

Approved: MARCH 5, 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 12, 1997 in Room 531-N of the Capitol.

All members were present except:  
Sens. Hensley and Sallee were excused

Others attending: See attached list

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

Conferees appearing before the committee:  
Doyle Fair, Consulting Petroleum Engineer, Wichita  
Donald Schnacke, Exec. Vice-Pres., Kansas Independent Oil & Gas Association  
Clark Duffy, Assoc. Dir., Kansas Petroleum Council  
Bernard Nordling for John Crump, Dir., S.W. Kansas Royalty Owners Assoc.

Chairperson Ranson called the meeting to order and announced the continuation of the hearing for SB 147-relating to oil and gas; prescribing information to be included with payments to interest owners from sales of oil and gas. Sen. Ranson reminded the committee of yesterday's meeting where the committee heard testimony from Proponents Erick Nordling and Sharon Rooney. She announced continuation of hearing proponents for the bill; that written testimony (Attachment 1) has been distributed for F. Doyle Fair, and Sen. Clark gave a brief summary of the testimony. The following gave testimony as proponents:

Donald Schnacke (Attachment 2)  
Clark Duffy (Attachment 3)  
Bernard Nordling gave testimony of John Crump (Attachment 4)

The committee discussed a proposed amendment, which is part of Mr. Duffy's testimony, and an amendment drafted for committee consideration by Mr. Carman (Attachment 5).

The committee discussed proposed amendments and the wording. Sen. Morris made a motion the committee adopt language in the Revisor's draft, and it was seconded by Sen. Barone; the motion passed. Sen. Morris made a motion in Section 3, the last sentence to begin with an "A" and strike the "Such". The motion was seconded by Sen. Barone, and the motion passed. Sen. Morris made a motion SB 147 be passed as amended, and it was seconded by Sen. Jones; the motion passed. Roll call vote was taken, and the bill passed unanimously.

Sen. Ranson called committee's attention to SB 84-concerning municipal and gas utilities; service outside three miles of city and the hearing on February 11. She stated the rates furnished by the Kansas Corporation Commission were outdated and read current rates to the committee (Attachment 6) and also referred to the fiscal note. She reminded the committee of an error in the bill and the request from Mr. Stroup the language be changed. That change is on Page 1, Lines 42 and 43. Sen. Barone made a motion the original language be returned to the bill, and it was seconded by Sen. Steffes; and the motion passed.

Sen. Ranson also called attention to Page 2, Lines 1 and 2, and the request to restore that wording. Sen. Morris made a motion the changes be made, and it was seconded by Sen. Brownlee; and the motion passed. The committee continued by discussing another change, which had been requested by Western Resources, which is on Page 1, Line 27, and the new language which was added. The language desired should read that the rates outside the 3-mile areas would be the same as within the 3-miles. Mr. Carman indicated he understood wording the committee desired. Sen. Morris made a motion to so amend the bill, and it was seconded by Sen. Barone; the motion passed.

Sen. Ranson recognized Sen. Lee who made a conceptual motion to initiate the complaint procedure outside

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON UTILITIES, Room 531-N -Statehouse, at 1:30 p.m. on February 12, 1997.

the 3-miles, and it was seconded by Sen. Clark. The committee continued discussing the bill, and Sen. Salisbury questioned the complaint procedure and applying it outside the city and other committee members stated concern regarding the effect on customers both inside and outside the 3-mile area. Sen. Ranson warned that this amendment would regulate an area that has not been regulated before, and Mr. Heinemann read the statute which applies to cooperatives and the complaint process. Sen. Brownlee also questioned and voiced concern as to the procedure and the customers which it effects, both inside and outside the city. Sen. Lee further explained the Hearing process, which applies now, is time-consuming and expensive; the complaint process would be less time consuming and not as expensive. Sen. Ranson asked Mr. Stroup if the Kansas Municipal Utilities objected to the conceptual amendment, and Mr. Stroup answered they would not object. Sen. Ranson called for a vote on the conceptual amendment, and the conceptual amendment passed. Sen. Ranson requested that the amendment language be drafted and brought to the committee tomorrow for consideration.

