

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Senator David Corbin at 8:00 a.m. on March 20, 2000 in 245-N of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Legislative Research Department  
Mary Ann Torrence, Revisor of Statutes Office  
Lila McClafin, Committee Secretary

Conferees appearing before the committee:

Dick Brewster, BP Amoco  
Pat Hubbell, Anadarko  
Ron Hein, Pioneer Natural Resources USA, Inc.

Others attending:

See attached list.

With a motion from Senator Vratil and a second from Senator Morris the minutes of March 14 were adopted.

The hearing was opened on **HB 2823**-Valuation of certain natural gas wells for property tax purposes.

Dick Brewster, BP Amoco, said the bill is intended to clarify the nature of the Kansas property tax, or ad valorem tax as it is applied to Kansas gas and oil producing properties (Attachment 1).

Concern was expressed with the amendment that was added in the House Committee and where the language came from. Staff said the language came from the revisors office.

Pat Hubbell, Anadarko, supported the bill as it addresses a gross injustice dealt to Kansas natural gas producers at the hands of the federal government. **HB 2823** seeks to clarify the Kansas legislature's original intent as to how the value of oil and gas properties is determined for tax purposes. It is clear that on producing wells, the ad valorem tax has always been determined based upon production of the oil or gas actually severed from the earth. Therefore, the tax should be deemed, in accordance with the Natural Gas Policy Act of 1978, similar to a production tax and would qualify as an appropriate add-on cost under FERCs former rules. That is what the legislature intended and that is what **HB 2823** would make clear (Attachment 2).

Ron Hein, Pioneer Natural Resources USA, Inc., requested passage of the bill, as it clarifies what the Legislature thought was the intent and effect of the ad valorem tax on oil and gas during the time frame when the severance tax was enacted (Attachment 3). Mr. Hein responding to a question, he said, he was in the Kansas Senate and a member of the Ways and Means Co. when the severance tax was passed and it was their understanding at that time that the tax would be passed through.

Written testimony was submitted by Dick Carter, Barbee and Assoc., from Robb Wilson, Northern Natural Gas opposing **HB 2823** (Attachment 4).

Ron Gaches, on behalf of Colorado Interstate Gas and Williams Co., said passage of the bill would encourage producers to try and litigate all over again whether the Kansas ad valorem tax on gas can be passed on to consumers or not. He further stated it is time to negotiate some settlement that mitigates the adverse impact of the decision on Kansas's royalty owners and small producers (Attachment 5).

Nancy Vandenberg, Coastal Corporation, believed if the bill passed it would stall the settlement process.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

It could easily delay settlement discussion between the parties and lead to more court cases delaying resolution for years (Attachment 6). Responding to questions Ms. Vandenberg stated they thought the bill would stop the settlement process and probably was unconstitutional.

Ron Gaches and Bob Krehbiel both responded to questions regarding the court decisions.

The hearing on **HB 2823** was closed.

Chairperson referred to **HB 2762**—Inspections of controlled shooting areas. Chairperson reminded the committee a motion was on the floor to strike the correspondence course portion of the bill. A substitute motion was offered by Senator Morris to strike all the language starting in line 43, page 1, and through line 20 on page 2, and a new sec. 2 would be inserted, and Section 2 (b) would contain the language “completion of an approved hunter education course shall not be required to obtain a special controlled shooting area hunting license valid only for licensed controlled shooting areas, with a 2 year sunset provision” The motion was seconded by Senator Huelskamp. Motion carried.

Senator Huelskamp with a second from Senator Morris moved that HB 2762 as amended be passed. Motion carried.

Chairperson referred to **HB 2976**—Penalties for taking trophy big game animals.

Senator Tyson presented a visual of a deer rack. From a hunters position, he described how difficult it would be to determine the measurement of a racks spread and with a scope on a gun, he said it is easy to determine the points on a rack.

Senator Biggs moved that on page 1, in line 31, the bill be amended to read “18 inches”. The motion was seconded by Senator Vratil and the motion carried.

Senator Biggs with a second from Senator Morris moved that **HB 2976** be passed as amended. The motion carried.

Chairperson than referred to **HB 2975**-the purple paint bill.

Clint Riley, Wildlife and Parks was called on to describe the current penalty for trespassing on posted land.

Senator Tyson with a second from Senator Vratil moved that **HB 2975** be passed. The motion carried.

