

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Sen. Pat Ranson at 1:30 p.m. on March 9, 2000 in Room 231-N of the Capitol.

All members were present except:

Sens. Hensley and Salisbury were excused

Committee staff present:

Lynne Holt, Legislative Research Department  
Mary Torrence, Revisors of Statute Office  
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:

Teresa Splane, Contractor, Splane Pulling and Roust About Service, Inc., Chanute  
Keith Splane, Contractor, Splane Pulling and Roust About Service, Inc., Chanute  
Maurice Korphage, Director of Conservation, Kansas Corporation Commission

Others attending:

See attached list

Sen. Ranson asked the pages assisting the committee today to introduce themselves. Sen. Ranson announced the committee will hold a public hearing regarding the issue of plugging of abandoned wells and introduced the following:

Teresa Splane, (Attachment 1)  
Keith Splane, (Attachment 2)

Mrs. Splane also provided a Summary of Contracts (Attachment 3) which she explained to the committee and pointed out several irregularities. In answer to a question from Sen. Barone regarding bid procedures, Mrs. Splane stated they did not know how to receive bids and they were not able to get that information from the District 3 office. Subsequently, they are now taking bid information from the web site. Sen. Ranson questioned if the same people are in the District 3 office (Chanute) and operating in the same way. Mrs. Splane responded that the same people are in the office, and it is operating in the same manner. Mrs. Splane stated to make the bids more competitive and fair, the bidding should be based on the price per well or by the hour. Committee members questioned Mr. Splane regarding well plugging and he told of obstacles in the trade and of a new piece of equipment he has devised, called a "plugger one", which can run pipe and pump cement; however, the State will not allow him to use it for state plugging projects. Mr. Splane also contracts with private companies and bids by the well or by the hour, which he says allows the wells to be plugged at a much cheaper rate.

Sen. Clark asked why a well would be drilled out, after it has been plugged, and Mr. Splane answered he has asked the same question. Sen. Clark also questioned him regarding putting bids out for plugging 26 well, and the number is increased to 111. Mr. Splane did not have an answer for that either. Sen. Morris stated the KCC has identified approximately 100,000 wells as difficult to locate. Mr. Splane stated he has found all wells shown on the map; however, he has had to search for them on foot, as they are under trees, bushes and weeds, etc.; they also discussed locating wells in rivers and streams. Sen. Ranson asked Mr. Splane if he believes there are an adequate number of well pluggers in the state, and Mr. Splane answered there are three pumping companies in the Chanute area.

Sen. Ranson introduced Maurice Korphage, who showed slides regarding the Conservation Division's "Abandoned Well and Site Remediation Fund" (Attachment 4).

Sen. Ranson announced the hearing will continue Monday and asked Mr. Korphage to return for questions and discussion.

Meeting adjourned at 2:30.

Next meeting will be March 13.

# SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 8, 2000

NAME	REPRESENTING
<i>John Houlihan</i>	<i>Div of Purchases</i>
<i>John Houlihan</i>	<i>Dept of Admin</i>
<i>Rick Scott</i>	<i>KCC</i>
<i>Alonna Hubman</i>	<i>KCC</i>
<i>Ronit S. Atkisson</i>	<i>self</i>
<i>Kathy Atkisson</i>	
<i>Daniel Atkisson</i>	
<i>Heather Hartrell</i>	
<i>Bob Hehrich</i>	
<i>Sam Heard</i>	<i>Self</i>
<i>Mike Shure</i>	
<i>Alvin Splane</i>	<i>Splane Pulling &amp; Mounting Inc.</i>
<i>Keith Splane</i>	<i>Splane Pulling &amp; Mounting Inc.</i>
<i>Terri Splane</i>	<i>Splane Pulling &amp; Mounting Inc.</i>
<i>Jim Allcu</i>	<i>EKOGA</i>
<i>Bob Barnett</i>	<i>"</i>
<i>Stan Ross</i>	<i>EKOGA : Consolidated</i>
<i>Steve Skaggs</i>	<i>EKOGA 3 Consolidated</i>



A-1

I AM TERRI SPANE. I AM HERE REPRESENTATING SPLANE PULLING & ROUSTABOUT SERVICE, INC. FROM CHANUTE KANSAS. SPLANE PULLING IS ONE OF THE FEW KNOWLEDGABLE OIL FIELD SERVICE COMPANIES STILL OPERATING IN THE SOUTHEAST KANSAS AREA SINCE 1959.

WE HAVE BEEN CONTRACTING ABANDONED WELL PLUGGING FOR THE STATE OF KANSAS FOR THE LAST 3 YEARS. WE HAVE PLUGGED 5 LEASES AND ARE CURRENTLY WORKING ON OUR 6TH ONE.

I HAVE REVIEWED THE PERFORMANCE AUDIT REPORT THAT WAS SUBMITTED FEBRUARY 20, 1998.

MY FOCUS TODAY IS ON QUESTION 2 OF THE AUDIT. IS THE CONSERVATION DIVISION EFFECTIVELY DEALING WITH THE THE BACKLOG OF OLD, UNPLUGGED OIL & GAS WELLS IN THE STATE?

BASED ON THE DATA INCLUDED IN THE AUDIT REPORT, RESEARCH I HAVE DONE, AND SOME OF THE OTHER CONTRACTORS AND OIL FIELD PEOPLE I HAVE TALKED WITH, IT IS MY OPINION THAT THE CONSERVATION DIVISION DISTRICT #3 STAFF HAVE NOT ALWAYS FOLLOWED THE APPROPRIATE GUIDELINES TO INSURE THAT THE CONSERVATION DIVISION PAYS THE LOWEST AND FAIREST PRICE FOR THE ABANDONED WELL PLUGGING.

OVER THE PAST 2 1/2 YEARS I HAVE REQUESTED , TO THE BEST OF MY KNOWLEDGE, ALL THE WELL PLUGGING CONTRACTS PROCESSED THROUGH THE DIVISION OF PURCHASES SINCE THE ABANDONED WELL PLUGGING WAS CHANGED TO THE BID SYSTEM. I HAVE SPENT COUNTLESS HOURS REVIEWING AND COMPILING A SUMMARY OF THIS INFORMATION.

THIS SUMMARY CONSISTS OF INFORMATION GATHERED FROM THE CONTRACT PROPOSALS, THE LIST OF CONTRACTORS RECOMMENDED BY THE DISTRICT FIELD OFFICES, THE BID TABULATION SHEETS, AND COPIES OF THE ACTUAL BIDS SUBMITTED. IN 1998, THE DIVISION OF PURCHASES STARTED REQUIRING THE CONTRACTORS TO SUBMIT PROPOSED EQUIPMENT LISTS AND A LISTING OF SUBCONTRACTORS TO BE UTILIZED ON THEIR PROJECTS. THIS HAS PROVIDED ME WITH SOME ADDITIONAL INFORMATION.

ACCORDING TO THE AUDIT REPORT, WHEN THE ENHANCED FUNDING EXPIRES IN 2002, IT WAS ESTIMATED THE DIVISION WILL HAVE PLUGGED ONLY 2800 WELLS AND SPENT            SOMEWHERE IN THE NEIGHBORHOOD OF 10 MILLION DOLLARS. I WAS ASTONISHED AT THOSE FIGURES, AND COULD NOT BELIEVE THE LOW NUMBER OF WELLS THAT HAVE BEEN PLUGGED.

ON PAGE 25 OF THE REPORT, IT STATES THAT FOR THE CONTRACTS OVER \$10,000 EACH, THE REVIEWS SHOWED THAT ALL PURCHASING REQUIREMENTS HAD BEEN FOLLOWED AND THE CONTRACTS HAD BEEN AWARDED TO THE LOWEST BIDDER. I DO AGREE THAT THE DIVISION OF PURCHASES HAS FOLLOWED THE PURCHASING GUIDELINES AND HAVE, TO THE BEST OF THEIR KNOWLEDGE AWARDED THOSE CONTRACTS FAIRLY.

HOWEVER, AS MY SUMMARY SHOWS, THE DISTRICT #3 STAFF WAS RECOMMENDING BID PROPOSALS TO BE SENT TO CONTRACTORS OUT OF STATE AND MANY MILES AWAY            FROM THIS AREA, AND TO SUBCONTRACTORS THAT WERE WORKING FOR THE CONTRACTORS THAT WERE SUBMITTING BIDS. OF THESE CONTRACT PROPOSALS, THERE WERE 2 THAT ONLY 1 BIDDER RETURNED A BID. RATHER THAN REBID THESE CONTRACTS, THEY WERE AWARDED AND CONSIDERED REASONABLE. ON ONE OF THESE

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LEASES, THE WELLS WERE PLUGGED FOR \$5,020.00 PER WELL. ON THE OTHER LEASE THE WELLS WERE PLUGGED FOR \$6,536.00 PER WELL.

AT THIS SAME TIME, CONTRACTORS IN THE IMMEDIATE AREA WERE ASKING THE DISTRICT #3 STAFF HOW TO OBTAIN BID PROPOSALS. NUMEROUS TIMES WE WERE TOLD THEY COULD NOT GIVE US ANY INFORMATION REGARDING BIDS OR ANY FUTURE BIDS.

THERE IS ANOTHER PLUGGING CONTRACTOR IN THE MONTGOMERY COUNTY AREA THAT WAS ALSO ASKING MEMBERS OF THE DISTRICT #3 STAFF HOW TO RECEIVE BID PROPOSALS. HE WAS ALSO TOLD THEY COULD NOT GIVE HIM ANY INFORMATION.

I KNOW THAT YOU HAVE BEEN TOLD THAT PLUGGING COSTS VARY GREATLY FROM WELL TO WELL, DEPENDING ON ITS LOCATION AND CONDITION. (PAGE 23) HOWEVER, WE STILL THINK THIS IS EXTREMELY HIGH. SINCE SPLANE PULLING HAS BECOME INVOLVED, THE PLUGGING HAS BECOME MUCH MORE COMPETITIVE AND THE PRICES NOW AVERAGE AROUND \$2,000.00 PER WELL.

I ALSO KNOW THE COST OF TRAVELING AND MOVING ALL THIS EQUIPMENT OVER LONGER DISTANCES IS GOING TO COST CONTRACTORS A LOT MORE MONEY AND THEY ARE GOING TO BID HIGHER. I DO NOT UNDERSTAND WHY THE DISTRICT STAFF WOULD RECOMMEND CONTRACTORS OUT OF STATE, RATHER THAN CONTRACTORS IN THE IMMEDIATE AREA.

IF THIS DISTRICT OFFICE TRULY HAD THE STATES' BEST INTEREST AT HEART IN OBTAINING SERVICES AT THE FAIREST AND MOST REASONABLE PRICES, WHY WOULD THEY DO THIS?

WE LATER CALLED TOPEKA AND FOUND OUT THE CONTRACT PROPOSALS WERE LISTED ON THE INTERNET AS THEY ARE RELEASED FOR BID. WE STARTED REQUESTING & BIDDING ON THE PROPOSALS. WE WERE THE LOW BIDDER ON THE NEXT 2 PROPOSALS THAT WENT OUT. A MEMBER OF THE DIST. #3 STAFF WAS FURIOUS WITH KEITH WHEN HE WAS NOTIFIED THAT SPLANE PULLING WAS THE LOW BIDDER. HE DEMANDED TO KNOW HOW WE OBTAINED OUR BID PROPOSAL. THIS IS WHEN WE STARTED ENCOUNTERING PROBLEMS WITH THIS OFFICE.

