

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Sen. Pat Ranson at 1:30 p.m. on March 13, 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:

Edwin Bideau III, Attorney for Mike & Jerry Wimsett, W-W Production Co., Chanute and Mike
Kepley, Kepley Well Service, Chanute
Jim Kepley, K-W Oil Well Service, Chanute
Fran Welch, Purchases Division, State of Kansas

Others attending:

See attached list

Sen. Ranson recognized pages who are assisting the committee today and asked for introductions. They are sponsored by Sen. Brownlee. Sen. Ranson announced the committee will continue the hearing for **HB 2782-concerning oil and gas; relating to disposition of certain fees.** She introduced Edwin Bideau III, who gave testimony regarding the bill (Attachment 1). Mr. Bideau stated he is appearing before the committee representing W-W Production Company and Kepley Well Service, both of Chanute. He also stated the reasons for their appearance is in response to testimony given to the committee last week regarding the plugging of abandoned wells. He told of his clients' experience working in the well plugging business and outlined problems he believes exists between the Splanes and contracts awarded by the Chanute office. He was complimentary to the KCC Field Office personnel in Chanute and told of his clients' experience in dealing with the office. Mr. Bideau outlined bid procedures and qualifications, how the bid pricing is done and the funding. Mr. Bideau pointed out that there is an action before the KCC assessing a rather large penalty against a J.G.K., Oil, Inc. as well as a U.S. Bankruptcy Court action in which a motion to dismiss the case has been filed by the Trustee in Bankruptcy, which was set for hearing in April, 1999. Attached to Mr. Bideau's testimony are documents and other information from the Kansas Corporation Commission and contractors. He stated the information and documents relate to the question of being a qualified bidder.

Sen. Barone asked Mr. Bideau when he decided to come to Topeka to speak to the committee and what made you decide to come? Mr. Bideau answered that they decided to come on Friday after Mr. Splane's testimony to the committee, as they were not aware that the contract procedures were an issue. The reason was a sworn statement of John E. Galemore one of his clients acquired when he was here last week for EKIOGA meetings. In answer to Sen. Barone's questions regarding funding and how the contracts are bid, Mr. Bideau stated he supports the funding, and he believes bidding the wells on a per well basis will cost more; that most work is done on a per unit basis. He stated it is difficult to evaluate how much to bid on the wells, and that they are continually finding new wells which they did not know existed. He stated the way the bid procedures are set up now that the state is requesting pricing by the unit services, not per well. Sen. Ranson then asked Mr. Bideau if either of his clients have done well plugging for private companies. Mr. Bideau replied Mr. Kepley has. Sen. Ranson asked Mr. Kepley to come to the podium and identify himself. Sen. Ranson asked how he priced his bid when working for private companies and then for the state. Mr. Kepley responded that he estimates how long the job will take him, and doubles his bid to try to cover costs when bidding for a state contract, since he has no idea what problems may be encountered. However, when he bids for private companies, he bids it by the hour. He believes it would be cheaper for the state to base bids on an hourly basis, with a KCC employee monitoring the job to ensure they are charging only for the time they are working on the well. Sen. Ranson stated the information is important, as one of the major complaints is how the contracts are bid and the complaint

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE, Room 231-N Statehouse, at 1:30 p.m.
on March 13, 2000.

that the bidding procedures have slowed down the process.

Sen. Ranson introduced Francis Welch, for a presentation on the bidding process and asked her to tell the committee how the system is supposed to work (Attachment 2). The committee asked Ms. Welch questions regarding the bidding process, and Sen. Steffes asked if the bid is always given to the lowest responsible bidder and to define that phrase. Ms. Welch answered contractors with a poor performance record and those who have proven they are irresponsible are eliminated from the list, even though they may be the lowest bidder. Sen. Clark asked Ms. Welch if she knows of an exchange of equipment in place of money changing hands, and she answered she is not aware of that happening; if that were to happen, the agency would investigate and turn it over to their legal department. Sen. Brownlee asked if there is a list of contractors who are potential bidders, and Ms. Welch responded that she does not have a list; that there are 25 to 30 well plugging operators in Southeast Kansas who are licensed. Sen. Ranson asked how many are licensed statewide, and Mr. Korphage responded there are approximately two thousand oil and gas operators in the state. Ms. Welch added that the KCC gives them a list of potential vendors and they also receive recommendations and solicit bidders from those who have filled out applications. Sen. Ranson stated the Purchasing Department has had four years to develop a list and solicit vendors who are interested, and they don't know how many vendors are interested or are available. Sen. Barone also questioned why they do not have a list of eligible bidders in place after four years and if some of the bidders are out of state. Ms. Welch stated they receive a list from the KCC indicating those who are eligible on each project they put out for bids; however, she does not know if any are sent out of state. She also referred to changes that have been made in the contracting and administering of contracts; she also indicated to the committee there are no set number of slots for each project as well as no set number of bids required, and they can reject bids and solicit other bidders. Ms. Welch also discussed with Sen. Brownlee which department's rules and regulations govern the process, changes that have been made and certain specifications they follow. Sen. Ranson asked if they only send the low bid to the KCC, and Ms. Welch responded that is right. She added that the KCC does not sit in on the bidding process, and that she coordinates the bid process with Ruth Scott in the Topeka KCC office.

Sen. Ranson recognized Maurice Korphage, who is returning to the committee to answer questions related to his slide presentation to the committee yesterday. Sen. Lee questioned him regarding the bids that are under \$10,000, as to what percentage of the total number of wells that have been bid. Mr. Korphage responded it is a small percentage and estimated approximately one-third of the total are under the \$10,000 cost. He explained those contracts go through an internal bid process with the district office and require at least three bidders. Sen. Lee also questioned regarding bids from out of state, and Mr. Korphage responded there was only one bid that he can remember from out of state from a company which provides service to other states. She also asked how contractors and the public gets information regarding the well plugging program. Mr. Korphage answered that when the program first began they did a mass mailing to contractors to inform them and to let them know this is an on-going program, which he admits needs to be updated. He also added that the notice to contractors was put on the web site last month and that the Purchasing Division advises contractors by phone; notices are also posted on the bulletin board in the district office and now will be posted on the web site. Sen. Barone stated that if one-third of the wells have been plugged by bids going to the district office, how does it compare with the wells that were publicly bid? Mr. Korphage stated in District 3, from January, 1997, 84 projects under \$10,000 have been bid and completed; of the 84, twenty had cost overruns, with twelve greater than 15% and 5 had overruns over \$2,000. Sen. Barone requested that Mr. Korphage furnish the committee with lists of the contractors notified and approximate cost of the overruns and asked Mr. Korphage to explain the salvage process. He answered that putting salvage up for bids is rare; however, when it is necessary they call three people who are interested in bidding for the salvage, it goes to the highest bidder, and the money is sent to the KCC to go back into the program. Sen. Barone added he has heard of disputes arising regarding the salvage from a lease or well. Sen. Brownlee asked questions regarding cost overruns for contracts under \$10,000 and pointed out that a \$2,000 overrun is significant when the contract was under \$10,000; in fact, that means it more than doubled. She stated she did not understand how that could happen. Mr. Korphage responded this is called a turn key bid and includes an estimated cost per well. When the work on the well is underway, the contractor may find the situation includes more work than estimated, or additional material is needed, which increases the cost; some of those may double. Sen. Brownlee asked if the Comprehensive Environmental Response Compensation, and Liability Act (known

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE, Room 231-N Statehouse, at 1:30 p.m.
on March 13, 2000.

as CERCLA) comes into effect and asked Mr. Korphage for more information on it.

Sen. Ranson referred to the Budget for the Conservation Division, money collected and spent and recited the following amounts that were spent: \$1.1 million in 1997, \$1.0 million in 1998 and \$1.8 million in 1999. Projected spending in 2000 is \$1.8 million and \$1.6 million in 2001 and \$1.6 million in 2002. She asked Mr. Korphage if the Division has corresponding figures to show how many wells were plugged for those years. Mr. Korphage responded that information was in the slide presentation he gave last Thursday and is shown on Page 3 of the written testimony. Sen. Ranson stated it is the committee's responsibility to study and determine what the problem is with the well plugging problem, why we aren't plugging more wells, and the reason there seems to be a shortage of well pluggers. Mr. Korphage stated the well plugging can only be done by licensed contractors and in some areas of the state, there is a shortage of those that are licensed. However, he admitted there is probably no shortage in the Southeast Kansas area. Sen. Ranson referred to the Audit report and the recommendations and guidelines, especially for those wells under \$10,000. She stated that before considering additional funding, the committee would like to see ideas and examples of how the process can be speeded up. Sen. Barone then asked Mr. Korphage questions regarding photographs of oil wells that show oil seeping up to the ground, killing off the trees and other vegetation, and asked if we are plugging the right wells? He also asked if the wells shown in the pictures should be given top priority?

Meeting adjourned at 2:30.

Next meeting will be March 14, 2000.