Chairperson than referred to **HB 2860** -Utilization of solid waste management fund.

Senator Stephens moved to amended the bill to cleanup how the tipping fee is used. The motion was seconded by Senator Biggs. A substitute motion was made by Senator Huelskamp to amended the bill to allow county commissions to exempt solid waste from the statewide tipping fee if it is transferred out of state through a solid waste transfer station. If a county commission would take this action, then all entities in that jurisdiction would be banned from receipt of any solid waste grant. Motion carried.

Senator Huelskamp with a second from Senator Tyson moved that **HB 2860** be passed as amended. Motion carried.

The meeting adjourned at 9:00 a.m., and the next scheduled meeting will be on March 21, 2000.



**Hearing on  
House Bill 2823**

**Before the  
Senate Committee on Energy and Natural Resources**

**March 20, 2000**

**Comments by:**

**Dick Brewster  
BP Amoco**

Senate Energy & Natural Resources

Attachment: /

Date: 3-20-2000

Mr. Chairman, members of the Committee, for the record, my name is Dick Brewster and I am Government Affairs Director for BP Amoco. I am appearing today in favor of passage of House Bill No. 2823. I sincerely appreciate the opportunity to speak with you about the purpose of and need for this legislation.

The bill is intended to clarify the nature of the Kansas property tax, or *ad valorem* tax as it is applied to Kansas gas and oil producing properties. The definition, or characterization of this tax is a very important issue for gas producers and owners of gas royalty interests in Kansas. Let me briefly explain why this is so:

First, there was the Federal Power Commission, (FPC) which administered a system of "national rates" for natural gas. Then in 1979, a successor agency, the Federal Energy Regulatory Commission (FERC) which administered the Natural Gas Policy Act (NGPA).

In 1974, in Opinion 699-D, the FPC accepted the argument, offered by the Kansas Corporation Commission, that the Kansas property tax is "...based on production factors, and as such is in fact a severance or production tax...."

Then in 1979, the NGPA created the FERC, which administered the NGPA, and established "maximum lawful prices" for natural gas. The ceiling price for gas depended on the type or category of well the gas came from. Under the NGPA, a producer could not get more than the ceiling price for the gas from the purchaser. And, in most cases back then, the purchaser was an interstate pipeline. However, "production" or "severance" taxes were allowed to be added to the ceiling price and passed on through the pipeline to the ultimate consumer.

Under FPC Opinion, 699-D, the Kansas property taxes were added to the maximum lawful price when the gas was sold to the pipelines. Then in 1986, FERC rejected a petition to rescind this order, and continued to allow the tax pass through. In upholding 699-D, the Commission declared that "there are valid reasons for treating the Kansas tax as a tax 'similar' to a severance tax."

That order was appealed and on June 28, 1988, the DC circuit of the U. S. Court of Appeals remanded the case back to FERC, stating that FERC's decision allowing the Kansas property tax to be added on to the ceiling price, "fell short of reasoned decision making." The Court did NOT direct FERC to rescind 699-D, but rather to more rationally explain its reasoning in allowing the pass through.

In 1993, FERC, apparently unable to develop what it thought to be a sufficiently adequate rationale basis, rescinded 699-D, and said the Kansas property tax was NOT a severance type tax and could not be passed through under the ceiling price structure, which by the way, is now a thing of the past. FERC disallowed the pass through from June 28, 1988 forward.

The FERC decision as to that date was appealed and in 1996, the DC Court said the pass through was disallowed from October 4, 1983. So, rather than refund the tax passed through back to 1988, the Court said producers had to refund the tax collected back to 1983. The FERC date was based on the idea that producers got a clear signal that there was a problem with the pass through in 1988, when the Court was critical of FERC's rationale in allowance of the pass through.

The Court's date, 1983, was based on the date an interstate pipeline asked FERC to disallow the pass through. I find it hard to see how we could rationally be expected to take an interstate pipeline's expression of displeasure with a Federal agency order as a clear signal that we could not rely on the order any longer.

