

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Vice-Chairperson Clay Aurand at 9:00 a.m. on March 5, 1997 in Room 514-S of the Capitol.

All members were present except: Rep. Mayans - excused
Rep. Myers - excused

Committee staff present: Lynne Holt, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes
Mary Shaw, Committee Secretary

Conferees appearing before the committee: Erick Nordling, Executive Secretary, Southwest Kansas Royalty Owners Association
Sharon Rooney, Individual Royalty Owner, Mineola, KS
Ken Peterson, Kansas Petroleum Council

Others attending: See attached list

Vice-Chairperson Clay Aurand mentioned to the Committee that the minutes covering February 11 through February 25, 1997 were distributed and they will be approved at a later meeting.

The Vice-Chair mentioned that the Committee would be hearing testimony on **SB 147**.

Hearing on SB 147 - oil and gas; information provided royalty owners with payments from sales of oil and gas

The Vice-Chair asked Staff, Mary Ann Torrence, Revisor's Office, to brief the Committee on the bill. She explained that **SB 147** provides that when payments are made for oil and gas production, the payment has to be accompanied by certain information and that information is listed on Page 1 of the bill in lines 22 through 35. She also indicated that the original bill included a provision which is now on Page 2, lines 2 through 4, that would have provided for enforcement of provisions of the bill by the district court and that was stricken by the Senate in the Committee of the Whole. A copy of the bill brief prepared by Lynne Holt, Staff, Research Department, was distributed to the Committee (Attachment #1).

The Vice-Chair recognized Erick Nordling, Executive Secretary for the Southwest Royalty Owners Association who spoke in support of **SB 147** (Attachment #2). Mr. Nordling indicated that SWKROA urges favorable consideration of **SB 147** with an amendment to reinsert the provisions of the original Section 4 of the bill.

The Vice-Chair recognized Sharon Rooney, an Individual Royalty Owner from Mineola, Kansas, who spoke in support of **SB 147** (Attachment #3).

The Vice-Chair recognized Ken Peterson, Kansas Petroleum Council, who spoke in support of **SB 147** (Attachment #4). Discussion followed. Representatives Sloan and Alldritt had questions regarding the stricken language by the Senate in Section 4. Also, Representative Klein had questions regarding the language in Section 1, lines 18 through 21 and the meaning of that language. The Revisor, Mary Ann Torrence, agreed and mentioned that the language does not read well and may need changing.

The Vice-Chair mentioned that hearings are scheduled for **SB 177** tomorrow, March 6, and that both **SB 147** and **SB 177** are scheduled to be worked by the Committee on Friday, March 7, 1997.

The meeting was adjourned at 9:35 a.m. The next meeting is scheduled for March 6, 1997.

HOUSE UTILITIES COMMITTEE GUEST LIST

DATE: March 5, 1997

NAME	REPRESENTING
ED SCHAUB	WESTERN RESOURCES
Don Schuacke	KIOGIA
W. Hendrix	CURB
FRICK NORDLING	SWKROA
Sharon Rooney	Minneapolis KS
Bernie Nordling	SWKROA
Dave Hattaus	Western Resources
Mike Hein	# MSA
Ken PETERSON	KS Petroleum Council
Doug Smith	SWKROA
TOM DAY	KCC
Don Miles	KCC
Chessa Digo	Southwest KS Migration Assn.
J. C. LONG	UtiliCorp United Inc.
B. Rank	Johnathan Small
Amy Campbell	R. Rice Law Office

SESSION OF 1997

SUPPLEMENTAL NOTE ON SENATE BILL NO. 147

As Amended by Senate Committee of the Whole

Brief*

S.B. 147 would specify the information that must be included with payments to interest (royalty) owners from sales of oil and gas. Such information must include a means of identifying the well or lease; the sale date for which the payment is made; the total volume of oil (in barrels) and wet or dry gas (in mcf); the price of oil or gas sold; the total amount of state severance and production taxes; the interest in the sale (expressed as a decimal) and the interest owner's share of the sale both before and after deductions or adjustments; and a point of contact from which additional information may be obtained.

The bill also would require the person making the payment to submit to the interest owner a listing and explanation of the amount and purpose of any other deductions and adjustments. This information would have to be requested by certified mail and a response would have to be provided within 60 days of receipt of the request.