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 13, 2000

NAME	REPRESENTING
Ruth Scott	KCC
Monica Deussen	KCC
John Maloney	GC/F
Abby Windhorst	Page
Aaron Windhorst	Page
Keith Splawc	Splawc Pulling
Terri Splawc	Splawc Pulling & Transit Serv. Inc.
Alvi Splawc	Splawc Pulling & Transit Serv. Inc.
THURSTON L. SMITH	DOA/PURCHASES
Linda Ehrhart	" "
David Pulek	" "
Steve Szaggs	EKOGA/consolidated
Leo Vogel	Purchaser
Annis Edmiston	KCC
Shelley King	McGill, Gachas & Assoc.
Jim Kopy	K-W oil Well Service
Ed Barrett	Atty. General, KS
Phil's Plannett	W.W. Production
Mike Kelly	Kopy Well Serv

A-10

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March 13, 2000

Hon. Pat Ranson, Chair
Senate Utilities Committee
Kansas State Senate
Statehouse
Topeka, Kansas 66612

Honorable Senators: K.C.C. Abandoned Well Plugging
Contract and Bid Procedures

I am appearing before your committee today as attorney for Mike Wimsett and Jerry Wimsett, the owners of W-W Production Co. of Chanute, Kansas, a partnership, which has performed plugging work for the KCC as successful bidder on several projects in Neosho and Allen counties in Southeast Kansas. I am also appearing with Mr. Mike Kepley, the owner of Kepley Well Service of Chanute which has also performed plugging work under KCC contracts in this area. Our appearance before you today has been prompted by testimony given to the committee last week by one of their competitors in the KCC bidding process, which my clients feel gave a very inaccurate view of KCC bidding and contract procedures for abandoned well plugging. My comments today reflect the opinions and positions of both W-W Production Co. and of Kepley Well Service. Both Mike Wimsett and Mike Kepley are also here to answer any questions that you may have.

Overall the SEK field office of the KCC has done an exemplary job in its efforts to plug wells on abandoned oil and gas leases in Southeast Kansas. Its staff, headed by Mr. Steve Korf, has the respect of the industry and the public by enforcing KCC rules and statutes in a tough but fair manner. 25 years ago when I was a green county attorney for Neosho County, Kansas the KCC had a reputation as a do nothing agency and it was very difficult to obtain enforcement of KCC rules and well plugging. That situation is far different today. Over the last several years the KCC has wisely used the funds which were appropriated to it and has made large strides in eliminating abandoned wells which have been pollution risks for decades. The local KCC staff is very fair and has been very motivated to do its best to maximize state dollars and make sure wells on abandoned leases are plugged right.

Senate Utilities
3-13-00
Attach. 1

My clients, Mike Wimsett and Jerry Wimsett have been longstanding members of the Board of Directors of Eastern Kansas Oil and Gas Association and their company has been actively involved in the oil and gas business around Chanute for more than 50 years. They are very well recognized as high quality oil producers and oilfield contractors and have the distinction of being the only oil producer allowed to conduct joint ventures with The Monarch Cement Company of Humboldt, Kansas, producing wells from their quarry floor and to be selected to produce wells for Amoco Pipeline Co., located on a storage tank farm in Humboldt, both of which received honorable mention in the regional media. These have required high quality results and attention to detail given the strict environmental regulations which these national companies must operate under. When providing contract services to these entities they have to comply with the highest level of safety requirements including random drug testing policies of both companies.

Neither W-W Production or Kepley Well Service have ever been cited for a violation of KCC regulations. This includes any oil lease which they operate and they have never received a complaint or an objection from the KCC on any contract plugging work which they have performed. They believe that in order to do work for the state that a contractor should be in a position to show that it has complied with KCC rules and regulations and conducts its own operations in full compliance. This includes keeping up mechanical integrity tests, known as MITs, and other procedures. They do not believe that a company contracting with the KCC to plug abandoned wells should have any association with a major violation of KCC rules and regulations.

As we have reviewed the written testimony submitted by Mr. Splane it appears that he is complaining that his company has somehow been treated unfairly by the KCC in awarding contracts for plugging services. However, my clients feel that the Wichita office of the KCC has been more than fair to Mr. Splane and in some areas has given Mr. Splane's company breaks and advantages that were not given to either W-W Production or Kepley Well Service.

Bid Procedures

It is my client's understanding that any bid letting conducted by the KCC is published in the Kansas Register, is posted at the Chanute KCC office and is also posted on the Internet through INK. Any and all interested and qualified bidders may submit a bid to the state and may be informed of all bids simply by subscribing to the Kansas Register. They also understand that an interested bidder may receive notice simply by making a written request to be included on the mailing list. Even projects of less than \$10,000 which do not require public bids are posted at the local KCC office. Any inference or suggestion that the any particular company has been somehow locked out of the bidding process would seem to be simply not correct.

Qualification of Bidders

It is vitally important that contracts for KCC plugging be awarded to contractors that are reliable, have a good reputation in the industry, and who will do the job right. Competitive bidding produces a low price but it is also necessary that the contractor produce quality work and have a good reputation. Although W-W Production, Kepley Well Service, and Consolidated Oil Well Services, Inc. have received low bids and successfully completed several KCC projects, those companies also have exemplary track records with the KCC on their lease operations and a strong track record of working with KCC staff and landowners to complete the jobs with a minimum of damage and interruption of farm operations. All of these entities are very well qualified to perform this contract work. If you contacted the landowners on the projects they have completed you would find a high level of satisfaction.

Mr. Splane's testimony has inferred that the KCC staff is somehow hostile to him and desires that his company not participate in state plugging contracts. However, his testimony did not inform you that J.G.K. Oil, Inc., another company which he is involved in, has been the subject of a major enforcement proceeding by the KCC in Anderson County, Kansas.

The KCC records indicate that J.G.K. Oil, Inc., is the subject of an enforcement proceeding before the KCC under Docket No. 195,175-C in which an order was issued by the **commission on February 17, 1999**, signed by David Heineman, Executive Director, **assessing a penalty of \$35,400.00 for failure to clean up 23 spills** on leases in Anderson County, Kansas and failure to plug or give notice of abandonment to the KCC for 124 wells on those same leases. Under this order J.G.K., Inc. was ordered to shut-in the wells immediately and to plug all abandoned wells on the leases within 30 days. It is our understanding from KCC staff that this order was not appealed nor was it complied with. A copy of the order is attached. We would urge the committee to inquire further from the KCC staff as to the nature and extent of these violations.

According to the Clerk of the **U.S. Bankruptcy Court, J.G.K. Inc.** filed a bankruptcy action in Kansas on **June 21, 1999**, Case No. BR99-122487, and that a motion to dismiss the case has been filed by the **Trustee in Bankruptcy** which is set for hearing on April 13, 1999. KCC staff has advised us that they are aware of the bankruptcy, are participating in this litigation and that they are still trying to get the 2/17/99 order enforced.

The records of the Kansas Secretary of State show that the stockholders of **J.G.K. Oil, Inc.** are as follows:

John C. Splane
Alice L. Splane
Janet L. Wilson
Gary C. Splane
Keith W. Splane

Those records show John C. Splane as President of the company.

The records of the Secretary of State show that the stockholders of Splane Pulling and Roustabout Service, Inc. are as follows:

John C. Splane
Alice L. Splane
Gary C. Splane
Keith W. Splane
Jan Wilson

Those records show John C. Splane as President of the company.

Copies of the records of the Kansas Secretary of State obtained through INK are also attached.

My clients question how a corporation can qualify for work as a KCC plugging contractor when a sister company with the same stockholder ownership and management is the subject of a KCC enforcement proceeding and has not complied with the KCC orders. My clients would suggest that as this committee reviews bidding procedures that it consider this question as to whether such an entity should be qualified to bid for KCC contracts when it's stockholders own and manage another corporation that is subject to heavy fines and an enforcement order that not been appealed or complied with. I would speculate that the field level staff of the Chanute KCC office may have the same questions and that this might account for any resistance which Mr. Splane feels he has encountered.

If the KCC or the Department of Administration allows such a corporation to be considered a qualified bidder would it be possible for another violator under a similar order to simply form a new corporation and submit a bid to be paid to plug out and clean up the violations he created under a different corporate name? If so, is this good public policy?

Plugging of Additional Wells Under Bid

Although the current KCC bid specifications contain restrictions on the amount of additional wells which may be located and plugged under the contract, previous bids did not contain these restrictions. Under previous KCC bid and contract procedures a contractor submitting a bid was required to agree to plug all wells found on the lease premises in addition to the wells actually bid on if additional wells were located after the contract was let. The contractor was locked into the same price even if more wells were located and even if they were more difficult to find, pull and plug. This was accepted by the contractors and by the KCC.

On the Mih lease project, which was bid in April of 1999 and was awarded to Kepley Well Service, the original bid was for 9 wells yet once work was begun on the lease many additional unplugged wells were found. Kepley Well Service plugged approximately 30 total wells but was only allowed to plug 3-4 of the original 9 wells bid. Since there were even more additional wells found on the lease than Kepley plugged, the KCC decided to redivide the project and to allow Kepley Well Service only to plug half of the lease. The other half is still to be done and probably will be bid separately. Although it probably had the right to object to this Kepley Well Service did not do so and tried to work with the KCC office even though it was the successful bidder on the lease.

In contrast, on the McKinley/McCartney lease project in Allen County, Kansas, bid in August of 1999, with Splane Pulling as low bidder, my clients have been told that Splane has been allowed to plug 38 additional wells on this project with no redivision and that even more additional wells are now being plugged without redivision. We would be interested in obtaining verification by the KCC whether this occurred or not. If this is correct, then is Splane being treated differently than Kepley Well Service was on the Mih lease?

