

Approved April 28, 2000  
Date

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Sen. Pat Ranson at 1:30 p.m. on March 21, 2000 in Room 231- N of the Capitol.

All members were present except:  
Sen. Salisbury was excused

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

Conferees appearing before the committee:  
None

Others attending:  
See attached list

Sen. Ranson asked committee members to look over the Draft Report by the Senate Committee on Utilities to the Senate Committee on Ways and Means (Attachment 1), prepared by Lynne Holt. Sen. Ranson stated the committee will consider it tomorrow, along with the confirmation hearing. Ms. Holt stated the Report will be changed, according to changes made by the committee today.

Sen. Ranson referred to **HB 2782-concerning oil and gas; relating to disposition of certain fees, and called the committee's attention to a draft of Proposed Senate Substitute for House Bill No. 2782 (Attachment 2)**. The committee discussed changes to the bill, including the KCC bidding process and the consensus is that the bidding include the whole project, not separate units. They also discussed the funds being deposited into the Abandoned Oil and Gas Well Fund, Page 2, (h), which was the consensus of the committee. Sen. Clark referred to Page 3, Section 2, (b) relating to plugging wells and separating that function from the remediation of the wells. Mr. Korphage stated it is sometimes necessary to cut off the source of some wells before the remediation process can be addressed. Sen. Clark stated a priority in separating the two functions, and requested inserting the number (4) before the word, remediation, on Page 4.

Sen. Ranson referred to Page 5 and removing the date from the Sunset provision of the current law, and remarked there would be no change in funding from the federal government. Sen. Brownlee also questioned if the KCC has been given the authority to write the Rules and Regulations and which statute gives them authority. Ms. Edmiston responded it is in K.S.A. 55-161 or 162. Ms. Holt reminded the committee to include renumbering on Page 4, beginning with (4) Remediation (5) expenses and (6) compensation. **Sen. Clark made a motion that HB 2782 be so amended, and it was seconded by Sen. Barone; the motion passed. Sen. Barone made a motion the bill be passed as amended, and it was seconded by Sen. Jones. Roll Call was taken, and the motion passed.**

Sen. Ranson then requested Ms. Holt "walk" the committee through the Draft Report (referred to above). Ms. Holt referred to Page 2, which outlines the problems and recommendations and also the rationale for the bill. Page 3 is where the report deals with the funding option, and there was discussion regarding a no-limit fee, and the \$50 annual fee for operators and the nonrefundable fee of 3 percent on the bond amount. Sen. Brownlee questioned why fees are charged to the operators, and Sen. Ranson replied that the contractors who drill the oil wells are the ones paying fees. Sen. Barone stated the operators have not complained about paying the fees and that he is wanting to solve the abandoned well problem; that the fees collected provide the Conservation Division with needed revenue to accelerate the plugging of the wells. Sen. Ranson stated she was considering the fairness issue and asked Mr. Korphage questions regarding the 3 percent bond, the letter of credit and the \$50 and the amount of revenue that is raised through these fees. Mr. Korphage answered the surety bond and letter of credit are required from new operators and those with no history; that the maximum amount for the bond is \$30,000, at 3 percent, amounting to \$900.00 maximum; that there were 2,200 operators required to provide finance assurance in 1999. Sen. Ranson suggested that one fund be established to clean up the worst wells, and to give equity

CONTINUATION SHEET

MINUTES OF THE SENATE UTILITIES COMMITTEE, Room 231- N Statehouse, at 1:30 p.m. on March 21, 2000.

to the new concept, charge everyone the \$50 minimum fee. After discussion, Sen. Morris stated the committee has moved the bill out of committee and suggested it reconsider that decision. Sen. Clark made a motion the committee reconsider its action on HB 2782 and that an amendment be added to include \$50 minimum fee for everyone who drills wells. His motion was seconded by Sen. Lee, and the motion passed.

Ms. Torrence then called the committee's attention to the paragraph in the bill relating to the Assurance Fund and that another amendment is needed to remove that paragraph. Sen. Brownlee made a motion to adopt the amendment, and the motion was seconded by Sen. Lee. The motion passed.

