

MINUTES OF THE SENATE UTILITIES COMMITTEE

The meeting was called to order by Chairman Jay Emler at 9:30 A.M. on March 15, 2007 in Room 526-S of the Capitol.

Committee members absent: Senator Mark Taddiken- excused

Committee staff present: Raney Gilliland, Kansas Legislative Research Department
Mike Corrigan, Revisor of Statutes
Tatiana Lin, Legislative Fellow
Ann McMorris, Committee Secretary

Conferees appearing before the committee: None
Others in attendance: See attached list

Chair opened for further action on

HB 238 - State corporation commission authorized to fix, charge and collect fees for application for intent to drill a well. Tom Day, Legislative Liaison, Kansas Corporation Commission, explained the intent of **SB 238** allows KCC to issue application for intent to drill and charge a fee to be set by rules and regulations.

Ed Cross of KIOGA, provided a balloon of **SB 238** prepared by the Revisor which was a technical clean up to make the administration of this program more functional. He explained the various additions and deletions throughout the bill language. (Attachment 1) The committee inquired of the KCC what the cap would be. Mr. Day indicated the cap of \$300.00, that the committee had discussed earlier, was acceptable to KCC.

Moved by Senator Lee, seconded by Senator Reitz, to adopt the amendments to **SB 238** as proposed by KIOGA. Motion carried.

Moved by Senator Petersen, seconded by Senator Lee, the committee recall their action of March 14, 2007 on the tabling of **HB 2485** and return **HB 2485** to the committee for further action. Motion carried.

Moved by Senator Pyle, seconded by Senator Petersen, to gut **HB 2485**, insert amendments proposed for **SB 238** by KIOGA and retitle the bill as **Substitute for HB 2485**. Motion carried.

Moved by Senator Reitzm, seconded by Senator Apple, to move **Substitute for HB 2485** out favorably as amended. Motion carried.

Chair opened for further action on

HB 2033 - Certain public utility construction work in progress required to be included in rate base
Jim Ludwig, Westar Energy, explained this bill would amend the law to make it a requirement that KCC allow for refund of funds paid for Construction Work in Progress (CWIP).

Moved by Senator Lee,
carried. 'No' vote recorded for Senator Francisco.

Approval of Minutes

Moved by Senator Pyle, seconded by Senator Apple, minutes of the Senate

Discussion on the committee's intent in their request at their March 14, 2007 meeting for an interim study on **HB 2485** to include design standards for public buildings as well as L.E.D. traffic signals. Research staff will prepare a letter to be sent to the LCC and the Joint Committee on State Building Construction.

Adjournment.

Respectfully submitted,
Ann McMorris, Secretary

Attachment - 1

SENATE BILL No. 238

By Committee on Utilities

2-1

Senate Utilities Committee
March 15, 2007
Attachment 1-1

AN ACT relating to oil and gas; concerning fees for application of intent to drill a well; amending K.S.A. 55-151 and repealing the existing section.

and K.S.A. 2006 Supp. 55-1626, 55-1631 and 55-1632

concerning the Kansas petroleum education and marketing act;

sections

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

Section 1. K.S.A. 55-151 is hereby amended to read as follows: 55-151. (a) Prior to the drilling of any well, every operator shall file an application of intent to drill with the commission. Such application shall include such information as required by the commission and shall be on a form prescribed by the commission. No change in the use of a well shall be made without express approval of the commission. ~~No fee shall be required to accompany any application of intent to drill a well. The state corporation commission shall have the authority to adopt rules and regulations to fix, charge and collect fees for an application of intent to drill a well.~~ No drilling shall be commenced until the authorized agents of the commission have approved the application. The agent, in giving approval, shall determine that the proposed construction of the well will protect all usable waters. Such approval shall include the amount of pipe necessary to protect all usable water, plugging requirements upon abandonment and such other requirements deemed appropriate by the commission. The commission may refuse to process any application submitted pursuant to this section unless the applicant has been in compliance with all rules and regulations adopted pursuant to this act.

(b) The commission shall ~~send~~ make available to the secretary of the department of health and environment ~~copies of information related to~~ all notifications of intents to drill. The commission shall ~~send~~ make available to the clerk of any county in which a well will be drilled ~~a copy of information related to~~ the intent to drill for such well.

See attached

Sec. 2. K.S.A. 55-151 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

And renumber the remaining sections accordingly

and K.S.A. 2006 Supp. 55-1626, 55-1631 and 55-1632 are

Sec. 2. K.S.A. 2006 Supp. 55-1626 is hereby amended to read as follows: 55-1626.

