

MINUTES OF THE HOUSE ENVIRONMENT COMMITTEE

The meeting was called to order by Chairperson Joann Freeborn at 3:30 p.m. on January 29, 2004 in Room 231-N of the Capitol.

All members were present except:

Representative Vaughn Flora- excused

Committee staff present:

Raney Gilliland Legislative Research Department

Mary Torrence, Revisor of Statutes

Mary Ann Graham, Committee Secretary

Conferees appearing before the committee: Maurice Korphage, Administrator, Conservation Division, Kansas Corporation Commission, 130 S. Market, Wichita, KS 67202

Others attending:

See Attached List.

Chairperson Joann Freeborn called the meeting to order. She reviewed the agenda for next week, on Tuesday, February 3, committee bill requests, which is the last day, and a Review on Water Issues involving the Circle K-Ranch by David Pope, Chief Engineer, Division of Water Resources, Department of Agriculture, Thursday, February 5, a meeting is scheduled but the agenda is unannounced at this time.

The Chairperson asked if there was anyone wishing to make a bill request.

Herbert R. Graves, State Association of Kansas Watersheds, requested a bill that would provide a program for financial assistance to the watershed districts of Kansas. This would apply to work in partnership with the USDA-Natural Resources Conservation Service in their efforts to rehabilitate dams in Kansas. (See attachment 1)

Rep. Dan Johnson made a motion the bill be introduced. Rep. Gary Hayzlett seconded the motion. Motion carried.

Chairperson Freeborn welcomed Maurice Korphage, Kansas Corporation Commission, to the committee. He gave an Abandoned Oil and Gas Well Status Report, with the use of overhead slides. The abandoned well and site remediation fund was created during the 1996 legislative session with the passage of **House substitute for SB755**. The purpose of the fund is to provide additional funding to the Kansas Corporation Commission, Conservation Division, with which to address the problem of both abandoned oil and gas wells and exploration and production related contamination sites. In addition to the creation of the fund the legislation directed the Conservation Division to establish financial responsibility requirements for oil and gas operators within the State of Kansas. These requirements were in place by January, 1998. **SB321**, passed during the 2001 legislative session, extends the original fund sunset date 7 years to June 30, 2009. Funding to this abandoned well plugging and site remediation program is provided through four funding sources: (1) Increased assessments on crude oil and natural gas production through the conservation fee fund; (2) General fund monies; (3) 50% of monies received by the state through the federal mineral leasing program; and (4) State water plan monies. Total funding package is in the amount of \$1,600,000 per year. (See attachment 2) Committee questions and discussion followed.

Chairperson Freeborn thanked Mr. Korphage and staff for their presentation.

The meeting adjourned at 4:40 p.m. The next meeting is scheduled for Tuesday, February 3, 2004.

HOUSE ENVIRONMENT COMMITTEE

DATE January 29, 2004

NAME	REPRESENTING
Tom Day	KCC
M.L. JOSEPHAGE	KCC
Steve Johnson	Kansas Gas Service
Golf Jenkins	KCC
Brad Harrelson	KFB
Dale Lambly	KDA
Chris Wilson	KS Dairy Association
Steve Swaffar	KFB
Ken Peters	KS Petroleum Council
Jackie Montfort Page	KCC
Lynn Wood	Intern
Susan Kluff	KCC
Dan Schmauck	KIOGA
Herbert Shaver	SARKU
Ed Cross	KIOGA

Herbert R. Graves, Jr.
State Association of Kansas Watersheds

Bill Request:

I stand before this committee today to request the introduction of legislation that would provide a program for financial assistance to the watershed districts of Kansas. This would apply to work in partnership with the USDA-Natural Resources Conservation Service in their efforts to rehabilitate dams in Kansas.

*House Environment
1-29-04
Attachment 1*

Kansas Corporation Commission

120 YEARS OF REGULATORY SERVICE FOR KANSAS

**Conservation Division
Abandoned Oil
& Gas Well
Status Report**

January 12, 2004



Abandoned Well / Site Remediation Fund

- The fund was created during the 1996 legislative session with the passage of House substitute for S.B. 755.
- The purpose of the fund is to provide additional funding to the Kansas Corporation Commission, Conservation Division with which to address the problem of both abandoned oil and gas wells and exploration and production related contamination sites.
- In addition to the creation of the fund the legislation directed the Conservation Division to establish financial responsibility requirements for oil and gas operators within the state of Kansas. These requirements were in place by January, 1998.
- S. B. 321, passed during the 2001 legislative session, extends the original fund sunset date 7 years to June 30, 2009.