IT IS STATED IN THE AUDIT THAT EVEN IF THE STATE WANTED TO ADDRESS THE PROBLEM MORE QUICKLY BY PROVIDING MORE FUNDING, IT MIGHT NOT BE FEASIBLE TO DO SO. THE NUMBER OF CONTRACTORS AVAILABLE TO PLUG WELLS IS LIMITED. I CAN TELL YOU FROM OUR OWN EXPERIENCE, THAT THIS IS NOT ALWAYS THE CASE. OUR COMPANIES' PLUGGING DIVISION HAS SET IDLE FOR MONTHS WAITING FOR CONTRACT PROPOSALS TO COME OUT OVER THE INTERNET. EVEN THOUGH KEITH HAS BEEN HIGHLY COMMENDED FOR THE JOB THAT HE HAS DONE AND HIS KNOWLEDGE OF THE OIL FIELD, BY SEVERAL DIFFERENT KCC REPRESENTATIVES OVERSEEING OUR PROJECTS, WE ARE RARELY ONE OF THE CONTRACTORS THEY HAVE RECOMMENDED. IN THE 3 YEARS THAT WE HAVE BEEN PLUGGING FOR THE STATE OF KANSAS, WE HAVE BEEN ASKED TO BID ON ONLY 3 OF THE SMALLER PROJECTS, AND ONLY ONCE WHEN THEY KNEW WE WERE NOT ENGAGED IN ONE OF THE LARGER PLUGGING CONTRACTS AND FREE TO WORK ON THESE PROJECTS. IF THE CONSERVATION COMMISSION IS NOT GETTING ENOUGH WELLS PLUGGED, WHY AREN'T THEY PREPARING MORE BID PROPOSALS AND SUBMITTING THEM TO THE DIVISION OF PURCHASES WHEN THEY KNOW THERE ARE OTHER CONTRACTORS THAT ARE FREE TO PLUG?

ON PAGE 25 & 26 OF THE AUDIT, THE SMALL PLUGGING PROJECTS ARE ADDRESSED. FOR THE 1.5 MILLION DOLLARS SPENT IN FISCAL YEAR 1997, ABOUT ONE-THIRD OF THAT

MONEY WAS USED TO PLUG WELLS THAT COST LESS THAN \$10,000. ON PAGE 26 THE REVIEW STATES "OVERALL, THE BIDS PROVIDED BY INDIVIDUAL VENDORS WERE SO POORLY DOCUMENTED THAT WE FREQUENTLY COULDN'T CONCLUDE WHETHER JOBS WERE AWARDED FAIRLY, OR WHETHER THE DISTRICT'S CONTRACTING PROCESS RESULTED IN THE LOWEST COST TO THE STATE.

DURING THE FALL OF 1999, WE MET WITH JEFF & CHARLOTTE KEPHART OF KEPHART DRILLING, INC. ALTHOUGH I HAD SEEN THEIR COMPANIES' NAME ON THE LISTS FOR RECOMMENDED CONTRACTORS, I HAD NEVER MET EITHER ONE OF THEM. DURING THE CONVERSATION, THE SUBJECT OF THESE SMALL PLUGGING JOBS CAME UP. CHARLOTTE TOLD ME THAT A MEMBER OF THE DISTRICT #3 STAFF HAD BEEN BRINGING THEM AS MANY AS 2 PROPOSALS PER WEEK, AND TOLD HER IF THEY DIDN'T HAVE TIME TO DO THEM, TO JUST BID THEM HIGH, AS THEY NEEDED 3 BIDS. I CAN SEE THAT THEY HAVE BEEN TRYING TO FOLLOW SOME OF THE POST AUDIT COMMITTEES' RECOMMENDATIONS ON PAGE 27, IN ATTEMPTING TO OBTAIN 3 BIDS, FOR EACH SERVICE, BUT I DO NOT CONSIDER THIS THE PROPER PROCEDURE TO INSURE THAT THE STATE IS GETTING THE MOST FOR ITS MONEY.

IN THE SECOND PARAGRAPH ON PAGE 25, THE AUDIT STATES "DISTRICT STAFF ACT AS THE GENERAL CONTRACTOR AND SOLICIT BIDS FOR THE INDIVIDUAL SERVICES (SUCH AS DRILLING, WATER HAULING, AND CEMENT) NEEDED TO PLUG A WELL. THIS PROCEDURE REQUIRES THEM TO SEEK BIDS ON AS MANY AS FIVE DIFFERENT TYPES OF SERVICES FOR A SINGLE PROJECT. DISTRICT STAFF TOLD US THEY THINK THIS PRACTICE RESULTS IN THE DIVISION OBTAINING LOWER PRICES THAN IF IT CONTRACTED WITH ONE VENDOR FOR THE WHOLE PROJECT." I TOTALLY DISAGREE WITH THIS. AS A CONTRACTOR THAT PROVIDES ALL SERVICES REQUIRED TO PLUG A WELL (WITH THE EXCEPTION OF PERFORATING), THESE WELLS COULD BE PLUGGED AT A MUCH LOWER COST IF ONE CONTRACTOR DID THE WHOLE PROJECT. WE HAVE BEEN PLUGGING ON A PER WELL BASIS FOR PRIVATE COMPANIES AND INDIVIDUALS FOR SOME TIME NOW, AND THEY HAVE BEEN VERY SATISFIED.

IN MY OPINION, ALL WELL PLUGGING PROJECTS SHOULD GO THROUGH THE DIVISION OF PURCHASES, AS THEY HAVE THE NECESSARY QUALIFICATIONS FOR HANDLING PURCHASING PROCEDURES.

I HAVE TO QUESTION THE DISTRICT STAFFS' ABILITY TO EFFECTIVELY AND EFFECIENTY HANDLE THESE PURCHASING PROCEDURES.

AFTER ALL, ISN'T THE PRINCIPAL OBJECTIVE HERE TO ACQUIRE QUALITY GOODS & SERVICES FOR STATE AGENCIES AT FAIR & REASONABLE PRICES?

H-2

MY NAME IS KEITH SPLANE. I AM VICE PRESIDENT OF SPLANE PULLING & ROUSTABOUT SERVICE, INC.

I HAVE WORKED IN THE OIL AND GAS INDUSTRY FOR OVER 25 YEARS. I AM HERE TODAY AS A TAX PAYER, AND A WELL PLUGGING CONTRACTOR.

AS A TAX PAYER AND A LAND OWNER IN THE STATE OF KANSAS, I THINK THE ABANDONED WELL PLUGGING PROGRAM IS VERY MUCH NEEDED TO PROTECT OUR ENVIRONMENT, OUR PUBLIC SAFETY, AND OUR GROUND SOURCE WATER. IN MY HONEST OPINION, IN THE FUTURE OUR MOST PRECIOUS RESOURCE WILL BE FRESH WATER.

**ENVIRONMENT** - A LOT OF THE WELLS THAT I HAVE PLUGGED, WERE LEAKING OIL AND SALT WATER ON THE SURFACE IN LOW LYING AREAS WHICH WHEN FLOOD, TAKE OIL AND SALT WATER DOWN OUR WATER WAYS TO A LOT OF OUR CITIES' WATER SUPPLIES.

**PUBLIC SAFETY** - THERE HAS BEEN NUMEROUS REPORTS OF CHILDREN FALLING IN ABANDONED WELLS IN THIS COUNTRY. FORTUNATELY, TO MY KNOWLEDGE, NONE IN THE STATE OF KANSAS. NOT ALL ABANDONED WELLS ARE LOCATED IN HEAVILY POPULATED AREAS. THE MAJORITY OF WELLS ARE LOCATED IN RURAL AREAS, WHERE THERE IS STILL CHILDREN.

**GROUND SOURCE WATER** - I MYSELF, HAVE A FRESH WATER WELL, SUPPLYING WATER TO MY HOME. ALL OLD ABANDONED WELLS ONLY HAVE 10 TO 20 FEET OF SURFACE PIPE AND ARE NOT CEMENTED TO SURFACE, WHICH CAN ALLOW OIL AND SALT WATER TO GET IN TO OUR UNDERGROUND FRESH WATER SUPPLY, WHICH IN OUR AREA IS 200 FEET TO SURFACE. MY WELL IS 50 FOOT DEEP. I WOULD BE DEVASTATED IF CRUDE OIL SHOWED UP IN MY WATER SUPPLY.

AS A WELL PLUGGING CONTRACTOR AND TAX PAYERS, MY WIFE AND I HAVE MONITORED THE WELL PLUGGING PROGRAM OUT OF COMPETITIVENESS AND CURIOSITY SINCE 1997. OUR FINDINGS WERE VERY SURPRISING.

AS A TAXPAYER - FROM THE INFORMATION I HAVE GATHERED, I FEEL THE WELL PLUGGING PROGRAM SHOULD BE PUT ON A PER WELL BASIS RATHER THAN PER HOUR BASIS.

AS A WELL PLUGGING CONTRACTOR - I HAVE PLUGGED HUNDREDS OF WELLS IN MY CAREER. EARLY IN MY CAREER, THE ONLY WELLS THAT WERE BEING PLUGGED WERE BREAK OUT AND UNCONTROLLABLE WELLS THAT HAD TO BE PLUGGED AND WERE TOUGH TO SEAL OFF. AS FOR THE ABANDONED WELL PLUGGING, I HAVE YET TO SEE A WELL THAT WAS TOUGH TO SEAL OFF.

IN 1996, I LEARNED OF THE ABANDONED WELL/REMEDIATION SITE FUNDING AT WHICH TIME I CAME UP WITH THE CONCEPT OF A WELL PLUGGING RIG THAT CAN RUN PIPE AND PUMP CEMENT. WHICH I BUILT. AND WHEN I SAY BUILT, I MEAN I DID NOT PAY A BILL FOR ANY LABOR. I ACTUALLY DESIGNED, ENGINEERED, AND SCREWED EVERY BOLT AND PIPE FITTING TOGETHER, WELDED EVERY WELD MYSELF. IT WAS ESPECIALLY BUILT FOR THE EASTERN KANSAS OIL AND GAS INDUSTRY. IT IS THE ONLY ONE IN THE STATE OF KANSAS AND IN THE WORLD. AND WE CALL IT "PLUGGER ONE" DO TO BUREAUCRATIC B. S. I AM ONLY ALLOWED TO PUMP CEMENT WITH IT FOR STATE PLUGGING PROJECTS AND AM REQUIRED TO USE A SEPARATE RIG TO RUN PIPE.

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THIS ACTUALLY RESULTS IN BRINGING IN AN EXTRA PIECE OF MACHINERY. WITH " PLUGGER ONE", ONLY 3 MACHINES ARE REQUIRED TO PLUG A WELL. 4 MACHINES ARE REQUIRED WITH A SEPARATE RIG TO RUN PIPE, WHICH IN MUDDY CONDITIONS IT IS OBVIOUS IT IS FASTER TO MOVE 3 PIECES INSTEAD OF 4 PIECES OF MACHINERY.

AS A WELL PLUGGING CONTRACTOR, ALL THE WELLS I PLUG FOR PRIVATE COMPANIES, ARE ON A PER WELL BASIS PLUS CEMENT. DUE TO THE FACT THAT THEY LIKE A SET PRICE WITH NO SURPRISES. I THINK THE STATE WOULD ALSO LIKE THIS.

I THINK ALL THE CONTRACTORS INVOLVED IN STATE PLUGGING SHOULD HAVE PLUGGED ENOUGH WELLS TO PLUG ON A PER WELL BASIS, PLUS CEMENT, DUE TO DEPTH AND DIAMETER OF THE HOLE. THIS WILL RESULT IN MORE WELLS PLUGGED FOR THE STATE OF KANSAS AND SAVE MONEY FOR THE TAXPAYERS. TO SUM IT UP, THIS IS MORE BANG FOR OUR TAX BUCK.



SPLANE PULLING AND ROUSTABOUT SERVICE INC.

(Revised 3/8/2000)

"The division of purchases was established as one of the original four divisions of the Department Of Administration in 1953. It is responsible for the purchasing of all goods and services required by the state, except for road construction, and right-of-way acquisition. The division of purchases requires competitive bidding wherever practical. **The principal objective of the division of purchases is to acquire quality goods & services for state agencies at fair & reasonable prices.**" (Department of Administration *A Guide For Vendors*).