Perforation Requirements

It is the understanding of my clients that the KCC requires that every well which is plugged must be perforated with explosive at 4 different levels to make sure that the cement will circulate behind the well pipe and properly bond. The charge for perforation is an item that is listed on the request for tender of bid. My clients were told that on the Burtiss lease in Allen County Splane bid \$1.00 for each perforation which obviously is a very low bid. They were later informed that Splane was allowed to perforate on only 2 levels instead of 4. Prior to this authority being granted to Splane W-W Production and Kepley Well Service clients performed their contracts based on 4 perforation levels. If this information is correct then it would again appear that a benefit was given to Splane Pulling and Roustabout Service, Inc. which was not given to W-W Production or Kepley Well Service.

Per Well Bid Pricing Will Mean Higher Cost

Lump sum or per well pricing will produce a higher total cost for state contracts due to the fact that there are so many unknown factors. All bids will be higher than necessary in order to cover these contingencies. It is impossible for the KCC to draw exact specifications since it will not know exactly how many wells exist and what the conditions are until the work is actually commenced. No two leases are ever the same and a wide variety of conditions exist on each lease. It is impossible for any contractor to know what it will encounter "down hole" on any particular well. Given these unknowns a higher per well cost will be built into each bid if a per well lump sum bid is required.

Continued Funding of KCC Efforts

Plugging of abandoned wells on abandoned oil leases in Southeast Kansas is often a very difficult task due to the fact that many leases in this area were first drilled in the early part of the 1900s long before any records were required to be filed on well locations, depth or other characteristics. Some leases in the area have been drilled repeatedly over the years using different methods and technology over a period of 80 to 100 years. Abandoned wells may include those drilled with large cable tool bits a foot or more in diameter all the way down to "slim holes" drilled recently with modern technology.

There are literally thousands of wells in Southeast Kansas that were drilled in the early day and abandoned yet never plugged, or plugged with crude methods like driving a hedge post down the hole at the surface. Many of these wells were never recorded and may never be found until they create a problem leaking oil or salt water or until the lease they are located on is salvaged out. Some wells were abandoned with tools or equipment, rocks, debris and garbage left in the hole at depths of 800 to 1200 feet and this must be "fished out" in order to properly plug the well. A plugging contractor often does not know what he will find in a well until he starts down it to begin the work. This work requires great skill, judgment and experience. The cost of plugging a well varies greatly depending on whether it is an old cable tool well or a recently drilled well, whether there are obstructions in the hole and what is required to cement off the oil and salt water zones to protect the surface and surface water. Sometimes a drilling rig must be used to drill out obstructions in the wells or old plugs and this adds more cost.

Added to these problems is the fact that when an abandoned lease is plugged by the KCC it generally occurs long after the lease has been abandoned and there is either no responsible owner to be found or the owner has failed to comply with an order to plug out the lease. Sometimes there is ongoing pollution occurring as a result of neglect of the lease operators. There often are no records available other than those filed with the KCC or anecdotal evidence from the landowner or employees of the former operator. Often the KCC will try to bring about a sale of the equipment abandoned on the lease to pay part of the plugging expense. Sometimes the KCC has to take action to prevent the lease from being stripped of valuable equipment by the defaulting operator.

The KCC usually encounters a landowner who is glad to have the wells plugged but on the other hand does not want his land damaged, his farming operations disrupted or the appearance of his land changed. This is a very difficult situation for the KCC in that they are going onto private property as enforcement officers and must have strict regard for the rights of the landowner. It is therefore very important that the KCC engage a plugging contractor that will work with them and the landowner to get the work done in a reasonable manner and respect the rights and operations of the landowner or farmer.

The KCC has done an excellent job over the past few years in attacking the abandoned well problem in Southeast Kansas. They have made a quantum leap forward in enforcement and protection of the environment from the situation that existed 20 years

ago. The staff of the KCC office in Chanute, including its supervisor, Steve Korf, are well respected in the SEK oil patch as being tough, yet fair in its enforcement activities. The oil industry supports these enforcement efforts because they know that if sloppy operators damage the land and leave a mess it will give the rest of the operators a bad name, will bring on more regulation and financial burden which will fall on the legitimate operators for what a violator has done.

We would urge the legislature to continue funding of KCC plugging efforts within the state and to give the SEK office its support in its contracting procedures and treating each contractor and bidder fairly. My clients want a level playing field with no preferences or favoritism of any kind.

We would further urge the legislature to see that requirements are put in place, either by the KCC, the Department of Administration, or by legislation, that prevent a contractor with close ties to a violator, or the same ownership with a violator, from contracting for plugging work and thereby profiting from the same fund that is designed to remedy problems it's sister company helped to create.

Respectfully Submitted

A handwritten signature in black ink, appearing to read "Edwin H. Bideau III". The signature is stylized with a large initial "E" and "B".

Edwin H. Bideau III
Attorney for W-W Production Co.



Received
2-26-2000

BILL GRAVES
Governor

Ed
Bidow

DAN STANLEY
Secretary of Administration

JOHN T. HOULIHAN
Director of Purchases
900 S.W. Jackson, Room 102-N
Landon State Office Building
Topeka, KS 66612-1286
(785) 296-2376
FAX (785) 296-7240
<http://da.state.ks.us/>

DEPARTMENT OF ADMINISTRATION
Division of Purchases

REQUEST FOR TENDER

Tender Number: 01011
PR Number: 01734
Replaces Contract: New
Date Mailed: February 25, 2000
Closing Date: 2:00 p.m., March 20, 2000
Procurement Officer: Frances J. Welch
Telephone: 785-296-2372
E-Mail Address: fran.welch@state.ks.us
**Item: Abandoned Well Plugging
Fraker Lease Project**
Agency: Kansas Corporation Commission
Location: Topeka, Kansas
Period of Contract: One hundred twenty (120) calendar days from the commencement of project; project to begin within fifteen (15) days of Notice of Award. The 120 days allows for weather and other contingencies.

READ THIS REQUEST CAREFULLY

Failure to abide by all of the conditions of this Request may result in the rejection of a bid. Inquiries about this Request should indicate the contract number and directed to the procurement officer. Return in a sealed envelope or other container only the signature page and bid forms not later than the closing date indicated above. Retain the remaining documents for reference.

Item: Abandoned Well Plugging – Fraker Lease Project

Agency: Kansas Corporation Commission

We submit a proposal to furnish requirements during the contract period in accordance with the specifications and Schedule of Services. I hereby certify that I (we) do not have any substantial conflict of interest sufficient to influence the bidding process on this bid. A conflict of substantial interest is one which a reasonable person would think would compromise the open competitive bid process.

Addenda: The undersigned acknowledges receipt of the following addenda:

#1() #2() #3() None ()

Legal Name of Person, Firm or Corporation: _____

Telephone (800) _____ Local _____ Fax _____

E-Mail: _____

Address: _____

City & State: _____ Zip Code: _____

S.S. or FEIN Number: _____

Please Indicate Taxes Currently Registered for in Kansas:

Corporate Income Tax () Sales Tax () Withholding Tax () Compensating Use Tax () None ()

Signature: _____ Date: _____

Typed Name of Signature: _____ Title: _____

If awarded a contract and purchase order are to be directed to an address other than above, indicate mailing address and telephone number below.

Address: _____

City and State: _____ Zip Code: _____

Telephone: (800) _____ Local _____ Fax: _____

E-Mail: _____

Kansas Corporation Commission Operator License No: _____

Kansas Corporation License Expiration Date: _____

Fraker Lease Project
NE/4 Sec. 18, Twp. 26S., Rge. 18E.
Allen County, Kansas

Request For Tender

Well Plugging Services & Equipment

*See attached Project Summary and Equipment/Services Specifications:

(Per Well Estimates)

Contractor Supervision: \$ _____/Well \$ _____

Drilling Services:

Mud Rotary	\$ _____/Hour	X	1	Hour	\$ _____
Pulling Unit	\$ _____/Hour	X	4	Hours	\$ _____
Wash Down Pump	\$ _____/Hour	X	1	Hours	\$ _____

Water Hauling Services:

Vacuum Truck \$ _____/Hour X 6 Hours \$ _____

Wireline Services:

Cased Hole					
Perforating (Initial Run)	\$ _____/Run	X	1	Run	\$ _____
Perforation (Subsequent Run)	\$ _____/Run	X	1	Run	\$ _____

Dirt Services:

Backhoe	\$ _____/Hour	X	4	Hours	\$ _____
Dozer (D-5)	\$ _____/Hour	X	1	Hour	\$ _____

Cementing Services:

Portland Cement	\$ _____/Sack	X	250	Sacks	\$ _____
Additives (Gel)	\$ _____/Sack	X	5	Sacks	\$ _____
Pump Charge	\$ _____/per well				\$ _____

Welding Services: \$ _____/Hour X 2 Hours \$ _____

Disposal Fees: \$ _____/bbl. X 80 bbl. \$ _____

Per Well Quotation Total \$ _____

(Well Quotation X 44 Wells) = Project Quotation \$ _____

**Final payment will be base on the actual amounts of equipment usage and/or services provided at the specified bid rate.