Abandoned Well / Site Remediation Fund
Funding Sources

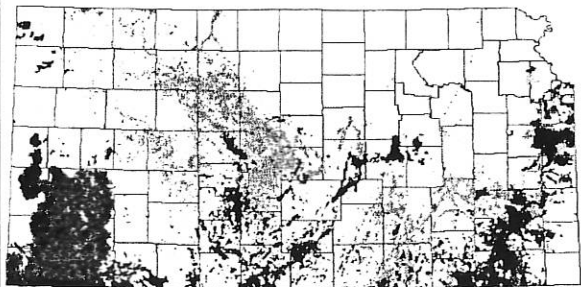
Funding to this abandoned well plugging and site remediation program is provided through four funding sources:

- Increased assessments on crude oil and natural gas production through the conservation fee fund
- General fund monies
- 50% of monies received by the state through the federal mineral leasing program
- State water plan monies

Total funding package is in the amount of \$1,600,000 / year.

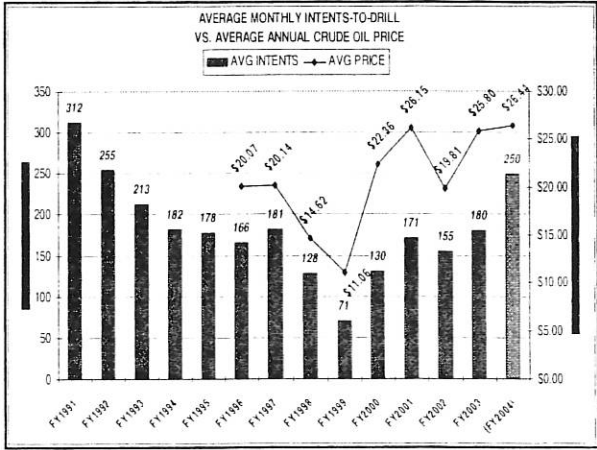
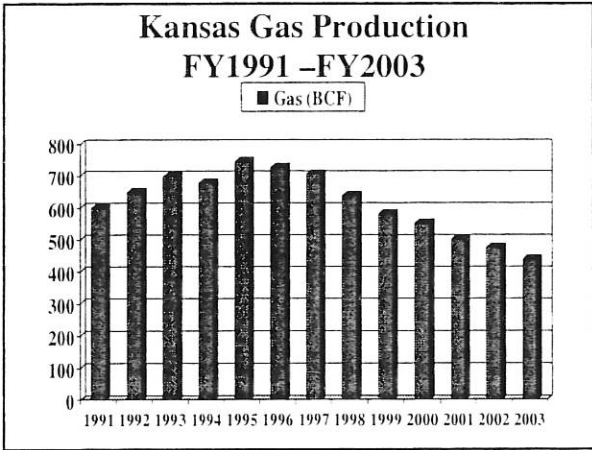
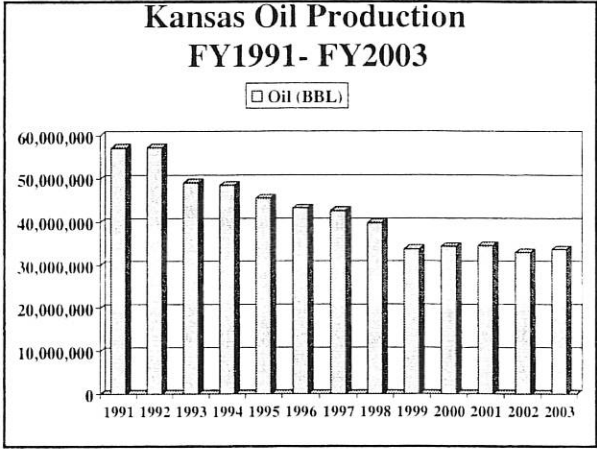
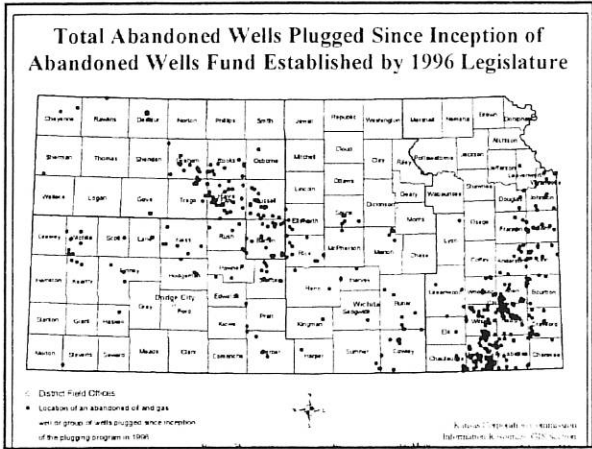
Oil and Gas Fields in Kansas

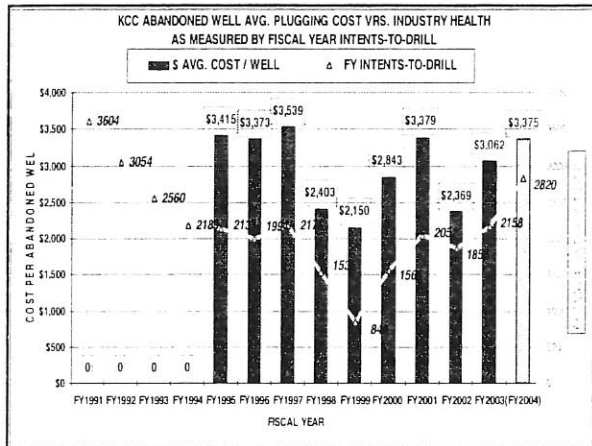
Gas Shallow Gas Gas Storage
Oil Oil and Gas