Frankly, Mr. Chairman, members of the committee, we believe Kansas producers and royalty owners were deceived. We relied on the word of Federal agency. And now, the gas producers and royalty owners in Southwest Kansas are expected to repay some \$400 million in taxes, interest and penalty

Hence, House Bill No. 2823. This bill is an attempt to clarify in the statute what we thought to be the case. As you have heard already, most of us in Kansas thought the property tax was sufficiently akin to a "production" type tax that it could be added to the ceiling price of gas sold by Kansas producers. Most of the members of the House and Senate which passed the Kansas severance tax thought so too. We all thought that, as the FPC said in 1974 at the urging of the Kansas Corporation Commission, "the Kansas advalorem tax is based on production factors, and, as such is in fact a severance or production tax merely bearing the title 'advalorem' tax."

The late Tim Hageman for many years was a contract appraiser for most of the major gas producing counties in Southwest Kansas. A State Certified County Appraiser, Tim worked for the county appraisers in appraising gas and oil producing properties in those counties. At the hearing before FERC which resulted in the reaffirmation in 1986 of the right to pass through the property tax as a "production based" tax, Tim offered an affidavit outlining the method used for appraising production properties. In that sworn statement, Tim stated, "The amount of remaining recoverable reserves are not taken into consideration." The outline he presented clearly indicates the value of the production is the primary factor in determining the value of the oil or gas property being taxed.

We do not expect or desire that the language in subsection 1 (d) of the bill would change the way *ad valorem* taxes are assessed or collected on our gas producing properties, only to clarify the method. Section 1 (a) of this bill is current law, and it allows the appraiser to take into consideration a number of factors, only some of which are listed. However, the primary factor in determining the value of a gas producing property in Kansas is, and has been for decades, the volume and price of the gas produced.

Subsection 1 (b), also current law, is telling on this point. It sets out the method of determining the value of a property which was producing only part of a year, after July 1 of

the year in question. It directs the appraiser to determine "the quantity of oil or gas such property would have produced during the entire year preceding **the year in which such property is first assessed upon the basis of the actual production** in such year...." (Emphasis added.)

In other words, this section contemplates that once a property is producing for its first full calendar year, and subsequent years, it is "...assessed upon the basis of the actual production." That is to say, its value is determined by its production. Said another way, production is the basis of valuation of oil and gas properties, just like the FPC said in 1974 and FERC said in 1986, and just as we all thought when the Kansas Severance tax was adopted.

The assessment ratio itself may be determined by an oil or gas property's production. If an oil well produces five barrels or less a day, or a gas well produces 100 mcf a day, the ratio is 25%. If production is higher, the ratio is 30%. Again, production is the important factor.

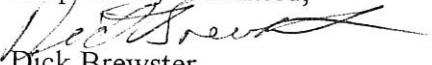
I'm aware that there is concern that this bill may change the characteristic of the property tax as it applies to oil and gas properties. Such a change is not our intent. In fact, changing the nature of the tax would damage our position that it is, and always has been, proper to allow the pass through of the tax in the first place.

Proposed subsection (d) merely states that it is and always has been the intent of the Kansas Legislature that the value of oil and gas properties are based primarily on production. And the property tax is based on that value. We are simply hopeful that subsection (d) will make that historical fact clear. The property tax is a tax on the value of the property being taxed. In the case of an oil or gas property, that value is based on the value of actual production, or production factors, and not on recoverable reserves, making it a "production type" tax. We believe this is a correct characterization of the Kansas property tax and hope FERC can use this legislation to come to the same conclusion.

We urge passage of House Bill No. 2823 as it was amended by the House.

Mr. Chairman, members of the Committee, thank you again for your time and attention. I'll be glad to answer any questions you might have.

Respectfully submitted,



Dick Brewster

BP Amoco

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**Statement of Patrick Hubbell  
On Behalf of Anadarko Petroleum Corporation  
In Support of HB 2823  
Before the Senate Energy & Natural Resources Committee  
March 20, 2000**

Thank you for allowing me to testify today in support of HB 2823. The bill addresses a gross injustice dealt Kansas's natural gas producers at the hands of the Federal government. Your passage of HB 2823 could rectify that and ultimately save Kansas producers and the state of Kansas several hundred millions of dollars.

A quick review of Anadarko's history and involvement in the state of Kansas will help you understand why Anadarko is so interested in the bill. Anadarko has been a part of the economic and social landscape here for more than 40 years. Those ties go back even farther than that—to the birth of the local energy industry itself. The well that discovered the Hugoton Field, the lifeblood of a number of communities for more than three-quarters of a century, is still operating on land that is now an Anadarko lease. The company has quite literally grown up with the oil and gas business in southwest Kansas.