Sen. Ranson announced the committee will consider **SB 177-relating to the corporation commission; time to issue reconsideration order** and a briefing on **SB 148-relating to natural gas gathering systems; providing for regulation of certain entities.**

Meeting adjourned at 2:20.

The next meeting is scheduled for February 13, 1997.

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: Feb. 12, 1997

NAME	REPRESENTING
Louis Stroup Jr.	KANSAS MUNICIPAL UTILITIES
Tom Bruno	Allen & Assoc.
Page Matthew Conley	paging for Steffes
(Page) Katherine Freund	paging for Steffes
Paula Buchanan-Syon	Inter - <sup>Rep.</sup> Carl Holmes
Ma Meyer	KS Gov. Consulting
Clark Ruff	KPC
Don Schwanke	KIOGA -
ED SCHAUB	WESTERN RESOURCES
Jim Miles	KCC
Doug Smith	SWKROA
Roger Frankie	KGC
Brenda Burk	Jonathan Small
DAVID B SCHLOSSER	PETE MCGILL & ASSOC.
David Holtzhaus	Western Resources
J.C. Long	UtiliCorp United, Inc.
Tom Peterson	KS Petroleum Council
Gennie Verdine	SWICROA

ATTACH 1

F. Doyle Fair  
Page 1 of 3

**F. DOYLE FAIR**  
*Consulting Petroleum Engineer*  
Wichita, Kansas

**Comments On SB 147 On February 11, 1997**  
**Before The Senate Committee On Utilities**

SENATE UTILITIES  
2-12-97  
ATT 1

I am Doyle Fair, a consulting petroleum engineer from Wichita. Since 1959 I have been self-employed and mineral appraisals for federal estate tax purposes are a substantial part of my work. During the appraisal process I see remittance advices, check stubs, payment detail or whatever comes with the check for payment of oil or gas. Over the years I have looked at payment details from over 400 companies. Not all purchased from Kansas leases but I can assure you that some Kansas purchasers have confusing documents attached to their check. After a couple of telephone calls and leaving messages on voice mail, I can usually resolve the question. If I have problems with some of the remittance advices, I can only imagine the frustration of an individual with less experience. When the Gas Task Force held a meeting in Liberal last September, I made an appearance representing myself. My comments included the inadequacy of remittance advices from some oil & gas purchasers and the inability of the State of Kansas to verify that taxes are being paid on all the gas produced in the state. Your time will not be taken in listening to those same comments but there is a problem with payment explanations. Each party writing a check for payment of oil or gas dances to their own tune. The tune is probably dictated by when the computer software was written for revenue distribution or perhaps there is no computer and the check is written by hand with little additional information.

SB 147 is a compromise bill through the efforts Erick Nordling (Southwest Kansas Royalty Owners Association), Steve Dillard (Pickrell Drilling) and Charles Wilson (Berexco, Inc.). All three are members of the Gas Gathering Task Force. Mr. Dillard represented the Independent Gas Producers. Mr. Wilson represented the Independent Gas Gatherers or Gather/Producers and Mr. Nordling represented Royalty Owners. This bill will enable a royalty owner to know or find out more about his mineral interests than is currently possible. With the changes in gas marketing and

transportation there are now deductions being made with little or inadequate explanation. Last Saturday I received a royalty check for gas sales from a Kansas operator where my gross income before deductions was \$97.54. \$25.11 was deducted with the explanation of "Less Expenses". This "Less Expenses" represented 25.7% of the gross income. The prior payor deducted only severance and conservation taxes. This bill enables anyone receiving a check for oil or gas sales to get a complete explanation as to any deductions being made.

I had nothing to do with negotiations between the parties and in reading the bill can recognize that neither side got all they wanted. It is my recommendation that the bill be approved as drafted.



## KANSAS INDEPENDENT OIL & GAS ASSOCIATION

105 S. BROADWAY • SUITE 500 • WICHITA, KANSAS 67202-4262

(316) 263-7297 • FAX (316) 263-3021

800 S.W. JACKSON • SUITE 1400 • TOPEKA, KANSAS 66612-1216

(913) 232-7772 • FAX (913) 232-0917

*Attach. 2*

**Testimony of Donald P. Schnacke, Executive Vice President  
Kansas Independent Oil & Gas Association  
before the  
Senate Utility Committee  
February 12, 1997**

**RE: SB 147 - Information Required Upon Sales of Oil or Gas**

I am Don Schnacke, Executive Vice President of the Kansas Independent Oil & Gas Association. We are appearing as a proponent of SB 147.