Ms. Holt continued by referring to the Draft Report and Page 5 regarding the bidding process. She focused on continued efforts to notify all plugging contractors licensed by the KCC of bid opportunities available. The Report continues by recommending the Division of Purchases require all plugging and remediation jobs, regardless of cost, to be competitively bid using the RFQ procedures. Sen. Ranson stated that it seems the Chanute office has had problems with the bidding process, and this will give the rest of the state an opportunity to bid on some of the jobs. Agreement of the committee is to implement the formal bidding procedures. The Report also recommends the Standing Environment and Utilities committees monitor the situation; however, Sen. Clark objected to the recommendation and requested the sentence be deleted. Sen. Ranson also recalled a conferee relaying complaints regarding bidding on projects piece by piece, and would like to have that included in the report - she will work with Ms. Holt on that.

Sen. Ranson requested Ms. Holt revise the Draft Report and bring to the committee tomorrow for further consideration. She asked for committee action on the bill. Sen. Barone made a motion the bill be passed as amended, and Sen. Jones seconded the motion. Roll call vote was taken, and the bill passed unanimously.

Meeting adjourned at 2:30.

Next meeting will be March 22.

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: MARCH 21, 2000

NAME	REPRESENTING
Tom DAY	KCC
Glenn Splane	Splane Pulling & Rust & Son.
Ruth Scott	KCC
Monna Neupman	KCC
James Edmiston	KCC
James P. Lorenz	LANDS WELL SERVICE
Helene L. Lorenz	LANDS WELL SERVICE
M. L. Karghy	KCC - WICHITA.
Cindy Lash	Post Audit
Jack Graves	Panhandle; Rindy/Morgan & Duke
Bob Kehlul	KIOGA
Jim Allca	EKOGA
SCOTT SCHNEIDER	UGA
Ken Peterson	KPC
J.C. LONG	UCY
Terris Splane	Splane Pulling & Rust. SERO. Inc

March 21, 2000

## DRAFT REPORT BY THE SENATE COMMITTEE ON UTILITIES TO THE SENATE COMMITTEE ON WAYS AND MEANS

This report responds to a recommendation by the Senate Ways and Means Committee that the Senate Committee on Utilities study:

1. impediments to more rapid oil and gas well plugging and remediation; and
2. projections of receipts and expenditures in the Abandoned Oil and Gas Well Fund, which were included in tabular form in the Senate subcommittee report on the Kansas Corporation Commission's FY 2001 budget.

### Summary of Activities of Senate Committee on Utilities

- **Background Information.** We received information on oil and gas well plugging from staff of the Kansas Legislative Research Department (Lynne Holt) and the Division of Legislative Post Audit (Cindy Lash). Ms. Holt reviewed the existing funding mechanisms (Conservation Fee Fund and Abandoned Oil and Gas Fund) and a proposed funding mechanism (Well Plugging Assurance Fund in HB 2782) for plugging oil and gas wells. Ms. Lash reviewed the Post Audit report issued in February 1998 on a K-GOAL Audit performed on the Conservation Division's activities. She focused her review on the sections of the report addressing the plugging of abandoned wells. Maurice Korphage, Director, Conservation Division, provided background information on the funding and status of abandoned well plugging and remediation operations. Mr. Korphage offered several suggestions for attracting more qualified contractors to compete for state plugging contracts. He also outlined several ideas for expediting the process of bidding on plugging and remediation projects.
- **Contract and Bidding Procedures.** We received testimony from Terri and Keith Splane, Splane Pulling and Roustabout Service, Inc; Ed Bideau, an attorney representing Mike Wimsett, W-W Production Company; Jim Kepley, K-W Well Service; and Fran Welch, Procurement Officer, Division of Purchases, Kansas Department of Administration. Their presentations focused on the contract and bid procedures for abandoned well plugging jobs.
- **HB 2782.** On March 14, 2000, our Committee held a hearing on HB 2782, which would establish the Well Plugging Assurance Fund. This Fund would be used

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exclusively to pay the costs of investigations of abandoned oil and gas wells, as well as the plugging, replugging, and repairing of abandoned wells and remediation of sites. For all such actions, drilling had to begin on or after July 1, 1996. Any authorized activities would be financed by fees assessed operators for financial responsibility assurance. These fees are currently credited to the Conservation Fee Fund but would be redirected to the proposed fund. The fund would be interest bearing. No administrative expenses incurred by the Conservation Division may be paid from the fund. Our recommendations on this bill are outlined below.