KGS

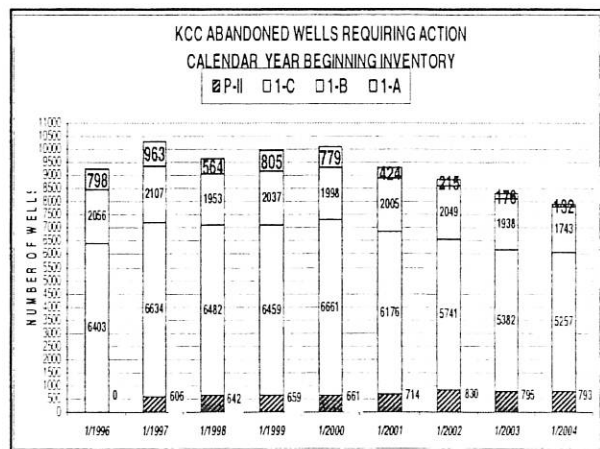
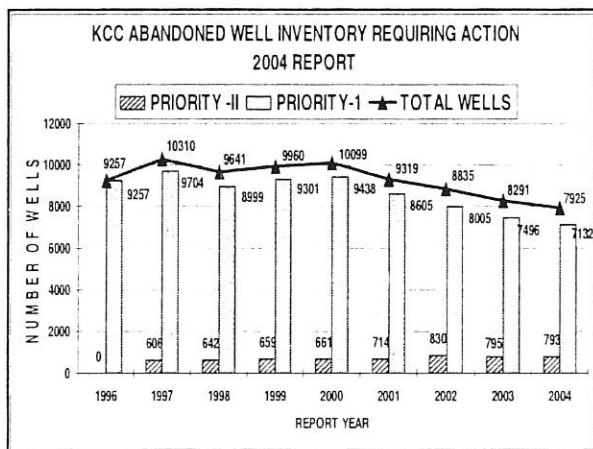
House Environment
1-29-04
Attachment 2

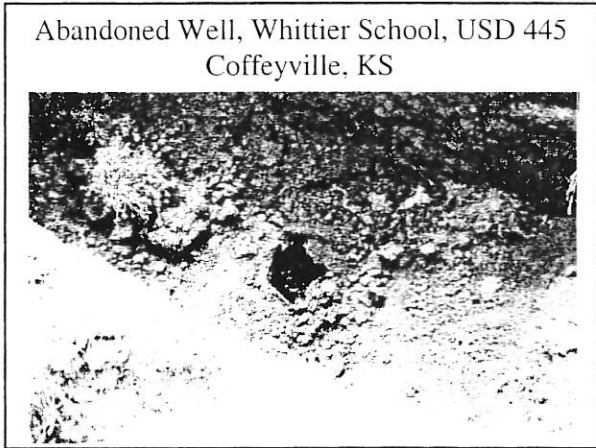
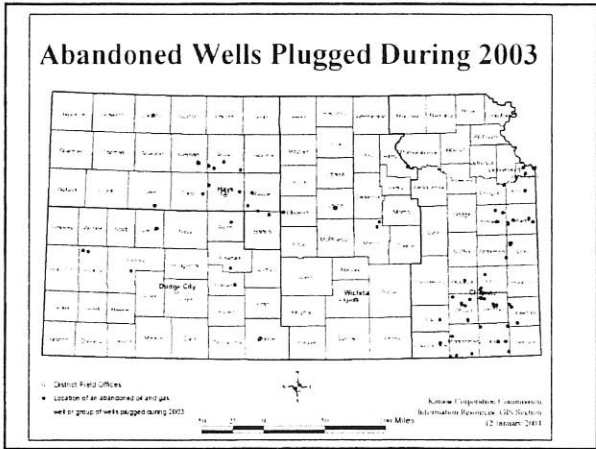
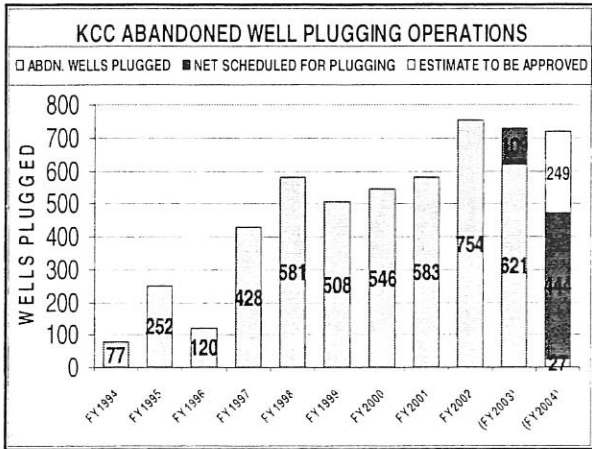