After listening to the testimony yesterday and conferring last night with the management of our Association, we are not changing our position in supporting SB 147, but we would like the legislature to know how we feel about having the government imposing more regulations on our industry and how our industry will conduct its business in the future.

SB 147 is statewide legislation - not limited to SW Kansas. It affects over 2,800 Kansas producers and numerous purchasing companies. In the 23 years I have represented KIOGA, we have not received one complaint from any royalty, working or override interest, which could exceed 500,000 in number throughout Kansas. This bill would mandate a uniform reporting procedure arising from the sale of over \$2 billion per year of both crude oil and natural gas.

We have never thought there was a clear need for this legislation. We listened to the plea from the Southwest Kansas Royalty Owners Association and we thought the problem was arising from the sale of natural gas in southwest Kansas and Hugoton field producers consisting of up to 15 major companies, a few large independent companies and up to 75 small independents. But yesterday the two examples for the need for this legislation used by the conferees were two small independent operators. One was Hi Gar Petroleum, Inc. of Ulysses, Kansas and the other was Black Dome of Colorado.

I looked up both of these companies and found that Hi Gar was was not currently a licensed operator with the KCC in the state of Kansas. Its operator's license expired in March of 1996. When it was an active company, it have an average daily production of natural gas of 48 mcf and no oil production.

Black Dome of Colorado is listed and is known. They report 0.93 bbl/day of oil and 486 mcf/day of gas - not exactly representative of the Kansas industry when you consider SB 147 touches 121,000 bbl/day of oil and 1,993,870 mcf/day of gas.

I talked last night with the immediate past president of EKOGA which represents, literally, hundreds of small producers throughout an 18-county area in eastern Kansas. EKOGA was not included in the negotiations when the concept of this bill was developed. He was perplexed to learn of the testimony given yesterday and the examples used.

*SENATE UTILITIES  
~~2-12-97~~  
ATT. 2*

**Testimony of Donald P. Schnacke, KIOGA**

**Senate Utility Committee**

**February 12, 1997**

**Page 2**

Following the compromise meetings held at the urging of the SW Kansas Royalty Owners Association, KPC, Amoco and KIOGA announced they had to take the issue back to their respective management and boards for comment and ratification. We warned that EKOGA was not included in the meetings and the development of this statewide legislation.

Our position is that if you believe there is a compelling need demonstrated for this legislation, then the language contained in SB 147 would be what we recommend. From the very beginning, reaching back to last year, there has never been a clear-cut compelling need demonstrated to justify the State of Kansas imposing a new layer of regulation on our industry operating throughout the state.

DPS:pp



Attach. 3



**TESTIMONY ON SENATE BILL 147  
SENATE UTILITIES COMMITTEE  
BY  
CLARK DUFFY  
KANSAS PETROLEUM COUNCIL  
FEBRUARY 12, 1997**

I am Clark Duffy, Associate Director of the Kansas Petroleum Council. The Kansas Petroleum Council represents major oil companies and allied industry companies in Kansas.

I appear today as a proponent of Senate Bill No. 147. The Kansas Petroleum Council believes every royalty owner has the right to the basic information as described in Senate Bill 147.

The member companies of the Kansas Petroleum Council are already in compliance with the provisions of this bill or are in substantial compliance and will be in compliance by the effective date of the Act.

The Kansas Petroleum Council would suggest grammatical improvements to the bill for your consideration. I have attached a copy of the suggested changes to my testimony.

Thank you.

SENATE UTILITIES  
2-12-97  
ATT. 3

=====

SENATE BILL No. 147  
By Committee on Utilities  
1-30

AN ACT relating to oil and gas; prescribing information to be included with payments to interest owners from sales of oil and gas.