## **Committee Definition of the Problems and Committee Recommendations**

In our review, we focused on two interrelated problems:

1. the integrity of the abandoned well plugging and remediation process, which includes the existing funding mechanisms for financing the contractual plugging and remediation jobs and the Conservation Division's administrative oversight; and
2. the existing procedures used for bidding and contracting for these jobs.

**Integrity of the Well Plugging and Remediation Process.** In the Kansas Corporation Commission's most recent status report (March 15, 2000), the Commission noted that there were 9,953 inventoried abandoned wells requiring action. Of this total, 9,292 are ranked as Priority I wells. The Priority I category is considered to contain those wells which pose either an ongoing or potential threat to the environment. A total of 638 abandoned wells are in the Level A bracket of Priority I wells. The risks specifically associated with Priority I-A wells could be one or a combination of the following:

- The well is actively discharging, posing a significant risk to surface water.
- The well creates significant ongoing or potential impacts to groundwater supplies.
- The well poses an ongoing or current threat to public safety (e.g., active gas flows with danger of explosion in urban or suburban settings).

The Kansas Corporation Commission is responsible for plugging these wells and remediating sites when no responsible party can be located.

The problem confronting the State of Kansas is that the rate of plugging is fairly slow. Although the enactment in 1996 of House Sub. for SB 755 accelerated well plugging, there has been a decrease in the total number of wells plugged from CY 1997 (633) to CY 1998



(478) and CY 1999 (471) and the number might be even lower in 2000, as only 84 wells have been plugged to date. (See Attachment I.)

The Commission has attributed this sluggish performance to several factors, including depressed oil and gas prices, limited availability of contractors to perform plugging jobs, unfavorable weather conditions, and a limited number of staff positions to oversee the plugging and remediation operations.

We note that there is a correlation between depressed oil and gas prices and Conservation Fee Fund revenues. As most of the revenues credited to the Conservation Fee Fund come from oil production fees and gas assessments, depressed oil and gas production adversely impacts the Conservation Fee Fund. That Fund pays for, among other items, the investigation, plugging, replugging, plug testing, and remediation of contamination sites involving wells drilled on or after July 1, 1996. The Fund also pays for emergency plugging and nonpriority wells, as well as administrative expenses incurred by the Commission in monitoring and overseeing the entire abandoned oil and gas well program. (Moneys from the Abandoned Oil and Gas Well Fund are not authorized to pay for administrative expenses.) In order to preserve the integrity of the Fund, the Commission proposed reducing \$450,000 from the Fund for FY 2000 and FY 2001 for well plugging. The effect of this decision is a commitment of \$50,000 from the Fund for each of those years. Expenditures from the Conservation Fee Fund were \$115,293 in FY 1998 and \$46,932 in FY 1999.

As previously noted, the other fund currently used for abandoned well plugging and remediation is the Abandoned Oil and Gas Well Fund which was established in 1996 through enactment of House Sub. for SB 755 to fund investigation, plugging, and remediation operations associated with abandoned wells drilled prior to July 1, 1996. Projected expenditures for FYs 2001 and 2002 are \$1,600,000, which would reflect a decrease from actual expenditures in FY 1999 (\$1,844,819) and estimated expenditures of \$2,000,000 in FY 2000. The combined projected expenditures from both the Conservation Fee Fund and the Abandoned Oil and Gas Well Fund for the well plugging and remediation program in FY 2001 and FY 2002 indicates less commitment and not more commitment to accelerating the state funded plugging and clean-up process. Moreover, the demand transfers totaling \$1.2 million annually to the Abandoned Oil and Gas Well Fund are scheduled to terminate on July 1, 2002. The budget estimates raise the question of the Commission's internal commitment, as well as our collective commitment, to this end. The funding mechanisms available to the Commission raise the question of whether revenues are optimally used to plug wells and remediate sites that pose the greatest environmental and safety risk.