Note: Include all information requested in Preparation of Bid Section on Page 4. Failure to do so may result in rejection of bid.

1-10

BID INSTRUCTIONS

PLEASE NOTE: IT SHALL BE UNDERSTOOD AND AGREED THAT THE PROVISIONS SET OUT IN THE STATE OF KANSAS, DIVISION OF PURCHASES "CONDITIONS TO BIDDING" AND "GENERAL PROVISIONS" FOR THIS CONTRACT ARE INCORPORATED AND MADE A PART OF THIS CONTRACT BY REFERENCE AS THOUGH FULLY SET FORTH HEREIN. CONTRACTOR AGREES AND UNDERSTANDS THAT THESE DOCUMENTS ARE CONTROLLING OVER CONTRACTOR'S BID, INVOICE, AGENCY ORDER FORMS OR ANY OTHER DOCUMENTS OF THE CONTRACTOR. COPIES ARE AVAILABLE UPON REQUEST FROM THE DIVISION OF PURCHASES.

PREPARATION OF BID: Each bid must be legible and signed. Prices are to be entered in spaces provided on the bid form. Computations and totals shall be indicated where required. In case of error in computations or totals, the unit price shall govern. **PROVIDE WITH BID THE FOLLOWING:**

1. Vendor shall provide with their bid a listing of all subcontractors or vendors who will be utilized in the project.
2. Vendor shall provide with their bid a listing of all equipment and services to be provided by or through the general contractor.
3. Vendor shall provide with their bid proof of Worker's Compensation and Automobile Liability as required by Kansas Law and Comprehensive General Liability with minimum limit of \$500,000 per occurrence in effect if awarded contract. Any change in status of insurance coverage must be reported to the Conservation Division prior to effective date of the change. If such coverage is not currently in effect, it must be placed in effect subsequent to award and prior to beginning work.

SIGNATURE OF BIDS: Each bid shall give the complete mailing address of the vendor and be signed by an authorized representative by original signature with his or her name and legal title typed below the signature line. Each bid shall include the vendor's social security number or Federal Employer's Identification Number.

ACKNOWLEDGMENT OF ADDENDA: All vendors shall acknowledge receipt of any addenda to this Request. Failure to acknowledge receipt of any addenda may render the bid to be nonresponsive. Changes to this Request shall be issued only by the Division of Purchases in writing.

MARKING AND MAILING BIDS: Bids shall be sealed securely in an envelope or other container addressed and marked on the outside as follows:

THE STATE OF KANSAS DIVISION OF PURCHASES
REQUEST FOR TENDER: 01011
CLOSING DATE: March 20, 2000
900 SW JACKSON STREET, ROOM 102N
TOPEKA, KS 66612-1286

Faxed or telephone bids are not acceptable unless this Request is for an amount less than \$25,000.00.

1-11

The State shall not be responsible for the premature opening of a bid or for the rejection of a bid that was not received prior to the closing date because it was not properly identified on the outside of the envelope or container.

CLOSING DATE FOR BIDS: All bids shall be received promptly at 2:00 p.m., Central Standard or Daylight Savings Time on, March 20, 2000, whichever is in effect, at the following location:

**THE STATE OF KANSAS DIVISION OF PURCHASES
900 SW JACKSON STREET, ROOM 102N.,
TOPEKA, KS 66612-1286**

Bids received prior to the closing date shall be kept secured and sealed until closing. Bids received after the closing date will not receive consideration and will remain sealed in the bid file.

MODIFICATION OF BIDS: A vendor may modify a bid by letter or FAX transmission at any time prior to the deadline for receipt of bids and the Director of Purchases is satisfied that a written confirmation of the modification, signed by the vendor, was mailed prior to the deadline as evidenced by the postmark on the envelope or container.

WITHDRAWAL OF BIDS: A bid may be withdrawn on written request from the vendor to the procurement officer at the Division of Purchases prior to the closing date.

BID DISCLOSURE: At the time of closing, bid prices shall be made public information. Interested vendors or their representatives may be present at the opening of the sealed bids at the following location:

**THE STATE OF KANSAS DIVISION OF PURCHASES
900 SW JACKSON STREET, ROOM 102N
TOPEKA, KS 66612-1286**

The low vendor shall not be construed as meeting all specifications set out in the Request at the bid disclosure.

Bid results will not be given to individuals over the telephone. Results may be obtained by attending the public bid opening or by obtaining a bid tabulation from the Division of Purchases. Bid results can be obtained by sending (do not include with bid):

1. A check for \$3.00, payable to the State of Kansas and;
2. A self-addressed, stamped envelope;
3. Tender Number, Architectural Project Number, or Contract Number, (for each tab requested.)
4. "Should a check be returned to the Division of Purchases for insufficient funds, the vendor will be suspended from all bidding until such time as the vendor makes good on payment."

Send to the Kansas Division of Purchases, Attention: Bid Results/Copies, 900 SW Jackson, Room 102N., Topeka, KS 66612-1286. Copies of individual bids may be obtained under the Kansas Open Records Act by calling (785) 296-0002 to request an estimate of the cost to reproduce the documents, and remitting that amount with a written request to the above address. Upon receipt of the funds, the documents will be mailed. Information in bid files will not be released until a bid has been awarded or all bids have been rejected.

1-12

NOTICE OF AWARD: The Division of Purchases shall issue either a purchase order or a written contract to the successful vendor.

VENDOR REGISTRATION: All vendors applying for registration must complete a Vendor Registration Application form. To receive an application, fax a request to 785-296-7240, or mail to the Division of Purchases, Landon State Office Building, 900 SW Jackson, Room 102N., Topeka, KS 66612-1286. When returning the completed application form, a fee of \$10.00 must accompany the application. All vendor registrations will expire two years from the date of application. No renewal notices will be sent to vendors.

If additional information is required, call 785-296-0002.

CRIMINAL OR CIVIL OFFENSE OF AN INDIVIDUAL OR ENTITY THAT CONTROLS A COMPANY OR ORGANIZATION OR WILL PERFORM WORK UNDER THIS CONTRACT: Any conviction for a criminal or civil offense that indicates a lack of business integrity or business honesty must be disclosed. This includes (1) conviction of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract or in the performance of such contract or subcontract; (2) conviction under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property; (3) conviction under state or federal antitrust statutes; and (4) any other offense to be so serious and compelling as to affect responsibility as a state contractor. For the purpose of this section, an individual or entity shall be presumed to have control of a company or organization if the individual or entity directly or indirectly, or acting in concert with one or more individuals or entities, owns or controls 25 percent or more of its equity, or otherwise controls its management or policies. Failure to disclose an offense may result in disqualification of the bid or termination of the contract.

CONTRACT PRICE: Statewide contracts are awarded by the Division of Purchases to take advantage of volume discount pricing for goods and services that have a recurring demand from one or more agencies. However, if a state agency locates a vendor that can provide the identical item at a lower price, a waiver to "buy off state contract" may be granted by the Division of Purchases.

SPECIAL CONDITIONS

TERM OF CONTRACT: Plugging operations must commence on this project within fifteen (15) calendar days of the receipt of notice. Plugging operations must be completed within one hundred twenty (120) calendar days from the commencement of the project. The 120 days allows for weather and other contingencies..

OPEN-ENDED CONTRACT: This Request is for an open-ended contract between a vendor and the State to furnish an undetermined quantity of a good or service in a given period of time. An estimated quantity based on past history or other means may be used as a guide.

QUESTIONS/ADDENDA: No pre-proposal conference is scheduled for this Request For Tender. Questions relating clarification of the Request for Tender must be submitted in writing to the Procurement Officer prior to the close of business on March 10, 2000:

Frances J. Welch
900 SW Jackson Street, 102N
Topeka, Kansas 66612-1286
or
Fax No. 785-296-7240

Failure to notify the Procurement Officer of any conflicts or ambiguities in this Request for Tender may result in items being resolved in the best interest of the State. Any modification to this Request shall be made in writing by addendum and mailed to all vendors who received the original request. Only written communications are binding.

Invoices: Each purchase order must be individually invoiced. Invoices shall be forwarded to the using agency in duplicate and shall state the following:

1. date of invoice;
2. date of shipment (or completion of work);
3. purchase order number and contract number;
4. itemization of all applicable charges; and
5. net amount due.

Staff Qualifications: The Contractor shall warrant that all persons assigned by it to the performance of this contract shall be employees of the Contractor (or specified subcontractor) and shall be fully qualified to perform the work required. The Contractor shall include a similar provision in any contract with any subcontractor selected to perform under under this contract.

Failure of the Contractor to provide qualified staffing at the level required by the bid specifications shall result in termination of this contract and/or damages.

Notices: All notices, demands, requests, approvals, reports, instructions, consents or other communications (collectively "notices") which may be required or desired to be given by either party to the other shall be in writing and shall be made by personal delivery or sent by United States certified mail, postage prepaid, return receipt requested or by overnight delivery, prepaid, addressed as follows:

**Frances J. Welch, Procurement Officer
The State of Kansas Division of Purchases
900 SW Jackson
Topeka, KS 66612-1266**

or to any other persons or addresses as may be designated by notice from one party to the other.

