

Approved: Feb. 25, 1997
Date

MINUTES OF THE SENATE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Pat Ranson at 1:30 p.m. on February 11, 1997 in Room 531-N of the Capitol.

All members were present

Committee staff present: Lynne Holt, Legislative Research Department
Fred Carman, Revisor of Statutes
Jeanne Eudaley, Committee Secretary
Dennis Hodgins, Legislative Research Department

Conferees appearing before the committee:
Jim Ludwig, Executive Dir., Regulatory Affairs, Western Resources
David Heinemann, General Counsel, Kansas Corporation Commission
Erick Nordling, Executive Director, S.W. Kansas Royalty Owners Assoc.
Sharon Rooney, Minneola, Royalty Owner

Others attending: See attached list

Sen. Ranson called the meeting to order and recognized pages assisting the committee today and asked them to introduce themselves to the committee. They did so, and the Chair acknowledged they are granddaughters of Sen. Sallee.

Sen. Ranson announced the committee will hear testimony on **SB 84-concerning municipal and gas utilities; service outside three miles of city.** She then called on Jim Ludwig, who appeared as an opponent and offered an amendment (Attachment 1). She then recognized David Heinemann, who gave testimony (Attachment 2) opposing the bill. Mr. Heinemann clarified a misunderstanding which he says may have occurred, in that the KCC indicated they would support the concept of equal rates inside and outside the 3-mile areas. He explained the way the bill is drafted, that is not the case; and the KCC appears as an opponent.

The committee questioned both Mr. Ludwig and Mr. Heinemann regarding the 3-mile areas and rights of the customers within the area and the complaint process available. They also discussed the municipalities' recourse regarding rates and if an investigation is conducted by the KCC.

Sen. Ranson then introduced Dennis Hodgins who briefed the committee on **SB 147-relating to oil and gas; prescribing information to be included with payments to interest owners from sales of oil and gas,** and the Task Force's Report on Gas Gathering.

Sen. Ranson announced the committee will hear testimony on **SB 147** and the following appeared as proponents to the bill:

Erick Nordling, (Attachment 3)
Sharon Rooney, (Attachment 4).

The committee questioned proponents, especially the examples provided by Mr. Nordling. Sen. Ranson announced the committee will continue to hear proponents tomorrow.

Meeting adjourned at 2:30.

Next meeting will be February 12, 1997.

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Feb. 11, 1997

NAME	REPRESENTING
Brady Cantrell	Citizens' Utility Ratepayer Board (CURB)
DAVE HOLTHAUS	Western Resources
Jon K. Miles	Kansas Electric Cooperatives
Louis Stroup Jr.	KANSAS Municipal Utilities Inc.
Joe Dick	KCK BPY
Larry Hollaway	KCC
Herniman	"
Dina Meyer	KS Governmental Consulting
Doyle Fair	Self
BRUCE GRAHAM	KEPCO
Robert Franko	KGC
Bennie Nordberg	SWKROA
Ken Peterson	KPC
Loug Smith	SWKROA
Tom Bruno	Allen & Assoc.
Kim Shelley	League of KS municipalities
John King	Hain & Co.
Andy Campbell	R. F. Fire Law Office

Attac 1,1

TESTIMONY BEFORE THE
SENATE UTILITIES COMMITTEE

by Jim Ludwig

WESTERN RESOURCES, INC.

February 5, 1997

Chair Ranson and Members of the Committee:

I am Jim Ludwig, Executive Director, Regulatory Affairs, Western Resources. Western Resources, through its operating companies KPL and KGE, provides natural gas to approximately 650,000 customers in Kansas and northeastern Oklahoma, and electric service to 600,000 customers in eastern and central Kansas. We are headquartered in Topeka.

Western Resources is not opposed to the objective of the proponents of SB 84. Municipal natural gas and electric utilities are seeking to exonerate themselves of KCC rate regulation, much as rural electric cooperatives did a few years ago.

We are concerned that SB 84, as introduced, raises competitive concerns for us and other utilities and customer concerns that can be solved easily by the amendment attached to my testimony.

The amendment would require municipal utilities to charge the same rates to their similarly situated customers, whether service is provided inside or outside the city limits. I have discussed Western Resources' amendment with Mr. Louis Stroup of KMU, and he has agreed that it does not disrupt the objective of the municipal utilities. Upon approval of this amendment, Western Resources will not oppose SB 84.