The bill would take effect on January 1, 1998.

Background

S.B. 147 was recommended for introduction by the Task Force on Gas Gathering—a 14-member task force established pursuant to 1996 Senate Sub. for H.B. 2041. At a public meeting in Liberal held in September 1996, Task Force members heard concerns from royalty owners about the lack of information on royalty check stubs.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.ink.org/public/legislative/fulltext-bill.html>.

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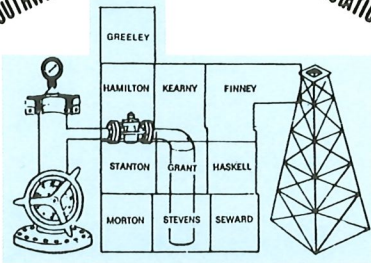
MAR 6 1997

House Utilities
2-5-97
Attachment 1

In testimony to the Senate Committee on Utilities, the Executive Secretary of the Southwest Kansas Royalty Owners Association, a proponent of S.B. 147, indicated that the bill reflected a compromise between royalty owners and payors of oil and gas royalty. Other proponents included: the Associate Director of the Kansas Petroleum Council; an owner of mineral interests in Meade and Clark counties; and, with certain reservations, the Executive Vice-President of the Kansas Independent Oil and Gas Association. Written testimony in support of the bill was provided by a consulting petroleum engineer from Wichita and the Director of the Southwest Kansas Royalty Owners Association. There were no opponents.

The amendments of the Senate Committee on Utilities appear to be technical. The Senate Committee of the Whole amended the bill to delete the authorization conferred on the state's district courts to enforce the provisions of the bill.

SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION



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HUGOTON, KS 67951

**STATEMENT OF
ERICK E. NORDLING, EXECUTIVE SECRETARY
SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION
HUGOTON, KANSAS 67951**

RE: SENATE BILL NO. 147

March 5, 1997

To the Honorable Members of the House Committee on Utilities.

INTRODUCTION

Mr. Chairperson and Members of the Committee:

My name is Erick E. Nordling of Hugoton. I am Executive Secretary of the Southwest Kansas Royalty Owners Association (SWKROA). I am appearing on behalf of members of our Association and on behalf of Kansas royalty owners to support Senate Bill No. 147, with the reinsertion of Section 4 which was removed by the Senate Committee of the Whole. Senate Bill No. 147 which prescribes information to be included with payments to interest owners, including royalty owners, from production of oil and gas. I served as a member of the Gas Gathering Task Force which the 1996 Legislature and Governor Graves charged to study this issue.

BACKGROUND ON SWKROA

SWKROA is a non-profit Kansas corporation, organized in 1948, for the primary purpose of protecting the rights of landowners in the Hugoton Gas Field. We have a membership of over 2,500 members. Our membership primarily consists of landowners owning mineral interests in the Kansas portion of the Hugoton Field who are lessors under oil and gas leases, as distinguished from oil and gas lessees, producers, operators, or working interest owners.

BACKGROUND OF THIS LEGISLATION

I have attached a copy of my testimony before the Senate Committee on Utilities for a full background of our position and need for this legislation.

Senate Bill No. 147 was proposed by royalty owners and the gas and oil industry as a compromise bill.

House Utilities
3-5-97
Attachment 2

PRESIDENT,
JACK HAYWARD

EXECUTIVE SECRETARY,
ERICK E. NORDLING

ASS'T SECRETARY,
B. E. NORDLING

ASS'T SECRETARY,
WAYNE R. TATE

We still support the bill, with one exception. The original Section 4 of the bill, which dealt with granting the District Courts jurisdiction to enforce the provisions of the bill, was part of the compromise that had been approved by the royalty owners and the industry. Section 4 has been deleted from the bill presently before your committee. We urge that the original Section 4 be added back to the bill.

Section 4 also contained provisions for the Court's jurisdiction to include the granting of damages, interest, court costs, attorney's fees or allowable litigation expenses incurred by a party in an action to enforce the act.

