condition applicable to release of irrigation gas. Please advise whether we may be of further assistance in this matter.

Very truly yours,



Kenneth A. Williams, Director  
Office of Pipeline and  
Producer Regulation

Enclosure: Copy of Order issued  
December 26, 1975

cc: Mobil Oil Corporation  
Attention: Mr. Robert D. Haworth  
Nine Greenway Plaza-Suite 2700  
Houston, Texas 77046