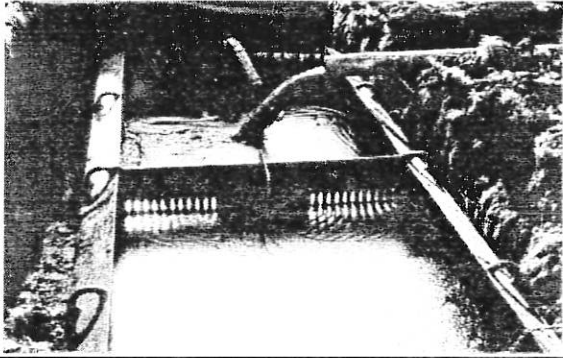
Abandoned Well / Site Remediation Fund Status of the Abandoned Well Inventory

- The Kansas Corporation Commission total abandoned well inventory (priority I and priority II) currently contains 14,111 wells, documented and verified. This represents an increase in the total inventory of 400 wells over that reported in January of 2003. Of this total, 13,226 wells are listed in the priority I inventory. Of these priority I wells, 7,132 still require plugging operations, which is 364 less than one year ago.
- Expenditures for fiscal year 2003 will result in the plugging of approximately 730 abandoned wells. 493 wells have been paid to date at a cost of \$1,509,701, which is \$3,062 per well including restoration costs. For the first 6 months of fiscal year 2004, 304 wells have been authorized to be plugged or have been plugged with monies from the fund.
- Distribution of remaining 7,132 priority I wells requiring plugging operations are by action level: level A = 132 wells (2%), level B = 1743 wells (24%), level C = 5257 wells (74%).

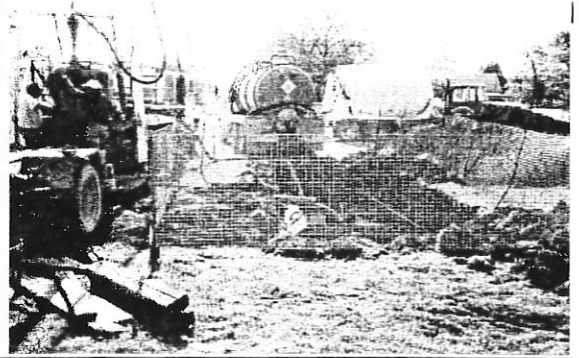




Abandoned Well, Whittier School, USD 445
Coffeyville, KS



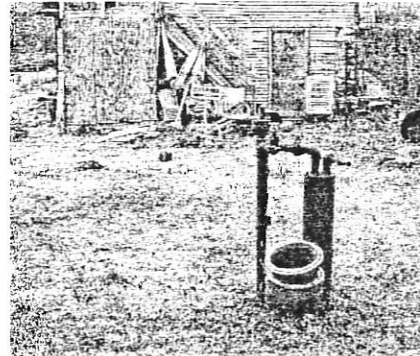
Abandoned Well, Whittier School, USD 445
Coffeyville, KS



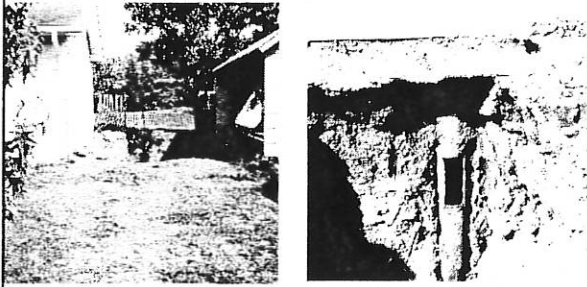
Leaking Oil Well, Crawford Co.
108 Well Plugging Project