**We believe there is a better way to use these revenues to “get the greatest bang for the buck” and therefore recommend a funding option that requires the Conservation Division to plug those wells which are potentially the greatest sources of contamination. This option would involve amending HB 2782 to transfer statutorily authorized financial assurance fees collected from operators to the Abandoned Oil and Gas Well Fund. These funds are currently credited to the Conservation Fee Fund**

and are used for plugging operations for wells drilled on or after July 1, 1996. We believe the date of July 1, 1996, is an artificial date that diverts some funding from being used for plugging and remediation on the most dangerous, highest priority sites. We do not believe that a new fund is needed, as would be established in the House version of HB 2982. Indeed, in our view, such a fund would only perpetuate the artificial juncture that we seek to eliminate. We would recommend eliminating the sunset date of July 1, 2002, for termination of the demand transfers to the Abandoned Oil and Gas Well Fund. The Conservation Division's plugging and remediation process will clearly continue for many years beyond 2002, even under the most propitious conditions which do not seem to exist. We note that since January 1, 1996, only 2,172 inventoried Priority I abandoned wells have been removed from the inventory list. As noted above, there are still 9,292 Priority I wells requiring action. Finally, administrative and personnel expenditures from the Abandoned Oil and Gas Well Fund should be authorized and they should be governed by a line item appropriation to ensure that they receive ongoing legislative scrutiny. Moreover, the bill should clarify for which administrative purposes the Division may expend moneys from this Fund. We would note that such purposes should include activities involving the statutorily authorized investigation activities and contractual expenditures for locating potentially responsible parties.

**On a related matter, we recommend the issue of financial assurance fees be revisited.** The Commission collects a \$50 annual fee for operators with acceptable records of compliance and a fee equal to 3 percent of the bond amount for operators who fail to meet the conditions of acceptable compliance (other financial assurance options also are statutorily authorized). These fees were authorized in House Sub. for SB 755 to pay for the plugging of future abandoned wells and the 3 percent nonrefundable fee appears to have been a means of promoting new entrants into the industry. However, there is some concern that the financial assurance fees currently assessed operators and credited to the Conservation Fee Fund are not necessary (2,372 operator licenses were issued or renewed in 1998). In our view, privately-obtained bonding should be sufficient. Moreover, the fees credited to the Conservation Fee Fund only bring in between \$150,000 and \$160,000 annually (as of January 31, 2000, a total of \$326,000 since collection began). The amount collected from this revenue source is not very significant. Moreover, it is unclear whether the criteria used as a precondition for assessment of the annual \$50 "good guy" fee actually predict good operator performance. The Post Audit report noted that Oklahoma, Pennsylvania, and Colorado do not assess such fees. **We would recommend that the standing environment and utilities committees revisit Kansas' existing financial assurance fee requirements to evaluate the implications of the "good guy" fee and the nonrefundable fee of 3 percent on the bond amount.** Through use of the existing finance assurance fee structure, we question whether the Conservation Division is inadvertently authorizing operators with questionable financial holdings to drill for oil and gas in the state.

The integrity of the abandoned well plugging and remediation process might be affected by the funding mechanisms available to the Commission. However, the number of abandoned wells that become the Commission's responsibility could conceivably be reduced (as well as the corresponding costs) if the Commission's efforts to locate potentially

responsible parties and make them pay are aggressively undertaken. In the Division of Post Audit's report (February 1998), the auditors noted insufficient documentation of the researchers' efforts to locate responsible parties. The report recommended that the Conservation Division ensure staff was making and documenting all efforts to locate those parties and determine financial viability before concluding that the Division should not pursue them further. The Commission responded to that finding and recommendation by noting that the Division was developing a procedure to do so and that the Division was working closely with the Department of Administration on collection of fines and recoupment of costs. The Commission proposed to contract for researching potentially responsible parties for both wells and remediation sites. **We concur that more serious efforts are needed to locate potentially responsible parties and would recommend that language in the statute pertaining to the Division's authorized administrative expenses be clarified to explicitly include this type of activity.**