SENATE UTILITIES
2-11-97
ATT 1



Full Text of Bill 84

Different **fonts** indicate changes to the bill.

Supplemental note for this bill

Fiscal note for this bill

This bill with old style font codes (no html)

SB 84--

SENATE BILL No. 84 By Committee on Utilities 1-23

AN ACT concerning municipal and gas utilities; service outside three miles of city; amending K.S.A. 12-808a, 12-808b and 66-131 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 12-808a is hereby amended to read as follows: 12-

a. Whenever the governing body or the board of public utilities of any city owning or operating an electric or gas utility, any part of which is defined as a public utility under K.S.A. 66-104 *and amendments thereto*, shall deem it necessary for the proper construction, operation and management of such public utility, said governing body or board shall have and are hereby granted the power of eminent domain outside the corporate limit of such city, within the area subject to the jurisdiction and control of the corporation commission.

~~Subject to the approval of the corporation commission;~~ Every such utility shall have and is hereby granted the power and authority to determine the rate for service within any area located outside of and more than three (3) miles from the corporate limits of a city. ~~However, The rate for service in such an area may not exceed the rate charged for similar service to similar types and classes of service consumers located outside of and within three miles of the corporate limits of the city.~~ **shall be the same as** Nothing herein shall be construed as affecting the validity of rates, charged to consumers in such areas by a municipally owned or operated gas or electric utility, which have been established and are in effect on the effective date of this act, ~~but any change in such rates shall be subject to the approval of the corporation commission and must receive the commission's approval before said rates shall become effective.~~

Sec. 2. K.S.A. 12-808b is hereby amended to read as follows: 12-

b. Within ~~one hundred twenty (120)~~ **120** days after the effective date of this act, all municipally owned or operated electric or gas utilities having facilities located outside of ~~and more than three (3) miles from the corporate limits of the city shall file with the corporation commission in the manner prescribed by the commission:~~

- (a) A schedule of rates charged to all consumers ~~outside of and more than three (3) miles from the corporate limits of such municipality;~~ and
- (b) the location of all facilities of such utility located outside of ~~and more than three (3) miles from the corporate limits of such municipality.~~

Attach

**BEFORE THE SENATE UTILITIES COMMITTEE
PRESENTATION OF THE KANSAS CORPORATION COMMISSION ON SB 84**

Senate Bill 84 would remove the KCC's authority to review and approve the rates and services of municipal utilities affecting those customers residing more than three miles from the city. It would further provide that these customers be charged the same rate as those customers who currently reside within the three mile zone.

The Commission opposes Senate Bill 84 in its current form for the following reasons:

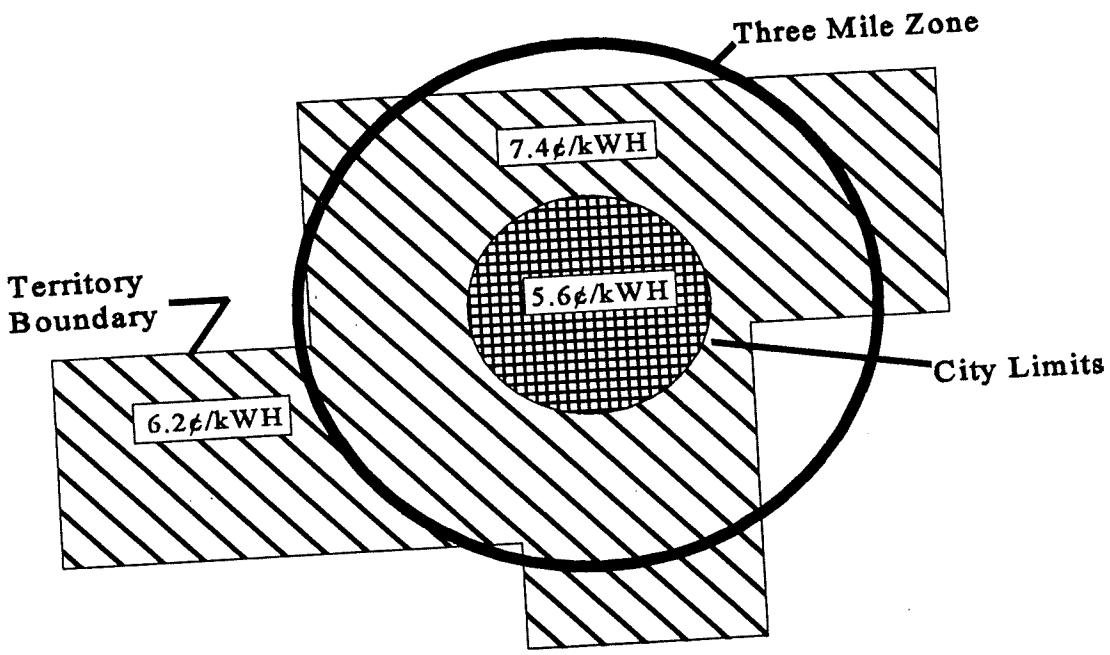
1. A municipal utilities customers who reside in the three mile zone have no input into the municipalities decision to change or modify the rates or services. They neither elect the governing body nor do they have a regulatory body they can complain to about rates or quality of service. This bill would take away the existing right of a customer outside of the three mile area to make a complaint to the Commission.
2. The suggested language which refers to "similar service to similar types and classes of service" is vague and would be subject to interpretation problems. Who would decide what "similar" is? The municipality?
3. This proposal may be premature in light of the current debate about retail wheeling. One of the tasks of the study approved by the Legislative Task Force on Retail Wheeling is to decide if the KCC or some other entity should have some jurisdiction over the municipal utilities to assure nondiscriminatory access and rates for power suppliers in a retail wheeling environment.