Abandoned Well, Fairfax Area,
Kansas City, KS



Abandoned Gas Well, Under House Foundation, Neodesha, KS



Abandoned Gas Well, Wyandotte Co.
Venting Gas and Saltwater



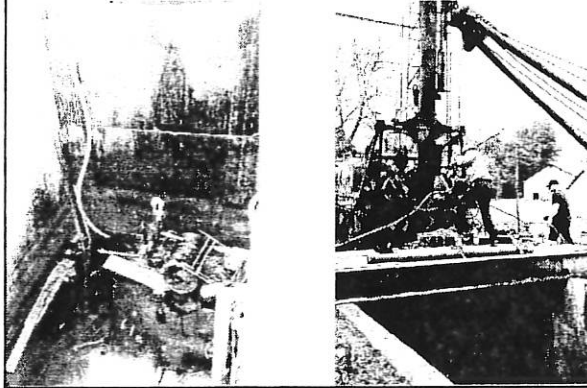
Abandoned Well, Coffeyville KS



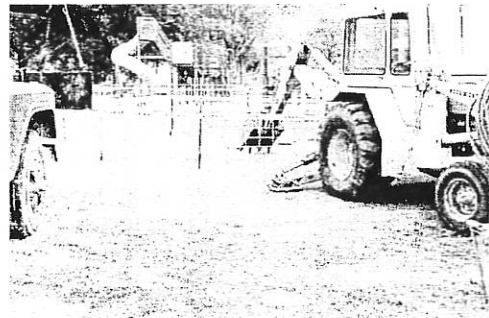
Abandoned Well, Lindsborg KS



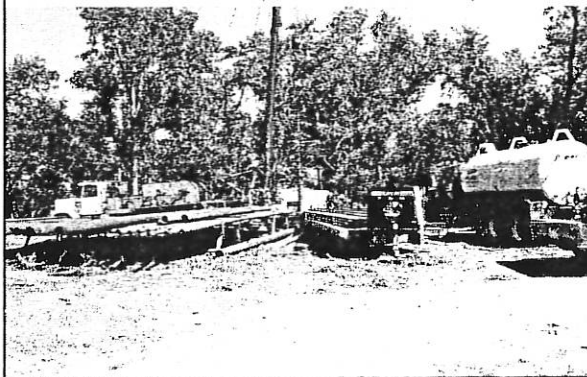
Abandoned Well, Lindsborg, KS



Abandoned Well in Schoolyard
Lost Springs, KS



Abandoned Well Next to
Arkansas River, South of Oxford, KS



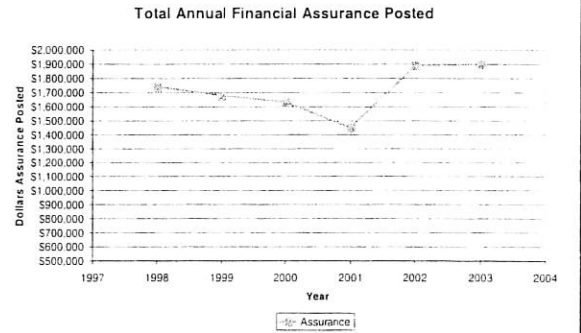
Abandoned Well / Site Remediation Fund Operator Financial Responsibility Requirements

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

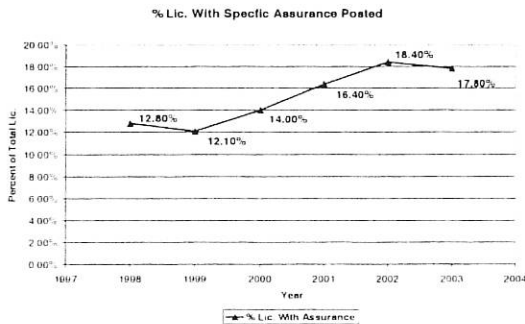
Financial Assurance Posted in 2003

Method of Assurance	Number of Licenses	Revenue	Assurance
\$50 Fee	1,617	\$80,850	\$80,850 (Compliance)
Cash Bond To KCC	259	\$92,129	\$92,129
Surety Bond	41		\$885,000
CD / Letter of Credit	52		\$843,705
Total	1,969	\$172,979	\$1,901,684

Financial Assurance Trends



Financial Assurance Trends



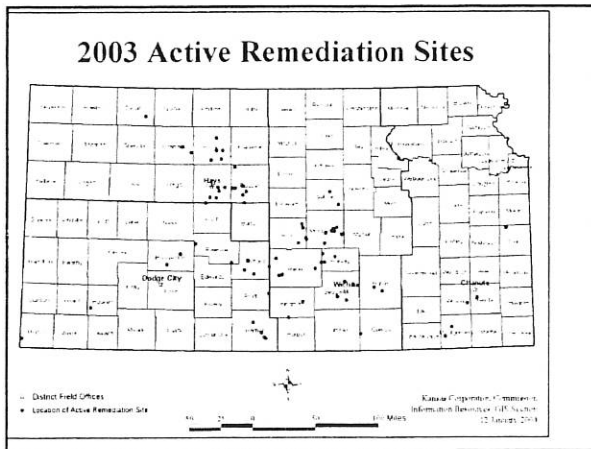
Kansas Corporation Commission

120 YEARS OF REGULATORY SERVICE FOR KANSAS

Conservation Division Remediation Site Status Report

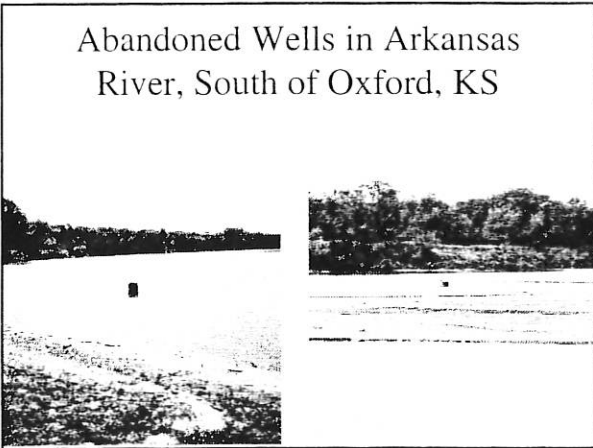
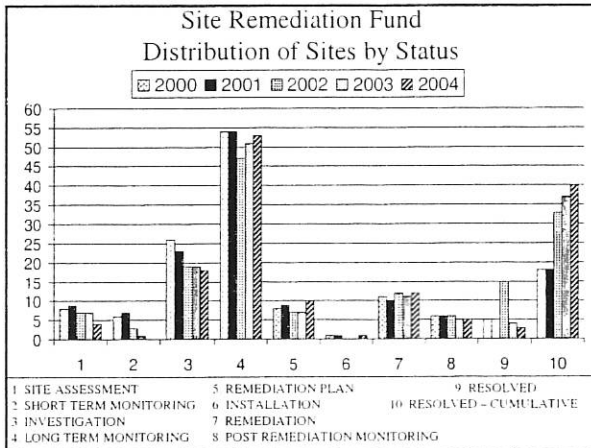
January 12, 2004