The total cost & completion dates of the following bid proposals were obtained from Gale Barnhart of the Kansas Corporation Commission. All other contractual information was obtained from the Kansas Division of Purchases under the open records act.

After reviewing this information, any statements included in this exhibit are my personal opinions based on The facts obtained herein and our involvement in the oil industry in this area for many years.

**The State of Kansas is very fortunate to have Ms. Frances Welch, procurement officer for the Division of Purchases. We feel that she has done everything in her power to see that the bidding process is carried out in the fairest possible manner. However, we have voiced many of our concerns to the Kansas Corporation Commission over the past 2 years, with very little positive results.**

Splane Pulling & Roustabout Service, Inc., along with other professional contractors and individual taxpayers, **believe that if the Abandoned Well Plugging Proposals were submitted for a lump sum bid for labor plus the cost of cement, (This varies due to the depth & diameter of each well. In a lot of cases there are no records available) a lot of these problems would be resolved.**

#32023, ERHART LEASE – MONTGOMERY COUNTY - CLOSING DATE - 9/96 - AWARDED TO BRIGHT FUTURES, INC

Six potential contractors provided by the District 3 Office-Responding bidders are highlighted  
Also, in some instances, contractors have written in and requested quotes and in some cases also submitted bids

Bright Futures, Inc. - *got bid*  
Independence, KS

Kurt Finney dba Kurt Finney Drilling Co. (Wayne Bright's subcontractor, has only returned one bid to Wann, Oklahoma **date/ taking up a bid slot**)

Johnson Dozer, Backhoe and Trenching Service (Subcontracting for Wayne Bright at that time/ **taking up a bid slot**)  
Fredonia, KS

Envirocorp Services & Technology, Inc.  
South Bend, Indiana

H & H Oil Well Service, Inc.(Did not submit a bid, contacted in September of 1999, was told they have **South Coffeyville, OK** been out of business for 2 years)

*High*  
Long Drilling Co. Hamilton, KS (Greenwood County) *Approx 90 miles away (Would a reasonable person think that if you were traveling 90 miles to do a plugging job, your bid would be higher than contractors in your same area? Also when reviewing the Request for Tender sheet, this company specified that they had a power swivel rather than a truck mounted rotary rig, they did not have a vacuum truck or a dozer with a winch. Even had they had been the lowest bidder, their equip. didn't fit contract specifications.*

The original bid was for 24 wells, 1 was added. **TOTAL COST \$125,511.50**  
**PER WELL \$5,020.46**

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*3-9-00*  
*Attach. 3*

#32086, ERHART AND LASLEY – MONTGOMERY COUNTY -CLOSING DATE – 10/96 – AWARDED TO BRIGHT FUTURES, INC.

Only three contractors were recommended by the District 3 Office:

Bright Futures, Inc. Independence, KS *This was the only bid submitted. It was approved and considered reasonable. The job was not rebid.*

Kurt Finney dba Kurt Finney Drilling Co. (Wayne Bright’s subcontractor, has only returned one bid to Wann, Oklahoma date/taking up a bid slot.)

H & H Oil Well Service, Inc. (Has not returned a bid to date/taking up a bid slot.) South Coffeyville, Oklahoma *-out of business*

The original bid was for 23 wells. Three were not found but they added two. TOTAL COST \$143,795.50 PER WELL \$6,536.16

*(While in Topeka for a bid opening a few months after this, Fran Welch commented to me that if she had received only 1 bid, it would not be opened and the project would be put up for rebid. Then later while researching these contracts I noticed that on 2 occasions, Wayne Bright was the only bidder. I called Fran and asked her why these jobs were not rebid. She told me if the Corporation Commission reviews them and determines that the bid is considered reasonable, they go ahead and award the contract. Please note when Splane Pulling started submitting bids and the plugging became more competitive, the prices came down considerably. I do not consider \$6,536.16 per well reasonable.*

**WHY WERE THESE BIDS SENT OUT OF STATE, RATHER THAN AREA CONTRACTORS?**

In 1996 John Galemore was contacted, and successfully helped in lobbying to change abandoned well plugging to the bid system. He was told the wells were to be prioritized with the old and leaking wells to be plugged first. During the 1996 Legislative session, a special fund for plugging of abandoned wells was created. THE ABANDONED WELL/REMEDIATION SITE FUND (projects exceeding \$10,000.00 are required to be let for bid through the Department of Administration’s Division of Purchasing

#32063, BARKER – NEOSHO COUNTY - CLOSING 10/96 – AWARDED TO K-W WELL SERVICE (The Barker and Burris were combined, I am assuming the Division of Purchases sent bids to all the contractors)

Only three contractors were recommended by the District 3 Office

K-W Well Service Chanute, KS (Neosho county)

Colt Energy Iola, KS (Allen County)(when contacted, said they do not contract for anyone but themselves. They have never returned a bid/ taking up a bid slot.)

Faith Well Service Chanute, KS (Neosho county) – (Have never returned a bid/taking up a bid slot)

Original bid was for 48 wells final was 106 wells TOTAL COST \$234,428.75 ORIGINAL BID:\$119,904.00 PER WELL \$2,211.59

The Performance Post Audit Report on page 19, the Dist #3 supervisor states that since they started plugging and taking a physical inventory of abandoned wells, they’ve routinely found 20-25% more wells on a lease than those maps indicated. This lease is over 100%

#32063, BURRIS – NEOSHO COUNTY -10/96 – AWARDED TO W & W PRODUCTION CO.

Only three contractors were recommended by the District 3 Office

W & W Production Co., Chanute, KS (Neosho county)

Envirocorp Inc. South Bend Indiana Bid proposal sent out of state rather than area contractors



Would a reasonable think that if you were traveling from Indiana, your bid would be much higher.

Nickell & Son Oil and Salvage, Parker, Ks

Original bid was for 31 wells, final 39 TOTAL COST \$76,365.50 PER WELL \$1,958.09

- December of 1996 Rick Housel of Rick's Well Service Cherryvale, KS began asking the District 3 representatives how his company could obtain bids. He was told by the Dist #3 office they could offer no information.

According to the KCC correspondence dated Dec. 10,1996, "All projects which are estimated to exceed \$10,000 in cost are required to be let for bid through the Department of Administration's Division of Purchasing. . . . Upon receipt of your request, we will be compiling a list for the Division of Purchases Department of Administration." (1) This information should have been forthcoming to Rick upon his inquiry into the bidding process.

Memorandum dated January 29, 1998 from Steve Korf, Dist. #3 supervisor. Category #4 states "District #3 maintains a list of plugging contractors interested in bidding on the KCC plugging projects. The District staff recommends six contractors for each project. We have recommended all the contractors on the list & continue to do so."

**#32327, STEWART LEASE – ALLEN CTY-CLOSING DATE-3/97 – AWARDED TO XENIA CORP**  
Only four contractors recommended by the District 3 Office

Xenia Corp., Garnett, KS (*Anderson county*)

Nickell and Son Parker, KS (*Linn county*)

Consolidated Industrial Services, Chanute, KS (*Neosho county*) Subcontractor for Kepley Well Service, KW Oil Well Service and W & W Productions.

Rig 6 Drilling Bronson, KS (*Bourbon county*)*Have never returned a bid, taking up a bid slot*

Original bid was for 26 wells: final 24 TOTAL COST \$27,990.75  
PER WELL \$1,166.28

**#32374, BARNETT – ALLEN COUNTY CLOSING DATE – 4/97 – AWARDED TO SPLANE PULLING AND ROUSTABOUT SERVICE. INC.**

Six contractors were recommended by the District 3 Office

Splane Pulling, Chanute, KS (*Neosho county*)

Colt Energy Iola, KS (Allen County)(when contacted, said they do not contract for anyone but themselves. They have never returned a bid/ taking up a bid slot.

Faith Well Service Chanute, KS (*Neosho county*) – (Have never returned a bid.)

Consolidated Industrial Services, Chanute, KS (*Neosho county*) Subcontractor for Kepley Well Service, KW Oil Well Service, W & W Productions, and Ed Willis/taking up a bid slot)

K-W Oil Well Service, Chanute, KS (*Neosho county*)

W & W Productions, Inc. Chanute, KS (*Neosho county*)

Original bid was for 25 wells: Final 31 TOTAL COST \$49,948.75  
PER WELL \$ 1,611.25

# 32388, PERRY – WILSON COUNTY- CLOSING DATE – 4/97 – AWARDED TO BRIGHT FUTURES INC.

Six contractors were recommended by the District 3 Office  
Only Bright Futures, Inc. & Rick's Pulling & Well Serv. Returned a bid.

Bright Futures Inc. Independence, KS (Montgomery county)

Colt Energy Iola, KS (Allen County)(when contacted, said they do not contract for anyone but themselves. They have never returned a bid/ taking up a bid slot.)

Cooper Service Company Winfield, KS (Cowley county)Approx. 97 miles away

Envirocorp Services and Technology, Inc. South Bend, Indiana

Quality Well Service Sterling, KS (Rice county)Approx. 175 miles away

Rick's Pulling and Well Service Cherryvale, KS (Montgomery county)

Original bid was for 9 wells; Final 9 wells	TOTAL COST \$27,782.00
	PER WELL \$3,086.88

Again bid proposals are sent out of State and to contractors a long distance away instead of to contractors in this area.

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ALTHOUGH RICK HOUSEL OF RICK'S PULLING & WELL SERVICE CHERRYVALE WAS SENT A BID ON THE PERRY LEASE AND ASKING HOW TO OBTAIN FUTURE PROPOSALS HE WAS NOT SENT A PROPOSAL ON THE ERHART LEASE IN HIS OWN COUNTY.

#32448, ERHART LEASE – MONTGOMERY COUNTY - CLOSING DATE 5/97 – AWARDED TO BRIGHT FUTURES, INC. only bidder

Six potential contractors were recommended by the District 3 Office:

Bright Futures Inc. Independence, KS (Montgomery county)This was the only bid submitted. It was approved and considered reasonable. The job was not rebid.

Kurt Finney dba Kurt Finney Drilling Co. (Wayne Bright's subcontractor, has only returned one bid to Wann, Oklahoma date/taking up a bid slot

H & H Oil Well Service, Inc.(Did not submit a bid, contacted in September of 1999, was told they have South Coffeyville, Ok. been out of business for 2 years)

G & J Oil Co., Inc. Caney, KS(Has not returned a bid to date/taking up a bid slot.)

K-W Oil Well Service, Chanute, Ks

Colt Energy Iola, KS (Allen County)(when contacted, said they do not contract for anyone but themselves. They have never returned a bid/ taking up a bid slot.)