As used in this act:

(a) "Act" means the provisions of K.S.A. 2006 Supp. 55-1625 through 55-1635, and amendments thereto;

(b) "board" means the Kansas oil and gas resources board as created by this act;

(c) "first purchaser" means:

(1) With regard to crude oil, the person to whom title first is transferred beyond the gathering tank or tanks, beyond the facility from which the crude oil was first produced, or both; and

(2) with regard to natural gas, the person to whom title first is transferred beyond the inlet side of the measurement station from which the natural gas was first produced;

(d) "independent producer" means a person who complies with both of the following:

(1) Produces oil or natural gas and is not engaged in refining either product; and

(2) derives a majority of income from ownership in properties producing oil or natural gas;

(e) "interest owner" means a person who owns or possesses an oil or gas leasehold interest in the gross production of oil or natural gas produced from a well in Kansas. For the purposes of this act, an oil and gas leasehold estate interest shall include the working interest and any overriding interest carved out of the working interest in any oil and gas lease, but shall ~~not~~ include neither any royalty interests nor any overriding interest carved out of the working interest;

(f) "person" means an individual, group of individuals, partnership, corporation, association, limited liability company,

cooperative or any other entity or an employee of the entity; and

(g) "qualified producer association" means an entity that is organized under section 501(c)(6) of the federal internal revenue code and in existence on the effective date of this act, organized and operates within the state of Kansas, and in which a majority of the members of such association's governing body consists of independent producers. In addition to any other entity which constitutes a qualified producer association as defined in this subsection, the Kansas independent oil and gas association, the Kansas petroleum council and the eastern Kansas oil and gas association shall be qualified producer associations.

Sec. 3. K.S.A. 2006 Supp. 55-1631 is hereby amended to read as follows: 55-1631.

(a) To fund the activities of the Kansas oil and gas resources board, and in the discretion of the board, a voluntary assessment not to exceed 0.05% of the gross revenues from oil or natural gas produced from each well in the state of Kansas shall be deducted from proceeds paid by the first purchaser to each interest owner. Any interest owner ~~may elect not to be subject to the assessment or~~ may seek a refund, as provided in this act. ~~An annual cap of \$20,000, determined on a calendar-year basis, shall be placed on assessments against any one interest owner. An interest owner's assessments shall cease immediately for the remainder of the calendar year when such interest owner's assessments reach the annual cap, except that additional voluntary contributions made by any such interest owner shall not be considered in determining whether such cap has been exceeded.~~ This assessment is a voluntary checkoff and shall be treated in all respects accordingly. Any ~~interest owner may elect not to be subject to the assessment by notifying the board and the~~

1-4

be treated in all respects accordingly. Any interest-owner may elect not to be subject to the assessment by notifying the board and the first purchaser of the interest owner's desire not to participate in the checkoff. Upon receipt of the notice, the first purchaser shall not deduct the assessment from proceeds paid to such interest owner. The assessment shall not in any manner be deemed to be a tax or governmental assessment of any kind, and the state of Kansas shall have no duty or responsibility with respect to any such assessment.

(b) The assessment imposed pursuant to subsection (a) shall be deducted from the proceeds of production and collected by the first purchaser. There shall be a conspicuous line item on each run statement showing the amount and pertinent time period of the assessment. The run statement shall provide the Kansas oil and gas resources board contact information for obtaining more information or directions for obtaining a refund of the assessment. The assessments, which are imposed on the interest owner, shall be remitted to the Kansas oil and gas resources board by the first purchaser not later than the 15th 60th day of each month following the end of the month in which the assessment was collected. The moneys collected pursuant to K.S.A. 2006 Supp. 55-1630, and amendments thereto, shall be deposited with a bank or savings and loan association and shall be used only in defraying costs of administration of the petroleum education and marketing program and for carrying out the provisions of K.S.A. 2006 Supp. 55-1627, 55-1628, 55-1633 and 55-1634, and amendments thereto.

(c) The board shall be responsible for taking any appropriate legal action necessary to collect any assessment which is not paid or is not properly paid by the first producer purchaser.

Sec. 4. K.S.A. 2006 Supp. 55-1632 is

5-1

amendments thereto, may request a refund as provided in this section of the assessment paid on production for the preceding calendar year. Upon compliance with the provisions of this section and rules adopted by the board to implement this section, the board shall refund to each person requesting a refund the amount of the assessment paid by or on behalf of the person during the preceding calendar year. Refunds made shall include interest earned at the rate equal to the average United States treasury bill rate of the preceding calendar year as certified by the state treasurer.

(b) The request for a refund of the assessment paid on production for the preceding calendar year shall be made before the end of the third calendar month following the calendar year for which the refund is requested. Failure to request a refund during this period shall terminate the right of any person to receive a refund for the assessment paid on production for the preceding calendar year. The board shall give notice of the availability of the refund through press releases or another means the board deems appropriate.

(c) Each person requesting a refund shall execute an affidavit showing the amount of refund requested and demonstrating that the affiant was the owner of the production and such other matters as the board reasonably requires for which the refund is requested. The board may verify the accuracy of the request for refund prior to issuance of such a refund.

(d) No person requesting a full refund of all assessments imposed under this section act shall be eligible to serve or have a representative serve as a member of the board.