

HOUSE BILL No. 2349

By Committee on Vision 2020

2-13

1 AN ACT concerning oil and gas; relating to the state corporation
2 commission; concerning injection disposal wells, moratorium on wells
3 in Harper and Sumner counties; amending K.S.A. 2014 Supp. 55-155
4 and repealing the existing section.
5

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

7 New Section 1. (a) There is hereby established in the state treasury
8 the earthquake risk pool fund to compensate personal injury or property
9 damages due to induced earthquakes resulting from saltwater injection
10 disposal wells. The commission shall promulgate rules and regulations to
11 establish the:

12 (1) Levels of funding that provide adequate financial safeguards; and

13 (2) procedures for the distribution of moneys from the fund to
14 persons suffering personal injury or property damage due to an earthquake
15 induced by a saltwater injection disposal well.

16 (b) Notwithstanding any other provision of law, the state corporation
17 commission:

18 (1) Shall suspend all licenses, permits and approval for class II
19 saltwater injection disposal wells in Harper and Sumner counties; and

20 (2) may suspend all licenses, permits and approval for class II
21 saltwater injection disposal wells in other counties that, in the
22 determination of the commission, have demonstrated induced seismicity
23 from such injection wells.

24 (c) Any suspensions for class II saltwater injection disposal wells
25 pursuant to this section shall remain in effect until the commission
26 determines that the earthquake risk pool fund established in this section
27 has been funded sufficiently to provide adequate financial safeguards to
28 compensate for potential personal injury or property damages.

29 Sec. 2. K.S.A. 2014 Supp. 55-155 is hereby amended to read as
30 follows: 55-155. (a) Operators and contractors shall be licensed by the
31 commission pursuant to this section.

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

36 (c) No application or renewal application shall be approved until the

1 applicant has:

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

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

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

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

22 (5) paid an annual license fee of \$100, except that an applicant for a
23 license who is operating one gas well used strictly for the purpose of
24 heating a residential dwelling shall pay an annual license fee of \$25;

25 (6) complied with subsection (d); ~~and~~

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

29 (8) *paid a license fee, to be established by rules and regulations*
30 *promulgated by the commission, for each class II saltwater injection*
31 *disposal well operated by the applicant.*

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

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

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

41 (A) Wells less than 2,000 feet in depth: 1 through 5 wells, \$7,500; 6
42 through 25 wells, \$15,000; and over 25 wells, \$30,000.

43 (B) Wells 2,000 or more feet in depth: 1 through 5 wells, \$15,000; 6

1 through 25 wells, \$30,000; and over 25 wells, \$45,000.

2 (3) The operator: (A) Has an acceptable record of compliance, as
3 demonstrated during the preceding 36 months, with commission rules and
4 regulations regarding safety and pollution or with commission orders
5 issued pursuant to such rules and regulations; (B) has no outstanding
6 undisputed orders issued by the commission or unpaid fines, penalties or
7 costs assessed by the commission and has no officer or director that has
8 been or is associated substantially with another operator that has any such
9 outstanding orders or unpaid fines, penalties or costs; and (C) pays a
10 nonrefundable fee of \$100 per year.

11 (4) The operator pays a nonrefundable fee equal to 6% of the amount
12 of the bond or letter of credit that would be required by subsection (d)(2).

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

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

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

26 (f) If an operator transfers responsibility for the operation of a well or
27 gas gathering system or for underground porosity storage of natural gas to
28 another person, such operator shall file a notice of transfer of operator with
29 the commission in accordance with rules and regulations of the
30 commission. The commission shall, upon receipt of such notice, send a
31 copy of such notice to the surface owner, as well as the contact
32 information, including name, address, phone number, fax or email address,
33 for a designated representative of the operator. The commission need not
34 send such information if the operator verifies that the notice filed with the
35 commission has been delivered to the surface owner. The commission
36 need not send a copy of notice to the surface owner for transfers of
37 responsibility for the operation of a gas gathering system or for
38 underground porosity storage of natural gas to another person.

39 (g) The commission shall remit all moneys received from fees
40 assessed pursuant to subsection (c)(7) of this section to the state treasurer
41 in accordance with the provisions of K.S.A. 75-4215, and amendments
42 thereto. Upon receipt of each such remittance, the state treasurer shall
43 deposit the entire amount in the state treasury. ~~Ten percent~~ and credit 10%

1 of each such deposit ~~shall be credited~~ to the state general fund ~~and with the~~
2 ~~balance shall be credited~~ to the conservation fee fund created by K.S.A.
3 55-143, and amendments thereto.

4 (h) The commission shall remit all moneys received pursuant to
5 subsections (d)(3) and (d)(4) to the state treasurer in accordance with the
6 provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of
7 each such remittance, the state treasurer shall deposit the entire amount in
8 the state treasury to the credit of the well plugging assurance fund.

9 (i) *The commission shall remit all moneys received pursuant to*
10 *subsection (c)(8) of this section to the state treasurer in accordance with*
11 *the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt*
12 *of each such remittance, the state treasurer shall deposit the entire amount*
13 *in the state treasury to the credit of the earthquake risk pool fund created*
14 *by section 1, and amendments thereto.*

15 Sec. 3. K.S.A. 2014 Supp. 55-155 is hereby repealed.

16 Sec. 4. This act shall take effect and be in force from and after its
17 publication in the statute book.