Original bid was for 35 wells: Final 34	TOTAL COST \$189,399.00
Again the Corporation Commision considered this a Reasonable bid	PER WELL \$5,585.26

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**#32459, BURRTON EAST – HARVEY COUNTY – CLOSING DATE – 5/21/97 – AWARDED TO GRESSEL OIL FIELD SERVICE**

**Ten contractors recommended from District #2 Office. ALL FROM THE STATE OF KANSAS**

Quality Well Service Sterling, KS (*Rice county*)

Gressel Oil field Services Inc. Burrton, KS (*Harvey county*)

Hogolboom Oil Field Trucking Service Eldorado, KS (*Butler county*)

Mike's Testing and Salvage Inc. Chase, KS (*Lyons county*)

D S & W Well Service Inc. Claflin, KS (*Barton county*)

Kizzar, Well Service Inc. Chase, KS (*Lyons county*)

Scott's Well Service Roxbury, KS (*McPherson county*)

Clark Corporation Medicine Lodge, KS (*Barber county*)

Chase Well Service Inc. Great Bend, KS (*Barton county*)

Mc Pherson Drilling Company Winfield, KS (*Cowley county*)

Original bid was for 12 wells; Final 12

TOTAL COST: \$94,225.96  
PER WELL: \$7,852.16

Rick Housel of Rick's Well Service, Cherryvale, KS heard there was a contract proposal out for bid in Montgomery County. He contacted Tom Bilyeu of District 3 inquiring how he could receive a bid proposal. Tom Bilyeu told him that it was too late. Rick then called Topeka Division of Purchases Department of Administration and was faxed a proposal #32625 MULLER LEASE

**RICK TOOK HIS BID TO TOPEKA FOR THE BID OPENING – HIS BID WAS \$43,750.00 LESS THAN BRIGHT FUTURES, INC.)**

**#32625 MULLER – MONTGOMERY COUNTY - CLOSING DATE - 8/12/97 – CONTRACT AWARDED TO RICK'S PULLING & WELL SERVICE CHERRYVALE, KS**

Six contractors were recommended by District 3 Office

Bright Futures Inc., Independence, KS (*Montgomery county*)

Colt Energy Iola, KS (Allen County)(when contacted, said they do not contract for anyone but themselves. They have never returned a bid/ **taking up a bid slot.**)

Cooper Service Co.(Winfield, Ks. Has never returned a bid/taking up a bid slot)

Kurt Finney dba Kurt Finney Drilling Co. (Wayne Bright's subcontractor, has only returned one bid to Wann, Oklahoma **date/taking up a bid slot.**)

G & J Oil Company Inc. Caney, KS (Has not returned a bid to date. Phone number out of order. No Listing./**taking up a bid slot**)

Quality Well Service Sterling, KS (*Rice county*) *Approx 200 miles away*

**Original bid was for 50 wells: Only 34 original wells were found.** Four new ones were located unmarked.

TOM BILYEU WAS VERY ANGRY WITH RICK HOUSEL FOR WINNING THIS BID. RICK ENCOUNTERED MANY PROBLEMS WITH THE DIST #3 FIELD OFFICE, DURING THE COURSE OF THIS PROJECT – RICK TOLD US, REPRESENTATIVES FROM THE DIST. #3 WERE SCREAMING OBSENTITIES AT THEM TO GET OFF THE LEASE BY 5:00PM (EVEN THOUGH THIS WAS NOT IN THE CONTRACTS AT THAT TIME) HE NO LONGER HAS ANY INTEREST IN PLUGGING FOR THE STATE OF KANSAS – HE PLUGS FOR THE STATE OF OKLAHOMA – WHERE THE BIDS ARE FOR ARE ON A PER WELL BASIS

RICK ALSO TOLD US EVEN THOUGH HE HAD BID \$55.00 AN HOUR FOR HIS DOZER ON THIS LEASE – THAT TOM BILYEU HAD WORKED SOMETHING OUT ON THE SIDE WITH THE LAND OWNER TO USE HIS OWN DOZER AND RICK WAS NOT ALLOWED TO USE HIS, EVEN THOUGH IT WAS ON THE BID.

In memorandum dated January 29, 1998, Steve Korf stated in category #7 “The KCC representative Walks each lease and obtains the spot locations and well completions (as best as they can tell by looking at the surface) of each well on each plugging project.”

TOTAL COST \$70,477.50  
PER WELL \$1,678.03

(During the time that Rick Housel was plugging the Muller Lease, Splane Pulling was plugging the Reichenberger with Tom Bilyeu overseeing it. Tom told us that Rick’s company was incompetent. A few months later we went and talked with Rick as we had heard that he was having a lot of problems with the Dist. #3 also. Rick told us that he had recently plugged some wells for the EPA, and was highly commended for his work.

**We asked Rick if he would speak up about all the problems that he had encountered. He said he had Oil production, and feared retaliation from the KCC field office**

**#32632, RANTOUL – FRANKLIN COUNTY – CLOSING DATE – 8/19/97 AWARDED TO CONSOLIDATED INDUSTRIAL SERVICES**

Six contractors were recommended by the District 3 Office

A & A Well Service Elsmore, KS (*Allen County*)

Consolidated Industrial Services Chanute, KS (Have not submitted a bid since this one, July 1997. They do not have any rig operators. Subcontracted this job to KW Oil Well Service.

G & J Oil Company Inc. Caney, KS (Has not returned a bid to date. Phone number out of order. No Listing./taking up a bid slot)

Glacier Petroleum Inc. Emporia, KS

J & J Oil Mound City, KS (When contacted, said they only plug for themselves & don’t contract)

Splane Pulling and Roustabout Service Chanute, KS (*Neosho county*)

Original bid was for 90 wells. Consolidated subcontracted the job to K-W Oil Well Service. This project was for \$190,170.00 . They plugged a total of 136 Wells.

Contract was for 200 days  
Project took 430 days

TOTAL COST \$428,541.70  
PER WELL \$3,151.04

Please note that the projects that go way over the amount of wells that the proposals are originally submitted for, have consistly involved 3 Contractors, K-W Oil Well Service, Kepley Well Service, & W & W Productions Inc. These 3 contractors are the ones that the Dist. #3 prefer to work with, and we feel that they are consistly given preferential treatment.

July 31, 1997, Keith Splane of Splane Pulling contacted Steve Korf at the District 3 Office in regard to when the next bid would be out and how he could obtain bid proposals. Steve Korf told him that he could not give him any information on future bids, but yet there was a bid that closed 28 days later.

**#32649, JACKSON LEASE – ALLEN COUNTY – CLOSING DATE - 8/23/97 – AWARDED TO KEPLEY WELL SERVICE**

Seven contractors were recommended by the District 3 Office

A & A Well Service Elsmore, KS

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions taking up a bid slot

H & G Pulling and Rotary Inc. Iola, KS (*Allen county*) – Retired several years ago; they have no equipment/ taking up a bid slot

Kepley Well Service Chanute, KS (*Neosho county*)

Nickell and Son, Parker, KS (*Linn county*)

Rig 6 Drilling Bronson, KS (*Bourbon county*) has never returned a bid/ taking up a bid slot.

Xenia Corporation Garnett, KS (*Anderson county*)

Original bid was for 32 wells

TOTAL COST:\$23,490.25  
PER WELL:\$734.07

**#32650, OLSON MANION STOLL – ALLEN COUNTY – CLOSING DATE – 8/29/97 – AWARDED TO K-W OIL WELL SERV. INC.**

Six contractors were recommended by the District #3 Office

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontractor K-W Oil Well Serv., Kepley Well Service, W & W Productions, and Ed Willis. Have not submitted a bid since July 31, 1997/taking up a bid slot.

Faith Well Service, Chanute, KS (*Neosho county*) Has not returned a bid/ taking up a bid slot.

K.W. Oil Well Service, Chanute, KS (*Neosho county*)

N & W Enterprises, Inc. Ft. Scott, KS (*Bourbon county*)– Telephone number assigned to someone else, Information had no listing for this company/ taking up a bid slot

W & W Productions, Inc. Chanute, KS (*Neosho county*)

Xenia Corporation, Garnett, KS (*Anderson county*)

Original bid was for 13 wells; Final:22 Wells

TOTAL COST:\$42,290.50  
PER WELL:\$1,922.29

**TWO BID PROPOSALS OUT IN NEOSHO COUNTY / WHILE SPLANE PULLING AND ROUSTABOUT SERVICE, INC. IS WANTING TO KNOW HOW TO OBTAIN BID PROPOSALS**

*Splane Pulling & Roustabout Serv. Inc. called Topeka Dept. of Administration and were told the State of Kansas welcomes competitive bidding, how to obtain bid proposals, and that all proposals were listed on the Internet and you are welcome to submit a bid on every proposal.*

*Splane Pulling & Roustabout Service, Inc. requested the Reichenberger Proposal. We knew if we went ahead and submitted our bid that the Dist. #3 staff were not going to like it. Keith called Clayton Titel and asked him if he could tell him about future bids. Clayton said he had been told not to give out any information regarding bids, that Keith was welcome to call Steve Korf, but he was sure he would tell him the same thing. So- we went ahead and submitted our bid for the Reichenberger.*

**#32686, REICHENBERGER – MONTGOMERY COUNTY-CLOSING DATE 9/23/97 – AWARDED TO SPLANE PULLING & ROUSTABOUT SERV, INC.**

Five contractors recommended by District 3 office

*Splane Pulling & Roustabout- obtained their Bid Proposal via the Internet*

Bright Futures Inc. Independence, KS (*Montgomery county*)

Colt Energy Iola, KS (*Allen County*)(when contacted, said they do not contract for anyone but themselves. They have never returned a bid/ **taking up a bid slot.**)

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontractor K-W Oil Well Serv., Kepley Well Service, W & W Productions, and Ed Willis. Have not submitted a bid since July 31, 1997/taking up a bid slot.

Kurt Finney dba Kurt Finney Drilling Co. (Wayne Bright's subcontractor, only bid Finney has ever submitted)  
Wann, Oklahoma

K.W. Oil Well Service Chanute, KS (*Neosho county*)

Original Bid was for 19 wells: Final 19

**Total Cost: \$22,206.00**

**Per Well: \$ 1,168.73**

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*This is when Splane Pulling & Roustabout Service, Inc. began having problems with Tom Bilyeu- he was furious with Keith Splane (Vice-President) and demanded to know how Splane's obtained their bid Proposal. Also began having problems regarding the equipment. Tom Bilyeu made changes that were not specified on the original contract proposal.*

**#32743 YANCY HUDSON - NEOSHO COUNTY – CLOSING DATE 10/17/97 – AWARDED TO SPLANE PULLING & ROUSTABOUT SERV. INC. (Splane's encountered more problems with their equipment.)**

Six contractors were recommended by the District 3 Office

*Splane Pulling & Roustabout Serv. Inc.- obtained their bid proposal via the Internet*

A & A Well Service Elsmore, KS (*Allen County*)

K-W Oil Well Service, Inc. Chanute, KS (*Neosho county*)

Kepley Well Service Chanute, KS (*Neosho county*)

W & W Productions Inc. Chanute, KS (*Neosho county*)

William T Wax McCune KS (*Crawford county*) –When contacted, Mr. Wax said that he did not have any of the necessary equipment, and had only plugged a few shallow wells in his area a few years ago, and began having trouble with the Dist. #3 office. I asked him if he would speak up about the problems he had encountered. He said he would like to help us, but he had oil production, and feared retaliation from KCC/ **taking up a bid slot.**

Xenia Corporation Garnett, KS (*Anderson county*)

Original bid was for 12 wells; Final 14

**TOTAL COST \$22,363.00**

**PER WELL \$1,597.35**



# 32820 NELSON – NEOSHO COUNTY – CLOSING DATE 12/3/97 – AWARDED TO W & W PRODUCTIONS INC

Six contractors were recommended by the District 3 Office

*Splane Pulling & Roustabout Serv. Inc. obtained their bid via the Internet*

Consolidated Industrial Services Chanute, KS (Neosho county) Subcontractor K-W Oil Well Serv., Kepley Well Service, W & W Productions, and Ed Willis. Have not submitted a bid since July 31, 1997/taking up a bid slot.

Glen Chase Drilling Chanute, KS (Neosho county) – has never returned a bid/ taking up a bid slot.

Kepley Well Service Chanute, KS (Neosho county)

Got Bid

W & W Productions Inc. Chanute, KS (Neosho county)

William T Wax McCune KS (Crawford county) –When contacted Mr. Wax said that he did not have any of the necessary equipment, and had only plugged a few shallow wells in his area/ taking up a bid slot.

Ed Willis Chanute, KS (Neosho county)-has not submitted a bid since 4-97/taking up a bid slot.

Original bid was for 22 wells; Final 34 wells

PROJECT TOTAL \$64,019.17

PER WELL: \$1,882.91

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#32852 WILSON DARBY LEASE – ALLEN COUNTY –CLOSING DATE 12/30/97 – AWARDED TO W & W PRODUCTIONS

Six contractors were recommended by the District 3 Office

*Splane Pulling & Roustabout Serv. Inc. obtained their bid via the Internet*

Cooper Service Company Winfield, KS (Has never returned a bid, Approx 100 miles away/taking up a bid slot

Rig 6 Drilling Bronson, KS (Bourbon county) has never returned a bid/ taking up a bid slot.