We feel that the provisions of the original Section 4 are needed, especially the ability of a royalty owner to recover attorney's fees to enforce the provisions of the act. Litigation is expensive and without a clear statutory authorization for the Court to award attorney's fees, the Court may not feel it has jurisdiction to award such fees. As such, this is an important provision to give this legislation some teeth to ensure compliance with its terms.

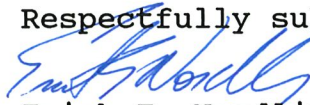
House Bill No. 2332 approved by this Committee, contained (as an amendment) a provision for reasonable attorney's fees.

SUMMARY

In summary, we urge your favorable consideration of Senate Bill No. 147, with an amendment to reinsert the provisions of the original Section 4 of the bill.

Thank you for this opportunity to present these concerns to your honorable committee.

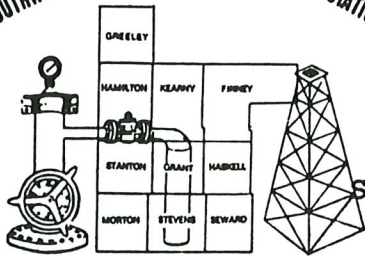
Respectfully submitted,



Erick E. Nordling,
Executive Secretary, SWKROA

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SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION



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STATEMENT OF
ERICK E. NORDLING, EXECUTIVE SECRETARY
SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION
HUGOTON, KANSAS 67951

SUPPORTING SENATE BILL NO. 147

February 11, 1997

To the Honorable Members of the Senate Committee on Public Utilities.

INTRODUCTION

Madam Chairman and Members of the Committee:

My name is Erick E. Nordling of Hugoton. I am Executive Secretary of the Southwest Kansas Royalty Owners Association (SWKROA). I am appearing on behalf of members of our Association and on behalf of Kansas royalty owners in support of S.B. 147 which prescribes information to be included with payments to interest owners, including royalty owners, from production of oil and gas. I also served as a member of the Gas Gathering Task Force which the 1995⁶ Legislature and Governor Graves charged to study this issue.

BACKGROUND ON SWKROA

Our Association is a non-profit Kansas corporation, organized in 1948, for the primary purpose of protecting the rights of landowners in the Hugoton Gas Field. We have a membership of over 2,500 members. Our membership primarily consists of landowners owning mineral

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interests in the Kansas portion of the Hugoton Field who are lessors under oil and gas leases, as distinguished from oil and gas lessees, producers, operators, or working interest owners.

BACKGROUND OF THIS LEGISLATION

The need for accurate, complete and understandable information relating to the payment of royalties from the production of oil and gas in this State has been a concern of the royalty owners for a number of years. In fact, I would imagine it is also a paramount concern for the other participants who benefit from the oil and gas revenue stream, including the lessee, the non-operating working interest owners, the purchasers of the oil and gas, the State of Kansas for severance taxes, and the producing counties for ad valorem taxes.

Several other states which have also been faced with these concerns have approved similar legislation. Senate Bill No. 147 is patterned closely after the Texas and Oklahoma statutes. Kansas should also have legislation to address this important issue. Senate Bill No. 147 is a compromise bill between royalty owners and the payors of oil and gas royalty.

In 1996 the Senate subcommittee of the Energy and Natural Resources heard testimony on Senate Bill No. 472. Although the bill was not passed, productive talks were had between members of the royalty owners and members of the gas and oil industry, including both the major producers and the independent producers. During these negotiations, a compromise bill (which is essentially

the bill before you now) was conceptually agreed to by the royalty owners and the major producers. The independent producers, represented by KIOGA, still expressed strong concerns with the proposed bill.

As you are aware, the 1996 Legislature passed legislation directing the Governor to create a Gas Gathering Task Force to study the issue of gas gathering. The Bill, (Senate Substitute for House Bill No. 2041) also directed the Task Force to study the concerns about the adequacy of the information reported on royalty check stubs including other nonprice issues.

As mentioned above, I served as a member of the Task Force as the royalty owner representative. Of course, I was keen on discussing and hearing testimony on the adequacy of the information reported on royalty check stubs.

I helped to arrange an informal meeting with several members of the Task Force, and representatives of the KCC, and producers (majors and independents), royalty owners, and several interested parties. A consensus was reached by those attending, including Charles Wilson, and Steve Dillard, both of whom represent independent producers and who also served on the Task Force, to recommend the compromise bill to the Task Force for consideration and its recommendation.