**The Bidding Process and Contractual Costs.** We focused our attention on the bidding process and existing contractual procedures for the following reasons:

1. an improperly designed and implemented bidding process could result in greater cost and less productivity to the state; and
2. contractual procedures might result in greater costs to the state, as well as more inefficiencies in work performed. Both these issues obviously impact the Conservation Division's budget, as well as the integrity of the entire abandoned well plugging and remediation process.

**Bidding Process.** Private companies are hired to plug abandoned wells. The Division of Purchases seeks formal bids for all contracts expected to exceed \$10,000. The Division is supposed to mail the Request for Quotation (RFQ) to those potential bidders the Kansas Corporation Commission has recommended as well as any that the Division of Purchases may choose to add. The RFQ is also posted on the Division of Purchases' website and in the Division's reception area. The jobs are generally awarded to the lowest responsible bidder, taking into consideration conformity with specifications, terms of delivery, and other conditions imposed in the call for bids. The Division of Purchases has authorized the Conservation Division to award contracts expected to cost \$10,000 or less. According to the Post Audit report, such contracts accounted for one-third of all the money spent for plugging abandoned wells in FY 1997. The Post Audit report identified various deficiencies with the process used by the Conservation Division in a sample of 15 smaller well-plugging projects handled by the Division's district offices. Although the Post Audit report recommended the Conservation Division work closely with the Division of Purchases to develop a standard bid procedure, there still appears to be concern about the transparency of the bid process and its inherent fairness. The Commission indicated it has posted information on both opportunities for plugging contractors and the state bid procedures on its website. **We encourage continued efforts to notify all plugging contractors licensed by the Commission (currently 220 contractors; 160 of them have active truck or rig tags) of bid opportunities. Because a notable portion of the contractual abandoned**



well plugging work is \$10,000 or less, we would recommend the Division of Purchases require all plugging and remediation jobs, regardless of cost, to be competitively bid using the RFQ procedures that govern contractual amounts exceeding \$10,000. As the Division of Purchases could conceivably receive more complaints as a result of this change, we recommend that the Standing Environment and Utilities committees monitor the situation.

**Contractual Procedures.** The Commission compensates contractors for plugging jobs on a time and material basis and not on a cost per well/flat fee basis. **We recommend that the Conservation Division and the Division of Purchases, in developing specifications, change the formula for compensation to contractors to a cost per well/flat fee basis.** We note that the cost per well/flat fee approach is commonly used for plugging contracts with the private sector and is the basis for compensation in Oklahoma. It allows one to compare contractors' bids more easily and prevents equipment and materials from being used inappropriately.

We recognize that this recommendation will be controversial. One conferee informed us that bids will be higher if the cost per well approach is adopted because a contractor cannot determine all the unknown factors to be encountered in plugging an abandoned well and will therefore quote a higher fee to cover these contingencies. Another conferee noted that bidding on a per well basis might result in an incomplete job or lower quality performance if an unstable contractor gets a job at a low bid price. While these scenarios might be realized, one might also argue that the costs quoted for wells could average out. Moreover, performance under the existing compensation method has not always guaranteed quality work. **Because we have heard arguments from conferees on both sides of this issue, we recommend that the Conservation Division monitor the costs per well using our proposed method of compensation. The average cost is currently \$2,500 to plug an abandoned well. If, after a year, the costs per well have increased significantly, the Standing Environment and Utilities committees should revisit this method of compensation.**

**On a related matter, we do not concur with one option posed by the Conservation Division Director for attracting more qualified contractors to compete for state plugging contracts. That option was to limit the number of contractors to one project at a time.** It might not make financial sense to do that if a contractor is working on a site in close proximity to the site of the proposed project. A contractor might be able to bid the work at a lower price simply because his or her equipment is already in the vicinity of the proposed project.

