

Approved

Ken Grotewiel

Date 2/20/92

MINUTES OF THE HOUSE COMMITTEE ON ENERGY & NATURAL RESOURCES

The meeting was called to order by Representative Ken Grotewiel at
Chairperson

3:32 ~~x a.m.~~/p.m. on February 17, 1992 in room 526-S of the Capitol.

All members were present except:

Representative Correll, excused

Representative Shore, excused

Representative Webb, excused

Committee staff present:

Raney Gilliland, Principal Analyst, Legislative Research Department

Pat Mah, Legislative Research Department

Mary Torrence, Revisor of Statutes Office

Lenore Olson, Committee Secretary

Conferees appearing before the committee:

Bill Bryson, Director of Oil & Gas, Conservation Division,
Kansas Corporation Commission

The Chair opened the hearing on HB 2887.

HB 2887 - An act concerning oil and gas; relating to procedures on unit operation plans; hearings; amending KSA 55-1310 and repealing the existing section.

Bill Bryson, Director of the Conservation Division for the Kansas Corporation Commission, testified in support of HB 2887. He said that this bill would shift the burden of providing notice from the Commission to the applicant. In all other applications filed with the Commission, the applicant is required to be responsible for providing notice to potentially affected parties. Mr. Bryant then responded to questions from the Committee.
(Attachment 1)

The Chair closed the hearing on HB 2887.

The Chair opened the hearing on HB 2889.

HB 2889 - An act relating to oil and gas; concerning disposal wells; amending KSA 55-1005 and repealing the existing section; also repealing KSA 55-1006.

Bill Bryson, Director, Conservation Division, KCC, testified in support of HB 2889. He said that the role of the Advisory Committee as established through KSA 55-153 serves the same purpose as the former Three Agency Committee, hence, the function of the Three Agency Committee is duplicative of the Oil and Gas Advisory Committee. Thus, the Three Agency Committee needs to be abolished since it no longer has any function. Mr. Bryant responded to Committee questions.
(Attachment 2)

The Chair closed the hearing on HB 2889.

The Chair opened the hearing on HB 2888.

HB 2888 - An act relating to oil and gas; concerning the protection of water from pollution; amending KSA 1991 Supp. 55-150, 55-152 and 55-155 and repealing the existing sections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY & NATURAL RESOURCES,
room 526-S, Statehouse, at 3:32 ~~xxx~~/p.m. on February 17, 1992.

Bill Bryson, Director, Conservation Division, KCC, testified in support of HB 2888. He requested that KSA 55-150 be amended to include a definition of a cathodic protection well thereby including this type of well as one regulated by the Commission. Mr. Bryson requested deletion of language in KSA 55-152 regarding the privilege of the KDHE Secretary to present a report of disagreement to the joint committee on rules and regulations. He also requested amending KSA 55-155 be amended to have operators of one gas well used for home heating purposes pay a reduced operator license fee of \$25 is necessary to increase the incentive to comply with the statutory definition of "operator" which was probably never intended to encompass owners of single residence gas wells. Mr. Bryson then responded to questions from the Committee. Representative Patrick requested from Mr. Bryson a list of other states that require cathodic protection wells. (Attachment 3)

The Chair closed the hearing on HB 2888.

The Committee reviewed the minutes of February 11 and February 13, 1992. A motion was made by Representative Gatlin, seconded by Representative McKechnie, to approve the February 11 and February 13, 1992 minutes. The motion carried.

The meeting adjourned at 4:17 p.m.

TESTIMONY ON HOUSE BILL 2887
BY THE KANSAS CORPORATION COMMISSION
PRESENTED BEFORE THE HOUSE ENERGY AND
NATURAL RESOURCE COMMITTEE

February 17, 1992

I am Bill Bryson, Director of the Conservation Division for the Kansas Corporation Commission. I am appearing to support and recommend passage of House Bill 2887. K.S.A. 55-1310 currently requires applicants for unit operations to file with the Commission a list showing the names and addresses of all oil and gas leases and other oil and gas interest owners owning interests in the pool or part of a pool subject to the application. The statute further specifies that notice of the application and time and place of hearing are to be mailed to each of the persons indicated on the list and also published in appropriate newspapers.