The Task Force did approve and recommend a bill, which is now the bill before you as Senate Bill No. 147 (prior to the proposed amendment by the Kansas Petroleum Council), as part of its

answer to the charge to study the information reported on royalty check stubs. We support Senate Bill No. 147, and do not oppose the amendment proposed by Kansas Petroleum Council. We believe the bill will benefit not only royalty owners, but will also benefit overriding royalty interest owners and non-operating working interest owners.

REASONS FOR THIS LEGISLATION

As Executive Secretary, I receive questions from our members on various issues which effect their royalty interests. Over the years, the Secretary's office has probably received the most complaints from information, or the lack thereof, provided to our royalty owner members from the gas and oil companies. The royalty remittance statement is generally the only regular communication from the gas and oil companies with regard to production of their mineral rights. Many of the payors of royalty feel that they are providing adequate information to royalty owners. Several of the companies we have sampled do provide much of the requested information, but there is still room for improvement. However, many other companies fall miserably sort of their duty to provide accurate, concise, understandable and useful information to royalty owners. Several of these latter companies will likely view that to provide any different information would be an extreme burden. I disagree, it is their duty and it is not unfair. In fact, I would imagine that they have the information anyway, it is just that they choose not to report it to the royalty

owner. This attitude makes one skeptical of what they may be trying to hide.

Another reason for the legislation is because many of our members have difficulty obtaining more information than what has been provided to them on the remittance statement. Other comments include that they receive inadequate answers, confusion in understanding the answers, and they become frustrated in trying to obtain information. Royalty owners often become skeptical and don't trust that their lessees will provide them with proper or adequate information.

FURTHER EXAMPLES OF PROBLEMS

Price. It is impossible to determine whether the price reported on the royalty remittance statement is a net or gross amount. Although royalty income is a "passive" income, it does not lessen the need for information about the profitability of that person's asset. The royalty owner wants to receive the best and highest price possible for the oil or gas produced and sold from their mineral interest. Often a price is reported, but there is not any way to verify if it is the best price, or if any deductions for such things as plant operation, gathering, compression, dehydration are being made. From the testimony provided to the Task Force by a couple of the conferees, it seems a practice among some operators to make payment to its interest owners after it has deducted some expenses. However, it would be virtually impossible to determine or confirm this from the information provided.

This may also be a problem for the State and counties on collecting severance taxes and ad valorem taxes if the price reported has been reduced unlawfully.

Royalty owners contend that many of these deductions from their royalty payments are not authorized to be deducted by the terms of their oil and gas lease, but without proper accountability for the royalty payments the royalty owner is at a distinct disadvantage.

The lessee has a duty to each of its royalty owners to obtain the best price possible for the gas or oil produced and sold. Without proper information, it is difficult if not impossible to determine if they have received the best price possible. Attached to my testimony is a copy of spot market prices in the Hugoton Field area for 1993 - 1996. (It is my understanding that this exhibit was attached to testimony with regard to the gas gathering bill which is also before this committee.) In many instances the price paid to royalty owners is less than these spot prices. If the lessee received the higher spot market prices, then it is likely that deductions were made from the royalty owners interest.

Volumes. Likewise, the volumes of gas and oil reported on the remittance statements may cause confusion or may be inaccurate. I have had several instances where a royalty owner has tried to verify the production figures reported on the remittance statement with the production/allowable reports filed with the

Kansas Corporation Commission. The information which was obtained from the Commission did not jibe with the remittance statement.

Also, sometimes the decimal interest and/or the volumes are adjusted ("inflated" or "deflated"). This leads to great confusion. It is also probably impossible to verify whether a royalty owner has properly been accounted to and paid for production of their minerals.

There are also instances where more than one working interest owner is selling minerals from the same unit. Sometimes one of the working interest owners decides not to sell their share of the allowable for the well. Both of these instances also make it difficult to determine the status of the royalty owners' interest.

Deductions. As mentioned above, charges for costs such as gathering, compression, processing, and transportation are being taken from the royalty owner, with little or no explanation. Some of these charges may not even be proper deductions under the terms of the oil and gas lease.