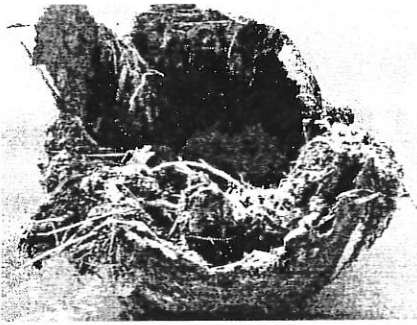


Abandoned Well / Site Remediation Fund Status of the Site Remediation Inventory

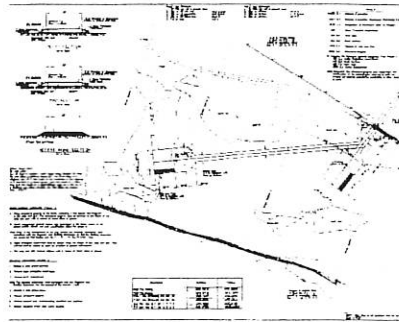
- When the abandoned well / site remediation fund was first created the KCC carried a listing of 109 sites. During previous reporting periods (1997, 1998, & 1999) four sites were combined with other existing sites, nine sites were added and 21 sites were resolved. During more recent reporting periods (2000 & 2001 & 2002), seven sites were added and 24 sites were resolved. The current evaluation period, January 1, 2003 through December 31, 2003, resulted in the addition of two sites and the resolution of three sites, leaving a current total of 75 active remediation sites.
- Current distribution of sites with respect to immediacy level is: low & low to moderate = 51%, moderate = 16%, moderate to high & high = 18%, other (under remediation) = 15%.
- Authorizations for Expenditures against projects initiated in FY2003 and FY2004 to date stand at \$280,722. When combined with ongoing remediation projects, initiated in prior years, the total expenditure for this period rises to \$320,886. Indirect expenditures in KCC staff time to these projects are valued at \$88,042.



Abandoned Wells in Arkansas River, South of Oxford, KS



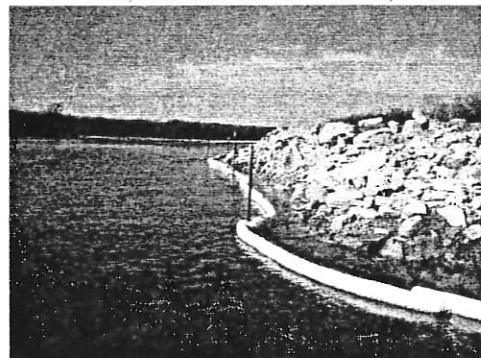
Plan for Access Pad Construction
Arkansas River Wells



Abandoned Wells in Arkansas River, South of Oxford, KS



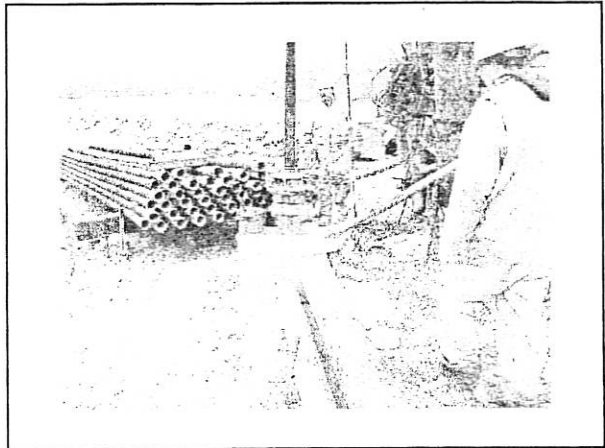
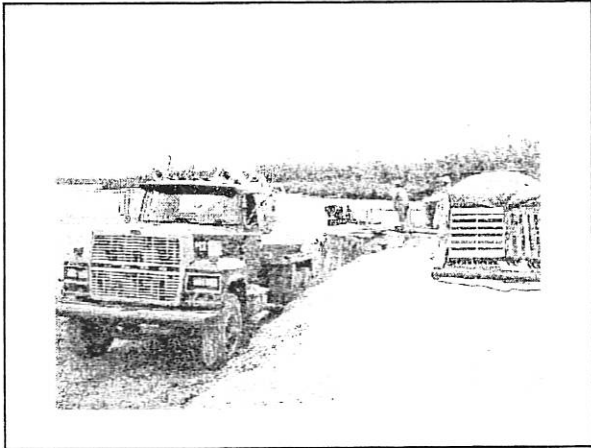
Abandoned Wells in Arkansas River, South of Oxford, KS