The statute, as currently written requires that such notice is to be given by the Commission and subject to the Commission's discretion, the applicant may be required to reimburse to the Commission the cost of providing notice. House Bill 2887 would shift the burden of providing notice from the Commission to the applicant. In all other applications filed with the Commission, the applicant is required to be responsible for providing notice to potentially affected parties.

The Commission currently requires applicants for unit operations to reimburse the Commission for the costs of providing notice except in those cases where very little time or staff effort is required. The requested amendment of K.S.A. 55-1310 would allow staff time currently utilized in seeking reimbursement to be redirected to other activities. At a time when the Conservation Division is trying to utilize staff effort in the most efficient manner, the statutory amendment in House Bill 2887 would contribute to that objective.

*2/17/92
House E + NR
Attachment 1*

TESTIMONY ON HOUSE BILL 2889
BY THE KANSAS CORPORATION COMMISSION
PRESENTED BEFORE THE HOUSE ENERGY AND
NATURAL RESOURCE COMMITTEE

February 17, 1992

I am Bill Bryson, Director of the Conservation Division for the Kansas Corporation Commission. I am appearing on behalf of the Commission in favor of HB 2889.

House Bill 2889 calls for repeal of K.S.A. 55-1006 which outlined the duties and responsibilities of the Kansas Department of Health and Environment, Kansas Geological Survey and Kansas Water Resources Board (now Kansas Water Office) in establishing minimum depths for disposal of oil field brine. This group of agencies known as the Three Agency Committee actively functioned from the late 1950's to 1982 when the Legislature established the ten member Oil and Gas Advisory Committee to the Commission. It hasn't met officially since 1981. The Oil and Gas Advisory Committee has as members these three agencies plus the Division of Water Resources, (DWR) and a representative of the Groundwater Management Districts. The role of the Advisory Committee as established through K.S.A. 55-153 serves the same purpose as the former Three Agency Committee, hence, the function of the Three Agency Committee is duplicative of the Oil and Gas Advisory Committee.

The reference in K.S.A. 55-1005 to the same three agencies, along with KCC establishing minimum surface pipe depths is also a function of the Oil and Gas Advisory Committee. House Bill 2889 is also intended to recognize this area of duplication by amending reference to the Three Agency Committee out of K.S.A. 55-1005.

The deletion of language in K.S.A. 55-1005 and the repeal of 55-1006 should have taken place in 1982 during the passage of Substitute Senate Bill 498 which established a joint oil and gas regulatory program between KCC and KDHE. For some reason removal of these statutory passages was also omitted in 1986 when HB 3078 transferred the authority for all oil and gas regulation from KDHE to the Commission.

The KCC Oil and Gas Advisory Committee has a statutory mandate to meet quarterly and it has done so since July 1982. The Oil and Gas Advisory Committee recommendations are taken very seriously by the Commission and with one or two exceptions, have been converted into regulation or policy by the Commission. Although the Oil and Gas Advisory Committee was originally established to advise the Commission on water protection matters pertaining to oil and gas regulation, the Commission has this group approve all regulations (Conservation and Water Protection) before proceeding through the process.

The Commission strongly favors passage of HB 2889 to eliminate duplication of statutory responsibility.

2/17/92
House E + NR
Attachment 2

TESTIMONY ON HOUSE BILL 2888
BY THE KANSAS CORPORATION COMMISSION
PRESENTED BEFORE THE HOUSE ENERGY AND
NATURAL RESOURCE COMMITTEE

February 17, 1992

I am Bill Bryson, Director of the Conservation Division of the Kansas Corporation Commission. I am appearing in favor of House Bill 2888.

House Bill 2888 calls for amending of three separate statutes under Chapter 55. I will discuss these changes in the order they appear in the bill.

- (1) Line 40 on page 1 proposes amending K.S.A. 55-150 to include a definition for cathodic protection well thereby including this type of well as one regulated by the Commission.