H & G Pulling and Rotary Inc. Iola, KS (Allen county) – Retired several years ago; they have no equipment/ taking up a bid slot

Kephart Drilling Inc. Thayer, KS (Neosho county) has never returned a bid to date/taking up a bid slot.

Sage Oil Company Virgil, KS (Greenwood county)/have never returned a bid

W & W Productions Chanute, KS (Neosho county)

Original bid was for 34 wells; Final 54 wells

ORIGINAL BID: \$79,016.00

FINAL COST: \$129,821.08

PER WELL: \$2,404.09

Please note: this proposal went from 34 to 54 wells

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#32853, CASPER LEASE – NEOSHO COUNTY- CLOSING DATE 12/31/97 – AWARDED TO  
KEPLEY WELL SERVICE

Six contractors were recommended by the District 3 Office

*Splane Pulling- obtained their bid via the Internet*

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions. **Already awarded Rantoul project. They have no rig operators and subcontracted this to K-W Oil Well Service, Inc. This project ended up behind schedule by 230 days. Taking up a bid slot.**

Ed Willis Chanute, KS (*Neosho county*) Has not submitted a bid since 4-97/taking up a bid slot

Glen Chase Drilling Chanute, KS (never returned a bid/taking up a bid slot)

Kepley Well Service Chanute, KS (*Neosho county*)

W & W Productions Chanute, KS (*Neosho county*) Had already been awarded 2 contracts 12/97 & 1/98 That ended up behind schedule by several months

William T. Wax McCune, KS (*Crawford county*) Never had any equipment, only plugged a few shallow wells in his area. When contacted, he said he started having problems with a Dist. #3 Representative When he wanted to plug, but would not come forward because he feared further retaliation.

Original Bid was for \$51,069.20

Original bid was for 26 wells; Final 111 Wells

TOTAL COST:\$249,072.92

PER WELLS\$2,243.96

Please note: This project went from 26 wells to 111. The number of wells a proposal is for, has a lot to do with the bid price. If you know you can secure more work for your company, you will probably bid less.

W & W Productions Inc. was the drilling contractor on this project. Mike Wimsett was saying around town that he didn't know why Dist #3 was drilling out wells that had already been plugged, so they could replug them. Said they were paying him so he didn't really care.

While plugging the Burtiss lease in 1998, Clayton Titel confirmed in a conversation with me that they had drilled out wells on the Casper.

During a meeting in September 1999, Steve Korf stated that they had never drilled out & re-plugged any wells.

#32854, MOON/BENNETT LEASE- WOODSON COUNTY- CLOSING DATE 12/31/97 –  
AWARDED TO KW OIL WELL SERVICE

Six contractors were recommended by the District 3 Office

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions. **Already awarded Rantoul project. They have no rig operators and subcontracted this to K-W Oil Well Service, Inc. This project ended up behind schedule by 230 days. Taking up a bid slot.**

KW Oil Well Service Chanute, KS (*Neosho county*) Already subcontracting for Consolidated Ind. Serv. Inc. on the Rantoul project, which ended up behind schedule by 230 days.

Kepley Well Service Chanute, KS (*Neosho county*)

Splane Pulling and Roustabout Service Chanute, KS (*Neosho county*)

W & W Productions Chanute, KS (*Neosho county*) Had already been awarded 2 contracts 12/97 & 1/98 That ended up behind schedule by several months

Ed Willis Chanute, KS (Neosho county) Had not submitted a bid since 4-97/taking up a bid slot

Original bid was for 40 wells; Final: 47 TOTAL COST:\$86,925.47/PER WELL:\$1,849.47

**The Wilson Darby closed on December 30<sup>th</sup>. The Casper & the Moon Bennet Closed December 31<sup>st</sup>.  
The Wilson Darby & the Moon Bennett were identical bids, except for the number of wells.**

*I was the only one at the bid opening on the 30<sup>th</sup>. Other wise, you are to be notified by mail.  
K-W Oil Well Service went to Topeka December 31<sup>st</sup> and changed their bid on the Moon Bennett  
They also brought a bid from Kepley Well Service changing their bid on the Casper.  
The owners of K-W Oil Well Service & Kepley Well Service are brothers.*

*Splane Pulling & Roustabout Service, Inc. protested these bids. They went to Topeka and talked with the  
Procurement Officer, Frances Welch and was sent to the Corporation Commission with their concerns.  
Ms Welch also stated that none of these contractors had ever been to Topeka before for a bid opening.  
(W & W Productions, Inc., Kepley Well Service, & K-W Oil Well Service)*

*Ruth Scott of the Corporation Commission said that she faxed the bid results of the Wilson Darby the  
afternoon of the 30<sup>th</sup>, at the request of the District 3 Office, to that office. This was not usually done so fast,  
But she was told that it was for scheduling purposes. The contracts state: "The low vender shall not be  
construed as meeting all specifications set out in the Request at the bid disclosure." On the bid tabulation  
Sheet there is a disclaimer that says "The accompanying bid tabulations indicate the bids as received. All  
bids are subject for checking for accuracy, and for specifications and contract compliance. No conclusions  
about contract awards should be drawn from these preliminary tabulations." Should this information have  
been sent out at this point?*

*Splane Pulling & Roustabout Service, Inc. felt like information regarding the Wilson Darby bid was  
given out prior to the closing of the following 2 bids.*

*However, the Corporation Commission went ahead and awarded these contracts to these 3 bidders.*

**THERE WERE NO PLUGGING PROPOSALS OUT AGAIN UNTIL 10/98. THESE SAME 3  
CONTRACTORS WERE BEHIND SCHEDULE ON THESE PROJECTS, YET THE DIST. #3  
OFFICE PULLED THEM OFF THEIR JOBS AND THEY WERE DOING SMALLER PLUGGING  
PROJECTS DURING THIS TIME. DIST. #3 DOES NOT HAVE TO SUBMIT PLUGGING  
PROPOSALS THROUGH THE DIVISION OF PURCHASES IF THEY ARE FOR \$10,000.00 OR  
LESS. THEY SEND ONE SMALL BID PROPOSALS TO SPLANE PULLING & ROUSTABOUT  
SERVICE, INC. IN SEPT. 1998. HERESAY AROUND THE OIL PATCH - MIKE WIMSETT OF  
W & W PRODUCTIONS, INC. WAS SAYING THAT THEY WERE ALL OUT TO BREAK  
SPLANE PULLING & ROUSTABOUT SERVICE, INC.**

When reviewing the Performance Audit Report submitted on February 20, 1998, on page 23 it is stated that the number of contractors available to plug wells is limited. Splane Pulling & Roustabout Service, Inc's. Plugging division sat with no work all though 1998 until the Burtiss lease. That lease was not started until November 7, 1998. Tom Bilyeu brought one proposal out to our shop the day before the EKOGA. The bids were to be opened the next day at 5:00 p.m.

On page 27 of the Performance Audit Report, with regard to recommendations:

3. a. Guidelines should require district staff to attempt to obtain three bids for each service expected to cost more than \$500, and document reasons when fewer than three bids are received.

**August of 1999, talked with Kephart Drilling Inc. of Thayer, Ks. Charlotte Kephart stated that the  
Dist. #3 was bringing them many bid requests on these smaller projects, as many as 2 a week, and  
was told if they didn't want to do them, to bid them high, because they needed 3 bids.**

**#33307, FREDERICK LEASE- NEOSHO COUNTY – CLOSING DATE 10/13/98 – AWARDED TO KEPLEY WELL SERVICE (An attempt to change this bid was made See Fran's note in file)**

Eight contractors were recommended by the District 3 Office

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions. **Way behind schedule on the Rantoul project, it was not completed until 3/99. Taking up a bid slot**

K-W Oil Well Service Chanute, KS (*Neosho county*) Way behind schedule on the Rantoul project, it was not completed until 3/99. Taking up a bid slot

Kephart Drilling Thayer, KS (*Neosho county*) has never returned a bid to date. Taking up a bid slot.

Kepley Well Service Chanute, KS (*Neosho county*)

Splane Pulling and Roustabout Service Chanute, KS (*Neosho county*)

Sun Cementing Eureka, KS (*Greenwood County*)

W & W Productions Inc. Chanute, KS (*Neosho county*) Subcontracting for Kepley Well Service - *no Haul for Hire or private carrier permit to date.*

Ed Willis Chanute, KS (*Neosho county*) Has not submitted a bid since 4/97, taking up a bid slot.

Original bid was for 9 wells; Final : 12

TOTAL COST:\$20,462.50

PER WELL:\$1,705.20

I was there for the bid opening. Kepley Well Service had two bids in the file. Fran Welch opened the lower bid first. Mike Kepley of Kepley Well Service asked to have the other bid returned. Rather than do that, Fran Welch opened the other bid. Fran first opened the bid for W & W Productions Inc. which was lower than the first bid submitted by Kepley Well Service. Mike Wimpsett, of W & W Productions Inc. made no objection to this, even though he had just lost this bid by default. I later discovered why. W & W Productions, Inc. was subcontracting the drilling and water hauling & disposal services to Kepley Well Service, while bidding against Kepley on the same project.

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**#33311, KEE LEASE- NEOSHO COUNTY – CLOSING DATE 10/13/98 – AWARDED TO W & W PRODUCTION INC.**

Eight contractors were recommended by the District 3 Office

Consolidated Industrial Service Chanute, KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions **Has not submitted a bid for 14 months, taking up a bid slot.**

KW Oil Well Service Chanute, KS (*Neosho county*) **Way behind schedule on the Rantoul project, it was not completed until 3/99. Taking up a bid slot**

Kephart Drilling Inc. Thayer, KS (*Neosho county*) Never returned a bid to date, taking up a bid slot.

Kepley Well Service Chanute, KS (*Neosho county*) *Now subcontracting to W & W Production, Inc.*

Splane Pulling and Roustabout Service Chanute, KS (*Neosho county*)

Sun Cementing Eureka, KS (*Greenwood County*)

W & W Production Inc. Chanute, KS (*Neosho county*) **Subcontracting for Kepley Well Service- no Haul for Hire or private carrier permit to date.**

Ed Willis Chanute, KS (*Neosho county*) Has not returned a bid in over 12 months/taking up a bid slot.

Original bid was for 13 wells; Final: 12 Wells

TOTAL COST:\$16,287.50

PER WELL:\$1,357.29

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**#33308, BURTISS LEASE – ALLEN COUNTY- CLOSING DATE 10/13/98 – AWARDED TO SPLANE PULLING AND ROUSTABOUT SERVICE INC.**

Six contractors were recommended by the District 3 Office

Consolidated Industrial Services Inc. Chanute KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions. Has not submitted a bid for 14 months, taking up a bid slot.

K-W Oil Well Service Chanute, KS (*Neosho county*) Way behind schedule on the Rantoul project, it was not completed until 3/99. Taking up a bid slot

Kepley Well Service Chanute, KS (*Neosho county*) Now subcontracting to W & W Production, Inc.

Splane Pulling and Roustabout Service Chanute, KS (*Neosho county*)

W & W Production Chanute, KS (*Neosho county*) Subcontracting for Kepley Well Service- no Haul for Hire or private carrier permit to date.

Ed Willis Chanute, KS (*Neosho county*) Has not returned a bid in over 12 months/taking up a bid slot.