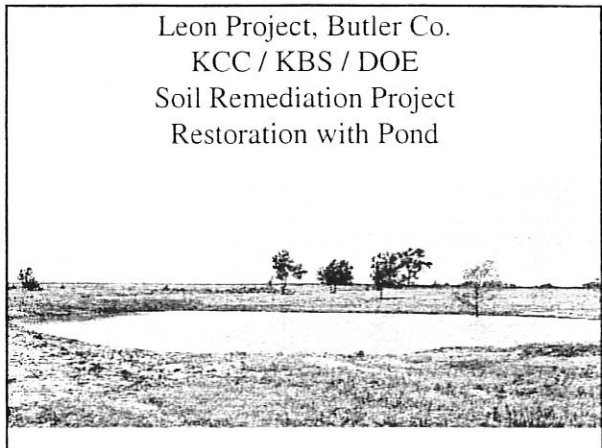
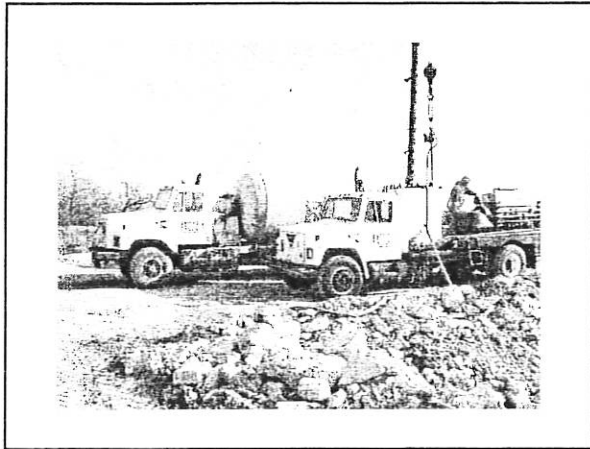


Abandoned Wells in Arkansas
River, South of Oxford, KS



Abandoned Wells in Arkansas
River, South of Oxford, KS





Kansas Corporation Commission

Site Specific Remediation Planner

Remediation of soil salt scars from the production of oil can be achieved through the following 5 steps

- 1. Soil Characterization**--Lab analyses of 5 to 10 composite soil samples per acre of "Salt-Alkali"
- 2. Soil Amendments**--Use soil chemical data from #1 to compute necessary soil additives
- 3. Revegetation**--Plant appropriate seeds and transplants
- 4. Irrigation**--Supply ample water to the scar to grow plants and leach salts
- 5. Follow-up Monitoring**--Re-sample and re-analyze soil after one growing season

Getting started: Soil should be sampled across the scarred area. Soil samples can be quickly and economically analyzed for Salt Alkali by the KSU Soil Lab, 2308 Throckmorton Hall, Manhattan, KS 66506. Once the sample has been analyzed, a plan can be created by clicking the button below.

Click to Start the SSR Planner

Kansas Corporation Commission

Site Specific Remediation Planner

Enter Average Annual Precipitation: (inches)

Enter County: (Select County from Chart)

Calculate Size of Scar In Acres

Enter Length (Feet):

Enter Width (Feet):

Size of Scar in Acres:

Input Soil Samples

Sample #	EC	CEC	ESP	
S1	EC1	CEC1	ESP1	
S2	EC2	CEC2	ESP2	
S3	EC3	CEC3	ESP3	
S4	EC4	CEC4	ESP4	
Count 5	Average	9	17	20