The Commission recognizes that regulation may be a burden to some of the utilities with a small number of customers outside the three mile zone; however, any legislation seeking to minimize this burden should at a minimum allow customers to petition the KCC to investigate the validity of their complaint about their rates.

SENATE UTILITIES
2-11-97
ATT 2

DAVE HIGGAMANN
ATTACH. 3

Residential Rates for the City of Russell



SCHEDULE 37

City of Russell, Kansas
(Name of Issuing Utility)

Replacing Schedule 32 Sheet 1

City of Russell
(Territory to which schedule is applicable)

which was filed May 13, 1981

No supplement or separate understanding shall modify the tariff as shown herein.

Sheet 1 of 5 Sheets

INSIDE CITY LIMITS

Filed for Informational Purposes Only.

RESIDENTIAL SERVICE

AVAILABLE

City Residents

APPLICABLE

This schedule applies only to services within the boundaries of the City, to one-family residences, rooming houses in which not more than three (3) rooms are available for renting and none of the rented rooms has kitchen facilities, and other living facilities while occupied either by only one person or by two (2) or more persons constituting one distinct family, and shall extend to a garage adjacent to or connected with any of the above mentioned quarters if used by an occupant of the quarters to which the garage is adjacent or connected; but this schedule does not apply to single metered dwellings accomodating two (2) or more families, each with separate kitchen facilities, or to any building in which four (4) or more rooms are available for renting, or to any building used for both residential and commercial purposes, unless the residential service and commercial service are measured by separate meters.

CHARACTER OF SERVICE

Service under this schedule will be single phase, 120 volt, 2 wire, or 120-240 volt, 3 wire.

NET MONTHLY BILL

RATE

First 25 KWH	9.3848¢ per KWH
Next 75 KWH	8.3848¢ per KWH
Next 900 KWH	5.6348¢ per KWH
Over 1,000 KWH	5.6348¢ per KWH

Minimum Charge

\$3.00 per month.

188948 U

Commission File Number

Issued August 12 1983
 Effective September 1 1983
 By *Roger W. W. [Signature]* Mayor
 Signature of Officer Title

FILED *Aug 12 1983*
 THE STATE CORPORATION COMMISSION OF KANSAS
Judith M. Connell Secretary



2-2

City of Russell, Kansas

(Name of Issuing Utility)
 All territory within three miles of the City
 limits serviced by the Municipal Utility.
 (Territory to which schedule is applicable)

Replacing Schedule 31 Sheet 1

which was filed May 13, 1981

No supplement or separate understanding shall modify the tariff as shown herein.

Sheet 1 of 4 Sheets

INSIDE 3-MILE ZONE OUTSIDE CITY

RESIDENTIAL SERVICE

Filed for Informational
 Purposes only.

