

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES BUDGET

The meeting was called to order by Chairperson Larry Powell at 1:30 P.M. on February 11, 2008, in Room 431-N of the Capitol.

All members were present except:

John Grange-excused  
Sharon Schwartz-excused

Committee staff present:

Jason Thompson, Revisor of Statutes  
Heather O'Hara, Legislative Research Department  
Joyce Bishop, Committee Assistant

Conferees appearing before the committee:

Leslie Kaufman, Executive Director, Kansas Cooperative Council  
Mary Jane Stankiewicz, Administrator, Agricultural Remediation Board  
Larry Shivers, Chairperson, Kansas Agricultural Remediation Board & Kansas Agricultural Retailer's Business Association  
Duane Simpson, Chief Operations Officers & Vice President, Kansas Grain & Feed Association & Kansas Agribusiness Retailer's Association  
Susan Duffy, Executive Director, Kansas Corporation Commission  
Bob Jenkins, Coordinator of Abandoned Well Plugging & Site Remediation

Others attending:

See attached list.

Jason Thompson, Revisor of Statutes, presented the supplemental note as recommended by the Senate Committee on Natural Resources, regarding **SB 447**, an act concerning the agricultural and specialty chemical remediation act; increasing reimbursement limits; extending deposit loan program (Attachment 1).

Leslie Kaufman, Executive Director, Kansas Cooperative Council, presented testimony in support of **SB 447** (Attachment 2).

Mary Jane Stankiewicz, Administrator for the Agricultural Remediation Board, presented testimony in support of **SB 447** (Attachment 3).

Representative Carl Holmes asked Mary Jane how many sites will be eligible with the new criteria of 400,000 instead of 200,000, and if any have drawn funds yet. He also asked if any requests had been turned down.

Mary Jane said it would be six to eight sites. In some cases the original sellers have already drawn. The buyers have not drawn yet and the fund has not been depleted yet. As for refusals, there had been one due to attorney's fees included. Also, some application had been given partial approval due to ineligible costs such as lack of receipts.

Larry Shivers, Chairperson, Kansas Agricultural Remediation Board & Kansas Agricultural Retailer's Business Association, presented testimony in support of **SB 447** (Attachment 4).

Representative Holmes asked if \$1,000,000 was available and \$1,500,000 was requested, how allocation of these funds was determined.

Larry Shivers said it was based on priority by degree of risk, such as groundwater contamination.

Duane Simpson, Chief Operating Officer, Kansas Grain & Feed Association & Kansas Agribusiness Retailer's Association, presented testimony in support of **SB 447** (Attachment 5).

Representative Doug Gatewood asked if there had been an increase in applications for these funds.

Duane Simpson said requests have been steady at approximately \$1,000,000 per year, every year.

## CONTINUATION SHEET

MINUTES OF THE House Agriculture and Natural Resources Budget at 1:30 P.M. on in Room 431-N of the Capitol.

Mary Jane Stankiewicz said they expect more applications will be coming in mass in the coming months due to recent acquisitions. Carbon tetrachloride is the main polluter. The number of sites with no further action required is minimal, and these sites are increasing. She would like to see the program extended another ten years. Currently orphan sites are not eligible as they become federal sites and Kansas Department of Health and Environment is in charge of their oversight.

Heather O' Hara, presented the Fiscal Note on **HB 2735**, an act concerning transfers to abandoned oil and gas well fund, sunset provision (Attachment 6).

Susan Duffy, Executive Director, Kansas Corporation Commission (KCC), presented testimony in support of **HB 2735** (Attachment 7).

Bob Jenkins, Coordinator, Abandoned Well Plugging & Site Remediation, stood for questions. He said 16,000 wells exist in Kansas that are known. They are ranked by risk level. Currently 6,500 have been plugged and 500 are awaiting the process. He said the Federal Mineral Royalty Trust is tied to prices of oil and gas.

Representative Vaughn Flora asked how they find abandoned wells in the fields, and if they have to plug each layer.

Bob Jenkins said they originally find them by existing maps of fields and lists. Some are also found when individuals are clearing land. Most of them are old enough no permit was required when they were created. In western Kansas, they set a plug on the bottom of the well with intermittent plugs at various levels. In shallow wells, they are filled completely with Portland cement. These wells average 150 sacks of cement per well. Some of the wells flow oil at the surface, but it is not enough to harvest.

Representative Jason Watkins asked if the increase in the price of oil is increasing the cost of plugging these wells, and is plugging also in greater demand than it has been in the past.

Bob Jenkins said the increase in price of oil has increased the cost of plugging these wells. When oil prices dropped years ago, the bottom fell out of the market and these wells were sometimes abandoned. Now with the price up again, these companies are rebuilding equipment and trying to find experienced workers. They have gone from an average of 500 prior to the oil price increases to 5,000 to 6,000 wells per year now.

Representative Watkins asked if there would be an advantage to signing contracts with a few companies to get a better price on these services. Also is there an advantage to long term contracts?

Susan Duffy said on the wells estimated to cost below \$15,000, they have a set list of companies they use. On wells that will cost over \$15,000 they are required to do requests for proposals (RFP). They have found it not to be cost effective to do RFPs on the less expensive jobs. In many cases, especially in the southeast portion of the state, these companies sometimes use the same crews with long term employees who are very efficient and effective. Also they hesitate to do a long term contract due to the fluctuation in prices on these services.

Representative Holmes asked why lines 22 and 26 were in **HB 2735**. He wanted to know why not leave this in appropriations instead of doing it as a statute. In 1996 the State General Fund would pick up \$400,000 per year. At that time the oil and gas industry was not paying into this fund, but agriculture was. The legislative intent was wrong and the State General Fund should not have been included in this. Also, Appropriations should supersede statute in this case. Also, in line 26 of **HB 2735** the year should be 2009 instead of 2008 as written.

The meeting adjourned at 2:30pm.

The next meeting is scheduled for February 12, 2008.



**SUPPLEMENTAL NOTE ON SENATE BILL NO. 447**

As Recommended by Senate Committee on  
Natural Resources

**Brief\***

SB 447 would make several amendments to the Agricultural and Specialty Chemical Remediation Act which is designed to encourage remediation of pollution caused by agricultural chemical contamination. One amendment would modify the maximum total amount of reimbursement for eligible corrective action costs. Specifically, this amendment would limit the total reimbursement to \$400,000 per site within a five-year period when the property has been sold or leased and both the buyer and seller or lessee and lessor are responsible for remediation. As with the other maximum amounts of reimbursement currently set by law, the new limitation could be modified by the Kansas Agricultural Remediation Board through rules and regulations.

In addition, the bill would:

- Impose, in addition to the other assessments already established by law and credited to the Agricultural Remediation Fund, an annual assessment of \$1,000 to be paid by the party responsible for a site that has been sold or leased when the seller or lessor still retains responsibility for cleaning up the site. As with the other assessments under the Act, this assessment would be paid to the Secretary of Agriculture;
- Require that in order for a site to be eligible for reimbursement, that all applicable environmental assessments be paid for the site; and

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

H Ag + Natural Resources  
Budget Committee  
2/11/08  
Attachment 1-1

- Extend the sunset of the Act from July 1, 2010 until July 1, 2020.

## **Background**

Proponents of the bill included the administrator and a member of the Kansas Agricultural Remediation Board and representatives of the Kansas Grain and Feed Association and the Kansas Agribusiness Retailers Association; and the Kansas Cooperative Council. Written testimony in support of the bill was received from Jarold Boettcher of Boettcher Enterprises of Beloit. There were no opponents.

Proponents argued that numerous changes in ownership of agricultural business are occurring and that in many cases both the buyer and the seller are accepting responsibility for any pollution contamination and its remediation.

The fiscal note on the bill states that the Department of Agriculture and the Department of Health and Environment believe the bill would have no fiscal effect on their agencies, although the changes would allow more responsible parties to be able to obtain reimbursement for remedial actions taken at contaminated sites. The annual assessment charged by the Department of Agriculture is considered a deposit for the remedial program, so the additional assessment charged to former owners or lessors would have a negligible fiscal effect.



**Kansas Cooperative Council**

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## House Agriculture & Natural Resources Budget Committee

February 11, 2008

Topeka, Kansas

### SB 447 - Extension of the Ks Ag Remediation Board/Fund.

Chairman Powell and members of the House Agriculture & Natural Resources Budget Committee, thank you for the opportunity to share our support for SB 447 which extends the Kansas Agricultural Remediation Board/Fund (KARB). I and Leslie Kaufman and I serve the Kansas Cooperative Council as Executive Director.

The Kansas Cooperative Council represents all forms of cooperative businesses across the state -- agricultural, utility, credit, financial and consumer cooperatives. Approximately half of our members are grain elevator/farm supply cooperatives.

The KCC supports the Kansas Agriculture Remediation Fund and encourages the continued existence of the fund, as well as the oversight administrative board. The fund has been able to assist in financing important remediation projects. We support increasing the cap on the dollar amount a site is eligible to receive from the fund to be more reflective of the costs actually incurred to implement the remedial efforts.

Over the years, various agricultural chemicals have been available for crop protection and nutrition. Other chemicals have been used for maintaining grain quality. Some were once lawful to use and are now restricted, but residues from past years application and storage require remediation. The KARB program has been an important partner for many of our co-ops involved in the remediation of agricultural sites. A significant number of sites reimbursed by the fund have been co-op properties. As such, the Council respectfully requests your favorable action on SB 447.

If you have any questions regarding our testimony, please feel free to call me. Thank you.

Leslie Kaufman, Executive Director  
Kansas Cooperative Council  
785-220-4068

HOUSE AG & NATURAL RESOURCES  
BUDGET COMMITTEE  
DATE: 2/11/08  
ATTACHMENT: 2-1

The Mission of the Kansas Cooperative Council is to promote, support and advance the interests and understanding of agricultural, utility, credit and consumer cooperatives and their members through legislation and regulatory efforts, education and public relations.



# K A N S A S

AGRICULTURAL REMEDIATION BOARD

KATHLEEN SEBELIUS, GOVERNOR

## House Agriculture and Natural Resources Budget Committee

February 11, 2008

RE: Senate Bill 447

Good afternoon Chairman Powell and members of the House Agriculture and Natural Resources Budget Committee. My name is Mary Jane Stankiewicz and I am the administrator of the Kansas Agricultural Remediation Board (KARB). First of all, let me clarify that I appear before you as the administrator of the KARB program and not as a lobbyist of the Kansas Grain and Feed Association or the Kansas Agricultural Retailers Association. Secondly, let me introduce the members of the board that are present at this hearing.

I appear before you in support of SB 447 which would authorize the renewal of a successful and beneficial program known as the KARB program. The Kansas Agricultural Remediation Board was first enacted in 2000. The program was the idea of the Kansas Grain and Feed Association and the Kansas Agricultural Retailers Association with the support of the Kansas Cooperative Council as a way to assist their members in dealing with the cleanup costs associated with some of the agricultural chemical contamination issues that had been identified by EPA and KDHE.

When our members began reviewing their options in dealing with these contamination problems, they discovered that Minnesota and Wisconsin had already enacted remediation reimbursement programs. So the law you see before you is a hybrid of the Minnesota and Wisconsin programs. The grain and chemical representatives in the Kansas were so impressed with this concept that they were willing to impose a fee on themselves and have the program be totally fee funded.