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

Section 1. Any person making a payment for proceeds attributable to oil or gas production shall include, ~~or shall be calculable from,~~ the following information *or such information shall be calculable from information provided with each payment made to a payee:*

- (a) ~~The lease, property, or well name or any lease, property, or well identification number used to identify the lease, or well;~~
- (b) the month and year during which the sale occurred for which payment is being made;
- (c) the total volume of oil, attributable to such payment, measured in barrels and the total volume of either wet or dry gas, attributable to such payment, measured in thousand cubic feet;
- (d) the price per barrel of oil or thousand cubic feet of gas sold;
- (e) total amount of state severance and production taxes;
- (f) payee's interest in the sale expressed as a decimal;
- (g) payee's share of the sale before any deductions or adjustments;
- (h) payee's share of the sale after deductions or adjustments;
- (i) an address and telephone number where additional information may be obtained and any questions answered.

Sec. 2. Nothing contained in this act shall be construed to amend or otherwise affect any contractual obligations or rights which may otherwise exist.

Sec. 3. Upon written request by the payee, submitted to the payor by certified mail, the payor shall provide to the payee in writing a specific listing of the amount and purpose of any other deductions or adjustments, including volumetric deductions, with explanation of such treatment. ~~Such~~ <sup>A</sup> written response shall be provided within 60 days of the receipt of such certified mail request.

Sec. 4. The district courts within this state shall have the jurisdiction to determine damages, interest, court costs, attorneys' fees or allowable litigation expenses incurred by a party in an action to enforce this act.

Sec. 5. This act shall take effect and be in force from and after January 1, 1998, and its publication in the statute book.

Attach. 4  
Bernard Nordling

STATEMENT OF  
JOHN CRUMP, DIRECTOR  
SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION  
LAKIN, KANSAS 67860

Madam Chairman, Ladies and Gentlemen:

I regret that a long standing appointment precludes my personal appearance and I have asked Erick Nordling, Executive Secretary of the Southwest Kansas Royalty Owners Association, to read my statement.

I as an owner of mineral royalties in Kearny County; my wife also is an owner of royalty interests. She is also co-trustee of a Testamentary Trust which administers a number of royalty holdings in Kearny County and she and I are both officers in a family-owned corporation which owns some royalty interests. In these capacities, I see payments from nine different producing companies and I base my remarks to you on my experience with those payments. I am also a member of the Board of Directors of the SWKROA.

I want to address one of the 16 issues which was studied by the Task Force on gas gathering and that is the adequacy of information on payment statements. It is my view that the present system -- if "system"

SENATE UTILITIES  
2-12-97  
ATT 4

is the correct term for the manner in which gas producing companies report to royalty owners -- does not always provide royalty owners with adequate, easily understood, and accurate information and that this present system could easily be improved.

This improvement, while not difficult to attain, would be very helpful to royalty owners. Most of us view ourselves as informal partners with the producing companies and are seeking the information which any partner in any enterprise would expect. Being on the low end of the information chain is very frustrating to us and we would like the help of the Legislature in bringing about a change in that situation.

I believe that we could see a great improvement in the information provided to royalty owners by the use of a standardization reporting format. At the present time, each company has its own form of abatement and the information which royalty owners wish to scrutinize is listed differently on each of those statements. It is very difficult for royalty owners to examine these widely differing statements and ascertain with precision the quantity of gas taken during the reporting period, the price paid for that gas, our decimal interest our share of deductions and

the net payment. The change I propose would not, of course, answer all our questions; for example, we are never able to determine how the price was calculated; we must accept the company's statement that price indicated was indeed the price the gas was brought when sold. A standardized reporting format would, however, be a great improvement on the present system.

An example of how an improved system of statements would assist us would be in the reconciling of statements from two producing companies which share the same lease -- not an uncommon situation in the Hugoton Field. My wife owns some property on which two companies share the production one of those companies reports to her each month on the total volume of gas taken, measured in MCF, the price paid per MCF, and her share of the sale based on a decimal representing her ownership; the other company reports to her on a quarterly basis, reporting its half the gas taken, measured by MMBTU, a much lower price paid per MMBTU, and using a different decimal to calculate her share, apparently because of intro-company agreements to which she is not a party. It is difficult to avoid the impression that it is confusion results from

a deliberate effort to be obscure.