Samples. I have brought a sampling of several royalty remittance statements from various oil and gas companies for you to review. You can see that the information provided varies widely from company to company. On many of the statements it is difficult or impossible to determine from the statement the location of the well, the name of the well, or the producing formation. Such information would be very helpful in tracking royalty production

and payments. You should also be able to see other examples of the problems which I referred to above.

SUMMARY

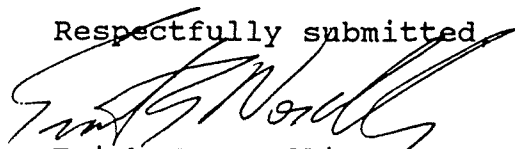
In summary, we urge your favorable consideration of Senate Bill No. 147, a compromise bill supported by members of the industry and royalty owners, as a method which will require payors of oil and gas production to provide information which will allow the royalty owner to clearly identify the amount of oil or gas produced, and the amount and purpose of each deduction made from the gross amount due to such royalty owner.

Several other states have already enacted similar legislation. Many of the Kansas payors of royalty are also making payments of royalty in these other states, so it would not detrimentally effect them.

Finally, the information requested by this bill is readily available to the payors (or certainly should be) of royalty. The bill should not only benefit royalty owners, but should also benefit overriding royalty interests, non-operating working interests, and state and local governments.

Thank you for this opportunity to appear before your honorable committee.

Respectfully submitted



Erick E. Nordling,
Executive Secretary, SWKROA

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SPOT GAS PRICE INDEX OF SELECTED PIPELINES
INDEX PER MMBTU (DRY)

DATE	NATURAL GAS		(ARKLA)	NORTHERN NATURAL GAS CO. (TX, OK, KS)	PANHANDLE		AVERAGE PRICE OF INDEX
	ANR PPLNB CO. (OK)	PPLNE CO. OF AMERICA (OK)	NORAM GAS TRANS. (AR, OK)		EASTERN PPLNE CO. (TX, OK, MAINLINE)	WILLIAMS NATURAL GAS CO. (TX, OK, KS)	
JANUARY '93	1.900	1.910	1.920	1.900	1.950	2.030	1.935
FEBRUARY	1.600	1.600	1.600	1.500	1.610	1.650	1.593
MARCH	1.820	1.840	1.820	1.750	1.830	1.850	1.818
APRIL	2.080	2.080	2.080	1.950	2.100	2.070	2.060
MAY	2.620	2.580	2.550	2.450	2.550	2.570	2.553
JUNE	1.950	1.800	1.800	1.710	1.850	1.750	1.810
JULY	1.790	1.800	1.810	1.710	1.790	1.730	1.772
AUGUST	1.910	1.930	2.000	1.810	1.930	1.860	1.907
SEPTEMBER	2.200	2.170	2.280	2.050	2.180	2.100	2.163
OCTOBER	1.900	1.850	1.910	1.800	1.900	1.830	1.865
NOVEMBER	1.900	1.880	1.980	1.810	1.900	1.830	1.883
DECEMBER	2.230	2.220	2.250	2.260	2.230	2.250	2.240
JANUARY '94	1.960	1.930	1.970	1.890	1.970	1.940	1.943
FEBRUARY	2.120	2.090	2.150	1.970	2.120	2.100	2.092
MARCH	2.140	2.140	2.170	2.030	2.140	2.110	2.122
APRIL	1.810	1.800	1.830	1.730	1.800	1.760	1.788
MAY	1.840	1.840	1.920	1.730	1.840	1.770	1.823
JUNE	1.590	1.560	1.670	1.470	1.570	1.530	1.565
JULY	1.670	1.680	1.780	1.600	1.650	1.610	1.665
AUGUST	1.570	1.590	1.680	1.530	1.570	1.550	1.582
SEPTEMBER	1.400	1.400	1.410	1.360	1.410	1.330	1.385
OCTOBER	1.300	1.300	1.310	1.220	1.310	1.240	1.280
NOVEMBER	1.510	1.520	1.520	1.440	1.520	1.450	1.493
DECEMBER	1.600	1.600	1.600	1.570	1.600	1.600	1.595
JANUARY '95	1.510	1.500	1.520	1.460	1.510	1.510	1.502
FEBRUARY	1.270	1.260	1.320	1.210	1.270	1.230	1.260
MARCH	1.260	1.270	1.305	1.200	1.270	1.240	1.258
APRIL	1.340	1.340	1.395	1.260	1.340	1.270	1.324
MAY	1.450	1.440	1.515	1.370	1.450	1.400	1.438
JUNE	1.460	1.450	1.545	1.390	1.470	1.440	1.459
JULY	1.250	1.240	1.340	1.200	1.250	1.230	1.252
AUGUST	1.190	1.200	1.260	1.170	1.200	1.180	1.200
SEPTEMBER	1.410	1.410	1.465	1.380	1.410	1.420	1.416
OCTOBER	1.500	1.500	1.520	1.460	1.500	1.490	1.495
NOVEMBER	1.610	1.610	1.650	1.570	1.610	1.600	1.608
DECEMBER	1.880	1.880	1.955	1.840	1.890	1.880	1.888
JANUARY '96	2.020	2.000	2.050	1.930	2.000	2.030	2.005
FEBRUARY	1.790	1.790	1.860	1.730	1.810	1.840	1.803
MARCH	1.900	1.900	1.915	1.870	1.900	1.900	1.898
APRIL	2.140	2.140	2.190	2.060	2.140	2.150	2.137
MAY	2.010	2.010	2.070	1.950	2.000	2.000	2.007
JUNE	2.050	2.050	2.125	1.980	2.050	2.030	2.048
JULY	2.180	2.180	2.255	2.100	2.180	2.180	2.179
AUGUST	2.140	2.140	2.205	2.030	2.130	2.140	2.131
SEPTEMBER	1.670	1.670	1.715	1.570	1.670	1.670	1.661
OCTOBER	1.690	1.690	1.715	1.640	1.700	1.680	1.684
NOVEMBER	2.500	2.490	2.450	2.480	2.510	2.500	2.488
DECEMBER	3.600	3.620	3.580	3.520	3.610	3.680	3.602