Concept: The purpose of the program is to reimburse people that are cleaning up agricultural chemical contamination through a fee funded program.

Board: The board is composed of 7 individuals, 5 of which are appointed by the Governor and confirmed by the Senate and the other 2 members are representatives of the Kansas Department of Agriculture and the Kansas Department of Health and Environment. Each appointed board member represents a certain segment of the industry such as an agricultural

retailer, farmer, processor, distributor, and a chemical registrant. The board members serve a 4 year term and most of the current board members are still the original members.

Overview of the Program: This is a reimbursement program, so people can only apply for reimbursements of costs that they have incurred via an order or agreement with KDHE or EPA. Therefore, the remediation board is only reimbursing for costs associated with actions that have been previously approved by the appropriate environmental regulatory body. This has been a handy process for the remediation board because since they are only paying for costs that have already been incurred they are never in the position of monitoring the progress of the work being done at the site and ensuring that the money is being used wisely.

The board meets quarterly and reviews applications. The applicant submits a copy of all their expenses, invoices related to the cleanup of the site along with a copy of the agreement they have signed with KDHE and any relevant insurance policies on the property. However, most insurance policies will not pay for environmental remediation costs, so this fund is their only source of assistance in offsetting these costs.

Funding: Each year, the following individuals pay into the fund when they get licensed or registered: 1) custom fertilizer blender; 2) commercial fertilizer; 3) agricultural chemical registration; 4) pesticide business dealer and 5) grain elevator. The fees from these 5 categories generate approximately \$1 million a year and ironically the reimbursements have also averaged \$1 million each year. As of December 31, 2007, the program had a balance of \$1.58 million which represents approximately the initial amount paid into the fund for the first 18 months when the program began and fees were being collected yet no reimbursements had been paid yet. There are no state general funds in this program. It is totally fee funded. The funds are paid into the Kansas Department of Agriculture when the person pays their registration or licensing fee so the person only has to write one check and it also saves KDA from receiving multiple checks and forms. The process seems to be running very smoothly and we are appreciative to KDA for their assistance.

Reimbursements: A person that has paid into the fund (through one of the above licenses or registrations) is eligible up to \$200,000 per site. If the person has not paid into the fund they are still eligible for up to \$10,000 per site. Attached to my testimony is a copy of a map outlining where reimbursements have been made in the state. As you can see, there have been reimbursements made throughout the state.

Proposed Changes:

1. The first change is to clarify that the remediation fee must be paid on the site that the applicant is seeking reimbursement (page 1, line 24 and page 3, line 11-13). While we have not had a problem with people paying into the fund, we want to ensure that the applicants are paying the remediation fee for each of the sites and not just one site and claiming reimbursement for various other sites they own.
2. The next change tries to address the changing business climate we are seeing now. Under current law, to be eligible for reimbursements of your costs, you must be 1) paying into the fund and 2) be the one that is responsible for the cleanup. If someone



sells their property, it is common for the seller to retain responsibility for the cleanup that has already begun, however, under our current law they do not carry a license for a property that they no longer own so they cannot fulfill the first prong that I previously referred to. The remediation board is attempting to address this situation to allow the seller to be able to pay into the fund (see page 2, starting on line 40) and be eligible for reimbursement of costs up to \$200,000, while still allowing the buyer to be able to pay into the fund and be eligible for up to \$200,000 for any future contamination remediation that might occur at the property (see page 1, lines 31-36).

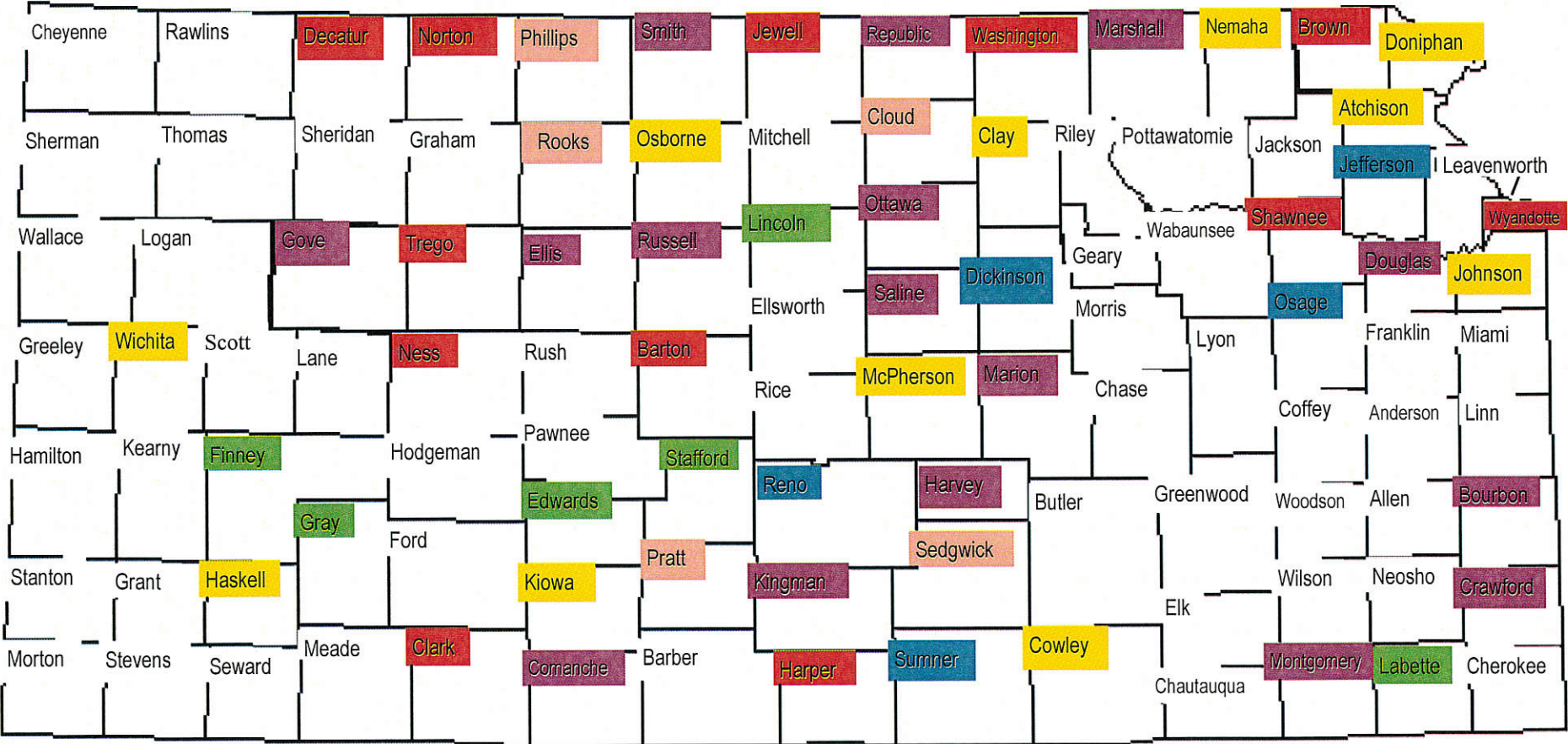
3. Finally, the board seeks the extension of this program until 2020 (see page 3, lines 11-13). The program was initially authorized until 2010. Since there does not seem to be a slow down in the number of sites in the various cleanup programs within KDHE, the board believes the need for the program exists and is seeking another 10 year renewal.

This program is a unique partnership between industry and the regulatory community. We think it has been a useful and productive approach to cleaning up contamination at various sites across the state and thus, on behalf of KARB, I urge your support of the program and passage of SB 447, which passed out of the Senate on a strong vote of 40-0.

Thank you for your time and attention. I would be happy to stand for any questions you may have at this time.

### Location of Kansas Agricultural Remediation Reimbursements

- = 1 Reimbursement
- = 2 Reimbursements
- = 3 - 5 Reimbursements
- = 6 - 10 Reimbursements
- = 11 - 15 Reimbursements
- = 16 - 20 Reimbursements
- = 21+ Reimbursements



**House Agriculture and Natural Resources Budget Committee**

**Larry Shivers**

**RE: SB 447 – Kansas Agricultural Remediation Program**

**February 11, 2008**

Good afternoon Chairman Powell and members of the House Agriculture and Natural Resources Committee. I am Larry Shivers and I am here to testify before you in favor of SB 447.

First, let me tell you a little about myself. I live in Salina and work for Specialty Fertilizer Company as the National Product Representative. I have been involved in the chemical and fertilizer business for the past 37 years. Even with good housekeeping practices, contamination can occur, such as is the case with carbon tetrachloride. Carbon tet used to be legal as a grain fumigant that are no longer allowed to be used and grain elevator operators are required to clean up this chemical.

I am the chairman of the Kansas Agricultural Remediation Board. I was one of the original board members appointed in the fall of 2000. I was happy to serve on this board because it is a way to learn more about the environmental issues confronting our industry and it was a way to assist in developing a program that could benefit both the environment and the industry. I am also a member of the Kansas Agribusiness Retailers Association, and am proud of our industry for coming up with an idea to address these problems in a way that uses their own money. The industry still remains supportive of funding this valuable and useful program.

A lot has changed over the years and I think it was proactive of my industry to work on the development of a remediation program to help address some of the cleanup issues that we are currently facing in Kansas. We are not asking for any state general funds, just the ability to continue to operate this program. Environmental cleanup is not an easy or quickly resolved problem therefore I am supportive of the change to allow both a buyer and a seller of property to be able to pay into the fund. Consolidation and mergers are a fact of life today and this amendment would allow more flexibility for both parties of the transaction to participate in the program.

This is a program that is working in a timely and efficient manner and I would urge you to pass out favorably SB 447.

HOUSE AG & NATURAL RESOURCES  
BUDGET COMMITTEE  
DATE: 2/11/08  
ATTACHMENT: 4-1

*Kansas Grain & Feed Association*  
Kansas Agribusiness Retailers Association

**Joint Statement in Support of Senate Bill 447  
House Agriculture and Natural Resources Budget Committee**

**Larry Powell, Chair  
February 11, 2008**

Thank you Mr. Chairman and members of the committee; I am Duane Simpson the Chief Operating Officer and Vice President of the Kansas Grain and Feed Association and the Kansas Agribusiness Retailers Association. KGFA is a volunteer trade association that represents approximately 900 grain elevators, grain merchandisers, feed manufacturers and flour mills in the state. We represent over 98% of the commercially licensed grain storage in Kansas. KARA's 700 member firms are comprised primarily of retail facilities that supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry. I am testifying on behalf of the members of both of these organizations in support of Senate Bill 447 which would extend the Kansas Agricultural and Specialty Chemical Remediation Act for an additional ten years.

While the previous conferee explained what the program is, I want to take just a moment to explain why the program exists in the first place. In 1995, the Kansas Grain and Feed Association was approached by representatives from EPA Region VII concerning several USDA Commodity Credit Corporation Grain Bin Sites that had been tested in Kansas and found to have either soil or groundwater contamination caused by carbon tetrachloride, a chemical agent found in commercial grain fumigants used, and approved by the EPA, prior to 1984. Because environmental assessments of these former USDA sites yielded several cases of soil or groundwater contamination, EPA informed us they believed that commercial grain elevators, also known to use carbon tet based grain fumigants prior to 1984, were "highly probable" candidates for similar contamination and would likely require investigation.