**Project Summary And Equipment/Services Specifications
for the
Fraker Lease Project
Sec. 18, Twp. 26S., Rge. 18E
Allen County, Kansas**

1. Background:

The Kansas Corporation Commission is seeking a general plugging contractor for a 44 well plugging program on the Fraker Lease Project in Allen County, Kansas. Bids submitted will be based on rates for various labor, equipment, goods and services to be provided either by or through a general contractor. The general contractor must be a licensed operator with the Conservation Division of the Kansas Corporation Commission pursuant to K.S.A. 55-155 and must directly provide a minimum of 15% of the labor, goods, services, or equipment used in the completion of the plugging program for this project. The general contractor shall be totally responsible for all actions and work performed by subcontractors or vendors. Subcontractors may only be hired or utilized on this project with prior Conservation Division approval. Prior to the start of any work, the general contractor will provide a listing of all subcontractors and vendors who will be utilized in the plugging project with additional prior written notice to the Conservation Division of any changes or additions to the subcontractor listing. Subcontractors' operators' license numbers must also be provided with the listing. Subcontractors must hold all licenses and certifications required by law to perform the designated services under this contract. All terms, conditions, and requirements of this contract shall apply without qualification to any services performed or goods provided by any subcontractors or vendors.

2 Payment

The general contractor or his representative will coordinate on-site plugging operations with a designated representative of the District 3 field office in Chanute, Kansas and will insure that KCC plugging procedures are followed and that all billings by designated subcontractors or vendors are properly processed through the Kansas Corporation Commission, Conservation Division. Billings and subsequent payments will be made on a per well basis. The Kansas Corporation Commission shall retain 10% of the total project cost until all work has been completed to the satisfaction of the Conservation Division. The Commission will also require the general contractor to provide documentation (including lien releases, if requested by the Conservation Division) that project sub-contractors have been paid or has made other necessary arrangements to the satisfaction of the Commission that all sub-contractors will be paid in full.

The contractor will be paid only for the time the equipment is in use or when services are being performed. The contractor, on a one time basis, will be paid the bid price per hour per piece of equipment to deliver the equipment to the plugging project site. Any other transportation cost to and from the site during the length of the project will not be paid for by the Kansas Corporation Commission. That additional cost to the contractor should be considered by that contractor when the bid is submitted. In the case where a vacuum truck is hauling fluids to or from the plugging site, the price per hour bid will be paid for the time spent between pickup and disposal site, taking the most direct route. The cost of delivering cement to the plugging project should be taken into consideration by the contractor when the bid is submitted and will not be paid for separately by the Kansas Corporation Commission.

3. Equipment Listing and Services

The listing below is a summary of equipment / services which will form the basis for the bid submittal. The contractor's and any subcontractors' operators and crew must be experienced in using the equipment described in this contract. Additional labor, materials, equipment and / or services not listed below which at a later date are deemed necessary for the proper completion of plugging operations under this contract may be secured by the general contractor or his representative upon the prior approval of the KCC designated representative. These additional services will be tracked and billed on a per well basis and processed through the Kansas Corporation Commission, Conservation Division, in accordance with established change order procedures.

The Conservation Division requires a listing of all equipment and services to be provided by or through the general contractor prior to the award of any contract to insure that bid specifications can be met. The equipment on the listing submitted by or through the general contractor and approved by the KCC designated representative is expected to be in good working condition prior to awarding the contract. In addition, the equipment must be fully functional at any time it is needed during the project.

After the bid has been accepted and the contractor notified, a pre-project conference will be scheduled with the contractor to review the project tasks and confirm the contractor is aware of the labor, materials, equipment and services expected to be used on the project, working hours, and any other relevant concerns the KCC staff may deem pertinent to the project.

- **Contractor Supervision:** The contractor supervisor, a designated employee or representative of the General Contractor shall: (1). be responsible for scheduling and overseeing all work of authorized subcontractors and vendors at the project site; (2). shall maintain a daily activity report (job log) on each well plugged and submit to the KCC's designated representative within one week of the completion of plugging operations; (3). shall maintain and track all invoices and billings by authorized subcontractors and submit them to the designated representative on a weekly basis. The general contractor or his designated representative should be equipped with a mobile communications system and shall report once daily to the designated KCC representative the daily plugging activity and progress at the project site.

1. Contractor Work Schedule: Absenteeism.

- a. **Available Work Days; Contractor Absenteeism.** Unless otherwise arranged with the Commission's designated representative prior to the start of the workday, Contractor shall be on the contract job site with necessary equipment and supplies, and otherwise ready and able to perform the contract work beginning at 8:00 a.m., on all available work days until the project is completed. If the Contractor is absent from the job site on 5% of available work days (except for those days where the Commission's designated representative has deemed it necessary to modify or delay the work schedule for weather, crops, livestock, or other justifiable conditions), the Commission's designated representative will provide the Contractor with a written warning about the absenteeism rate.

NOTE: "Available work days" shall be deemed to be 8:00 a.m. to 5:00 p.m., Monday through Friday (except state holidays).

b. Excessive Absenteeism: Material Breach; Default; Option to Terminate. If the Contractor's absenteeism from the job site reaches or exceeds 10% of available work days, a material breach of the Contract will be deemed to have occurred. The Contractor may be deemed to be in default, and the State at its sole discretion may terminate the Contract immediately upon written notice to the Contractor.

c. Extensions due to Contractor Absenteeism. If the Contractor requests an extension of the primary contract term, the Contractor's adherence or failure to adhere to this work schedule will be a material factor in considering whether to grant such extension. The State in its sole discretion may refuse to extend the term of the Contract if the Contractor has been absent for more than 10% of available work days.

- **Drilling Services:** The Drilling Services contractor shall provide the following equipment and services: (1) A truck mounted mud rotary rig and crew that is capable of drilling inside of 2" pipe. The rig must have the ability and equipment necessary to retrieve a variety of lost pipe in the wellbore (ie: 1" left handed pipe and "fishing tools") and be capable of drilling new hole to a minimum depth of 800'. (2). In addition to the rotary drill rig, the general contractor should provide a pipe pulling unit with crew that is capable of pulling a minimum of 800' of 2" pipe in a reasonable time frame. This unit will also be equipped with tubular working strings, "fishing tools" as necessary, and cementing strings used to plug the wells. A wash down pump should be provided to wash down the plugging string. The pump should be capable of pumping 3 barrels per minute.
- **Water Hauling Services:** The Water Hauling Services contractor shall provide the following equipment and services: (1). A 70 barrel, or greater, vacuum truck with operator for use in hauling fresh water to the well sites. This equipment will also be used to empty fluids from on-site pits and remove same to authorized Class II disposal facilities. Payment for hauling fluids will be governed by section 2 of the Project Summary and Equipment / Services Specifications.
- **Wireline Services:** The Wireline Services contractor shall provide the following equipment and services: (1) Oilfield wireline equipment with operator capable of performing cased hole perforating services in a minimum 2" pipe size with sufficient charge capability to perforate multiple strings of casing. (2) Oilfield wireline equipment with operator capable of "shooting off" 2" size pipe or larger with sufficient charge capability to sever the pipe.
- **Excavation/Earth Moving Services:** The Excavation Services contractor shall provide the following equipment and services: (1). A tractor mounted loader / backhoe (50 horse or greater) and operator capable of excavating wellheads and constructing circulation pits for plugging operations. (2). A bladed dozer (D5 or larger) with operator capable of preparing well sites, assisting in moving equipment onto the site, and restoring well sites to original grade. Dozer must be equipped with winch and cable.

- **Cement Services:** The Cementing Services contractor shall provide the following supplies, equipment and services: (1). Oilfield grade Portland cement with additives in quantities as necessary to complete plugging operations. (2). Oilfield cementing equipment and operators capable of mixing and pumping KCC approved cement slurry volumes. Equipment must at a minimum be capable of pumping at 2000 P.S.I. and be able to handle 300 sacks of cement at each location. Pump should also be capable of pumping three barrels a minute. Payment for cement is subject to section 2 of the Project Summary and Equipment / Services Specifications.
- **Welding Services:** The Welding Services contractor shall provide the following services: (1) Cutting torch and arc welding services to be used in preparing wellheads for plugging operations and cutting off casing after plugging operations are complete.
- **Fluid Disposal Services:** The Fluid Disposal Services contractor shall provide the following services: (1) Access to an authorized Class II disposal facility capable of receiving multiple loads of Class II wastes (circulating fluids, saltwater, etc.) from plugging operations.
- **Safety:** Contractor shall abide by all applicable State and Federal laws and regulations, including safety laws. Contractor shall require subcontractors and vendors to comply strictly with all applicable laws.
- **Additions:** At the option of the Kansas Corporation Commission, 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, if requested to do so by the Corporation Commission.

When additional wells are located within the project boundaries after the contract has been signed, the maximum number of wells amended into the project are as follows:

Approved 3 well project or less – amend a maximum of 2 wells
Approved 4 well to 9 well project – amend a maximum of 3 wells
Approved 10 well to 24 well project – amend a maximum of 25%
Approved 25 well or more project – amend a maximum of 20%

In cases where more wells are found than described above, an additional project will be submitted for bid.