Original bid was for 81wells; Final 83 wells

TOTAL COST:\$204,401.50

PER WELL:\$2,462.66

*(Splane Pulling encountered many problems on this job. The Dist. #3 office told Clayton Titel, the KCC Representative to sit out & watch this job from 8:00 am to 5:00 pm)*

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**#33315 CULBERTSON – NEOSHO COUNTY – CLOSING DATE 10/15/98 – AWARDED TO W & W PRODUCTIONS, INC.**

6 contractors were recommended by the District 3 Office

Splane Pulling & Roustabout Serv. Inc. – obtained their proposal via the Internet

Consolidated Industrial Services Inc. Chanute KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions. Has not submitted a bid for 14 months\taking up a bid slot.

K-W Oil Well Service, Chanute, Ks (*Neosho county*) Way behind schedule on the Rantoul project, it was not completed until 3/99.\Taking up a bid slot

Kephart Drilling Inc., Thayer, Ks. Never returned a bid to date\taking up a bid slot.

W & W Productions, Inc. Chanute, Ks (*Neosho county*) Subcontracting for Kepley Well Service- no Haul for Hire or private carrier permit to date.

Kepley Well Service, Chanute, Ks (*Neosho Cnty*) Now subcontracting to W & W Production, Inc.

Sun Cementing Eureka, KS (*Greenwood County*)

FINAL:15 WELLS

TOTAL COST:\$27,610.00

\$PER WELL:\$1,840.66

#33344, BRAZIL GROUP ONE AND EAST CONVERSE GROUP TWO – NEOSHO COUNTY –  
CLOSING DATE 11/10/98 – AWARDED TO KEPLEY WELL SEERVICE  
(Brazil) – Seven contractors were recommended by the District 3 Office

Bright Futures Inc. Independence, KS (*Montgomery county*)

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions. Has not submitted a bid for 14 months\ taking up a bid slot.

Kurt Finney dba Kurt Finney Drilling Co. Wann, Oklahoma. Bright's subcontractor – Has only submitted a bid once, 9/97.\taking up a bid slot.

KW Oil Well Service Chanute, KS (*Neosho county*) Way behind schedule on the Rantoul project, it was not completed until 3/99. Taking up a bid slot

Kephart Drilling Inc. Thayer, KS (*Neosho county*) Never returned a bid to date.\ taking up a bid slot.

Kepley Well Service Chanute, KS (*Neosho county*) Now subcontracting to W & W Production, Inc.

W & W Productions Inc. Chanute, KS (*Neosho county*) Subcontracting for Kepley Well Service- no Haul for Hire or private carrier permit to date.

FINAL: 23 WELLS

TOTAL PROJECT:\$58,195.10  
PER WELL:\$2,530.22

(East Converse) – Nine contractors were recommended by the District 3 Office  
ALSO AWARDED TO KEPLEY WELL SERVICE

Bright Futures Inc. Independence, KS (*Montgomery county*)

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions. Has not submitted a bid for 14 months\ taking up a bid slot.

K-W Oil Well Service Chanute, KS (*Neosho county*) Way behind schedule on the Rantoul project, it was not completed until 3/99.\Taking up a bid slot

Kepley Well Service Chanute, KS (*Neosho county*) Now subcontracting to W & W Production, Inc.

Sun Cementing Eureka, KS (*Greenwood County*) Has never returned a bid\taking up a bid slot.

Splane Pulling and Roustabout Service Chanute, KS (*Neosho county*)

W & W Productions Inc, Chanute, KS (*Neosho county*) Subcontracting for Kepley Well Service - no Haul for Hire or private carrier permit to date.

Ed Willis Chanute, KS (*Neosho county*)Has not returned a bid in 1 ½ years.\Taking up a bid slot.

Final: 14 WELLS

TOTAL COST:32,040.10  
PER WELL:\$2,288.57



#33365, PADDOCK LEASE – DECATUR COUNTY- CLOSING DATE 11/20/98 –

THIS BID WAS SUBMITTED BY THE DISTRICT #4 FIELD OFFICE

**13 CONTRACTORS RECOMMENDED – 10 BIDDERS RESPONDED**

Final: 13 WELLS

TOTAL COST:\$49,246.90  
PER WELL:\$3,788.22

#33410, RICHMIRE LEASE- LABETTE COUNTY – CLOSING DATE 12/11/98 – AWARDED TO K-W OIL WELL. SERV. INC. EVEN THOUGH HE IS WAY BEHIND ON THE RANTOUL PROJECT.

Six contractors were recommended by the District 3 Office

Bright Futures Inc, Independence, KS (*Montgomery county*)

Kurt Finney dba Kurt Finney Drilling Co. Wann, Oklahoma Bright's subcontractor – Has only submitted a bid once, 9/97.\taking up a bid slot.

Kephart Drilling Inc. Thayer, KS (*Neosho county*) Have not submitted a bid to date.\taking up a bid slot.

Kepley Well Service Chanute, KS (*Neosho county*)Just awarded the Brazil, East Converse\taking up a bid slot

W & W Productions Inc, Chanute, KS (*Neosho county*)Just awarded the Kee & the Culbertson\ taking up a bid slot

Ed Willis Chanute, KS (*Neosho county*) Has not returned a bid in 1 ½ years.\Taking up a bid slot.

Final: 13 WELLS

TOTAL COST:\$13,868.35  
PER WELL:\$1,066.79

#33445, LINK LEASE – RICE COUNTY- CLOSING DATE 12/30/98- AWARDED TO MIKE'S TESTING & SALVAGE

District 2 FIELD OFFICE RECOMMENDED 27 BIDDERS ALL FROM THE STATE OF KANSAS -- 8 RESPONDED

Final: 2 WELLS

TOTAL COST:\$10549.65  
PER WELL:\$5,274.82

33593, MIH LEASE- NEOSHO COUNTY – CLOSING DATE 4/5/99-AWARDED TO KEPLEY WELL SERVICE

Six contractors were recommended by the Dist. #3 office

Splane Pulling was sent a proposal apparently from the Division of Purchases, but did not bid.

Bright Futures, Inc. Has never bid on a lease other than Montgomery & Labette Cnty\taking up a bid slot.

Consolidated Industrial Services, Has not submitted a bid in 2 years\taking up a bid slot

Faith Well Service, Has never submitted a bid\taking up a bid slot

K-W Oil Well Service Brother to owner of Kepley Well Service

Kepley Well Service, Subcontracts to W & W Productions, Inc. & Consolidated Industrial Services

W & W Productions, Inc., Subcontractor for Kepley Well Service

ORIGINAL BID:\$15,633.00

Original bid was for 9 wells  
Final: 32 Wells were plugged

TOTAL COST: \$92,710.50

PER WELL:\$2,897.20

Some records of previously plugged wells are available on the Internet. While researching the records for this one, I discovered there were around 40 wells that were plugged in 1968 by Thompson & Wimsett (Wimsett is 1/2 of W & W Productions, Inc. of today. Father & Son)

**#33614, RUSH LEASE – NEOSHO COUNTY – CLOSING DATE 4/7/99 – AWARDED TO KEPLEY WELL SERVICE EVEN THOUGH HE WAS ALREADY BEHIND ON THE BRAZIL & EAST CONVERSE**

Six contractors were recommended by the District 3 Office.

Bright Futures Inc. Independence, KS (*Montgomery county*)

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontracts for Kepley Well Service, KW Oil Well Service and W & W Productions. Have not submitted a bid for almost 2 years\taking up a bid slot.

Faith Well Service Chanute, KS (*Neosho county*) Has never returned a bid\taking up a bid slot.

K-W Oil Well Service Chanute, KS (*Neosho county*)

Kepley Well Service Chanute, KS (*Neosho county*)

W & W Production Inc. Chanute, KS (*Neosho county*)

Original Bid was for 15 wells, final 12 wells

TOTAL COST:\$21,798.50  
PER WELL:\$1,816.54

THIS CONTRACT WAS AWARDED APRIL 20, 1999 WITH 15 DAYS TO START, 75 DAYS TO COMPLETE ONCE STARTED. SHOULD HAVE BEEN COMPLETED ON OR ABOUT JULY 20, 1999. PROJECT WAS COMPLETED OCTOBER 8, 1999. 80 DAYS BEHIND SCHEDULE. REASON GIVEN WAS BECAUSE CROPS WERE PLANTED. HAD THEY GOTTEN IN THERE BEFORE CROPS WERE PLANTED, IT WOULD HAVE BEEN DONE. AND IF CROPS WERE A PROBLEM, WHY DID DIST. #3 RELEASE IT FOR BID?

**#33607, EXCEL LEASE- NEOSHO COUNTY- CLOSING DATE 4/9/99 –AWARDED TO W & W PRODUCTIONS INC.**

Six contractors were recommended by the District 3 Office

Bright Futures Inc. Independence, KS (*Montgomery county*)

Consolidated Industrial Services Chanute, KS (*Neosho county*) Subcontracts for Kopley Well Service, KW Oil Well Service and W & W Productions. Have not submitted a bid for almost 2 years\taking up a bid slot.

Faith Well Service Chanute, KS (*Neosho county*) Have never returned a bid\taking up a bid slot.

KW Oil Well Service Chanute, KS (*Neosho county*)

Kopley Well Service Chanute, KS (*Neosho county*) Just awarded the Rush, & behind on 2 other leases\  
Taking up a bid slot

W & W Production Inc. Chanute, KS (*Neosho county*) After hauling salt water for the State of Kansas all this time, without the proper credentials, W & W finally obtained their Haul for Hire permit 1/99

The following contractors were sent proposals (I am assuming from the Division of Purchases) from the recommended list of bidders from the KCC District #3 Chanute State Funded Plugging Contractors 1998-1999 list. 7 Companies responded

*\*\* Note: Faith Drilling & Consolidated do not appear on the contractors list and only 1 out of state contractor.*

Xenia Corp. Garnett, KS (*Anderson county*)

Gressel Oil Field Service Inc. Haysville, KS (*Sedgwick county*)

Nickell and Sons Oil and Salvage Parker, KS (*Linn county*)

Rig 6 Drilling Bronson, KS (*Bourbon county*)

Sage Oil Company Virgil, KS (*Greenwood county*)

Town Oil Company Paola, KS (*Miami county*)

Way Drilling Humboldt, KS (*Allen County*)

Ed Willis Chanute, KS (*Neosho county*)

William T. Wax McCune, KS (*Crawford county*).

A & A Well Service Elsmore, KS (*Allen County*)

Cooper Service Co. Winfield, KS (*Cowley county*)

Elmore Acid Service Sedan, KS (*Chautauqua county*)

Kurt Finney dba Kurt Finney Drilling Co. Wann, Oklahoma

Glacier Petroleum Co. Emporia, KS (*Lyons county*)

Alva Glaze Spring Hill, KS (*Johnson county*)

Glen Chase Drilling Chanute, KS (*Neosho county*)

H & G Pulling and Rotary Drilling Inc. Iola, KS (*Allen county*)

J & J Oil Mound City, KS (*Linn county*)

KC Development Inc. Marion, KS (*Marion county*)

Kephart Drilling Inc. Thayer, KS (*Neosho county*)

Long Drilling Hamilton, KS (*Greenwood County*)

Jim Lorenz Parsons, KS (*Labette county*)

Jon McCoy Erie, KS (*Neosho county*)

Original bid was for 86 wells; Final 71 wells

TOTAL COST: \$98,942.00

PER WELL \$1,393.55

#33702, YEO PETERS GROUP ONE\ AND\ SUMMERSON GROUP TWO- CLOSING DATE 6/15/99- GROUP ONE- LEO PETERS AWARDED TO MIKE'S TESTING – CONTRACT WAS AWARDED 6/22/99

GROUP TWO SUMMERSON-SPLANE PULLING & ROUSTABOUT WAS LOW BIDDER

THE CONTRACT WAS HELD UP FOR SOME REASON AND NOT AWARDED TO SPLANE PULLING UNTIL 8/12/99 – Almost 2 months after the bid opening

Six contractors were recommended by the District #3 office

*Splane Pulling & Roustabout Service, Inc. obtained their bid proposal via the internet*

Bright Futures Inc.