KGFA decided to work with EPA Region VII to identify sites with a high potential for contamination and developed a joint survey for our membership that was distributed in late 1997. At the same time then KDHE Secretary Gary Mitchell requested a joint meeting with the Kansas Grain and Feed Association and the Kansas Fertilizer and Chemical Association (KARA's predecessor). KDHE demonstrated to our leadership that growing numbers agricultural sites were being placed on KDHE's potential contaminator list and enrolled in various remediation programs. As a result of those meetings, the two associations decided that the industry would need to develop a program that could clean up the contamination, be funded by the entire industry, not just the businesses where contamination was found, and do it without any state general fund assistance. By 2000, we were able to pass Senate Bill 501, the Kansas Agricultural and Specialty Chemical and Remediation Act which created the remediation program.

Since passage of the bill, our industry has paid on average a little over \$1 million per year and we have reimbursed over \$6.5 million in remediation costs incurred by our members. More importantly, a total of 115 different locations across Kansas have started the remediation process.

Our associations take a lot of pride in their decision to seek the creation of this program. This is an example of an industry that stepped forward to take responsibility for contamination inadvertently caused by their products. The industry strongly supports the program and we urge this committee to extend the program for another ten years. I will stand for questions at the appropriate time.

HOUSE AG & NATURAL RESOURCES  
BUDGET COMMITTEE  
DATE: 2/11/08  
ATTACHMENT: 5-1



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February 11, 2008

The Honorable Larry Powell, Chairperson  
House Agriculture and Natural Resources Budget Committee  
Statehouse, Room 431-N  
Topeka, Kansas 66612

Dear Representative Powell:

SUBJECT: Fiscal Note for HB 2735 by House Agriculture and Natural Resources  
Budget Committee

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2735 is respectfully submitted to your committee.

Under current law, \$400,000 is transferred from both the State General Fund and the State Water Plan Fund to the Abandoned Oil and Gas Well Fund each fiscal year. These transfers will sunset on July 1, 2009. HB 2735 would continue these transfers through July 1, 2016.

The enactment of HB 2735 would have no fiscal effect for FY 2009, because the transfers would already occur under current law, but there would be a fiscal effect for FY 2010 through FY 2016. For this period, revenues for both the State General Fund and the State Water Plan Fund would decrease by \$400,000 each fiscal year. Revenues and expenditures for the Abandoned Oil and Gas Well Fund would increase by \$800,000 each fiscal year.

Sincerely,



Duane A. Goossen  
Director of the Budget

cc: Tom Day, KCC



*Kathleen Sebelius, Governor  
Thomas E. Wright, Chairman  
Michael C. Moffet, Commissioner  
Joseph F. Harkins, Commissioner*

**House Appropriations  
Agriculture & Natural Resources Budget Committee  
February 11, 2008 at 1:30 p.m., Room 431-N  
House Bill 2735**

**By  
Susan K. Duffy, Executive Director  
Bob Jenkins, Coordinator of Abandoned Well Plugging and Site  
Remediation**



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

**January 14, 2008**

Ref. Abandoned Oil & Gas Well / Remediation Site Fund

## Abandoned Exploration and Production Wells

### Introduction

Legislative action during the 1996 session resulted in the creation of the Abandoned Well Plugging and Site Remediation Fund. K.S.A. 55-192 and K.S.A. 55-193 for the first time provided for alternative funding to the Kansas Corporation Commission for the expressed purpose of addressing the problem of abandoned exploration and production wells located within the state. The legislation requires in part that the Commission prepare and maintain an inventory of all abandoned wells with a special focus on wells which, (1) the State of Kansas has assumed the plugging liability because of the lack of a potentially responsible party (No PRP); and, (2) pose either an ongoing or potential threat to the environment (Priority I). The Commission was further directed to develop and maintain such an inventory on a computer database and report to the office of the Governor and certain legislative committees the status of the inventory as well as the Commission's efforts towards plugging those wells which pose a threat to the public safety and / or environment.

### Computer Database / Data Collection

The application used in the inventory tracking system is a Microsoft Access database on a PC based platform. Field data is collected on site in the four District Field areas. It is then entered into the system where it can be used to create a variety of reports concerning the abandoned wells. The amount of information on each well is extremely variable and is primarily dependent on the location of the well and its age. Those wells located in the Eastern portion of the state are generally older wells with very little detailed information available from industry or historical Commission files.

### Priority Ranking (Priority I)

Wells within the Priority I grouping have been subdivided on the basis of resources impacted and by the location or condition of the individual abandoned well. Impacts are categorized as: surface waters (SW), groundwater (GW), or concern public safety issues (PS). The listing below provides definitions for Priority Action Levels within the Priority I inventory. In general, Level "A" wells are the most serious cases while Level "C" wells are less serious.

#### Priority I Action Levels

##### Level A – Surface Water (SW)

Wells actively discharging oil or brine into surface waters with significant ongoing impacts to surface water. (Includes wells with moderate to high volumes of discharge impacting public water supplies or sole source water supplies.)

##### Priority I Action Levels (cont.)



Abandoned Wells

Page 2

Level A – Groundwater (GW)

Wells creating significant ongoing or potential impacts to groundwater supplies through water quality degradation or loss of water supplies through downward drainage. (With emphasis on impacts to groundwater supplies used for public water supplies or sole source supplies and cases of active subsidence caused by downward drainage.)

Level A – Public Safety (PS)

Wells creating an ongoing or current threat to public safety. (Includes wells with active gas flows with danger of ignition or open large diameter wellbores or casings in urban or suburban settings.)

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Level B – Surface Water (SW)

Wells intermittently to actively discharging oil or brine into surface waters with ongoing impacts to surface water. (Includes wells with low to moderate volumes of discharge impacting water resources outside of public water supplies. Alternative water supplies available.)

Level B – Groundwater (GW)

Wells creating ongoing or potential impacts to groundwater supplies through water quality degradation or loss of water supplies through downward drainage. (Includes wells with impacts to groundwater supplies outside of public water supply areas and cases of strong potential for subsidence.)

Level B – Public Safety (PS)

Wells creating a current or ongoing threat or potential danger to public safety. (Includes wells with active gas flows with danger of ignition and/or open large diameter wellbores or casings located in rural, low population areas.)

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Level C – Surface Water (SW)

Wells located in sensitive groundwater areas, which are intermittently discharging oil and/or brine or have potential for discharge into surface waters. (Includes wells located in sensitive groundwater areas, which have low volume to intermittent discharges or high fluid levels.)

Level C – Groundwater (GW)

Wells located in sensitive groundwater areas which have potential impacts to groundwater supplies or loss of water resources through downward drainage. (Includes wells located in sensitive groundwater areas with abnormally high fluid levels.)

Level C – Public Safety (PS)

Wells creating a potential danger to public safety. (Includes secured gas wells in populated areas or large diameter wells in isolated settings.)

**Priority Ranking (Priority II)**

Wells within the Priority II grouping consist of wells of relatively modern construction which do not pose either an ongoing or potential threat to the public safety or the environment. These wells have adequate surface pipe in place with which to protect shallow freshwater aquifers and are generally located in environmentally non-sensitive areas. These wells fall within the lowest priority ranking for authorization of plugging with Abandoned Oil and Gas Well / Remediation Fund monies. It is important that these wells be documented within the inventory and periodically inspected to determine if well conditions have changed to a sufficient degree to warrant upgrading to Priority I status.

### Status of the Inventory

The current status of the abandoned oil and gas well inventory stands at 16,133 wells. This total, which includes both Priority I and Priority II wells, represents a total increase of 485 wells over that reported in January 2007. This increase represents the addition of 487 Priority I wells to the inventory and a decrease of two Priority II wells. The original 1995 estimate of wells fitting the criteria of Priority I ranking with no potential responsible party available to fund plugging operations was 14,759 wells. The field staff, as of the date of this report, checked and verified 14,948 of these types of wells. As a percentage of the total original estimate, the statewide inventory is complete, however KCC staff continue to find and add to the inventory an average of 400-500 abandoned wells per year. The accompanying map and diagrams provide an overview of the data collected with respect to Priority I severity levels and impacts on both a statewide basis and within individual KCC District areas. The tables below summarize this data.

PRIORITY I WELLS – TOTAL NUMBER OF WELLS

District	Level A	Level B	Level C	Total
1	18	29	50	97
2	153	45	56	254
3	2628	5242	6170	14040
4	236	195	126	557
Totals	3035	5511	6402	14948

PRIORITY I WELLS – TOTAL NUMBER OF WELLS

District	Surface Water (SW)	Groundwater (GW)	Public Safety (PS)
1	1	96	0
2	15	163	76
3	3161	10606	273
4	15	520	22
Totals	3192	11385	371

TOTAL NO. OF ABANDONED WELLS REQUIRING ACTION

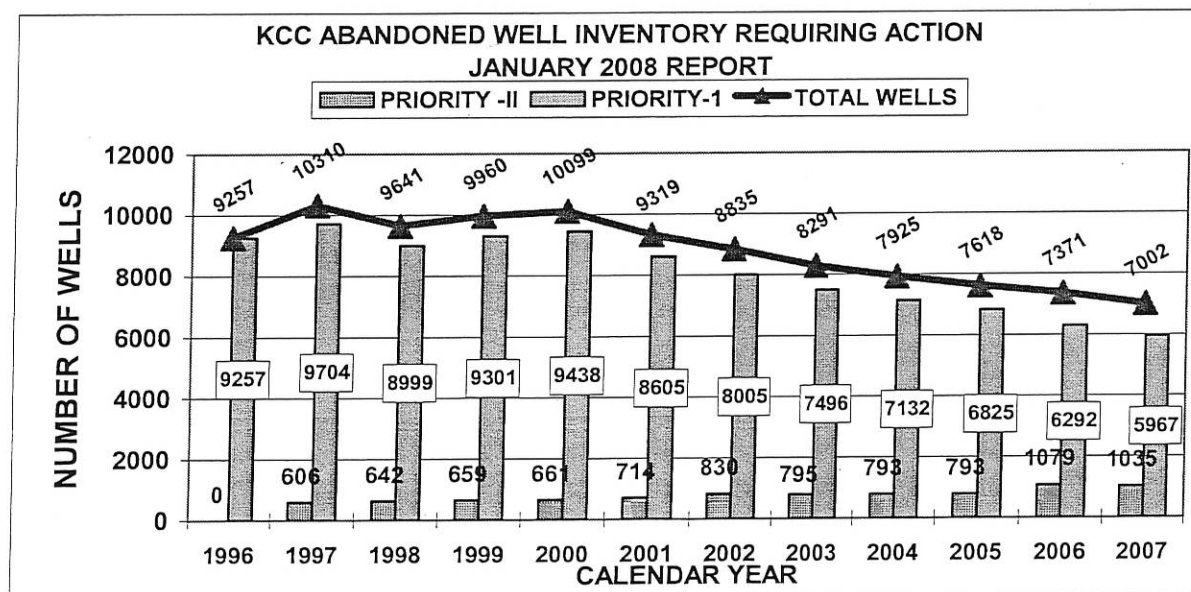
District	Priority 1	Priority 2	Total
1	4	0	4
2	51	35	86
3	5833	997	6830
4	79	3	82
Totals	5967	1035	7002

PRIORITY 1 WELLS BY POLLUTION LEVEL - REQUIRING ACTION

District	Level A	Level B	Level C	Total
1	1	0	3	4
2	0	20	31	51
3	43	1405	4385	5833
4	0	36	43	79
Totals	44	1461	4462	5967

It should be emphasized that this inventory is an ongoing and active system that is currently being updated on a weekly basis. While certain trends can be recognized within the system, specific well data must be considered as part of a dynamic process and subject to change as the inventory proceeds.