Inclusion of a definition of cathodic protection well in K.S.A. 55-150 means these types of wells would be subject to appropriate construction, plugging and water protection standards inherent to Chapter 55 and regulations promulgated thereunder. Cathodic protection wells are vertical beds of anodes used to inhibit corrosion to petroleum industry pipelines. These wells are commonly 250-300 feet deep and often penetrate mineralized aquifers. In Southeast Kansas, they sometime penetrate shallow oil or gas producing reservoirs. A potential for groundwater pollution exists if these wells are not constructed or plugged properly. In 1990, the Commission was asked by the Kansas Groundwater Management District Association to address cathodic protection wells. After subsequent discussion with the Division of Environment staff of KDHE, it was decided to address cathodic regulations by including another definition of well in K.S.A. 55-150. This would preclude the need for each Groundwater Management District (GMD) from developing its own set of regulations and would allow for standardized approach throughout the rest of Kansas not covered by GMD jurisdiction.

Based on the best information available, the pipeline industry installs between 50-75 cathodic protection wells each year. The emphasis on pipeline corrosion control and pipeline safety during the last three years may also cause an increase in the use of vertical cathodic protection beds, in other words, wells. A diagram of a typical well has been provided for the Committee's information. It is the intention of the Commission staff to work closely with the Division of Environment and the Groundwater Management District Association through Memoranda of Understanding to satisfy their statutory, policy and informational needs. Cathodic protection wells terminate in various subsurface groundwater and mineral resource regimes. For example, some terminate in deeper ground water aquifers such as the High Plains (Ogallala), some in mineralized portions of the Dakota, Cheyenne or Cedar Hills zones and some in shallow oil

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Attachment 3

producing reservoirs where enhanced recovery operations may affect the cathodic protection well or visa versa.

The regulation of cathodic protection wells by bringing them under KCC definition of well would require no increase in staff due to the small number of intent to drills and plugging per year. Should the number of installations increase significantly in future years, some additional work load may fall on district staff to witness plugging. There is no fiscal impact on the industry to file an intent to drill, however, the \$35 plugging fee for wells 200-300 feet deep would cost industry a collective \$1,000 per year based on Kansas installation rates.

- (2) Lines 6-11 on page 2 proposes deletion of language in K.S.A. 55-152 regarding the privilege of the KDHE Secretary to present a report of disagreement to the joint committee on rules and regulations is no longer applicable. This statutory passage was a part of the joint KCC-KDHE oil and gas regulatory program enacted in 1982 through enactment of SB 498. The Secretary's role changed in 1986 when House Bill 3078 gave the KCC full authority over oil and gas regulation. The purpose of the statutory language applied between 1982 and 1986 when KDHE staff was jointly responsible for enforcing KCC's regulations. Deletion of this language was suggested by the Revisors of Statutes office in 1990 when KCC appeared before the Joint Committee on Rules and Regulations. Deletion language in K.S.A. 55-152 involving the Secretary of KDHE has no fiscal impact on either agency or the industry.
- (3) Lines 33-36 on page 2 proposes amendment of K.S.A. 55-155 to have operators of one gas well used for home heating purposes pay a reduced operator license fee of \$25 is necessary to increase the incentive to comply with a statutory definition of "operator" which was probably never intended to encompass owners of single residence gas wells. KCC staff estimates that 2,500 such gas wells exist and only about 1-2% are in compliance with the current \$100 license fee.

It is believed that licensing of such operators is necessary for several reasons: (1) a large number of gas wells used for home heating are believed to be located in residential areas of cities and towns where well malfunction may pose a significant public health and safety danger; (2) the general public would best be served by knowing that the Commission should be contacted in the