While the company has expanded the scope of its operations significantly over the past 14 years, Anadarko's roots are in Kansas and the state is still the home of one of its largest asset concentrations. Throughout the Hugoton Embayment, Anadarko controls about one million acres and approximately 2,700 wells. Production from the area in 1999 was more than 72 billion cubic feet of gas and roughly one million barrels of oil and condensate. Through its ongoing commitment of capital to the area, Anadarko has continued to find new reserves that have helped extend the life of this mature hydrocarbon basin and provide the energy necessary to meet the country's needs.

As you can see, Kansas remains crucial to the company, which is why the proposed legislation before you is so important.

At its most basic level, the issue addressed by HB 2823 is whether Anadarko and other Kansas producers should be punished for following rules promulgated by the government. If you'll indulge me for just a moment, I would like to briefly summarize the events that have led us to this point.

The Natural Gas Policy Act of 1978 contained a provision that allowed producers to add a "severance, production or similar" tax to what was the maximum lawful price for natural gas at that time. The Federal Energy Regulatory Commission ("FERC") ruled that the Kansas ad valorem tax qualified as such a tax, so Anadarko, along with other producers, collected it from purchasers of its gas.

In 1983, a request to reverse FERC's ruling regarding the ability of producers to

*Senate Energy  
attachment*  
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collect the Kansas tax was submitted and three years later denied by FERC. The decision was then appealed to the U.S. Court of Appeals for the District of Columbia Circuit which, in 1988, sent the case back to FERC -- not to reverse FERC, but to have FERC explain its decision. Five years later, in 1993, FERC reversed its previous pronouncements and ordered producers to refund, with interest, the Kansas ad valorem taxes collected after 1988. FERC reached this result by determining that the Kansas ad valorem tax was not based on production. The ruling was later modified by the D.C. Circuit Court in 1996 requiring refunds of tax reimbursements collected **as far back as 1983**. In May of 1997, Anadarko joined with other producers in filing a petition that would have granted them relief from the interest portion of the refund. The petition was denied by FERC four months later.

The proposal before you today simply seeks to clarify the Kansas legislature's original intent as to how the value of oil and gas properties is determined for tax purposes. It is clear that on producing wells, the ad valorem tax has always been determined based upon production of the oil or gas actually severed from the earth. Therefore, the tax should be deemed, in accordance with the Natural Gas Policy Act of 1978, similar to a production tax and would qualify as an appropriate add-on cost under FERC's former rules. That is what the legislature intended and that is what HB 2823 would make clear.

Your support for this proposal is crucial, not only to the state's oil and gas producers, but to the communities in which they operate. Under FERC's existing order, Anadarko may be responsible for refunding more than \$46 million, almost two-thirds of which is for interest payments alone. That's money that would otherwise be available for drilling and development programs, as well as community initiatives.

Anadarko's impact on the state's economy is undeniable. At year-end 1999, the company's Liberal Division employed more than 200 workers representing a payroll of more than \$9 million. Another 2,000 people work for companies contracted by Anadarko. In 1999, the company paid in excess of \$9 million in royalties and more than \$12 million in Kansas property and oil and gas severance taxes.

In conclusion, FERC's actions over the 17-year history of this case have been indecisive and punitive. The decision to make the refunds retroactive was harsh enough -- especially considering that producers were in good faith following the government's directions; imposing interest on top of that is draconian. Your support for HB 2823 will help ensure that money and resources continue to be directed to promoting a strong oil and gas economy in our state.

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**Testimony re: HB 2823**  
**Senate Energy and Natural Resources Committee**  
**Presented by Ronald R. Hein**  
**on behalf of**  
**Pioneer Natural Resources U.S.A., Inc.**  
**March 20, 2000**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for Pioneer Natural Resources USA, Inc. Pioneer is one of the largest independent exploration and production oil and gas companies in North America, with major operations in the United States, Canada, Argentina and South Africa. Pioneer's headquarters are in Irving, Texas.