SOURCE: INSIDE P.E.R.C.'S GAS MARKET REPORT, PRICES OF SPOT GAS DELIVERED TO PIPELINES, FIRST ISSUE EACH MONTH

March 5, 1997

To: Members of the House Committee on Utilities

Re: S.B. 147

Mr. Chairman and Members of the Committee:

My name is Sharon Rooney. I live in Minneola, 20 miles south of Dodge City. I own some mineral interests in Meade and Clark counties from which I receive some royalties on gas wells. None of the production from which I receive royalties is in the Hugoton Field. Last year I received payments from 13 different companies. My monthly net production payments per interest varied from two or three dollars to a high of \$167.00. The average return for the year per well was about \$690.00.

When I heard about this bill, I knew I had to come and speak to you because I have been very concerned about these matters for several years. I believe I am representative of the many mineral interest owners whose properties are in the smaller production fields across the state and whose royalty incomes may not be large, but who none-the-less have a right to fair treatment.

In Kansas, mineral interests may be owned separately from the land and are bought, sold and taxed like other property. If a company wants to drill a well, they arrive at an agreement with the mineral owner as to the mineral owner's share and on what basis they will pay for the resulting product. The percentage the mineral owner receives is stated as a decimal figure and is called a Royalty Interest. Generally, this represents 1/8th or 3/16ths of the total share which is then divided among all of the mineral owners for that tract of land.

REGARDING CHECK STATEMENTS

The mineral owner has an interest in a product which is in the ground and can't be seen to be counted or inventoried. In order for his product to be sold, it has to be put in the hands of someone else who has full control over removing, marketing and accounting for that product. Usually the only record received by the mineral owner is what is on that check statement.

I have attached copies showing a variety of check statements from various companies for you to see. Some provide more information than others. Some companies provide the royalty owner with the gross quantity sold, the gross taxes withheld, the decimal amount they are paying to the owner, and the net figures for the royalty owner's portion. Others do not. A price may be given but one does not know what that price reflects. Often a check statement will have deductions shown which are not explained. (Exhibits, sample statements)

One of the companies from which I receive payments is Black Dome, which is based in Colorado but producing in Kansas. Their check statement is the first exhibit. You will note it does not show the payor's name, gives no total gross, no price, and no total volume. In 1993, I phoned them and asked for the monthly production/sales figures for the past year which they had not provided on the statement. They said they were a small company and wouldn't be able to send them.