Display Remediation Plan | Clear to Start Over

Kansas Corporation Commission

Site Specific Remediation Planner

Instructions for Soil Remediation

Moderate Impact from Produced Brines

Average Soil Parameters

County (Pick): | State Soil (Pick): | EC: 9 | CEC: 17 | ESP: 20

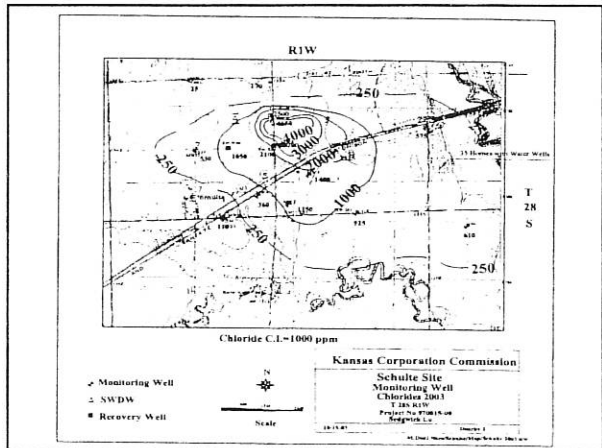
Recommended Remediation Plan

Volume: 4 tons per acre, 16 tons total

Planting: Transplants and optional

Irrigation: 18 to 20 inches per season

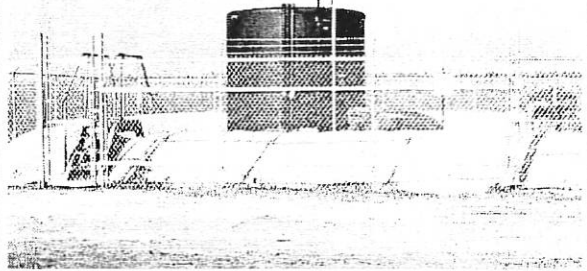
1. Select the soil to be remediated. The soil should be tested for salinity and sodicity. The soil should be tested for salinity and sodicity. The soil should be tested for salinity and sodicity.
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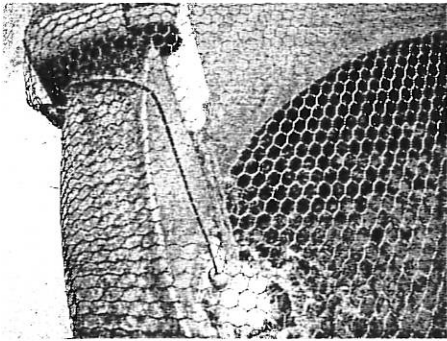
Schulte, KS Remediation Site
East Recovery Well



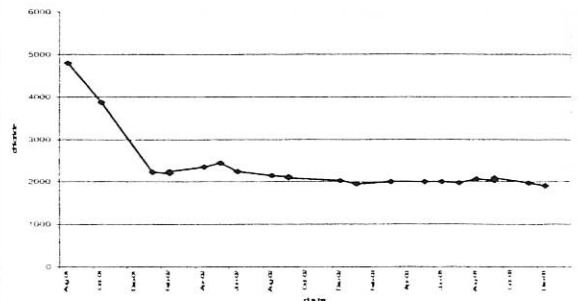
Schulte KS Remediation Site
Saltwater Disposal Well



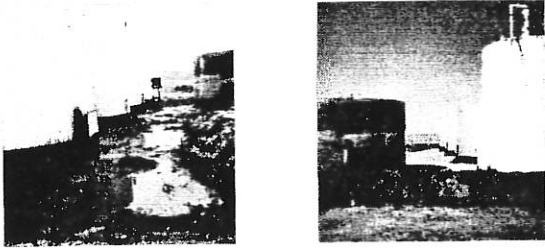
Schulte KS Remediation Site
Saltwater Disposal Well



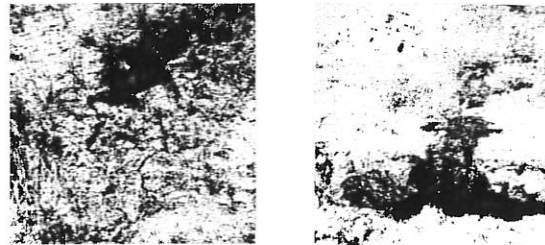
Schulte Remediation Site, East Recovery Well
Decline in Chloride Content [Salinity (p.p.m.)]
of Groundwater from 8/01 to 12/03



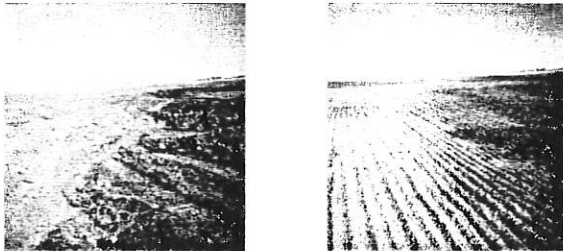
Oil Spill From Tank Battery, Ellis Co.
Clean-up By Operator Via Compliance
With KCC Regulations



1930's Sludge Pit, Barton Co. KS
Clean-up by Operator Via
Compliance With KCC Regulations



1930's Sludge Pit, Barton Co. KS
Site Filled With Clean Topsoil by
Operator and Replanted to Crops



Considerations / Actions

- A Net Loss of E&P infrastructure during recent down-cycles of concern to both industry & KCC.
 - KCC utilizes same contractor base as industry – impacts availability and costs to program
- B KCC must continue to increase emphasis on compliance and enforcement programs while streamlining regulatory processes were possible.
 - Oil and Gas Advisory Committee
 - Abandoned Well Regulations –consistent with Commission Rulings of K.S.A. 55-179
 - Regulation specific to CBM production & operations and production permitting
 - Streamline reporting and tracking for Oil and Gas operators and Staff - (Pilot Project w/ KGS)

- C Program Under-Funded (FY 2003 & FY 2004)
- Component surplus for program has been reduced
 - Division must continue efforts to seek alternate / additional funding sources (OPA 90, DOE, BOR)
 - infusion of additional funds from CFF will if continued lead to assessment increases on production
 - If program funding levels not restored then net result will be less wells plugged / less remediation undertaken
- D Financial Assurance requirements being reviewed through Oil and Gas Advisory Committee
- Adjustments related to changes in bond market
 - Are assurance levels appropriate for operators utilizing compliance based assurance
 - Will those mechanism be adequate for future calls on Assurance Fund