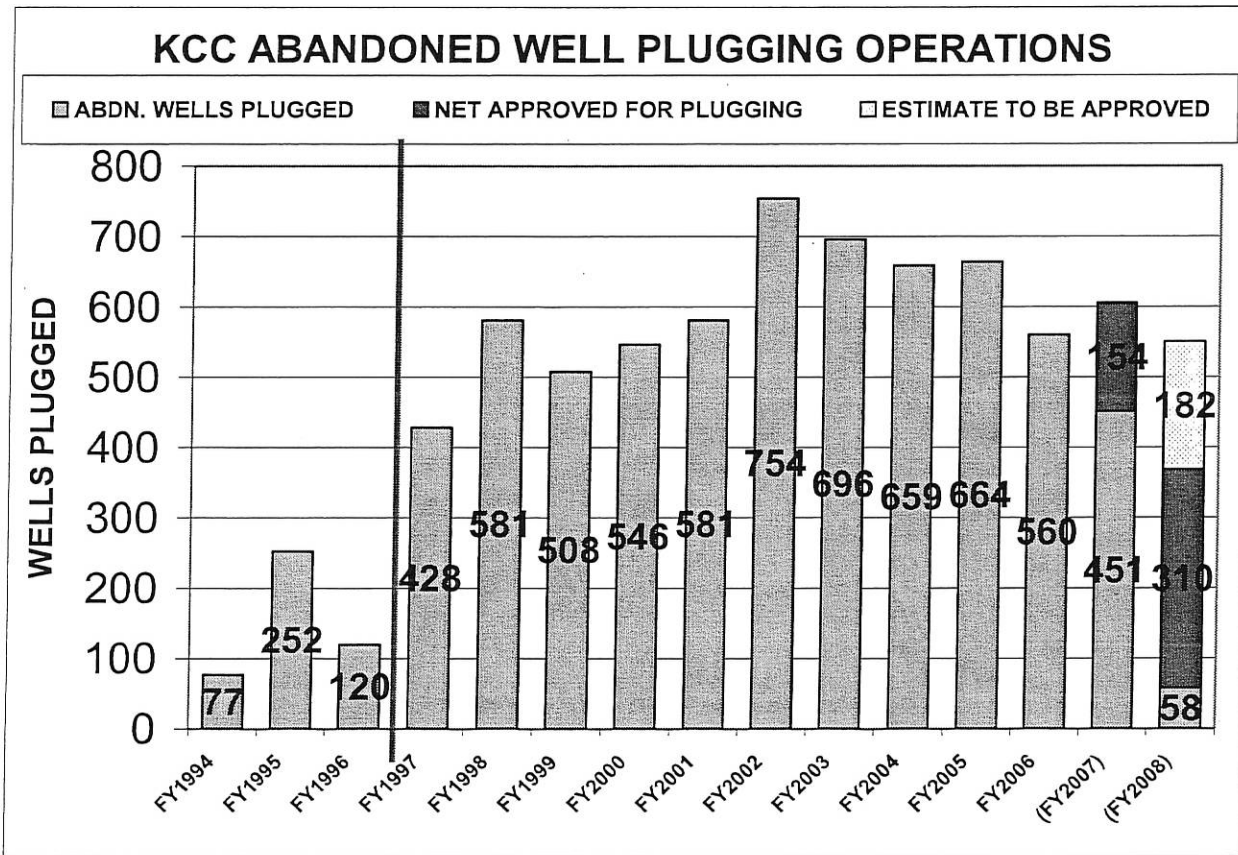
The complete inventory of individual wells awaiting plugging authorization is provided in Appendix A and B of this report. The wells in these listings show the following data for each well: Priority Level, Lease Name, Well Number, District, County, Spot Location, Section, Township, Range, and Impact. Appendix C provides data for wells which have either been plugged or have been approved for plugging with expenditures from the Abandoned Oil and Gas Well / Remediation Fund. An accounting of approved expenditures to date is also enclosed within this section.



2007 / 2008 REPORT DETAIL  
ABANDONED WELLS PLUGGED / APPROVED TO BE PLUGGED

	FY 2007 (YTD)	FY 2008 (YTD)
NO. OF ABANDONED WELLS (Approved for plugging)	636	368
ADJUSTMENTS TO NO. OF ABANDONED WELLS APPROVED FOR PLUGGING (Wells not located, wells identified as previously plugged, wells reprocessed for PRP)	-31	0
NET NO. OF ABANDONED WELLS (Approved for plugging)	605	368
NO. OF ABANDONED WELLS (Plugging Operations Completed)	451	58
NO. OF ABANDONED WELLS (Plugging operations completed, invoiced and paid)	397	36

The number of wells plugged annually has increased significantly since the inception of the Abandoned Oil and Gas Well / Remediation Fund in FY97. A total of **6,511** abandoned wells have been plugged under this program to date. The graph below summarizes this data:



**Abandoned Well Plugging Program Forecast**

The table below is an updated three-year forecast for the Abandoned Well Plugging Program, as presented in the Kansas Corporation Commission, Conservation Division budget for fiscal year 2009.

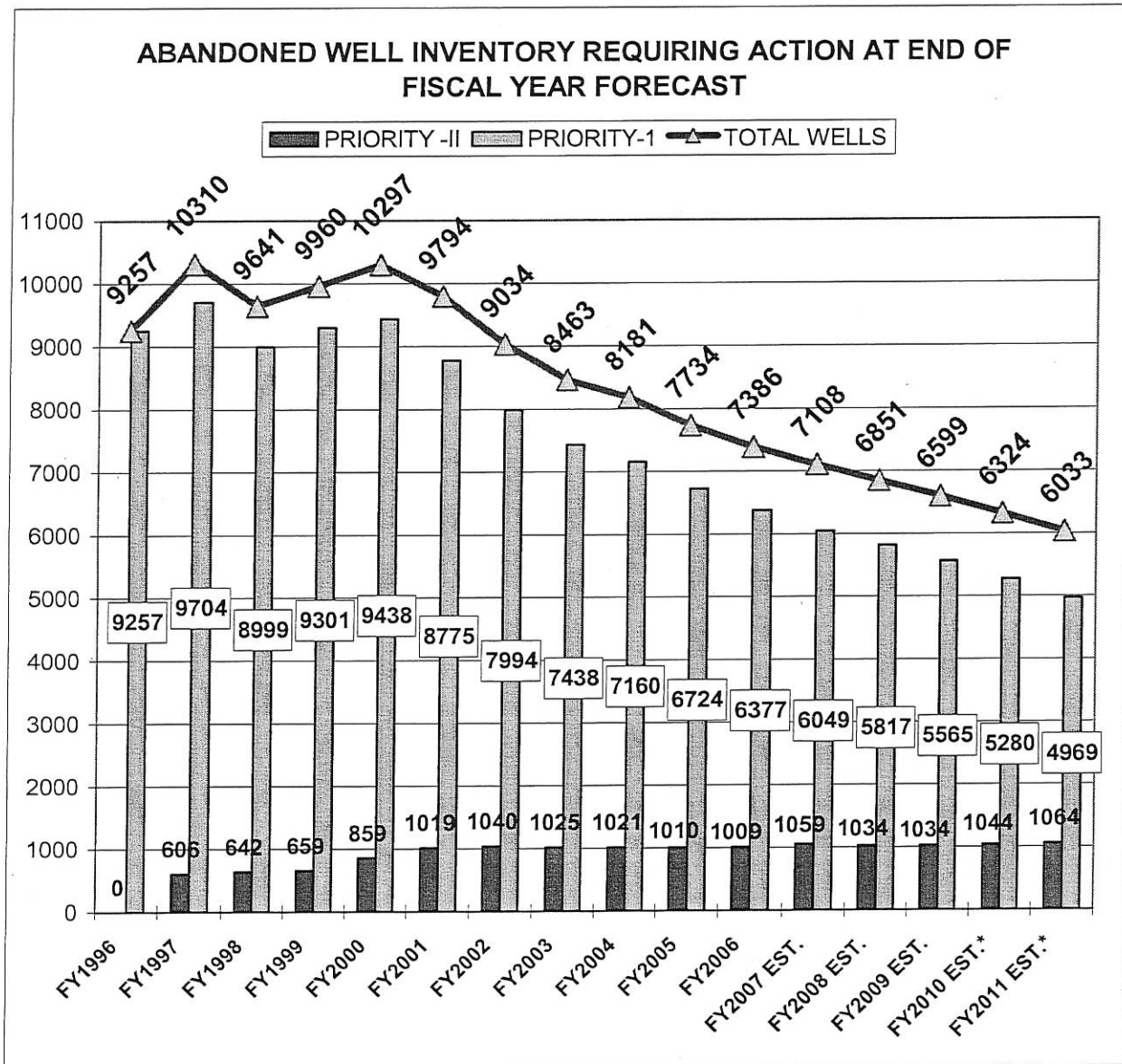
The average plugging costs per well have increased substantially in 2007 due to the very high oil & gas prices which drive supply and demand for industry contractors. These projections are dependent on the continued funding of this program. The current sunset date for the Abandoned Well Plugging Fund is June 30, 2009. The KCC is requesting an extension of the Abandoned Well Plugging and Site Remediation Fund during the 2008 Legislative session to continue plugging abandoned wells in Kansas at meaningful levels.

<b>ACTUAL / PROJECTED WELL PLUGGING BY FISCAL YEAR</b>			
	<b>AW TOTAL\$</b>	<b># PLUGGED</b>	<b>AVG WELL \$</b>
FY1997	\$1,514,692	428	\$3,539
FY1998	\$1,396,143	581	\$2,403
FY1999	\$1,092,200	508	\$2,150
FY2000	\$1,552,278	546	\$2,843
FY2001	\$1,963,199	581	\$3,379
FY2002	\$1,786,226	754	\$2,369
FY2003	\$2,192,400	696	\$3,150
FY2004	\$1,985,567	659	\$3,013
FY2005	\$2,224,400	664	\$3,350
FY2006	\$2,061,360	560	\$3,681
FY2007 EST	\$2,418,000	624	\$3,875
FY2008 EST	\$2,508,019	557	\$4,500
FY2009 EST	\$2,216,418	462	\$4,800
FY2010 EST *	\$2,526,482	495	\$5,100
FY2011 EST *	\$2,488,142	461	\$5,400

\*Current program sunset is June 30, 2009.

\*Assume transfers of \$400,000 from General Fund in FY10 & FY11.

The chart below projects the number of abandoned wells requiring action at the end of each fiscal year if well plugging can be achieved at the levels forecast in the table shown above. The net reduction in abandoned wells requiring action each year is the composite of wells plugged, wells added to the inventory as a result of new finds or responsible parties moving to defunct status, and wells otherwise removed from inventory or as responsible parties are discovered. At this time, it is projected that at the scheduled Fund sunset at the end of fiscal year 2009, there will be 5,584 Priority 1 wells and 1,034 Priority 2 wells still requiring action.