***Plugging operations must commence on this project within 15 calendar days of the date of this contract. Plugging operations must be completed within 120 calendar days from the commencement of the project. The 120 days allows for weather and other contingencies.*

List of Equipment To Be Used on Project
Fraker Lease Project
Legal: Sec 18Twp 26S Rge 18E
Allen County

Contract # _____, Control # _____

Supervising Contractor: _____ Operator Lic. # _____
Proof of Worker's Comp. Policy _____
Insurance Co.: _____

Drill Rig (type): _____ Liability amount: _____
Name: _____ Condition: Good Fair Poor
Operator Lic. # _____ KCC Tag# _____
Road Tag # _____ Year _____

Insurance Co.: _____
Pulling Unit (type): _____ Liability amount: _____
Name: _____ Condition: Good Fair Poor
Operator Lic. # _____ KCC Tag# _____
Road Tag # _____ Year _____

Insurance Co.: _____
Cement Company Name: _____ Liability amount: _____
Pump Truck (type): _____ Operator Lic. # _____ KCC Tag# _____
Condition: Good Fair Poor Road Tag # _____ Year _____

Name _____ Trailer (type): _____
Cement Hauled by: _____ Bulk _____ Sack _____
Name: _____ Road Tag # _____ KCC Tag # _____ Yr. _____
Condition: Good Fair Poor Truck/Trailer: _____

Road Tag # _____ KCC Tag # _____
Insurance Co.: _____ Liability amount: _____
Water Truck (type): _____ Vacuum _____ Gear _____ Other _____
Name: _____ Condition: Good Fair Poor
Road Tag # _____ Year _____ Size (barrels): _____ KCC Auth# _____

Insurance Co.: _____ Liability amount: _____
Waste Water Site: _____
Name: _____ Operator Lic. # _____
Docket #: _____ Location: Sec. _____ Twp. _____ Rge. _____
Distance from well being plugged: _____

Insurance Co.: _____ Liability amount: _____
Backhoe (type): _____ Condition: Good Fair Poor
Name: _____
Dozer (type): _____ Condition: Good Fair Poor
Name: _____

Logging Truck: _____ Condition: Good Fair Poor
Insurance Co.: _____ Road Tag # _____ KCC Auth. # _____
Liability amount: _____

I hereby certify that the above list of equipment will be used on the _____ Lease Project.

General Contractor

NOTE TO BIDDERS

**FAILURE TO COMPLETE THE ATTACHED PROPOSAL EQUIPMENT LIST
"IN TOTAL" MAY RESULT IN REJECTION OF A BID. THE STATE,
HOWEVER RESERVES THE RIGHT TO AWARD IN THEIR BEST INTEREST
AND MAY WAIVE MINOR DEVIATIONS AT TIME OF BIDDING SO LONG
AS ADEQUATE INFORMATION CAN BE SECURED PRIOR TO AWARD.**

FRAKER PROPERTY WELL DATA

<u>Session Pt.</u>	<u>Attribute</u>	<u>Section</u>	<u>Twنشp</u>	<u>Range</u>	<u>FSL</u>	<u>FEL</u>	<u>County</u>	<u>Casing, etc.</u>
FRA01	OIL-AB-S-P	18	26	18	2762	868	AI	2CASING
FRA02	INJ-AB-S-P	18	26	18	2978	711	AI	2C.75P
FRA03	PWL	18	26	18	3177	549	AI	DIRT-COVERED
FRA04	INJ-AB-S-P	18	26	18	3019	354	AI	8S1.5C.75P
FRA05	OIL-AB-S-P	18	26	18	3263	208	AI	8S2C
FRA06	OIL-AB	18	26	18	3718	203	AI	2CASING
FRA07	OIL-AB-S-P	18	26	18	3788	605	AI	10S2C
FRA08	PWL	18	26	18	2737	1547	AI	POSSIBLEWELL
FRA09	OIL-AB	18	26	18	2716	1911	AI	2CASING
FRA10	OIL-AB-S-P	18	26	18	2758	2206	AI	2C1.25P
FRA11	OIL-AB	18	26	18	2727	2416	AI	2CASING
FRA12	OIL-AB-S-P	18	26	18	2938	2403	AI	10S2C
FRA13	OIL-AB-S-P	18	26	18	2964	2194	AI	8S1.5P
FRA14	PWL	18	26	18	2856	2056	AI	POSSIBLEWELL
FRA15	INJ-AB-S-P	18	26	18	2912	1864	AI	8S1.5C.75P
FRA16	OIL-AB	18	26	18	3208	1679	AI	2CASING
FRA17	PWL	18	26	18	3117	1831	AI	POSSIBLEWELL
FRA18	OIL-AB	18	26	18	3158	2379	AI	2CASING
FRA19	OIL-AB	18	26	18	3123	2172	AI	8SURFACE
FRA20	INJ-AB-S-P	18	26	18	3231	1998	AI	2C.75P
FRA21	OIL-AB	18	26	18	3331	1989	AI	10SURFACE
FRA22	PWL	18	26	18	3380	2377	AI	POSSIBLEWELL
FRA23	OIL-AB	18	26	18	3525	2188	AI	2CASING
FRA24	OIL-AB	18	26	18	3489	1994	AI	2CASING
FRA25	INJ-AB-S-P	18	26	18	3387	1835	AI	10S.75P
FRA26	OIL-AB	18	26	18	3518	1798	AI	10SURFACE
FRA27	INJ-AB-S-P	18	26	18	3832	1485	AI	10S2C.75P
FRA28	INJ-AB-S-P	18	26	18	3721	1762	AI	10S2C.75P
FRA29	OIL-AB-S-P	18	26	18	3727	2355	AI	10S2C
FRA30	OIL-AB-S-P	18	26	18	3920	2182	AI	10S2C
FRA31	OIL-AB-S-P	18	26	18	3804	2131	AI	10S1P
FRA32	OIL-AB	18	26	18	3772	1943	AI	2 CASING
FRA33	INJ-AB-S-P	18	26	18	3887	1784	AI	10S2C.75P
FRA34	INJ-AB-S-P	18	26	18	4011	1667	AI	10S.75P
FRA35	PWL	18	26	18	4100	1789	AI	POSSIBLEWELL
FRA36	OIL-AB-S-P	18	26	18	4078	1999	AI	10S1.5P
FRA37	OIL-AB-S-P	18	26	18	5233	1758	AI	2CASING
FRA38	OIL-AB	18	26	18	4410	1939	AI	3CASING
FRA39	INJ-AB-S-P	18	26	18	4270	1792	AI	8S2C.75P
FRA40	OIL-AB-S-P	18	26	18	4392	1600	AI	7S2C
FRA41	OIL-AB	18	26	18	4563	1786	AI	2CASING
FRA42	OIL-AB-S-P	18	26	18	5015	1318	AI	2C.75P
FRA43	OIL-AB	18	26	18	5126	1191	AI	2CASING
FRA44	PWL	18	26	18	5232	1391	AI	POSSIBLEWELL

TOTAL WELLS = 44

CONTRACTUAL PROVISIONS ATTACHMENT

Important: This form contains mandatory contract provisions and must be attached to or incorporated in all copies of any contractual agreement. If it is attached to the vendor/contractor's standard contract form, then that form must be altered to contain the following provision:

"The Provisions found in Contractual Provisions Attachment (Form DA-146a, Rev. 6-96), which is attached hereto, are hereby incorporated in this contract and made a part thereof."

The parties agree that the following provisions are hereby incorporated into the contract to which it is attached and made a part thereof, said contract being the _____ day of _____, 19____.

1. TERMS HEREIN CONTROLLING PROVISIONS

It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated.

2. AGREEMENT WITH KANSAS LAW

All contractual agreements shall be subject to, governed by, and construed according to the laws of the State of Kansas.

3. TERMINATION DUE TO LACK OF FUNDING APPROPRIATION

If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.

4. DISCLAIMER OF LIABILITY

Neither the State of Kansas nor any agency thereof shall hold harmless or indemnify any contractor beyond that liability incurred under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).

5. ANTI-DISCRIMINATION CLAUSE

The contractor agrees: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration.

Parties to this contract understand that the provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting state agency cumulatively total \$5,000 or less during the fiscal year of such agency.

ACCEPTANCE OF CONTRACT

This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.

ARBITRATION, DAMAGES, WARRANTIES

Notwithstanding any language to the contrary, no interpretation shall be allowed to find the State or any agency thereof has agreed to binding arbitration, or the payment of damages or penalties upon the occurrence of a contingency. Further, the State of Kansas shall not agree to pay attorney fees and late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect which attempts to exclude, modify, disclaim or otherwise attempt to limit implied warranties of merchantability and fitness for a particular purpose.

REPRESENTATIVE'S AUTHORITY TO CONTRACT

By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contract agrees to be bound by the provisions thereof.

RESPONSIBILITY FOR TAXES

The State of Kansas shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.

INSURANCE

The State of Kansas shall not be required to purchase, any insurance against loss or damage to any personal property to which this contract relates, nor shall this contract require the State to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the vendor or lessor shall bear the risk of any loss or damage to any personal property in which vendor or lessor holds title.

