

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairperson Don Myers at 9:00 a.m. on January 27, 1998 in Room 514-S of the Capitol.

All members were present except:

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

Conferees appearing before the committee: Bill Wix, Assistant General Counsel, KCC, Wichita

Others attending: See attached list

Chairman Don Myers opened the meeting to discussion regarding the minutes that were distributed last week for the meetings January 13, 14 and 5. The Chairman recognized Representative Stone who made a motion to accept the minutes. Representative Vining seconded the motion. Motion carried.

The Chairman announced that the Committee will not meet tomorrow. The Chairman recognized Representative Sloan, Chairman of the Sub-committee on Retail Wheeling, who also announced that the Sub-committee will not be meeting tomorrow, but will meet today, Thursday, and three days next week. Representative Sloan also mentioned that anyone who wishes to appear before the Sub-committee to talk about the role of the Kansas Corporation Commission is welcome. The Chairman stated that there has been a change on the Sub-committee in that Representative Kuether had a conflict with another committee meeting and Representative Toelkes will be taking her place.

The Chairman asked if there were any bill introductions. The Chairman mentioned that he had a bill requested from Representative Campbell which has to do with the Kansas City area and a problem they had with the utility line locator statute that originally says that when you have damage to a utility line, and there is a serious electrical short or dangerous gases or fluids escaping from the broken line, the excavator shall inform emergency personnel. There was a problem in that they did not know who to notify and they notified the utility. Apparently the utility at that time could not get to that problem. The statute would be changed to read something to the effect to immediately shall inform emergency personnel of the municipality in which such an electrical short or broken line is located. This tells them exactly who to notify. Questions and discussion followed regarding definition of municipality. The Chairman recognized Representative McKinney who made a motion to introduce a bill regarding the utility line locator statute. Representative Alldritt seconded the motion. Motion carried.

Hearing on HB 2418 - Reporting of transfer of responsibility for oil or gas well, gas gathering system or underground gas storage system

The Chairman mentioned that his plans were to work HB 2418 if time permits. Lynne Holt, Staff, of the Legislative Research Department, distributed articles from the Kansas City Star that appeared for three days, January 25, 26 and 27 regarding natural gas. (Copies available from Legislative Research.) The Chairman introduced Mary Ann Torrence, Staff, Revisor of Statutes Office, who briefed the Committee on the bill. A copy of the fiscal note was distributed to the committee.

The Chairman recognized Bill Wix, Assistant General Counsel for the Conservation Division, Kansas Corporation Commission, proponent, Wichita, who testified in favor of HB 2418. (Attachment #1) Questions and discussion followed.

The Chairman read a letter submitted as written testimony by Don Schnacke, Kansas Independent Oil & Gas Association (KIOGA), proponent, in support of HB 2418. (Attachment #2) Questions and discussion followed.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES, Room 514-S Statehouse, at 9:00 a.m. on January 27, 1998.

The Chairman asked if there were any additional proponents or opponents in the room that wanted to testify. There being none, the hearing was closed.

The Chairman recognized Representative McKinney who made a motion to pass favorably **HB 2418** and place it on the Consent Calendar. Representative Stone seconded the motion. Motion carried. The Chairman asked Representative McKinney to carry the bill.

The Chairman mentioned that on Thursday, January 29, 1998, there will be a hearing on **HB 2649**, the anti-slamming bill, and plans are to work the bill on Friday, January 30, of this week. Also, a hearing is scheduled for **HCR 5035** on Friday, January 30, 1998. The Chairman asked the Committee to watch for the revised agenda.

The meeting was adjourned at 9:25 a.m.

The next meeting is scheduled for January 29, 1998.

Testimony of William J. Wix
Assistant General Counsel
Kansas Corporation Commission
Conservation Division
before the
House Committee on Utilities
January 27, 1998

Good morning, I am William (Bill) J. Wix, Assistant General Counsel, for the Conservation Division of the State Corporation Commission. I am appearing today to testify in support of House Bill No. 2418.

During the 1996 Legislative Session, House Substitute for Senate Bill 755 was enacted. That act accomplished many important legislative changes to the laws governing the regulation of oil and gas production in the State of Kansas. A major part of that law was the financial assurance provisions for licensing. Those provisions to establish financial responsibility requirements for oil and gas operators within the State took effect on January 1, 1998.

K.S.A. 55-155(d) sets forth the different types of financial assurance which must be demonstrated annually in order to be licensed. Subsections (1) and (2) both are computed based upon the number of wells which are individual operator's responsibility and are computed by reference to depth factor of each well.

Currently there is no expressed statutory authority requiring operators to register a transfer of leases with the Commission. Although we do have a regulation pertaining to the filing of such transfers, we feel it is necessary that this be made a statutory responsibility. Only by keeping track of all leases and number of wells on each lease and the depth of each well, can the Commission properly compute the amount that an operator will have to pay when renewing their license when required.

An additional benefit to this legislation will be the assistance it provides in determining responsible parties for wells in terms of plugging liability. There have been cases where claims have been made against the last known operator only to discover that the lease has been transferred through several other operators but never reported.

House Utilities
01-27-98
Attachment 1

In dealing with such abandoned wells, our district field staff always verify recordings with the Register of Deeds to determine if an oil and gas lease or assignment is of record. Quite often they are not.

By making this a statutory responsibility the Commission will be better able to implement the legislative intent of the 1996 Legislature in enforcing financial assurance and in assisting with the identification of responsible parties.

Thank you. If you have any questions, I will be glad to answer them.

60th
YEAR

KIOGA

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January 27, 1998

In the House Committee on Utilities
Statement By Donald P. Schnacke
Kansas Independent Oil & Gas Association

RE: HB 2418- Transfer of Oil and Gas Responsibility.

My name is Don Schnacke, representing the Kansas Independent Oil & Gas Association. Due to a conflict of hearings today we are unable to appear in person today on the merits of HB 2418.

We are aware of this proposed legislation. It was discussed at a meeting of the KCC Oil & Gas Advisory Committee last year. KIOGA's a member of that committee. The bill was introduced last session.

We believe it is in the best interest of the Industry and the State Corporation Commission to have the responsibility for operations that have been transferred reported to the Commission. Therefore, we support HB 2418 and urge its enactment.

Donald P. Schnacke

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House Utilities
01-27-98
Attachment 2