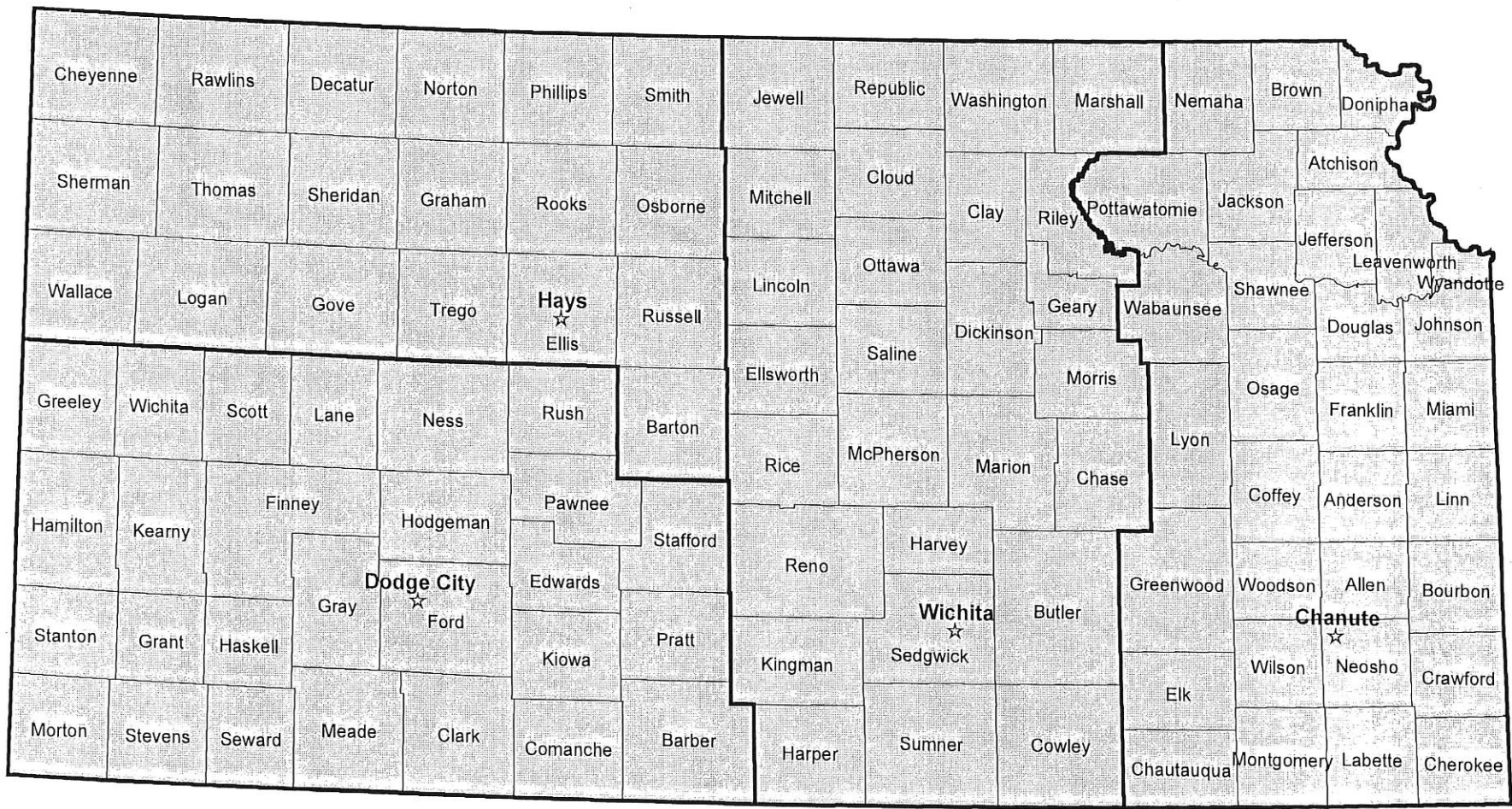


\*Current program sunset is June 30, 2009.

\*Assume transfers of \$400,000 from General Fund in FY10 & FY11.

# KCC Conservation Districts

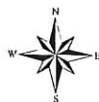
7-10



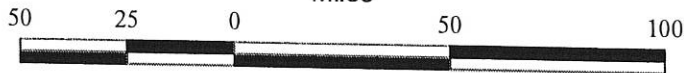
☆ District Field Offices

□ Consv\_Dist

▨ County



Miles



**KANSAS  
CORPORATION  
COMMISSION**

7-10

# STATEWIDE PRIORITY 1 WELLS

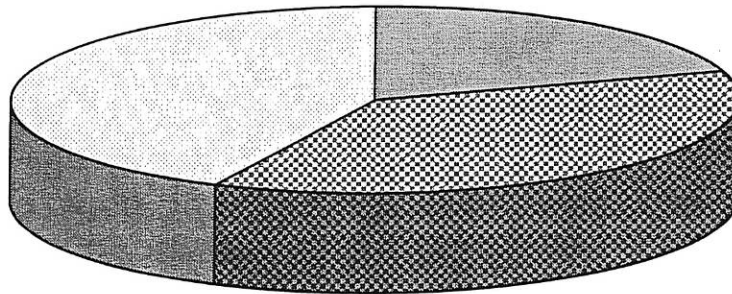
## Inventory Status December 31, 2007

Total Number of Priority 1 Wells Listed

Since 7/1/1996: 14,948

Level C  
Wells: 6,402  
43%

Level A  
Wells: 3,035  
20%

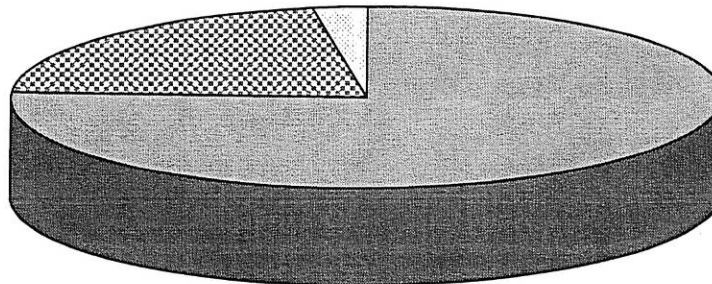


Level B  
Wells: 5,511  
37%

## Impact of Priority 1 Wells

Surface  
Water  
Impacts:  
3,192  
21%

Public Safety  
Impacts: 371  
2%

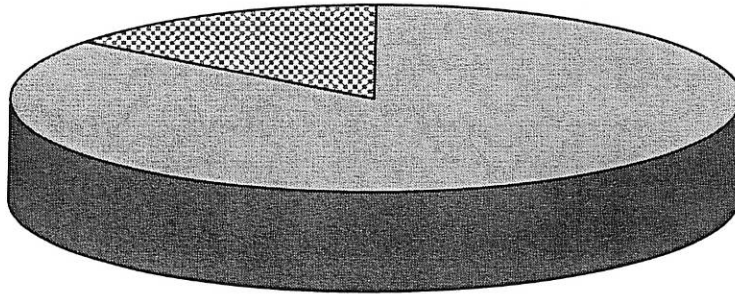


Groundwater  
Impacts:  
11,385  
77%



**STATEWIDE TOTAL NUMBER OF ABANDONED  
WELLS REQUIRING ACTION: 7,002**

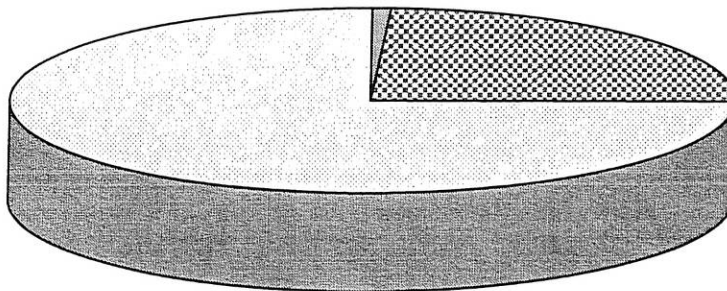
**Priority 2  
Wells: 1,035  
15%**



**Priority 1  
Wells: 5,967  
85%**

**ABANDONED WELLS BY POLLUTION LEVEL  
PRIORITY 1 WELLS REQUIRING ACTION: 5,967**

**Level A  
Wells: 44  
1%**



**Level B  
Wells: 1,461  
24%**

**Level C  
Wells: 4,462  
75%**

# District 1

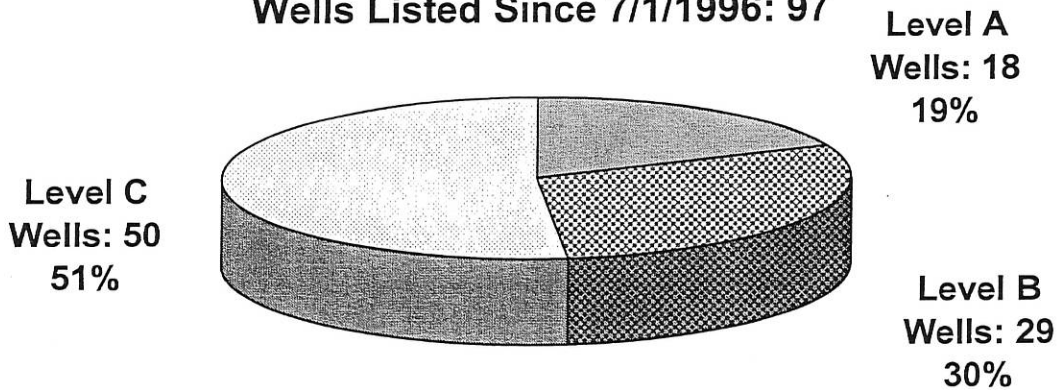
**Loc. of Field Office:** Dodge City

**Staffing Level:** 1 Supervisor, 1 Environmental Geologist, 7 Field staff, and one support staff.

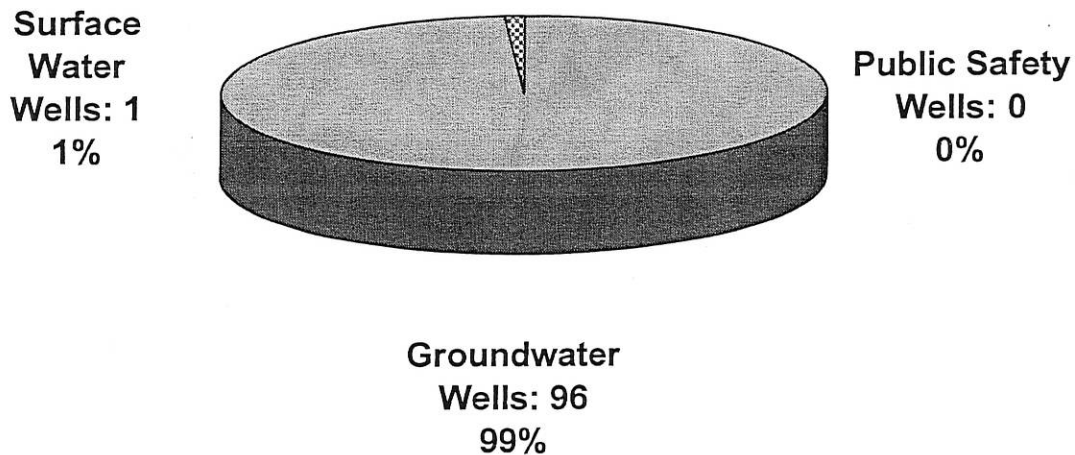
**Description:** The field area assigned to the District I field office encompasses a total of 27 counties in the southwestern portion of the state. Oil and gas production has been established in all of the counties within the district. In general oil production in the eastern portion of this district is of an older vintage than in the western part. Wells in this district are some of the deepest in the state. Operations are spread through a large geographic area in the district with a large concentration of gas wells within the Hugoton-Panoma area.