INFORMATION

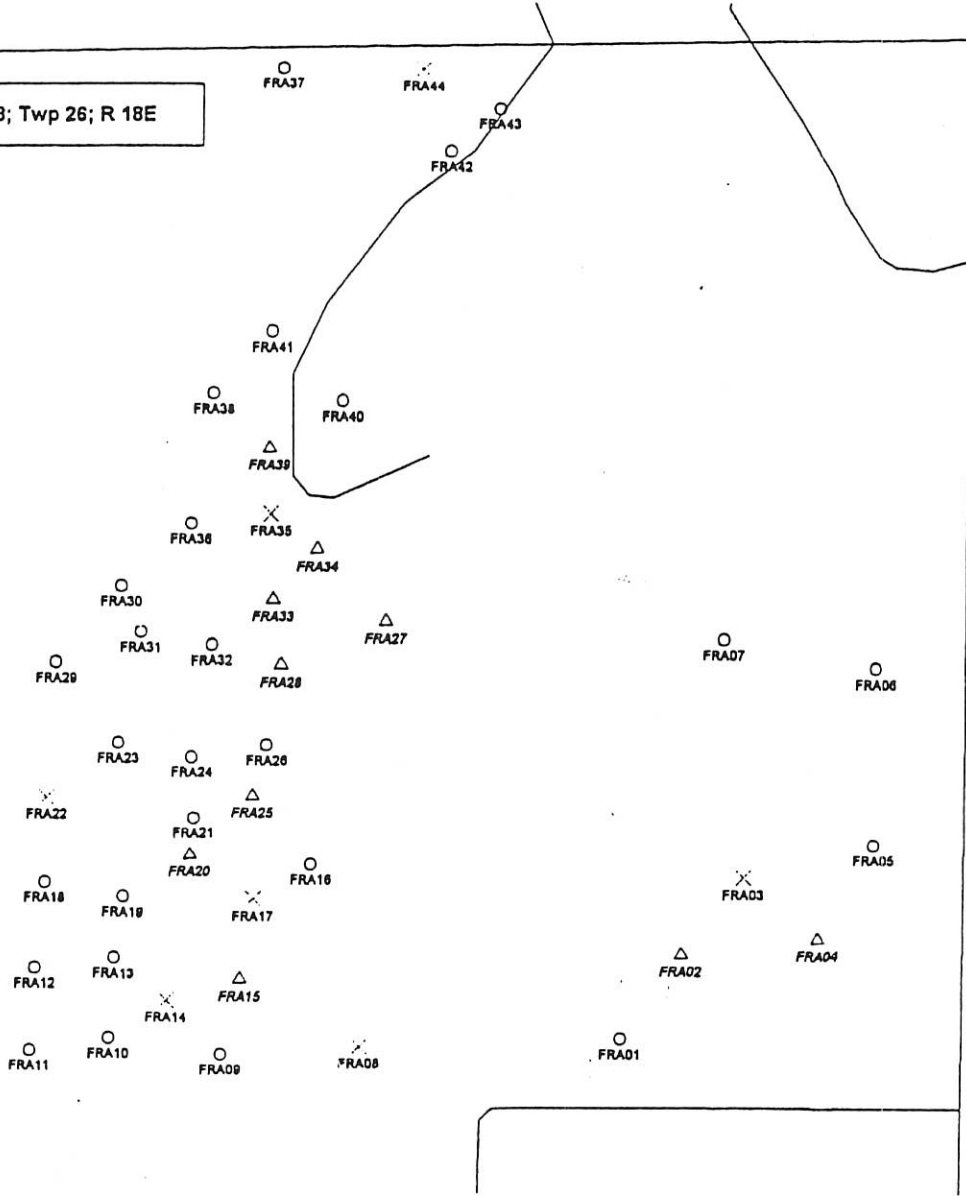
No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to Information pursuant to K.S.A. 46-1101 et seq.

Legend

- Oil Well - Active
- Oil Well - Abandoned
- ✕ Oil Well - Plug New
- ✕ Oil Well - Plug Old
- ⊖ Oil Well - Temp Abandoned
- ▲ Injection Well - Active
- △ Injection Well - Abandoned
- ✕ Injection Well - Plug New
- ✕ Injection Well - Plug Old
- △ Injection Well - Temp. Abandoned
- ♣ Tank Battery
- ✕ Possible Well Location
- Gas Well-Active
- Gas Well-Aband.
- ✕ Gas-Plug New
- ☒ Water Supply Well
- Emergency Pit

1-25

Fraker Property Fee Fund, Al Co.: Sec 18; Twp 26; R 18E



Scale 1: 6000

Complied 12/9/97

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: John Wine, Chair
Cynthia L. Claus
Brian J. Moline

In the matter of the failure)
J.G.K. OIL, INC.)
to follow the provisions of K.A.R. 82-3-111,)
and K.A.R. 82-3-603(b) located in the)
West Colony Field on the Kelly lease in)
Section 6, Township 23 South; Brecheisen and)
Lacy leases in Section 5, Township 23 South;)
Wolfe and McGhee leases in Section 31,)
Township 22 South, all in Range 18 East,)
Allen County, Kansas.)
~~Anderson~~)

DOCKET NO. 195,175-C
(C-28,423)

CONSERVATION DIVISION

LICENSE NO. 3418

ORDER

Now, the above-captioned matter comes on before the State Corporation Commission of the State of Kansas on its own motion. The Commission, being duly advised in the premises and after giving due consideration to the Statutes of Kansas and the regulations of this Commission, makes the following findings and conclusions:

1. K.S.A. 55-164 authorizes the Commission to impose penalties upon operators or contractors who have been found to have violated the provisions of the oil and gas act found in Chapter 55 of the Kansas Statutes Annotated. Such a penalty is not to exceed \$10,000; each day of a continuing violation is a separate violation. A penalty serves as an actual and substantial economic deterrent to the violation assessed. Such a penalty is to be imposed only upon the issuance of a written order of the Kansas Corporation Commission to the person who committed the violation.
2. K.S.A. 55-172 prohibits any person having possession or control of any well drilled or being drilled for gas, either as contractor, owner, lessee, agent or manager, or in any other capacity, from allowing salt water, oil or refuse from any such well to escape by overflow, seepage or otherwise from the vicinity of such well.
3. K.A.R. 82-3-603(b) provides in part that each operator shall clean up a spill according to the proposed method or as modified by the district office. The cleanup shall be completed within ten days of the spill notification or within a time period as prescribed by the district office.

4. The Commission finds that the operator **J.G.K. Oil, Inc.** has violated K.A.R. 82-3-603(b) by failing to clean up 23 spills in a timely manner on the above mentioned leases.

5. The Commission finds that the operator **J.G.K. Oil, Inc.** should be assessed a penalty of \$23,000.00 for violation of K.A.R. 82-3-603(b) and that the above mentioned leases should be shut-in immediately until the above-referenced spills are cleaned up pursuant to the rules and regulations of the Commission.

6. K.A.R. 82-3-111, requires that within ninety (90) days after operations cease on any well drilled for the purpose of exploration, discovery, service or production of oil, gas or other minerals, the owner or operator shall:

- (1) plug the well; or
- (2) give notice of the temporary abandonment to the conservation division on forms prescribed and furnished by the conservation division.

7. The Commission finds that **J.G.K. Oil, Inc.** has violated K.A.R. 82-3-111 by failing to plug or give notice of temporary abandonment to the Conservation Division for 124 wells on the above mentioned leases as set forth on Exhibit A attached hereto and incorporated herein. *30 more wells found on Stearn lease.*

8. The Commission finds that **J.G.K. Oil, Inc.** should be assessed a penalty of \$100.00 per well for violation of K.A.R. 82-3-111 for a total of \$12,400.00 and given thirty (30) days to properly plug all abandoned wells on the above-referenced leases.

IT IS, THEREFORE, BY THE COMMISSION ORDERED that **J.G.K. Oil, Inc.** is hereby assessed a penalty of \$35,400.00, payable within thirty (30) days of the date of this Order for failure to comply with the provisions of K.A.R. 82-3-111 and K.A.R. 82-3-603(b), ordered to clean up the above mentioned spills immediately pursuant to the rules and regulations of the Commission, ordered to plug all abandoned wells on the above mentioned leases within thirty (30) days of the date of this Order and that the leases set forth in the attached Order should be shut-in immediately until the above-referenced spill is cleaned up pursuant to the rules and regulation of the Commission.

IT IS FURTHER ORDERED BY THE COMMISSION that should **J.G.K. Oil, Inc.** fail, refuse or neglect to pay such penalty and remedy the above-referenced violation or, in the alternative, to appeal the order entered herein within thirty (30) days time period, its operator's license shall be suspended by operation of this order until such time as the penalty is paid and the violation corrected.

IT IS FURTHER ORDERED that failure, neglect or refusal to adhere to this order or, in the alternative, to appeal this order within thirty (30) days may result in the

assessment of an additional administrative penalty and/or suspension or refusal by the Commission to renew the operator or contractor license and all oil and gas operations conducted by the operator in the State of Kansas.

IT IS FURTHER ORDERED BY THE COMMISSION that respondent has thirty (30) days from the receipt of this Order to appeal this Order by the Commission, as required by K.S.A. 55-164. Any such party may make written request to the Commission for a hearing thereon. Hearings shall be granted only upon written request. All other appeals shall be determined without a hearing. All petitions of appeal must be received by the Executive Director of the Commission, 1500 SW Arrowhead Road, Topeka, Kansas 66604.