AVAILABLE

Rural Residents

APPLICABLE

This schedule applies only to services outside the boundaries of the City, but within three (3) miles of such boundaries, to one-family residences, rooming houses in which not more than three (3) rooms are available for renting and none of the rented rooms has kitchen facilities, and other living facilities while occupied either by only one person or by two (2) or more persons constituting one distinct family, and shall extend to a garage adjacent to or connected with any of the above mentioned quarters if used by an occupant of the quarters to which the garage is adjacent or connected; but this schedule does not apply to single metered dwellings accomodating two (2) or more families, each with separate kitchen facilities, or to any building in which four (4) or more rooms are available for renting, or to any building used for both residential and commercial service are measured by separate meters.

CHARACTER OF SERVICE

Service under this schedule will be alternating current 60 cycles, single or three phase, at the voltage as the City may have available for the service required.

NET MONTHLY BILL

RATE

First 25 KWH	10.8848¢ per KWH
Next 75 KWH	9.8848¢ per KWH
Next 900 KWH	7.3848¢ per KWH
Next 1,000 KWH	7.3848¢ per KWH

Minimum Charge

\$4.00 per month

138948

Commission File Number

Issued August 12 1983
 Effective September 1 1983
 By *Ray L. Williams* Mayor
 Signature of Officer Title

FILED AUG 12 1983
 THE STATE CORPORATION COMMISSION OF KANSAS
 By *Judith S. Bennett* Secy

2423

THE STATE CORPORATION COMMISSION OF KANSAS

Index No.

SCHEDULE 39

City of Russell, Kansas

All territory more than three miles outside the City limits served by the Municipal Utility.

Replacing Schedule 35 Sheet 1 & 2

which was filed Aug. 12, 1983

(Territory to which schedule is applicable)

No supplement or separate understanding shall modify the tariff as shown hereon.

Sheet 1 of 3 Sheets

RESIDENTIAL SERVICE

AVAILABLE

Rural Residents

APPLICABLE

This schedule applies to service to property located more than three (3) miles outside the boundaries of the City.

CHARACTER OF SERVICE

Service under this schedule will be single phase, 120 volt, 2 wire or 120-240 volt, 3 wire.

NET MONTHLY BILL

RATE

Customer Charge (per month)
Energy Charge

\$5.00
6.219¢ per KWH

MINIMUM CHARGE

Customer Charge

OUTSIDE 3-MILE ZONE

State Corporation Commission
Filed JAN 9 1984 A.P.M.
General Secretary

138954 U
Commission File Number

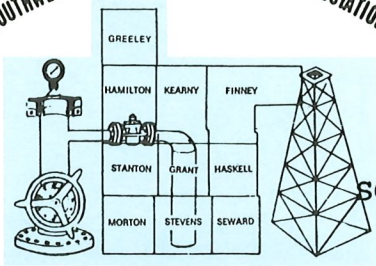
Issued January 5, 1984
Effective February 1, 1984
By Reginald W. Williams Mayor

FILED JAN 19 1984
THE STATE CORPORATION COMMISSION OF KANSAS
By [Signature] Secretary



2-5 2-4

SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION



PHONE (316) 544-4333
FAX (316) 544-2230

209 EAST SIXTH STREET

P.O. BOX 250
HUGOTON, KS 67951

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 1995 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

PRESIDENT,
JACK HAYWARD

EXECUTIVE SECRETARY,
ERICK E. NORDLING

ASS'T SECRETARY,
B. E. NORDLING

ASS'T SECRETARY,
WAYNE R. TATE

SENATE UTILITIES
2-11-97
ATT 3

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

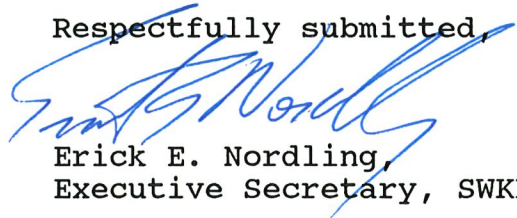
In summary, we urge your favorable consideration of Senate Bill No. 147, a compromise bill supported by members of the industry and royalty owners, as a method which will require payors of oil and gas production to provide information which will allow the royalty owner to clearly identify the amount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