**Inventory Status:** Wells identified to date represent approximately 57% of the original 170 Priority I wells estimated for this district.

## Total Number Of Priority 1 Wells Listed Since 7/1/1996: 97

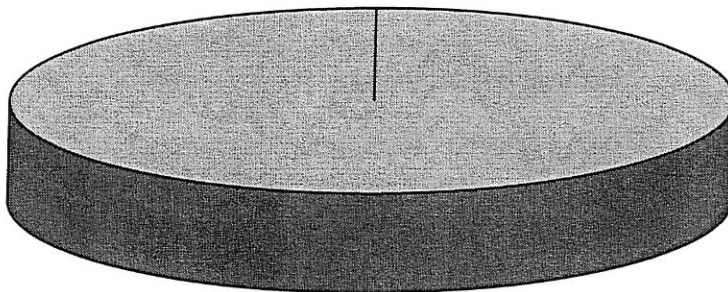


## Impact of Priority 1 Wells



**DISTRICT 1  
NUMBER OF ABANDONED WELLS  
REQUIRING ACTION: 4**

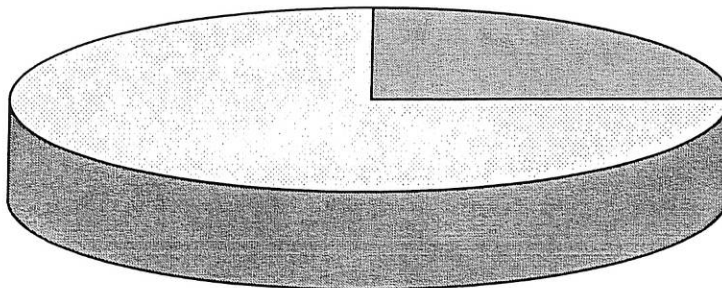
**Priority 2  
Wells: 0  
0%**



**Priority 1  
Wells: 4  
100%**

**ABANDONED WELLS BY POLLUTION LEVEL  
PRIORITY 1 WELLS REQUIRING ACTION: 4**

**Level A  
Wells: 1  
25%**



**Level C  
Wells: 3  
75%**

## District 2

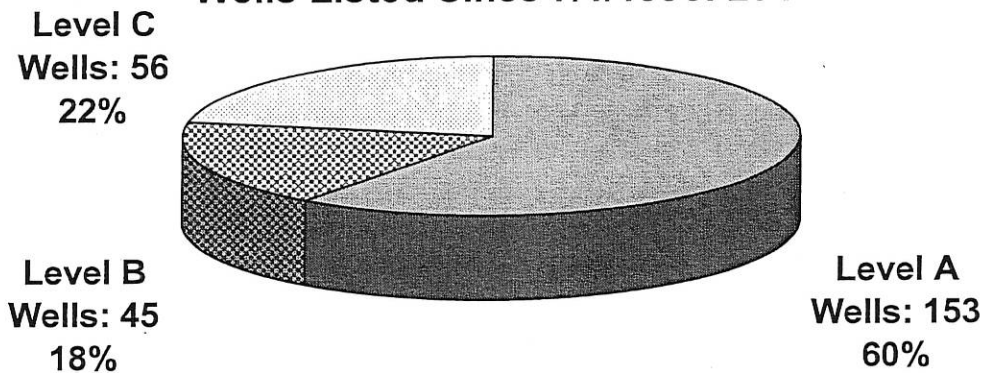
**Loc. of Field Office:** Wichita

**Staffing Level:** 1 Supervisor, 2 Environmental Geologists, 7 Field Staff, and 1 Support Staff.

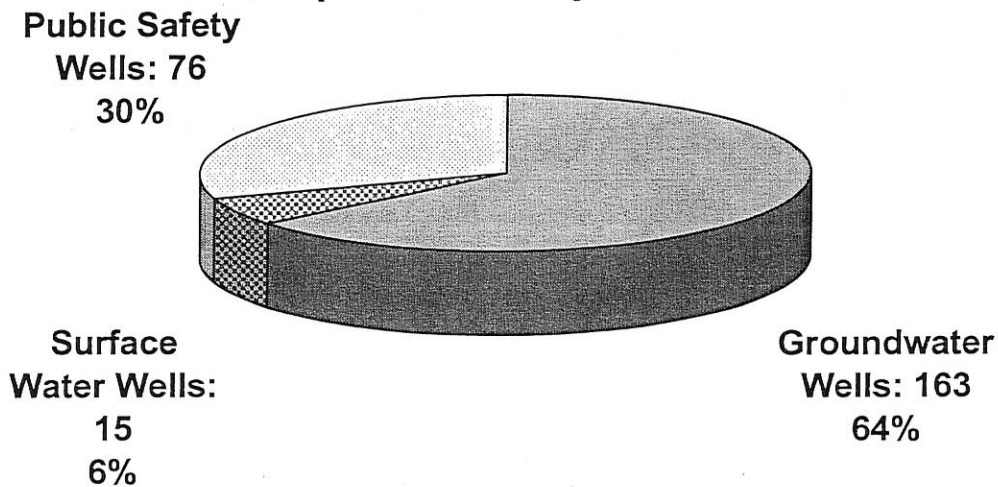
**Description:** The field area under the control of the District II office includes 27 counties in the central part of the state. Of the 27 counties in the district 20 are or have been productive of oil and gas. Groundwater supplies to large metropolitan areas within the district have received some negative impacts from oil and gas operations. In general the production on the eastern side of the District is shallower and older in vintage. Operations are generally concentrated south of Interstate 70 with small to moderate sized independent operators being the rule rather than the exception.

**Inventory Status:** Wells identified to date represent approximately 154% of the original 165 Priority I wells estimated for this district.

### Total Number Of Priority 1 Wells Listed Since 7/1/1996: 254

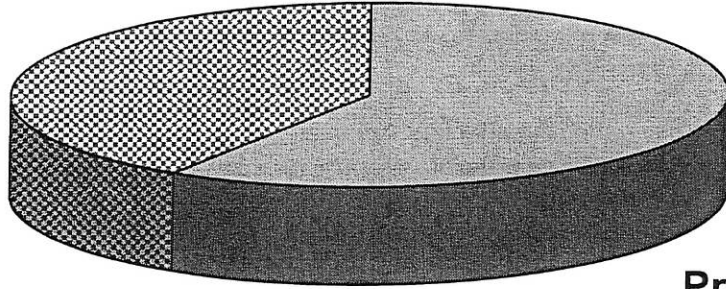


### Impact of Priority 1 Wells



**DISTRICT 2  
NUMBER OF ABANDONED WELLS  
REQUIRING ACTION: 86**

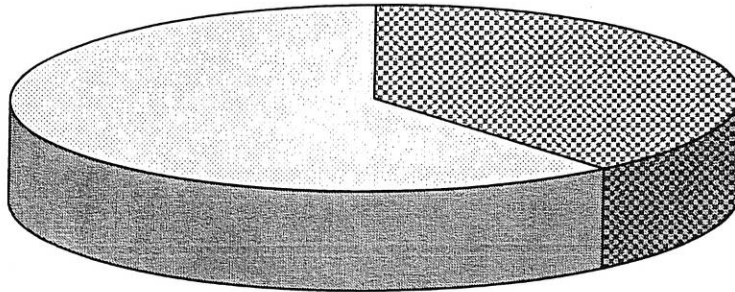
**Priority 2  
Wells: 35  
41%**



**Priority 1  
Wells: 51  
59%**

**ABANDONED WELLS BY POLLUTION LEVEL  
PRIORITY 1 WELLS REQUIRING ACTION: 51**

**Level A  
Wells: 0  
0%**



**Level B  
Wells: 20  
39%**

**Level C  
Wells: 31  
61%**

## District 3

**Loc. of Field Office:** Chanute

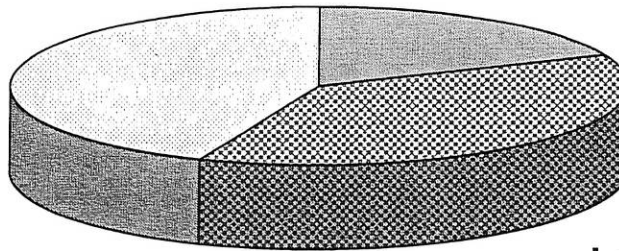
**Staffing Level:** 1 Supervisor, 1 Environmental Geologist, 10 Field Staff, and 2 Support Staff.

**Description:** The field area assigned to the District III field office encompasses a total of 32 counties in the eastern portion of the state. Oil and gas production has been established in all but four counties within the boundaries of the district. In general the production in this district comes from low volume wells producing from shallow depths. The district has the highest concentration of injection and/or disposal wells of any of the field districts. Small to moderate sized independent producers operate the majority of the active leases.

**Inventory Status:** Wells identified to date represent approximately 107% of the original 13,182 Priority I wells estimated for this district. It is estimated that the number of wells with public safety and surface water concerns or impacts will increase within this district as the inventory proceeds.

### Total Number of Priority 1 Wells Listed Since 7/1/1996: 14,040

**Level C**  
Wells: 6,170  
44%

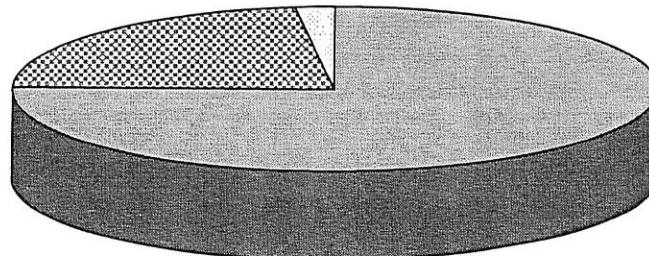


**Level A**  
Wells: 2,628  
19%

**Level B**  
Wells: 5,242  
37%

### Impact of Priority 1 Wells

**Surface  
Water Wells:**  
3,161  
23%

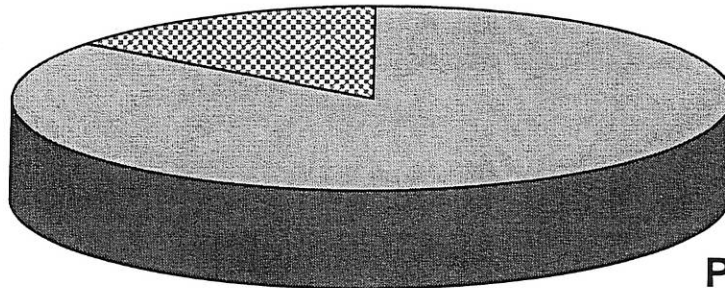


**Public Safety**  
Wells: 273  
2%

**Groundwater  
Wells:** 10,606  
75%

**DISTRICT 3  
NUMBER OF ABANDONED WELLS  
REQUIRING ACTION: 6,830**

**Priority 2  
Wells: 997  
15%**

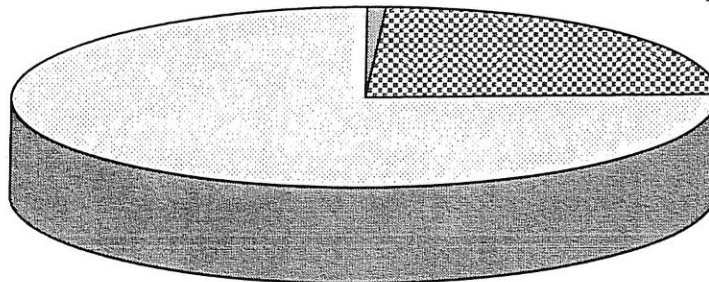


**Priority 1  
Wells: 5,833  
85%**

**ABANDONED WELLS BY POLLUTION LEVEL  
PRIORITY 1 WELLS REQUIRING ACTION: 5,833**

**Level A  
Wells: 43  
1%**

**Level B  
Wells: 1,405  
24%**



**Level C  
Wells: 4,385  
75%**

## District 4

Loc. of Field Office: Hays

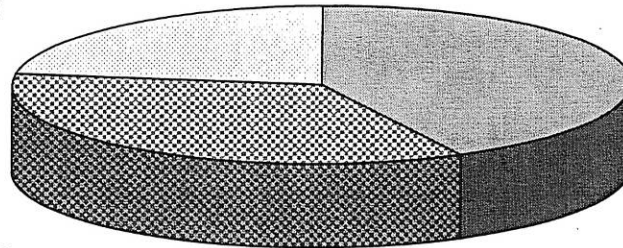
Staffing Level: 1 Supervisor, 1 Environmental Geologist, 9 Field Staff, and 2 Support Staff.