House Utilities
3-5-97
Attachment 3

When I wrote to the company president in February 1994 asking for a record of monthly sales and prices for the previous year, I received a letter in reply telling me to figure the gross volume figures from a formula using their net figures on the statement! Apparently I threw out the letter in disgust, as I cannot find it in my file. One shouldn't have to spend hours calculating backwards from the net figures to arrive at the gross on each item.

When I receive a check and a statement that says this is what we owe you, with no supporting data, it makes me angry and frustrated because I am trying to account for my mineral interests in a business-like manner. Those statements are needed to inform me of the monthly production being taken and the basis on which each payment is made. Without full reporting, I am being forced to do business on a "trust me" basis.

Every company has this information readily available in its records. It is necessary for their own accounting. Even if they are still keeping their books on a penciled spreadsheet, this information regarding what they removed and sold should be routinely provided to their royalty owners.

I am aware that there are commercially prepared reports available, but the royalty owner should not have to go to considerable expense and effort to ferret out the figures to which he is surely entitled.

REGARDING SECTION 4:

It is my understanding that Section 4 of the original bill which referred to the district courts having jurisdiction over damages, interest, court costs, litigation expenses and other matters has been removed. The entire bill was passed unanimously out of the Senate Committee. I cannot understand why that change was made. The small interest owner needs that section to have some leverage in dealing with oil and gas companies, especially those that are based out of state. I hope you will give careful consideration to putting section 4 back in again.

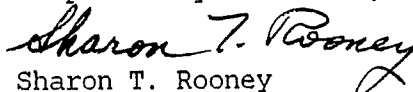
SUMMARY

It seems to me that good business practices make good public relations. To provide complete and accurate information to the Royalty Owner is to build trust in that company and the industry as a whole, which is sorely needed. When I get a check statement without the necessary information, it makes me wonder what the company is hiding.

Would an oil company do business by telling the purchasers of THEIR product to just pay them what they figure they owe them, and never mind reporting what the total quantity was that they took or the price their payment was based on, just pay them what they figure they owe? I doubt that very much!

I believe clear and specific rules such as those embodied in SB 147 will improve business relations between the parties and can only be to the benefit of all. I ask you to support this bill, and *restore section 4* to make it complete again.

Respectfully submitted,


Sharon T. Rooney

12-30-94

MONTHLY STATEMENT OF WELL DISBURSEMENTS

OWNER NO. R2000

DATE 12/15/94

No. 17106

DATE	LEASE NUMBER	P C	OWNER'S INTEREST	OWNER'S VOLUME (BBLs OR MCF)	OWNER'S GROSS		EXPENSE	OWNER'S TAX	OWNER'S NET
09/94	70015		THEIS J #1						
09/94		C1	.0312500	53.84	79.16	.00	.00	5.05	74.11
09/94		C1	.0066360	11.78	17.32	.00	.00	1.10	16.22
09/94	70017		THEIS J #2						
09/94		C1	.0234380	34.31	49.61	.00	.00	.19	49.42
09/94		C1	.0051260	7.50	10.85	.00	.00	.04	10.81
TOTALS					156.94		.00		150.56
								6.38	

P.C.: 1-DRY GAS 2-CASING HEAD GAS 3-QUALIFIED GOV. OIL 4-QUALIFIED CHARITABLE OIL 5-EXEMPT INDIAN OIL 6-EXEMPT ALASKAN OIL
 7-EXEMPT FRONT-END OIL 8-SADLEROCHIT OIL 9-NEWLY DISCOVERED OIL 10-INCREMENTAL TERTIARY OIL 11-HEAVY OIL 12-OIL-TIER ONE
 13-OIL-TIER TWO 14-OIL-TIER THREE 15-CONDENSATE

Black Dome

(A)

TEXACO INC.