**Abandoned Wells Plugged or Scheduled for Plugging with State Funds  
By Calendar Year**

<b>Year</b>	<b>Priority IA</b>	<b>Priority IB</b>	<b>Priority IC</b>	<b>Priority II</b>	<b>Total Wells</b>
1996	167 (64.8%)	61 (23.6%)	30 (11.6%)	0	258
1997	375 (59.3%)	167 (26.4%)	89 (14.0%)	2 (0.3%)	633
1998	422 (84.8%)	46 (9.2%)	24 (4.0%)	6 (1.2%)	478
1999	463 (98.4%)	3 (0.6%)	2 (0.4%)	3 (0.6%)	471
2000	84				84
<b>Totals</b>	<b>1511</b>	<b>277</b>	<b>145</b>	<b>11</b>	<b>1944</b>

(% = Wells in each Category Plugged / Total Wells Plugged for that Calendar Year)

Conservation Division  
March 17, 2000

1-7

## PROPOSED SENATE Substitute for HOUSE BILL NO. 2782

By Committee on Utilities

AN ACT concerning oil and gas; relating to plugging of certain wells; amending K.S.A. 1999 Supp. 55-155, 55-192 and 55-193 and repealing the existing sections.

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

Section 1. K.S.A. 1999 Supp. 55-155 is hereby amended to read as follows: 55-155. (a) Operators and contractors shall be licensed by the commission pursuant to this section.

(b) Every operator and contractor shall file an application or a renewal application with the commission. Application and renewal application forms shall be prescribed, prepared and furnished by the commission.

(c) No application or renewal application shall be approved until the applicant has:

(1) Provided sufficient information, as required by the commission, for purposes of identification;

(2) submitted evidence that all current and prior years' taxes for property associated with the drilling or servicing of wells have been paid;

(3) demonstrated to the commission's satisfaction that the applicant complies with all requirements of chapter 55 of the Kansas Statutes Annotated, all rules and regulations adopted thereunder and all commission orders and enforcement agreements, if the applicant is registered with the federal securities and exchange commission;

(4) demonstrated to the commission's satisfaction that the following comply with all requirements of chapter 55 of the Kansas Statutes Annotated, all rules and regulations adopted thereunder and all commission orders and enforcement agreements, if the applicant is not registered with the federal securities and exchange commission: (A) The applicant; (B) any officer, director, partner or member of the applicant; (C) any stockholder owning in the aggregate more than 5% of the stock of the applicant; and (D) any spouse, parent, brother, sister, child, parent-in-law, brother-in-law or sister-in-law of the foregoing;

(5) paid an annual license fee of \$100, except that an

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applicant for a license who is operating one gas well used strictly for the purpose of heating a residential dwelling shall pay an annual license fee of \$25;

(6) complied with subsection (d); and

(7) paid an annual license fee of \$25 for each rig operated by the applicant. The commission shall issue an identification tag for each such rig which shall be displayed on such rig at all times.

(d) In order to assure financial responsibility, each operator shall demonstrate annually compliance with one of the following provisions:

(1) The operator has obtained an individual performance bond or letter of credit, in an amount equal to \$.75 times the total aggregate depth of all wells (including active, inactive, injection or disposal) of the operator.

(2) The operator has obtained a blanket performance bond or letter of credit in an amount equal to the following, according to the number of wells (including active, inactive, injection or disposal) of the operator:

(A) Wells less than 2,000 feet in depth: 1 through 5 wells, \$5,000; 6 through 25 wells, \$10,000; and over 25 wells, \$20,000.

(B) Wells 2,000 or more feet in depth: 1 through 5 wells, \$10,000; 6 through 25 wells, \$20,000; and over 25 wells, \$30,000.

(3) The operator: (A) Has an acceptable record of compliance, as demonstrated during the preceding 36 months, with commission rules and regulations regarding safety and pollution or with commission orders issued pursuant to such rules and regulations; (B) has no outstanding undisputed orders issued by the commission or unpaid fines, penalties or costs assessed by the commission and has no officer or director that has been or is associated substantially with another operator that has any such outstanding orders or unpaid fines, penalties or costs; and (C) pays a nonrefundable fee of \$50 per year.