Consolidated Industrial Services, Inc. Had not submitted a bid in 2 years\taking up a bid slot

Faith Well Service Have never submitted a bid\taking up a bid slot

K-W Oil Well Service

Kepley Well Service Low Bidder on the Rush & Mih opened 4/5 & 4/7/99.\taking up a bid slot

W & W Productions, Inc. Was awarded the Excel Lease for 86 Wells in April\ Taking up a bid slot

*Splane Pulling & Roustabout Service, Inc. bid \$31,894.00 less tha K-W Oil Well Service*

*Gossip in the oil patch was that Tom Bilyeu was very angry that Splane Pulling & Roustabout Service, Inc. was low bidder and that he had planned to personally oversee this project. (also there was a lot of Salvage on this lease- some which belongs to Rick Housel. He used to service this lease for the former Owner. The KCC came in and locked it up and Tom Bilyeu would not let Rick get his equipment back. When Splane Pulling was finally awarded the contract, Tony Williams was the KCC Rep over the project. Tony confirmed the fact that Tom was going to oversee the project, but in the end told Tony that He was to oversee it.*

#00292, McKinley/McCartney Lease – Allen County – Closing Date – August 23,1999

Five contractors were recommended by the District 3 Office

Splane Pulling was low bidder. Their bid proposal was obtained via the Internet

Consolidated Industrial Services, Inc. Had not submitted a bid in 2 years\taking up a bid slot

K-W Oil Well Service Brother to owner of Kepley Well Service

Kepley Well Service Low Bidder on the Rush & Mih opened 4/5 & 4/7/99\taking up a bid slot

W & W Productions, Inc. Was awarded the Excel Lease for 36 Wells in April\taking up a bid slot

Ed Willis Chanute, KS (Neosho county) Has not returned a bid in 2 years\taking up a bid slot.

Even though Splane Pulling was low bidder, they were contacted by Fran Welch, the Procurement officer And told that they (the Dist. #3) did not think Splanes could do 2 projects at the same time and finish on time. This was after they held up the Summerson for 2 months.(now they are worrying about time?)

Splane Pulling was low bidder, by \$5,535.00. The contract was not awarded until October 11,

Next lowest bidder was Kepley Well Service (Had just been awarded 2 contracts April 15<sup>th</sup> & 20<sup>th</sup>)

W & W Production was the 3<sup>rd</sup> bidder, (\$61,110.00 higher)

Although Kepley Well Serv., K-W Oil Well Serv., & W & W Productions, Inc. had received more than 2 contracts at one time and fell behind schedule and finished their projects late, they were awarded their Contracts right away. Splane Pulling & Roustabout Service, Inc.'s contracts were held up, and had to defend their right to be able to handle 2 jobs simultaneously.

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**00332, MANTOOTH – MONTGOMERY COUNTY–CLOSING DATE-8/31/99-AWARDED TO KEPHART DRILLING, INC.**

Six contractors were recommended by the District 3 Office

A & A Well Service Elsmore, Ks

Bright Futures Inc.

Consolidated Industrial Services Had not submitted a bid in 2 years\taking up a bid slot

Finney Drilling Bright's subcontractor – Has only submitted a bid once, 9\97.\taking up a bid slot.

K-W Oil Well Service

Kephart Drilling, Inc. First time Kephart's ever submitted a proposal\bet that was a surprise

Only Kephart Drilling Inc. and K-W Oil Well Service Returned a bid on this proposal

*THIS PROJECT WAS NOT AWARDED UNTIL NOVEMBER, 19, 1999 – 2 MONTHS AND 19 DAYS AFTER THE BID OPENED- YET THIS IS A CONTRACTOR DIST #3 HAS RECOMMENDED FOR THE LAST 2 YEARS AND HAS USED IN THE PAST ON OTHER PROJECTS.*

*THIS JOB HAS NOT BEEN COMPLETED AT THIS TIME*

**#00363, MATHIAS/TUCKER – ALLEN COUNTY-CLOSING DATE-9/9/99-AWARDED TO KEPLEY WELL SERV.**

Six contractors were recommended by the District 3 Office

Consolidated Industrial Services, Inc. Had not submitted a bid in 2 years\taking up a bid slot

K.C. Development, Inc. Marion, Kansas Approximately 2 ½ hours away. Would a reasonable person think That this company might bid higher if they had to drive 2 ½ hours Verses 15 minutes if you were local\they returned 1 bid in Rice County\Taking up a bid slot

**K-W Oil Well Service Brother to owner of Kepley Well Service**

Kephart Drilling Inc.

Kepley Well Service

Ed Willis Has not returned a bid in 2 years\Taking up a bid slot.

This bid closed on 9/9/99. The contract was awarded 9/20/99. Even though this contractor had been behind schedule on other projects. Had not even started the Rush at this time, (see Contract #33614) his contract was awarded in 11 days.

**THIS JOB WAS COMPLETED ON 10/3/99**

**#00541, WITWER LEASE-MONTGOMERY CNTY – CLOSING DATE- 9/30/99-AWARDED TO KEPHART DRILLING, INC.**

Six potential contractors provided by the District 3 Office

Bright Futures Inc.

Consolidated Industrial Services Had not submitted a bid in 2 years\taking up a bid slot

Finney Drilling Bright's subcontractor – Has only submitted a bid once, 9\97.\taking up a bid slot.

K-W Oil Well Service

Kephart Drilling, Inc.

Ed Willis Chanute, KS (Neosho county) **Has not returned a bid in 2 years\Taking up a bid slot.**

Only Kephart Drilling Inc. & K-W Oil Well Service returned a bid on this proposal

**THIS JOB HAS NOT BEEN COMPLETED AT THIS TIME**

**#00545 DARRELL KIMBREL PROJECT-CLOSING DATE-10/4/99 AWARDED TO L & S WELL SERVICE**

Six potential contractors recommended by the Dist #3 office

Bright Futures Inc.

Consolidated Industrial Services Had not submitted a bid in 2 years\taking up a bid slot

Finney Drilling Bright's subcontractor – Has only submitted a bid once, 9\97.\taking up a bid slot.

K-W Oil Well Service

Kephart Drilling, Inc.-Low bidder on the Mantooth & Witwer Proposals not yet awarded/taking up a bid slot.



Ed Willis- Chanute, KS (*Neosho county*) Has not returned a bid in 2 years\Taking up a bid slot.

Original Bid was for 11 wells: Final 11 wells

TOTAL COST \$20,666.00  
PER WELL \$1,878.72

The Summerson project that Splane Pulling & Roustabout Serv. Inc. that was awarded simultaneously with the McKinley McCartney Project was completed 42 days ahead of schedule.

The McKinley McCartney Project is progressing very well. With 100 days left to complete the project there are only 19 wells left.

The contracts state that "If additional unplugged wells are located during the plugging of the wells on this project, the general contractor agrees to plug the additional wells at the same rates as those quoted in the general contractor's original bid." There have been 45 more wells located on the McKinley McCartney Lease. Now, even though other contracts have been put out for a low number of wells, and later were amended in at a much larger number, (Example: Casper, #32853 was for 26 wells, a total of 111 were plugged, Kepley Well Service; Rantoul #32632 was for 90 wells, 136 were plugged, awarded to Consolidated and subcontracted to K-W Oil Well Service, plus several others listed in this summary), there has been a question raised that these wells should be re-bid rather than having Splane Pulling & Roustabout Serv. Inc. plug them as stated in the contract.

Splane Pulling & Roustabout Service Inc. has been in business for 40 years and have never ran across a situation like this. Tom Bilyeu and Steve Korf do not want to see these contracts put out for a lump sum price. The reason given was that "contractors would skip if they underbid". Truly knowledgeable oil field plugging contractors should be experienced enough to know how to bid, and if these are the kind of People that would "skip", do we as taxpayers really want them out here plugging in the first place?

There are thousands of wells in this area that do need to be plugged. If they were plugged for a PER WELL price plus the cost of cement, the division of purchases would have a much more accurate figure as to the total cost of these plugging contracts. Also a lot of these problems could be resolved. This is the only way to insure a fair and competitive bid process.

ACV

## Abandoned Well and Site Remediation Fund

Kansas Corporation Commission  
Conservation Division



### Abandoned Well / Site Remediation Fund

- The fund was created during the 1996 Legislative Session with the passage of House Substitute for S.B. 755
- The purpose of the fund is to provide additional funding to the Kansas Corporation Commission, Conservation Division with which to address the problem of both abandoned oil and gas wells and exploration and production related contamination sites.
- In addition to the creation of the fund the legislation directed the Conservation Division to establish financial responsibility requirements for oil and gas operators within the State of Kansas. These requirements were to be in place by January 1, 1998.

*Senate Utilities*  
*3-9-00*  
*Attach. 4*

## Abandoned Well / Site Remediation Fund

### Funding Sources

Funding to this abandoned well plugging and site remediation program was to be provided through four funding sources.

- Increased assessments on crude oil and natural gas production through the Conservation Fee Fund:
- General Fund monies:
- 50% of monies received by the State through the Federal mineral leasing program:
- State Water Plan monies:

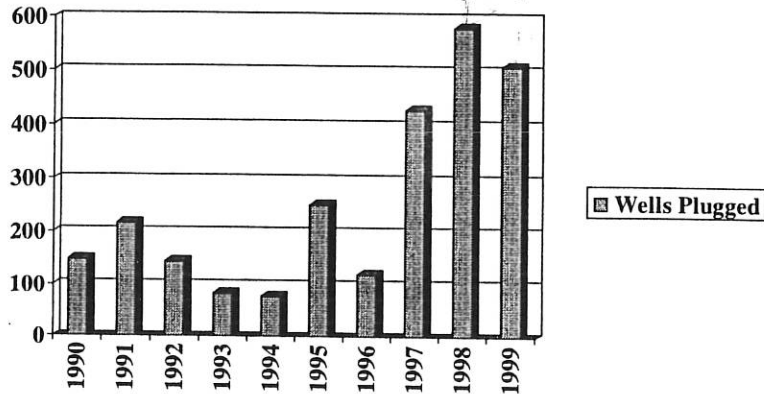
Total Funding Package was in the amount of \$1,600,000 / year

## Abandoned Well / Site Remediation Fund

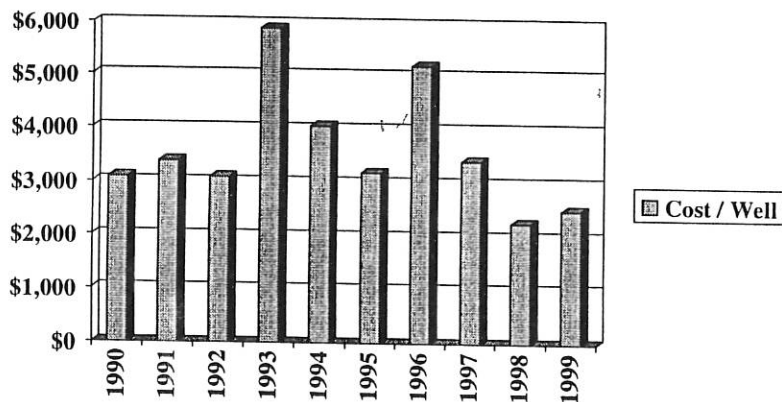
### Status of the Abandoned Well Inventory

- The Kansas Corporation Commission abandoned well inventory currently contains approximately 12,000 documented and verified wells. This represents an increase in the total inventory of 656 wells over that reported in January of 1999. Of this total approximately 11,400 are listed in the Priority I inventory. Of these wells approximately 9,000 wells still require plugging operations.
- Expenditures for fiscal year 1999 resulted in the plugging of 508 abandoned wells. Those wells were plugged at a cost of approximately or \$2,500/ well. For the first 6 months of fiscal year 2000 230 have been authorized to be plugged or have been plugged with monies from the fund.