The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further order or orders as from time to time it may deem proper.

BY THE COMMISSION IT IS SO ORDERED.

Wine, Chr.; Claus, Com.; Moline, Com.

Dated: FEB 17 1999

Date Mailed: FEB 23 1999


Executive Director

I CERTIFY THE ORIGINAL
COPY IS ON FILE WITH
The State Corporation Commission

FEB 17 1999


EXECUTIVE DIRECTOR

3

1-28



The Information Network of Kansas

Corporation Search

Last update: 03/02/00 10:05 PM

Search number was 1561364

[Certificate of Good Standing](#)
[Letter of Good Standing](#)

JGK OIL, INC.

P.O. BOX 254

CHANUTE, KS 66720

Close Corp [N]
 Tax Year End [09]
 Date of Incorporation [12/31/1986]
 Last Correct Annual Report [09/1997]
 Annual Report Due Date [01/15/1999]
 Extension [00/00/0000]
 Forfeiture [04/15/1999]
 Expiration [12/31/9999]
 Stock Issued[000001000]
 FEIN [0481029908]
 State/Country Formation [KS]
 Prior Business Date [00/00/0000]
 More than 5 officers Directors? [N]
 Last Update [03/02/00-0]

Resident Agent

Number: 0176433
GARY C. SPLANE
 17400 ELK RD
 CHANUTE, KS 66720-0000
 County: NO

Corporation Type

Code : DF
 Desc : DOMESTIC FOR PROFIT

Stockholder

Seq : 001
 Name : JOHN C SPLANE

1-29

Shares: 00000000

Stockholder

Seq : 002
Name : ALICE L SPLANE
Shares: 00000000

Stockholder

Seq : 003
Name : JANET L WILSON
Shares: 00000000

Stockholder

Seq : 004
Name : GARY C SPLANE
Shares: 00000000

Stockholder

Seq : 005
Name : KEITH W SPLANE
Shares: 00000000

Officer / Director

Seq : 001
Name **ALICE L SPLANE**
Addr RT 4
CHANUTE, 667200000 KS
President : N
Secretary : Y
Treasurer : N
Director : N

Officer / Director

Seq : 002
Name **JANET L WILSON**
Addr 4707 N 54TH AVE
PHOENIX, 850310000 AZ
President : N
Secretary : N
Treasurer : Y
Director : Y

Officer / Director

Seq : 003
Name **JOHN C SPLANE**
Addr RT 4
CHANUTE, 667200000 KS
President : Y
Secretary : N

Treasurer : N
Director : Y

Officer / Director

Seq : 004
Name **GARY C SPLANE**
Addr RT 4
CHANUTE, 667200000 KS
President : N
Secretary : N
Treasurer : N
Director : Y

Officer / Director

Seq : 005
Name **KEITH W SPLANE**
Addr RT 4
CHANUTE, 667200000 KS
President : N
Secretary : N
Treasurer : N
Director : Y

Annual Report Status

Code : R
Desc : A/R RECEIVED BY OUR OFFICE, BUT NOT AUDITED

Corporation Status

Code : AA
Desc : CORPORATION IS ACTIVE AND IN GOOD STANDING

Stock Authorized

Seq : 001
Desc : 1000 SH C NPV

Compressed Name

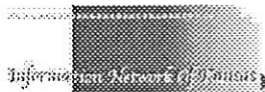
Seq : 00001
Name : JGKOILINC

Corporation Searches

Friday March 03, 2000 03:05:34 PM CST



1-31



The Information Network of Kansas

Corporation Search

Last update: 03/02/00 10:05 PM

Search number was 0684167

[Certificate of Good Standing](#)
[Letter of Good Standing](#)

SPLANE PULLING AND ROUSTABOUT SERVICE, INC.

JOHN C. SPLANE
PO BOX 386, RT 4

CHANUTE, KS 667209804

Close Corp [N]
Tax Year End [03]
Date of Incorporation [03/20/1981]
Last Correct Annual Report [03/1999]
Annual Report Due Date [07/15/2000]
Extension [00/00/0000]
Forfeiture [10/15/2000]
Expiration [12/31/9999]
Stock Issued[000001000]
FEIN [0480917679]
State/Country Formation [KS]
Prior Business Date [00/00/0000]
More than 5 officers Directors? [N]
Last Update [99/12/28-0]

Resident Agent

Number: 0066873
JOHN C. SPLANE
RT 4
PO BOX 386
CHANUTE, KS 66720-0000
County: NO

Corporation Type

Code : **DF**
Desc : **DOMESTIC FOR PROFIT**

Stockholder

Seq : 001

1-32

Name : JOHN C SPLANE
Shares: 00000000

Stockholder

Seq : 002
Name : ALICE L SPLANE
Shares: 00000000

Stockholder

Seq : 003
Name : GARY C SPLANE
Shares: 00000000

Stockholder

Seq : 004
Name : KEITH W SPLANE
Shares: 00000000

Stockholder

Seq : 005
Name : JAN WILSON
Shares: 00000000

Officer / Director

Seq : 001
Name ALICE L SPLANE
Addr RT.4
CHANUTE, 66720000 KS
President : N
Secretary : Y
Treasurer : Y
Director : N

Officer / Director

Seq : 002
Name JOHN C SPLANE
Addr RT.4
CHANUTE, 66720000 KS
President : Y
Secretary : N
Treasurer : N
Director : Y

Officer / Director

Seq : 003
Name GARY C SPLANE
Addr P.O. BOX 386
CHANUTE, 66720000 KS
President : N

1-33

Secretary : N
Treasurer : N
Director : Y

Officer / Director

Seq : 004
Name **KEITH W SPLANE**
Addr P.O. BOX 386
CHANUTE, 667200000 KS
President : N
Secretary : N
Treasurer : N
Director : Y

Officer / Director

Seq : 005
Name **JAN WILSON**
Addr 7168 W PERSHING AVE
PEORIA, 85381 AZ
President : N
Secretary : N
Treasurer : N
Director : Y

Annual Report Status

Code : A
Desc : **A/R NOT DUE**

Corporation Status

Code : **AA**
Desc : **CORPORATION IS ACTIVE AND IN GOOD STANDING**

Stock Authorized

Seq : 001
Desc : **1,000 SH C NPV**

Compressed Name

Seq : 00001
Name : **SPLANE PULLING ROUST ABOUT SERVICE INC**

Corporation Searches

Friday March 03, 2000 03:18:13 PM CST





DEPARTMENT OF ADMINISTRATION
Division of Purchases

BILL GRAVES
Governor

DAN STANLEY
Secretary of Administration

JOHN T. HOULIHAN
Director of Purchases
900 S.W. Jackson, Room 102-N
Landon State Office Building
Topeka, KS 66612-1286
(785) 296-2376
FAX (785) 296-7240

**UTILITIES COMMITTEE
TESTIMONY
MARCH 9, 2000**

Presented by Frances J. Welch
Procurement Officer
Division of Purchases

Madam Chair and members of the Committee. I am Fran Welch, Procurement Officer in the Department of Administration, Division of Purchases. Senator Ranson has asked me to address the bid process as it relates to plugging of abandoned oil wells by the Kansas Corporation Commission (KCC).

Under provisions of K.S.A. 75-3739, the Director of Purchases has granted permission to the Kansas Corporation Commission to seek competitive bids from their local offices when the amount of the total contract will not be more than \$10,000.

When the contracted dollar amount is expected to exceed \$10,000, the bids are sought through the Division of Purchases. Following is a chronological outline of this process:

- 1) KCC submits to the Division of Purchases a Purchase Requisition with their Project Summary and Equipment/Services Specification and Project Quotation sheet attached. Also included will be a list of potential contractors.
- 2) The Division of Purchases adds our boilerplate which includes Bid Instructions, Special Conditions etc. The Request for Quotation (RFQ) is then mailed to those potential bidders the KCC has recommended as well as any that the Division of Purchases may choose to add.
- 3) At this time, the RFQ is posted on the Division of Purchases website and in the Division reception area. The specification can be viewed and downloaded from the website.

Senate Utilities
3-13-00
Attach. 2

- 4) If the expected dollar amount of the contract is over \$50,000, the request will also be advertised in the Kansas Register pursuant to K.S.A. 75-3739 (b)(1). This must occur not less than 10 days before the stated date of opening of bids.
- 5) The bid file is placed in a cabinet and held there until time for the bid opening.
- 6) On the stated date and at the stated time of opening of bids, the file containing all bids that have been received is delivered to the desk of the Procurement Officer. At that time, the bids are opened and the responder and their bid quotation are read aloud to anyone who is present.
- 7) After the bids have been opened and recorded on to a bid tabulation sheet, the low bid is forwarded to the KCC for their review and recommendation for award. At the same time the KCC is reviewing the bid, the Procurement Officer also reviews it for compliance with specifications.
- 8) Upon review and approval by KCC and Division of Purchases, pursuant to K.S.A. 75-3740 (a), award is made to the lowest responsible bidder, taking into consideration conformity with specifications, terms of delivery, and other conditions imposed in the call for bids.
- 9) Contract is issued by the Division of Purchases. Upon finalization work can begin.

This concludes my prepared testimony. Are there any questions?