(4) The operator pays a nonrefundable fee equal to 3% of the amount of the bond or letter of credit that would be required by subsection (d)(1) or by subsection (d)(2).



(5) The state has a first lien on tangible personal property associated with oil and gas production of the operator that has a salvage value equal to not less than the amount of the bond or letter of credit that would be required by subsection (d)(1) or by subsection (d)(2).

(6) The operator has provided other financial assurance approved by the commission.

(e) Upon the approval of the application or renewal application, the commission shall issue to such applicant a license which shall be in full force and effect until one year from the date of issuance or until surrendered, suspended or revoked as provided in K.S.A. 55-162, and amendments thereto. No new license shall be issued to any applicant who has had a license revoked until the expiration of one year from the date of such revocation.

(f) If an operator transfers responsibility for the operation of a well, gas gathering system or underground natural gas storage facility to another person, the transfer shall be reported to the commission in accordance with rules and regulations of the commission.

(g) The commission shall remit all moneys received from fees assessed pursuant to subsection (c)(7) of this section to the state treasurer at least monthly. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount thereof in the state treasury. Twenty percent of each such deposit shall be credited to the state general fund and the balance shall be credited to the conservation fee fund created by K.S.A. 55-143, and amendments thereto.

(h) The commission shall deposit all moneys received pursuant to subsections (d)(3) and (d)(4) into the conservation fee abandoned oil and gas well fund.

Sec. 2. K.S.A. 1999 Supp. 55-192 is hereby amended to read as follows: 55-192. (a) There is hereby established in the state treasury the abandoned oil and gas well fund.

(b) Moneys in the abandoned oil and gas well fund shall be used only for the purpose of paying the costs of: (1)

Investigation and remediation of contamination sites; (2) investigation of abandoned wells, and their well sites, ~~drilling of which began before July 17, 1996;~~ and (3) plugging, replugging or repairing abandoned wells, and remediation of the well sites, ~~drilling of which began before July 17, 1996,~~ in accordance with the highest priorities under a prioritization schedule adopted by the commission and based on the degree of threat to public health or the environment. ~~No moneys credited to the fund shall be used to pay administrative expenses of the commission or to pay compensation or other expenses of employing personnel to carry out the duties of the commission;~~ (3) expenses of the commission in administering the fund and carrying out the activities described in subsections (b)(1) and (b)(2), including, but not limited to, expenses of identifying and locating persons legally responsible for abandoned wells and expenses of locating abandoned wells; and (4) compensation and other expenses of employing personnel to carry out such activities.

(c) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the abandoned oil and gas well fund interest earnings based on: (1) The average daily balance of moneys in the abandoned oil and gas well fund for the preceding month; and (2) the net earnings rate for the pooled money investment portfolio for the preceding month.

(d) All expenditures from the abandoned oil and gas well fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chairperson of the state corporation commission or a person designated by the chairperson.

(e) The abandoned oil and gas well fund shall not be designated as a no limit fund, and all expenditures from the fund shall be subject to specific amounts appropriated by the legislature. Moneys appropriated from the fund for purposes described in subsections (b)(3) and (b)(4) shall each be appropriated as a separate line item and shall not be merged with other items of appropriation.

Sec. 3. K.S.A. 1999 Supp. 55-193 is hereby amended to read as follows: 55-193. Except as provided by subsection (b), ~~on July 15, 1996~~ and on the 15th day of each calendar quarter thereafter ~~before July 1, 2002~~, the director of accounts and reports shall transfer \$100,000 from the state general fund, \$100,000 from the state water plan fund established by K.S.A. 82a-951, and amendments thereto, and \$100,000 from the conservation fee fund established by K.S.A. 55-143, and amendments thereto, to the abandoned oil and gas well fund established by K.S.A. 1999 Supp. 55-192, and amendments thereto.

Sec. 4. K.S.A. 1999 Supp. 55-155, 55-192 and 55-193 are hereby repealed.

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