Pioneer supports the passage of HB 2823, which passed the House 111/0. This bill is an effort to correct a manifest injustice that resulted from a retroactive decision that was made by the Federal Energy Regulatory Commission (FERC) which reversed an earlier opinion of the Federal Power Commission (FPC) which was the predecessor to FERC. In the 1970s, FPC had ruled that the property tax in Kansas was, in essence, a severance tax. As you have heard from other conferees, FERC reversed this position in the 1990s, and made their decision retroactive. Therefore, those natural gas producers that had relied upon the earlier FPC ruling (which passed the cost of the property tax paid in Kansas to the consumer) were required to repay retroactively the amount of the tax that was passed on, plus interest and penalties. Ultimately, this injustice has been, to date, upheld by the courts.

I was in the legislature at the time the FPC made its earlier ruling, and was very actively involved in the legislative process when the state enacted a severance tax as an add on to, what everybody thought at that time, was the existing severance tax on gas and oil.

Since the ad valorem or property tax was assessed pursuant to a formula that looked at the production from the well, it was always perceived to be a production based tax rather than a "classic" type of property tax.

HB 2823 clarifies what the legislature thought was the intent and effect of the ad valorem tax on oil and gas during that time frame. Had the law been worded in this manner originally, rather than totally relying upon prior interpretations, the manifest injustice which occurred with the FERC retroactive order would never have occurred in the first place.

Pioneer would respectfully request that the committee approve HB 2823 for passage. Thank you very much for permitting me to testify, and I will be happy to yield to questions.

*Senate Energy & Natural  
Attachment 3 Res.  
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Opposition Statement of Northern Natural Gas  
Submitted to the Senate Judiciary Committee  
Legislative Hearing House Bill 2823

The NNG pipeline system consists of approximately 16,500 miles of pipe and 59 BCF of total storage capacity. In Kansas, NNG operates in 23 counties, serving residential, commercial, and industrial customers in 27 communities. In 1998, NNG paid nearly \$9 MM in property taxes to the State of Kansas.

House Bill 2823 proposes to recharacterize the Kansas ad valorem tax levied on gas producing properties as a severance tax, dating back to the inception of the tax. As a consequence of passage of HB 2823, gas producing properties would purportedly be relieved of Kansas ad valorem tax refund obligations ordered by the Federal Energy Regulatory Commission in December 1993.

NNG opposes advancement of HB 2823 for the reasons discussed below:

- HB 2823 further confuses the reimbursement of Kansas ad valorem taxes, as ordered by the U.S. Court of Appeals for the District of Columbia Circuit and the Federal Energy Regulatory Commission. Currently, the refund to gas consumers in Kansas is estimated to be \$60 MM.
- The bill is legally infirm under holdings of both the United States Supreme Court and the Supreme Court of Kansas. Those holdings prohibit the legislature from trying to upset a judgment once it has vested. In other words, once the Federal Court ruled and the FERC (which had regulatory authority over the gas producers during the period at issue) ordered refunds, no state legislature can undo the underlying statutes in such a way that the order can be frustrated.

NNG respectfully requests the committee defer to other methods or existing processes to address this issue utilizing the FERC process for ultimate resolution.

*Sen. Energy & Natural Resources  
Attachment 4  
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**McGILL  
GACHES**



**& ASSOCIATES INC.**

**GOVERNMENT AFFAIRS & PUBLIC RELATIONS**

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**Testimony of Ron Gaches  
McGill, Gaches & Associates**

**On behalf of Colorado Interstate Gas and Williams  
Regarding HB 2823**

**Before the Senate Energy and Natural Resources Committee  
Monday, March 20, 2000**

*Sen Energy & Natural Res  
attachment 5  
3-20-2000*

The circumstances that have given rise to this proposal were described in great detail during the hearing of SB 571 on Monday of last week. The intent of this bill is simple; to give gas producers the opportunity to bring the issue of the FERC ordered ad valorem tax reimbursement back to the federal courts.

The argument in support of the bill is simple too. FERC and the federal courts have messed everything up. There's nothing you can do that could make it worse. This bill offers some hope for changing the decision of the federal courts.

That argument, however attractive, is wrong. There is something you can do that will make the situation worse. You can encourage participants to go back to the courts for a time-consuming delay of the settlement process.

It is a well-established principle of law that the state legislature cannot supercede the effect of federal legal or regulatory judgements. If this were not the case, state legislatures would constantly be passing laws to ease the financial and regulatory federal burden on home state industries.

Passage of HB 2823 will encourage producers to try to litigate all over again whether the Kansas ad valorem tax on gas can be passed on to consumers or not. But that decision has already been made. It was based not on the name of the tax or on the characterization we give to the tax. Rather, it was based on the mechanics of the tax.