I believe that the standardized format I mentioned should include eight items: Precise identification of the lease, property or well from which gas has been taken; the month and year during which the sale occurred for which payment to the royalty owner is being made; the total volume of the gas taken, measured in thousand cubic feet; the price per thousand cubic feet of gas sold; the amount of severance and production taxes paid; the royalty owner's share in the sale, expressed as a decimal; and the royalty owner's share of the sale prior to any deductions, adjustments or additional charges. We as royalty owners, feel we should not be assessed charges for gathering, compression or dehydration and we want to know if these charges are being assessed before our net payments are calculated. In addition, each statement should include an address and telephone number where additional information or clarification could be obtained.

Ladies and gentlemen, this would not be an onerous burden. The producing companies have this information; it is used to calculate our payments at the present time. I am simply asking that this already

available information be processed onto a standardized format each month.

In conclusion, I strongly urge that legislation be enacted to require full and timely reports to royalty owners by gas producing companies, using a standardized reporting format.

Thank You.

John E. Crump

Attach. 5

CRS147k

Revisor

PROPOSED COMMITTEE AMENDMENTS TO SB 147

The Committee on Utilities recommends SB 147 be amended on page 1, in line 13, by striking all after "Section 1."; by striking all of lines 14 and 15 and inserting "When a payment is made for proceeds attributable to oil or gas production, the payment shall be accompanied by, or calculable from, the following information which shall be submitted with the payment:"; in line 28, by striking "where" and inserting "from which"; and the bill be passed as amended.

SENATE UTILITIES  
2-12-97  
ATT. 5



THE STATE CORPORATION COMMISSION OF KANSAS

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 above herein.

Sheet 1 of 5 Sheets

913  
483-6311  
Russell  
483-5544  
483-1111  
483-1111

# INSIDE CITY LIMITS

## RESIDENTIAL SERVICE

Filed for Informational Purposes Only.

Current rates inside city + 3 mile limit? + outside 1983 '83 '84

what about oil field? rates

### 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

Current - 1981 filed

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	10.3848
Next 75 KWH . . . . .	8.3848¢ per KWH	9.3848
Next 500 KWH . . . . .	5.6348¢ per KWH	6.6348
Over 1,000 KWH . . . . .	5.6348¢ per KWH	

#### Minimum Charge

\$3.00 per month.

SENATE UTILITIES  
2-12-97  
ATT. 6

188948 U

Commission File Number

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

FILED 12 1983  
THE STATE CORPORATION COMMISSION OF KANSAS  
Judith M. Connel Secretary

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

Filed for Informational Purposes only.

## RESIDENTIAL SERVICE

### 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.

*still in effect  
Current 1991*

### NET MONTHLY BILL

#### RATE

First 25 KWH . . . . .	10.8848¢ per KWH	11.8848
Next 75 KWH . . . . .	9.8848¢ per KWH	10.8848
Next <del>900</del> KWH, <i>over 100</i> . . . . .	7.3848¢ per KWH	
Next 1,000 KWH . . . . .	7.3848¢ per KWH	8.3848

#### Minimum Charge

\$4.00 per month

*6-7*  
138948 U

Commission File Number

Issued August 12 1983  
 Effective September 1 1983  
 By *Lydia W. McCl...* Mayor  
 Signature of Officer Title

FILED AUG 12 1983  
 THE STATE CORPORATION COMMISSION OF KANSAS  
 By *Judith...* Secretary

SCHEDULE.....37

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

(Territory to which schedule is applicable)

which was filed Aug. 12, 1983

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

*hasnt change since 1984*

MINIMUM CHARGE

Customer Charge

**OUTSIDE 3-MILE ZONE**

State Corporation Commission  
Filed JAN 9 1984 A.M.  
*Quinn* Secretary

63  
138954 U  
Commission File Number.....

Issued January 5, 1984

Effective February 1, 1984

By *Reginald Williams* Mayor  
Signature of Officer Title

FILED JAN 19 1984  
THE STATE CORPORATION COMMISSION OF KANSAS  
By *William M. Powell* Secretary