EEN:een

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

DATE	NATURAL GAS		(ARKLA)	PANHANDLE		WILLIAMS NATURAL GAS CO. (TX, OK, KS)	AVERAGE PRICE OF INDEX
	ANR PPLNE CO. (OK)	PPLNE CO. OF AMERICA (OK)	NORAM GAS TRANS. (AR, OK)	NORTHERN NATURAL GAS CO. (TX, OK, KS)	EASTERN PPLNE CO. (TX, OK, MAINLINE)		
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 F.E.R.C.'S GAS MARKET REPORT, PRICES OF SPOT GAS DELIVERED TO
PIPELINES, FIRST ISSUE EACH MONTH

ATTACH. 4

February 11, 1997

To: Members of the Senate Committee on Utilities

Re: S.B. 147

Madame Chairperson 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 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.

REGARDING CHECK STATEMENTS

The small mineral interest owner has an interest in a product which in order to be sold 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 is what is on that check statement.

Some companies provide the royalty owner with the amount sold, the price, the gross taxes withheld, the decimal interest on which their payment is made, and the net figures for the royalty owner's portion. Others do not. The location of the well is not given and some companies use a lease number instead of the well name. (Exhibit 1, sample statements)

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 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. Unless they are still keeping their books on a penciled spreadsheet, it should not be difficult to include this information for 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 get the figures needed when they could easily be provided by the company.

One of the companies from which I receive payments is Black Dome. I have included a copy of their check statement for your information. You will note it does not show the payor's

SENATE UTILITIES
2-11-97
ATT. 4

name, gives no 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.

When I wrote to the company president in February 1994 asking for a record of monthly sales and price 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.

REGARDING CHANGES IN PAYORS

This bill could have one more provision that would be of great help. That is a requirement that Royalty Owners be notified within 60 days of any changes in operator/payors.

More than five years ago Texaco sold a part interest in a well on which they have been the operator for many years (McKinney A, Meade). No notice was given to the Royalty Interest Owners. At the same time changes were made on the statement in the way they accounted for the decimal interest paid. It appeared to equal out to the true interest. However, it was not until several of us realized our county mineral production taxes had doubled relative to the royalty amount received, that we found out there was another company that should have been paying us, also.

When I finally tracked down the other company last summer, they said they had not notified the royalty owners "because they didn't know who they were"! Texaco never did send notice.

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 they are 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 telling them 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 consider adding a payor notification provision, as well.

Respectfully submitted,

Sharon T. Rooney
Sharon T. Rooney

B/D Done

EXHIBIT 1

MONTHLY STATEMENT OF WELL DISBURSEMENTS

OWNER NO. R2001

DATE 12/15/96

No. 2 2

12-23-96

DATE	LEASE NUMBER	P C	OWNER'S INTEREST	OWNER'S VOLUME (BBLs OR MCF)	OWNER'S GROSS	EXPENSE	OWNER'S TAX	OWNER'S NET
09/95	70015	01	THEIS J #1	-52.47	-78.03	.00	-4.19	-73.94

TEXACO INC.

12-3-96

SEE REVERSE SIDE FOR CORRESPONDENCE ADDRESS

IDENTIFICATION NUMBER							PROPERTY NAME		CHECK NUMBER
MO	YR	UNIT PRICE	BBLs OR MCF	GROSS VALUE	PROPERTY WPT	SEV/PROD TAX	NET VALUE		
		YOUR DECIMAL	YOUR BBLs 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.									

1096G		1.89	422	79968	DO	232	79736		
		0029297	1	234	DO	00	00	234	

C131060

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

035651

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

OWNER #	LEASE NUMBER	LEASE NAME	SEVERANCE TAX DEDUCTED	NET VALUE	DECIMAL INTEREST	NET VALUE OF INTEREST
729	22-SK-104-01-001	THEIS	58.26	628.82	0.046875000	29.48
	09/96 2	961	536.26			

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	Decimal Interest	Gross Vol. Net Vol.	Gross Val. Net Value	State Taxes Description	Amount	GrsOthDeds NetOthDeds	BTU Factor NetRevenue	Netted & Check-Pymt	Balance Owed You
Frame Gas Unit													
199	6	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	5.12
199	6	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	23.42
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		845	4.65	.00	3729.74	.0156250	.0156250	13	58.35	.07	.00	58.28
CHECK TOTAL											58.35	.07	.00	58.28	

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