Description: The field area assigned to the District IV field office includes 19 northwestern counties, 18 of which are or have been productive of oil and gas. As with most of the productive area in the state, the productive area in the eastern portion of this district is of the oldest vintage. Protection of both shallow and intermediate groundwater aquifers is of critical importance to this area.

Inventory Status: Wells identified to date represent approximately 45% of the original 1,242 Priority I wells estimated for this district.

### Total Number of Priority 1 Wells Listed Since 7/1/1996: 557

Level C  
Wells: 126  
23%

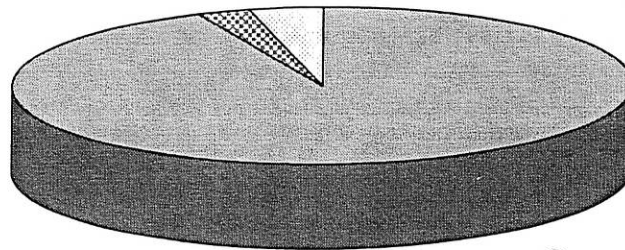


Level A  
Wells: 236  
42%

Level B  
Wells: 195  
35%

### Impact of Priority 1 Wells

Surface  
Water Wells:  
15  
3%



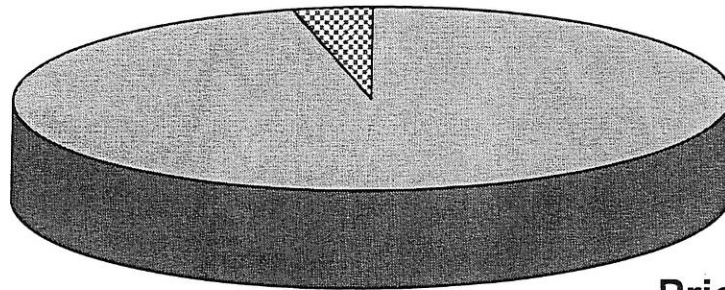
Public Safety  
Wells: 22  
4%

Groundwater  
Wells: 520  
93%



**DISTRICT 4  
NUMBER OF ABANDONED WELLS  
REQUIRING ACTION: 82**

**Priority 2  
Wells: 3  
4%**

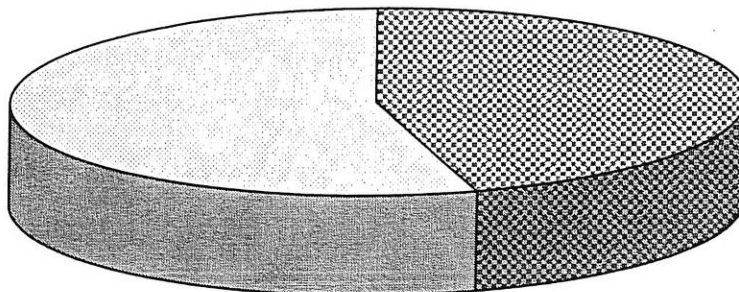


**Priority 1  
Wells: 79  
96%**

**ABANDONED WELLS BY POLLUTION LEVEL  
PRIORITY 1 WELLS REQUIRING ACTION: 79**

**Level A  
Wells: 0  
0%**

**Level C  
Wells: 43  
54%**



**Level B  
Wells: 36  
46%**



***Conservation Division  
Remediation Site  
Status Report***

***January 14, 2008***

*Ref. Abandoned Oil & Gas Well / Remediation Site Fund*

**Abandoned Oil and Gas Well / Remediation Site Fund  
Remediation Sites  
Status Report**

**Introduction**

During the 1996 legislative session House Substitute for Senate Bill 755 was passed. A part of this legislation created an Abandoned Oil and Gas Well / Remediation Fund the expressed purpose of which was to provide funding to the Kansas Corporation Commission with which to both plug abandoned wells and remediate contamination sites related to oil and gas activities. The legislation requires that the Kansas Corporation Commission prepare an annual Remediation Site Status Report for the office of the Governor and certain legislative committees. This report for the period January 1, 2007 through December 31, 2007 contains information for each of the sites with regard to the following: (1) A description and evaluation of the site; (2) the immediacy of the threat to public health and environment; (3) the level of remediation sought; (4) any unusual problems associated with the investigation or remediation; (5) any remedial efforts completed during the review period; (6) current contaminate level; (7) status of the site; (8) direct and indirect costs associated with remedial efforts; and (9) an estimate of the cost to achieve the recommended level of remediation or an estimate of the cost to conduct an investigation sufficient to determine the cost of remediation.

**Site Inventory**

The inventory of sites listed in the current Remediation Site Status Report consists of 63 sites. This report includes sites that were transferred to the control of the Kansas Corporation Commission (KCC) from the Kansas Department of Health and Environment (KDHE) by legislative action in 1995 and in-house sites already under KCC jurisdiction. Of the original 109 sites, four were combined with other sites. During previous evaluation periods, 62 sites have been resolved and 20 sites have been added. The current evaluation period, January 1, 2007 through December 31, 2007, resulted in the resolution of 2 sites, resulting in a total of 61 active sites. Summary tables for site impacts and immediacy levels as well as estimated costs are found at the beginning of the report. The tables below provide an overview of distribution of sites with respect to both resources impacted and the range of immediacy levels for required remediation.

**Distribution of Active Sites with Respect to Impacted Resources**

<b>Impacted Resources</b>	<b>Number of Sites</b>
Public Water Supply	9
Domestic Supply	25
Stock Supply	15
Irrigation Supply	12
Other	86

\*Some sites have impacts to multiple resources

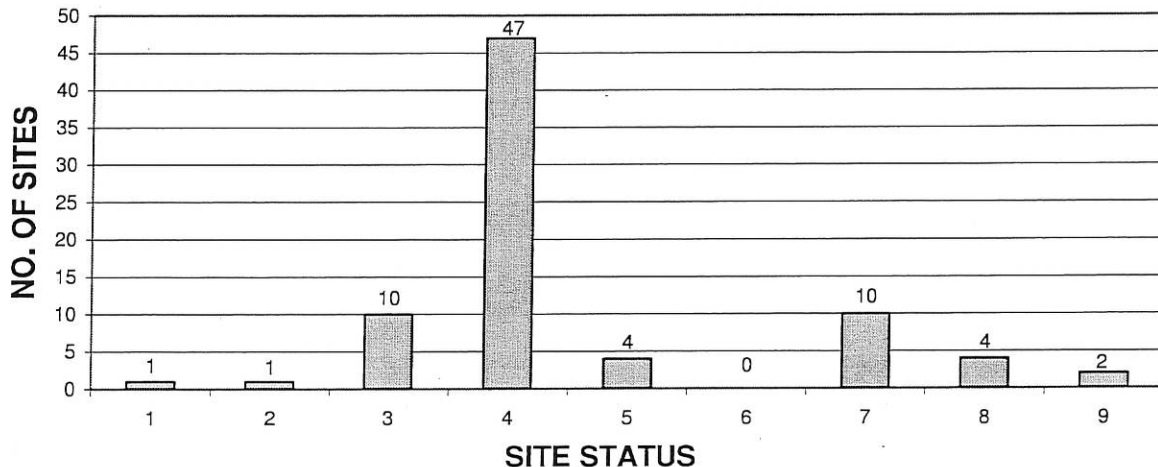
### Distribution of Active Sites with Respect to Immediacy Levels

Range of Immediacy Level	No. of Sites
Low & Low to Moderate	28
Moderate	12
Moderate to High & High	11
Other (Under Remediation)	10
Total	61

### Site Status

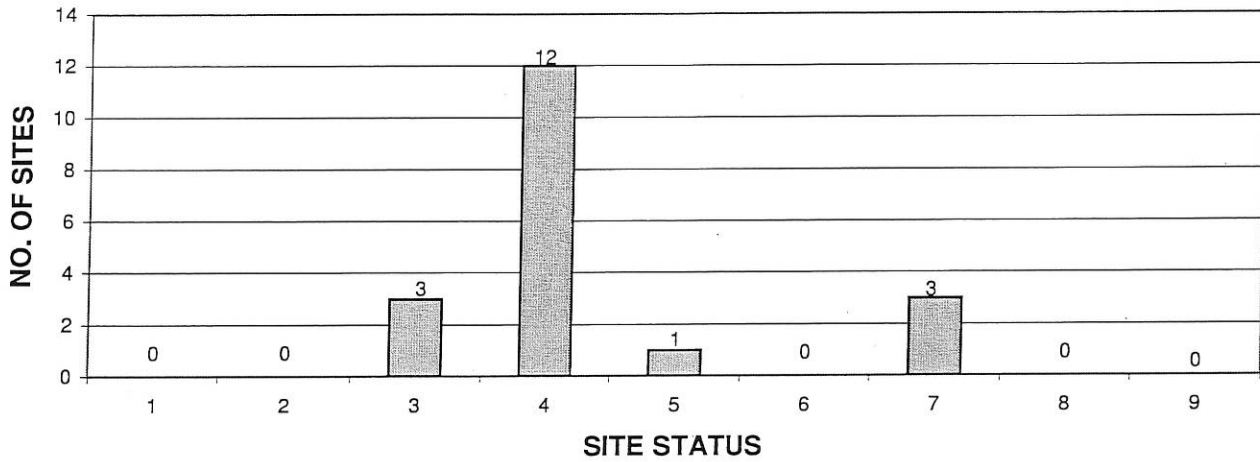
In general each contamination site has a definable life cycle. This cycle follows a sequence of investigatory and remedial activities which move the site towards ultimate resolution. The first phase of the cycle is the site assessment. This phase defines general site parameters and conditions that form the basis for additional efforts at the site. Once the assessment is complete the site moves on to a new phase. This next phase may be short term or long term monitoring followed closely by resolution of the site. While another scenario may include an extensive investigation phase followed by the installation of a monitoring system whose sample results may indicate the necessity for certain remedial activities and additional post remediation monitoring prior to resolution of the site. The following graphs depict the current status of the 63 listed sites on a statewide and K.C.C. District basis.