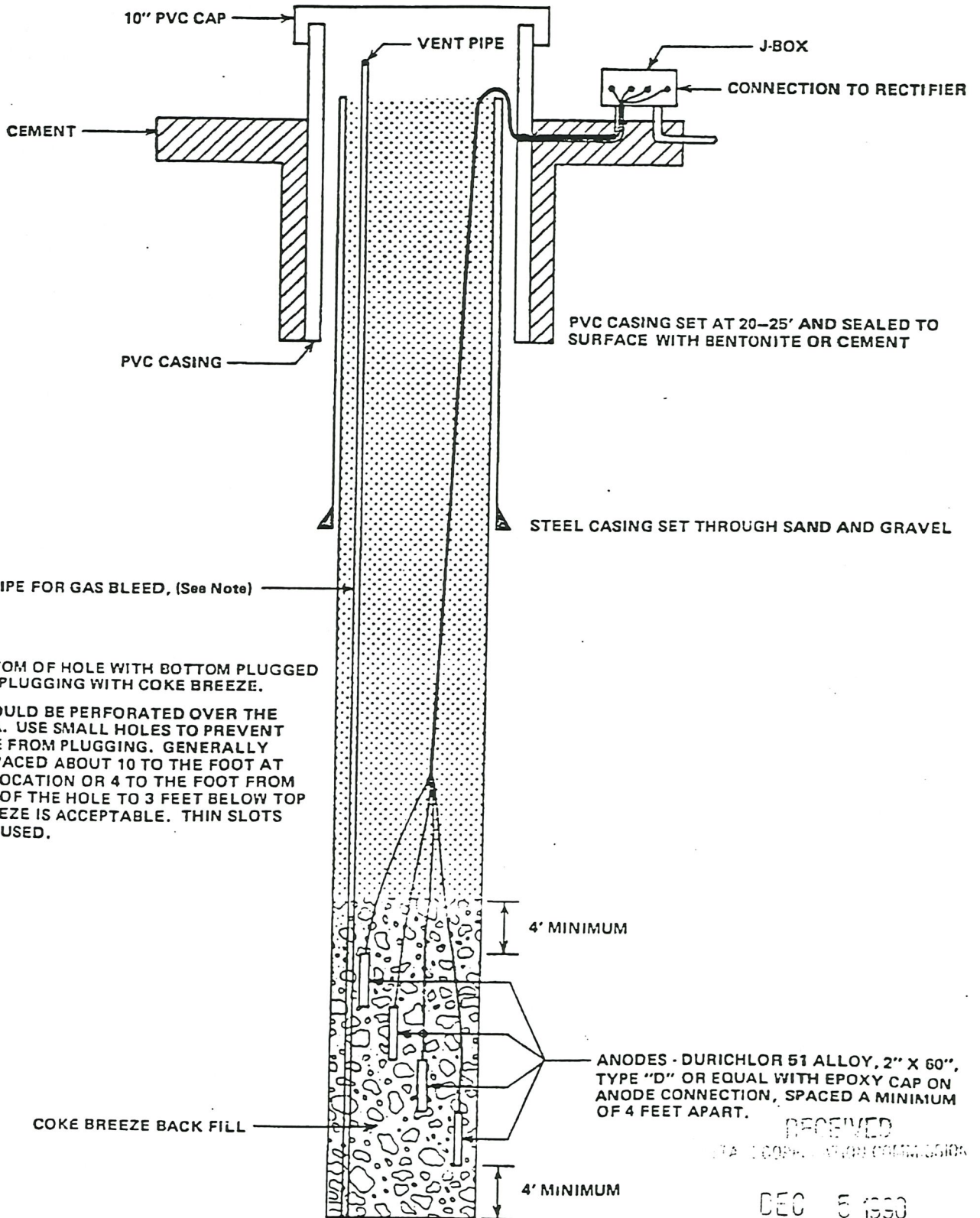
event of well malfunction; and (3) if such wells are abandoned in an unplugged condition, the plugging may become the Commission's responsibility.

There would be an initial expenditure of existing staff time in working with individuals to get licensed. Some revenues would be expended to place the general public (mostly Eastern Kansas) on notice that a license is required, since these individuals are normally outside the general activities associated with oil and gas production and regulation.

There are approximately 3,600 oil and gas operators and drillers currently licensed under the Kansas Conservation Division program for a total annual revenue of \$36,000. As previously pointed out only about 1-2% of the estimated 2,500 single residence gas wells are currently licensed as operators. The large number of such operators remain unlicensed for a number of reasons: (1) the gas wells they operate have been operated since the 1940's or 1950's, before licensing was required, (2) lack of knowledge that licensing is required, (3) unwillingness to pay \$100 per year to maintain a license, (4) difficulty in enforcement because the location of the gas wells is largely unknown due to less stringent reporting requirements in the 1940's and 1950's, and (5) location of wells in residential areas of towns and cities.

Some of these gas wells produce salt water which under Commission regulations require proper disposal. Since the Commission has to exercise some regulatory maintenance over this well category they should be classed as an operator. It should be noted that the propose \$25 operator license fee does not extend to (1) Single gas wells at commercial establishments, (2) Single gas wells used to serve more than one residential household, classifies them as a utility and subject to utility and pipeline safety regulations.

DEEP ANODE BED INSTALLATION HUGOTON AND COUNCIL GROVE FIELDS



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