The issue has been decided. It is time to negotiate some settlement that mitigates the adverse impact of the decision on Kansas's royalty owners and small producers.

That process took an important step Monday of last week following the hearing on SB 571. For nearly three hours stakeholders in this issue discussed their concerns and perspectives and shared candid opinions about the federal order and its impact.

The settlement process has also been advanced by two proposals; one from Williams and the Missouri Public Service Commission, and the other from Colorado Interstate Gas and the Colorado Public Service Company.

If HB 2823 becomes law the settlement process will end. Not because the pipeline industry will leave the table, but because producers will. They will test the new law, a process that will likely take several years. Meanwhile, the interest on the reimbursement liability will continue to build. Credits that are attractive today won't be as attractive when the total liability is larger in a few years, making it all the more difficult to settle this case.

If you want to promote a settlement of this issue vote NO on HB 2823 and SB 571 and keep the pressure on all parties to settle.

Testimony  
Colorado Interstate Gas Company  
Senate Energy and Natural Resources Committee  
House Bill 2823  
Monday, March 20, 2000

Mr. Chairman, members of the committee, my name is Nancy Vandenberg. I am Director of State Government Affairs for Coastal Corporation and am here to testify in opposition to HB2823.

This bill seeks to rename the Kansas ad valorem tax levied on gas producing properties. Through the use of language, the tax would be characterized as a severance tax, dating back to the inception of the tax. This is an attempt to cause the property tax levied on producing properties to become acceptable for reimbursement under the Natural Gas Policy Act of 1978.

While we applaud the Kansas legislature for trying to bring resolution to a long standing dispute, this bill will not only NOT resolve the legal issues but will lead to more time and money being spent in courts. The bill seeks to overturn a valid judgement by FERC (Federal Energy Regulatory Commission) and the court of appeals.

Under holdings of both the United States Supreme Court and the Supreme Court of Kansas the legislature is precluded from trying to upset a judgment once it has vested. In other words, once the Federal Court ruled and the FERC (which had regulatory authority over the gas producers during the period at issue) ordered refunds, no state legislature can undo the underlying statutes in such a way that the order can be frustrated. The relevant cases, McCullough v. Commonwealth of Virginia in the U.S. Supreme Court and Kansas City Life Ins. Co. v. Anthony et al. in the Supreme Court of Kansas, are still very firmly the law.

FERC's ultimate decision was not made based on what the tax called itself. The decision was made based on the actual mechanics of the tax, as compared with similar taxes in other states. Thus, an attempt in Kansas to simply rename the tax, without changing the fundamental way it was levied from 1983 to 1988, will have absolutely no effect on the Federal finding that the tax was not reimbursable under the Federal statutory scheme of the NGPA. The NGPA prices were based on the market for energy, not on the producers' costs, and basically the FERC found it inappropriate to add the Kansas tax to those market-based prices.

Both the Federal Court and the FERC have found that Congress did not intend for producers to add this tax to their NGPA prices. The refunds were ordered as a federal matter in FERC's role as the interpreter of the Natural Gas Policy Act. **The refunds were deemed unworthy of passthrough as a factual matter, based on how and to whom the tax was assessed, not based on the words of the statute. Changing the statutory language at the state level is not going to change that factual interpretation by FERC and the U.S. court of**

*Senate Energy & Natural Resources  
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**appeals.**

Colorado Interstate Gas Company is actively engaged in efforts to resolve the concerns of Kansas royalty owners and small interest owners on our pipeline system at the FERC. On March 8<sup>th</sup> we filed an "Offer of Settlement" at the FERC and the first round of comments are due back on March 28<sup>th</sup>. As recently as last Monday, following Senator Morris' conference, we meet with interested parties here in Topeka regarding that settlement. By the way, that meeting which Senator Morris facilitated did more to move the parties toward settlement than HB2823 could ever do. All parties are eager to resolve this issue and we look forward to progressing down the road to resolution as fast as telephones, faxes and meeting schedules will allow.

CIG believes that HB2823, if it passes, will stall this settlement process – it could easily delay settlement discussions between the parties and lead back to court delaying resolution for years to come. We urge the members of the Senate Energy and Natural Resources Committee to support industry settlement efforts to resolve the Kansas royalty/small producer issues. Please vote no on HB2823.