12-3-96

SEE REVERSE SIDE FOR CORRESPONDENCE ADDRESS

CHECK NUMBER
C131060

IDENTIFICATION NUMBER			PROPERTY NAME				CHECK NUMBER	
MO YR	UNIT PRICE	BBL OR MCF	GROSS VALUE	PROPERTY WPT	SEV/PROD TAX	NET VALUE		
	YOUR DECIMAL	YOUR BBL OR MCF	YOUR GROSS	YOUR WPT W/H	YOUR SEV/PROD TAX	YOUR OTHER W/H TAX	YOUR NET	
*****			FOR THE ACCOUNT OF TEXACO EXPLORATION AND PRODUCTION INC	HAMIL W				
1096G	1.89	422	312151010000	00	232	79736		
	0029297	1	79968	00	00	00	234	

(B)

RETAIN THIS STATEMENT FOR TAX PURPOSES
WHEN WRITING, PLEASE REFER TO BOTH
OWNER NO. AND PROPERTY NO.

SEAGULL OPERATING CO., INC. • 416 TRAVIS ST., 1215 • SHREVEPORT, LA 71101-3179

035651

OWNER #	LEASE NUMBER			LEASE NAME		SEVERANCE TAX DEDUCTED	NET VALUE	DECIMAL INTEREST	NET VALUE OF INTEREST
729	MO.	YR.	CODE	BBL OR MCF	MARKETING				
	22-SK-104-01-001			THEIS					
		09/96	2	961	536.26	58.26	628.82	0.046875000	29.48

(C)

Owner Code: 1327

Date: 03/12/96

To: SHARON T ROONEY
BOX 67
MINNEOLA KS 67865

From: Liedtke Operating Corporation
Suite 2390N
633 Seventeenth St
Denver CO 80202

Revenue from Prior Statements

Well Name Code	Prod Code	Prod Mth	Prod Unit	Int. Price Type	Decimal Interest	Gross Vol. Net Vol.	Gross Val. Net Value	State Taxes Description	GrnthDeds NetDths	BTU Factor NetRevenue	Netted & Check-Pyrt	Balance Owed You
Frame Gas Unit												
199	G	0196	1.87	ORRI	0.0022786650	1204.00	2254.58	Gas Cons Ta	6.62	0.00	0.00	
						2.74	5.14	(Net)	0.02	0.00	5.12	0.00
199	G	0196	1.87	RI	0.0104166700	1204.00	2254.58	Gas Cons Ta	6.62	0.00	0.00	
						12.54	23.49	(Net)	0.07	0.00	23.42	0.00
Frame Gas Unit												
Totals: 8/8						1204.00	2254.58	Gas Cons Ta	6.62	0.00	0.00	
NET						15.28	28.63	(Net)	0.09	0.00	28.54	0.00
											28.54	

KAISER FRANCIS OIL COMPANY
P.O. BOX 21468
TULSA, OK 74121-1468
(918) 494-0000

PAGE: 1

Retain this statement for tax purposes. No
duplicates furnished. State taxes have been
deducted and paid where required. When writing,
refer to lease number and owner number.

06938

PROD DATE	P R	PRICE	INT TYP	PAY GRP	LEASE				OWNER DECIMAL	PAYMENT DECIMAL	OWNER				
					VOLUME	TAX	DEDUCT	NET VALUE			VOLUME	GRS VALUE	TAX	DEDUCT	NET
11/95	G	4.42	RI	1-11	845	4.65	0.00	3729.74	0.0156250	0.0156250	13	58.35	07	00	58.28
CHECK TOTAL												58.35	07	00	58.28

3-4



**TESTIMONY ON SENATE BILL 147
HOUSE UTILITIES COMMITTEE
BY
KEN PETERSON
KANSAS PETROLEUM COUNCIL
MARCH 5, 1997**

I am Ken Peterson, director of the Kansas Petroleum Council. The Council represents the major oil and gas production companies that do business in Kansas.

We appear today as a proponent of Senate Bill No. 147. Every royalty owner has the right to the basic information as described in this legislation.

Our member companies are already in compliance with the provisions of this bill or will be in compliance by the effective date of the Act.

Senate Bill 147 is a compromise worked out among various parties, including major companies, independent producers and royalty owners. We encourage the committee's favorable recommendation on this bill.

Thank you.

*House Utilities
3-5-97
Attachment 4*