### STATEWIDE DISTRIBUTION OF SITES BY STATUS



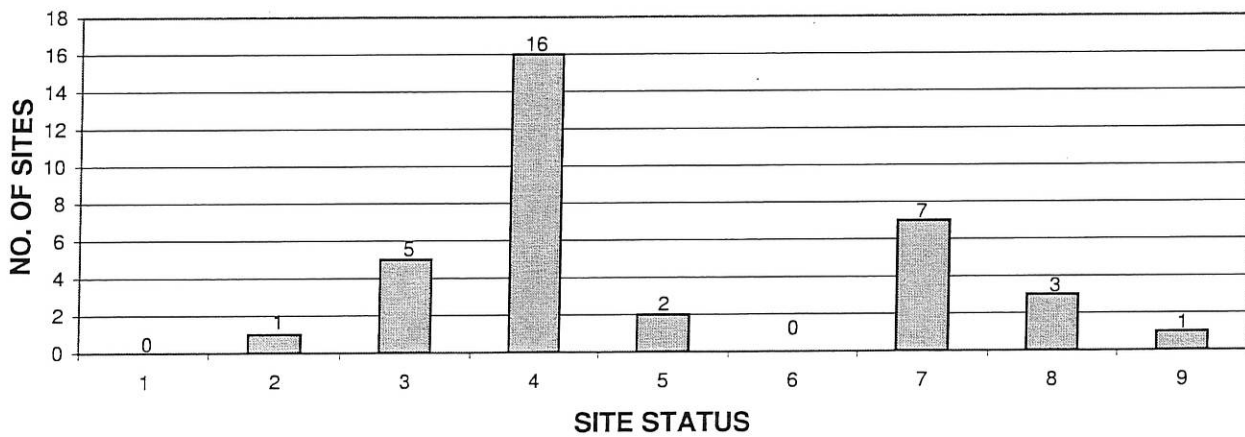
1. SITE ASSESSMENT	2. SHORT TERM MONITORING	3. INVESTIGATION
4. LONG TERM MONITORING	5. REMEDIATION PLAN	6. INSTALLATION
7. REMEDIATION	8. POST REMEDIATION MONITORING	9. RESOLVED

## DISTRICT 1 DISTRIBUTION OF SITES BY STATUS



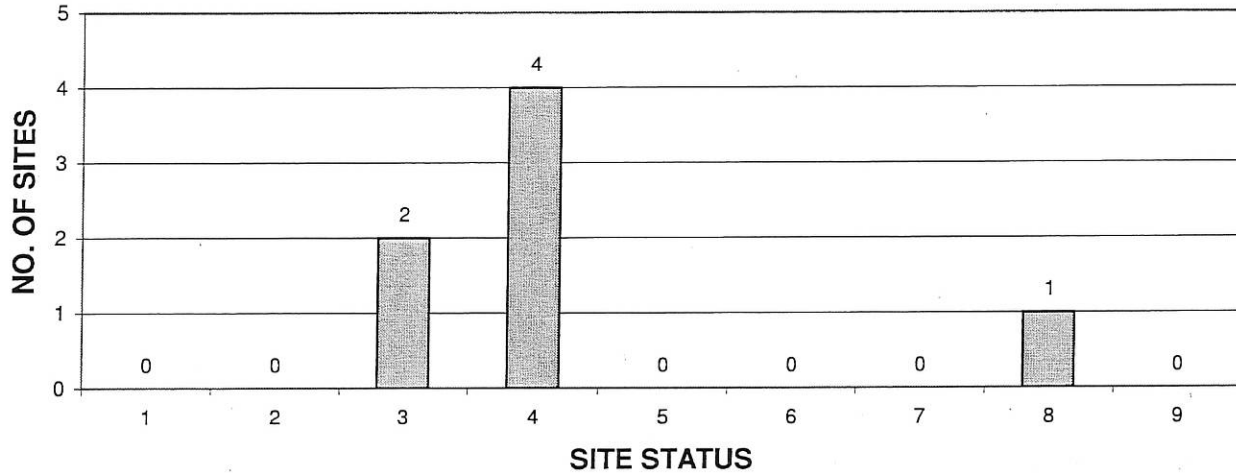
1. SITE ASSESSMENT	2. SHORT TERM MONITORING	3. INVESTIGATION
4. LONG TERM MONITORING	5. REMEDIATION PLAN	6. INSTALLATION
7. REMEDIATION	8. POST REMEDIATION MONITORING	9. RESOLVED

## DISTRICT 2 DISTRIBUTION OF SITES BY STATUS



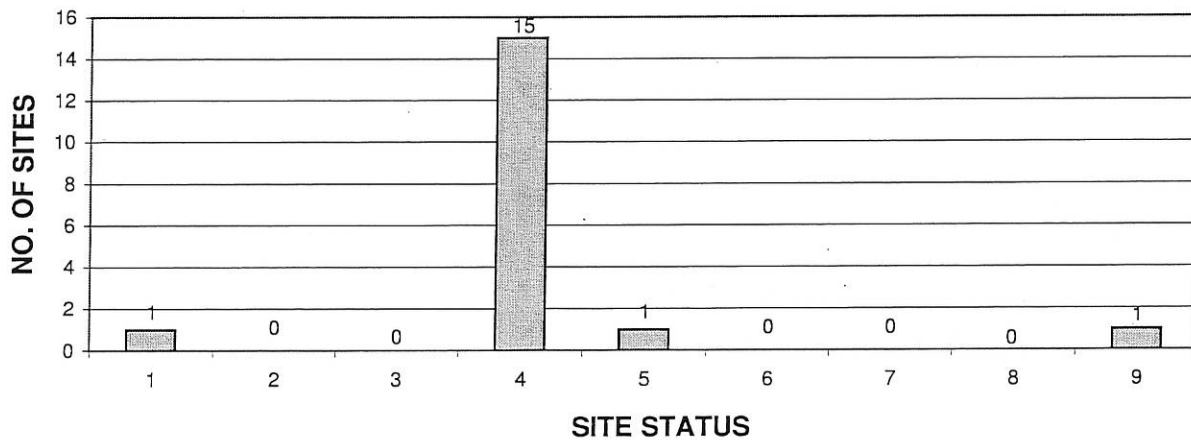
1. SITE ASSESSMENT	2. SHORT TERM MONITORING	3. INVESTIGATION
4. LONG TERM MONITORING	5. REMEDIATION PLAN	6. INSTALLATION
7. REMEDIATION	8. POST REMEDIATION MONITORING	9. RESOLVED

### DISTRICT 3 DISTRIBUTION OF SITES BY STATUS



- |                         |                                |                  |
|-------------------------|--------------------------------|------------------|
| 1. SITE ASSESSMENT      | 2. SHORT TERM MONITORING       | 3. INVESTIGATION |
| 4. LONG TERM MONITORING | 5. REMEDIATION PLAN            | 6. INSTALLATION  |
| 7. REMEDIATION          | 8. POST REMEDIATION MONITORING | 9. RESOLVED      |

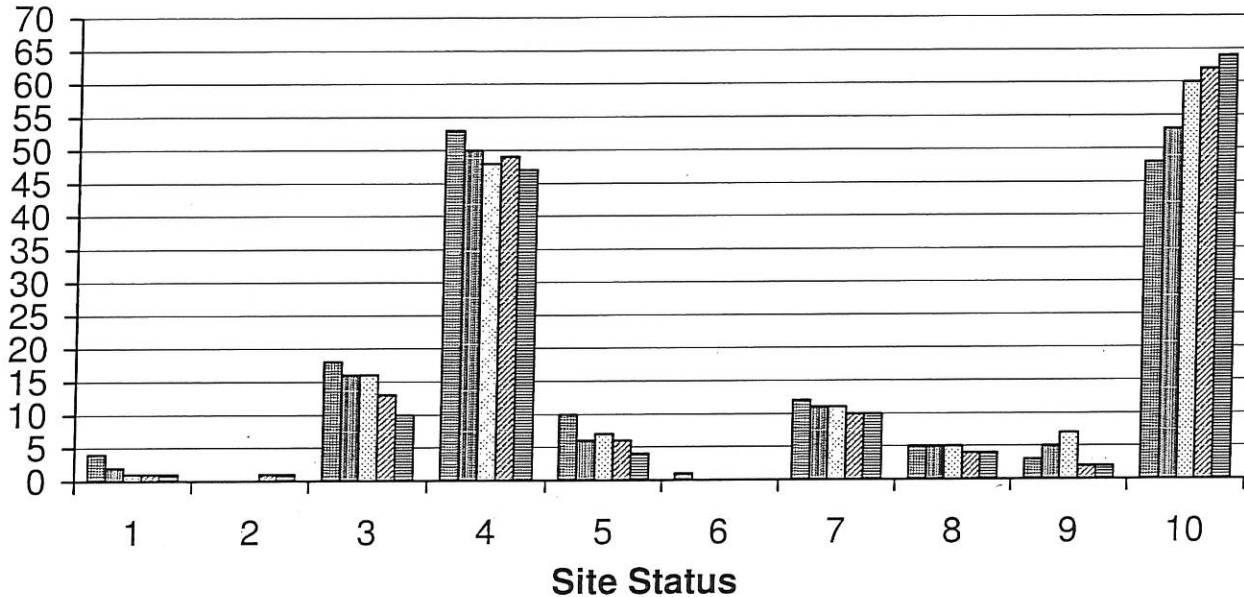
### DISTRICT 4 DISTRIBUTION OF SITES BY STATUS



- |                         |                                |                  |
|-------------------------|--------------------------------|------------------|
| 1. SITE ASSESSMENT      | 2. SHORT TERM MONITORING       | 3. INVESTIGATION |
| 4. LONG TERM MONITORING | 5. REMEDIATION PLAN            | 6. INSTALLATION  |
| 7. REMEDIATION          | 8. POST REMEDIATION MONITORING | 9. RESOLVED      |

This graph depicts the distribution of sites by status for the reporting periods 2004 through 2008.

## Distribution of Sites by Status for Reporting Periods 2004 - 2008



2004
  2005
  2006
  2007
  2008

- |                            |                                |                  |
|----------------------------|--------------------------------|------------------|
| 1. SITE ASSESSMENT         | 2. SHORT TERM MONITORING       | 3. INVESTIGATION |
| 4. LONG TERM MONITORING    | 5. REMEDIATION PLAN            | 6. INSTALLATION  |
| 7. REMEDIATION             | 8. POST REMEDIATION MONITORING | 9. RESOLVED      |
| 10. RESOLVED - CUMMULATIVE |                                |                  |

### Conclusions

This report provides information concerning the location, resource impact, immediacy level, and site description and status for 63 listed contamination / remediation sites related to exploration and production activities in the state. In addition, data is presented with regard to staff expenditures for site management, administration, and inspections, as well as authorization and/or expenditures against the Abandoned Well / Remediation fund for investigatory and remedial activities at the sites.

The Conservation Division of the Kansas Corporation Commission is committed to working with the oil and gas industry of the state, as well as other resource stakeholders within government and the public in general to provide a scientifically sound and technically based remediation program.