## State Funded Plugging Operations

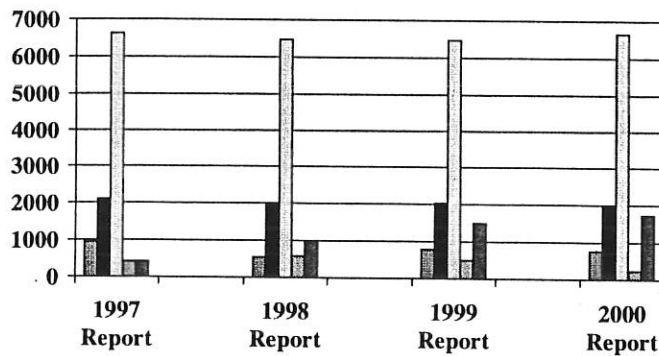


## Per Well Costs State Funded Plugging Operations



## Abandoned Well / Site Remediation Fund Wells Requiring Action

Level A 
  Level B 
  Level C 
  Pluggings/year 
  Cumulative Plugged

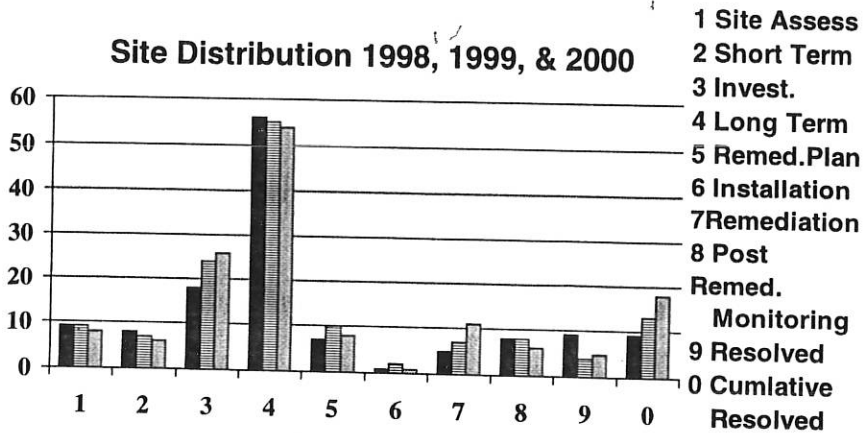


## Abandoned Well / Site Remediation Fund Status of the Site Remediation Inventory

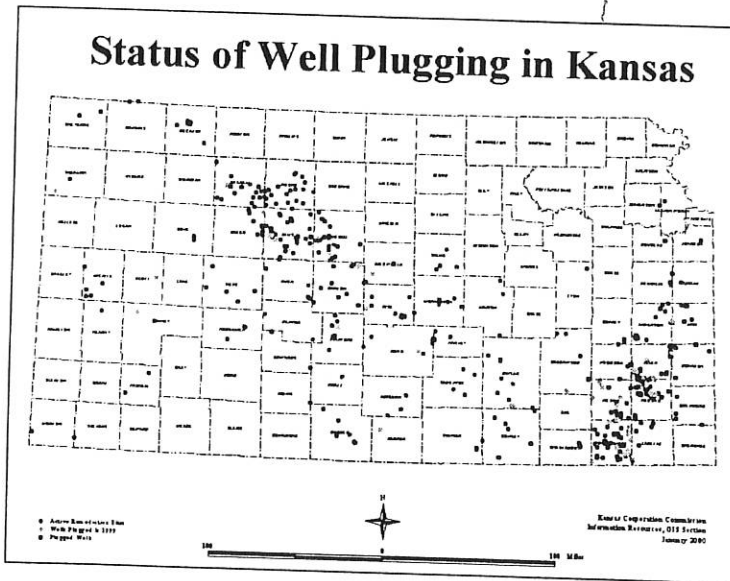
- When the Abandoned Well / Site Remediation Fund was first created the KCC carried a listing of 109 sites. During previous reporting periods (1997, 1998, & 1999) four sites were combined with other existing sites, nine sites were added and a total 21 sites were resolved. Of the 95 sites contained in the 2000 report 5 additional sites have been resolved thereby resulting in 90 active sites.
- Expenditures / Authorizations against the fund since the last report include \$309,421 of direct costs to site projects. Indirect costs in staff hours to sites for this report period were in excess of \$84,800.



## Abandoned Well / Site Remediation Fund Distribution of Sites by Status



## Status of Well Plugging in Kansas



## Abandoned Well / Site Remediation Fund Operator Financial Responsibility Requirements

- Operators having an acceptable record of compliance with KCC rules and regulations over the proceeding 36 months may pay a \$50 nonrefundable fee.
- Operators that have not been licensed for at least the proceeding 36 months or have not met the acceptable record of compliance requirement must furnish one of the following on an annual basis:
  1. A performance bond or letter of credit in the amount equal to \$.75 x the aggregate depth of all wells under his control.
  2. A blanket bond or letter of credit between \$5000 and \$30,000 based on the depth and number of wells operated.
  3. A fee equal to 3% of the blanket bond required under 2.
  4. A first lien on equipment equal to the bond requirement.
  5. Other financial assurance approved by the Commission.

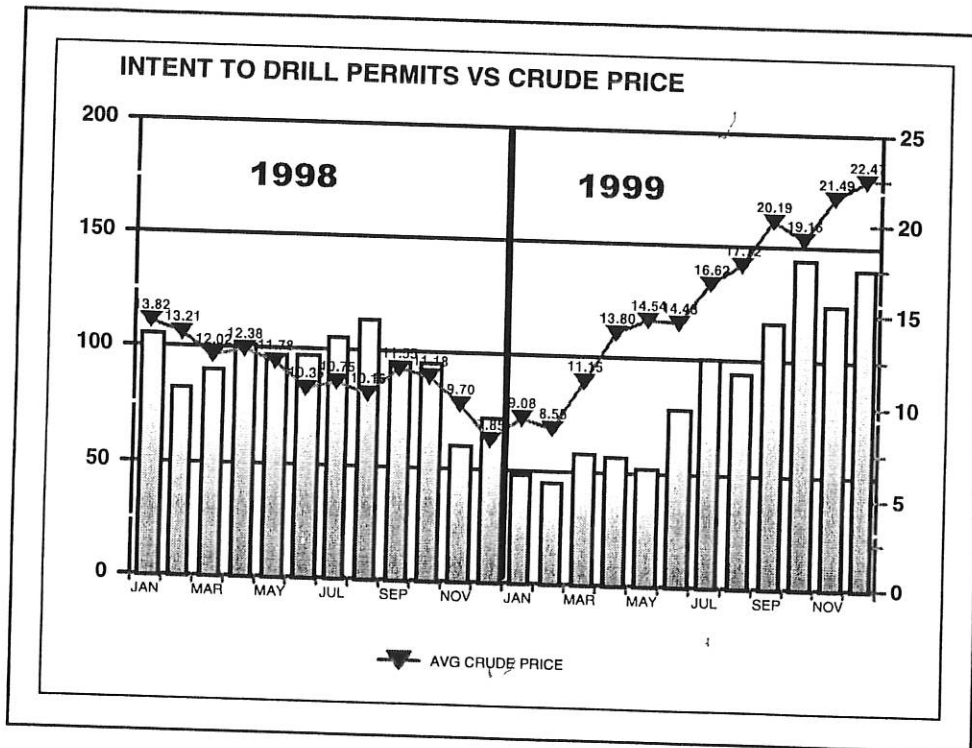
## Financial Assurance Posted In 1998

Method of Assurance	Number of Licenses	Revenue	Assurance
\$50 Fee	2078	\$103,900	\$ 103,900
Cash Bond to KCC	191	\$ 57,550	(Compliance) \$ 57,550
Surety Bond	36		\$ 662,850
CD / Ltr. of Credit	67		\$ 910,440
<b>Total</b>	<b>2372</b>	<b>\$161,450</b>	<b>\$1,740,740</b>

## Financial Assurance Posted in 1999

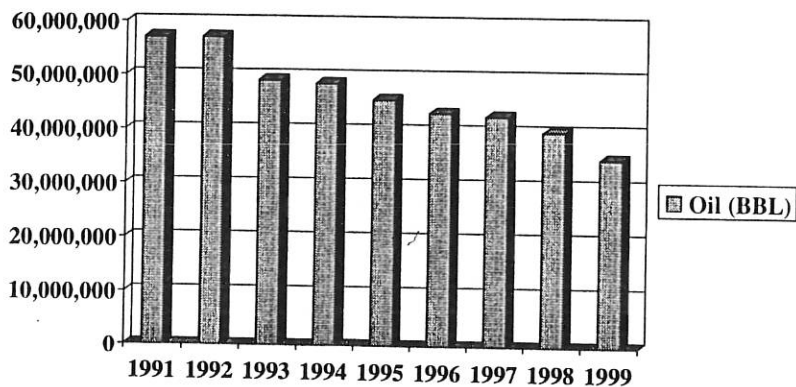
Method of Assurance	Number of Licenses	Revenue	Assurance
\$50 Fee	2,014	\$100,700	\$ 100,700 (Compliance)
Cash Bond To KCC	177	\$ 50,704	\$ 50,704
Surety Bond	41		\$ 772,245
CD / Letter of Credit	60		\$ 754,413
<b>Total</b>	<b>2,292</b>	<b>\$151,404</b>	<b>\$1,678,063</b>

11B 2780

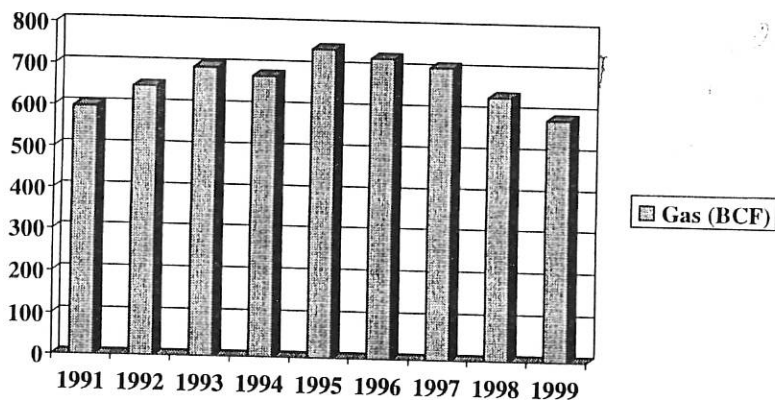


4-7<sup>7</sup>

### Oil Production FY91- FY99



### Gas Production FY91 -FY99 BCF



4-8

## Policy Considerations KCC and Kansas Legislature

- **Currently financial assurance fees are directed to Conservation Fee Fund. Is there a need for a future wells plugging fund? (i.e.: For wells drilled after July 1, 1996) What was intent of HS/SB 755 on this point?**
- **KCC must continue to increase emphasis on compliance and enforcement program while streamlining regulatory processes.**
- **Loss of Industry infrastructure of concern to both industry & KCC.**
- **With continued decline in production in both oil and gas additional assessments on production will be necessary to maintain Conservation Fee Fund which supports Division operations and contributions to the Abandoned Well / Site Remediation Fund. Over the long term alternate funding solutions need to be identified.**

## Attract More Qualified Contractors to Compete for State Plugging Contracts

- **Post information on opportunities for plugging contractors on KCC web site**
- **Send information on how to bid on state contract to all licensed plugging contractors**
- **Offer bonus to contractors who complete work ahead of schedule**
- **Limit number of contractors to one project at a time**



**Speed overall process of bidding on  
projects and Plugging / Remediation  
Operations**

- **Develop negotiated Bid Process for “approved plugging contractors” and “approved investigation / remediation contractors**
- **Contract out site surveys for identification of well locations at abandoned lease sites**
- **Contract out research for potentially responsible parties (PRP’s) for both wells and remediation sites**
- **Contract out site supervision of plugging contractors independent of contractors**