

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 9:30 a.m. on February 6, 2001 in Room 231-N of the Capitol.

All members were present except:

Committee staff present:           Raney Gilliland, Legislative Research  
  Tom Severn, Legislative Research  
  Bruce Kinzie, Revisor of Statutes  
  Lisa Montgomery, Revisor of Statutes  
  Ann McMorris, Secretary  
  Chris Crowder, Intern to Senator Clark

Conferees appearing before the committee:

Dick Brewster, Bp Amoco  
Jack Glaves, Oxy  
Robert Krehbiel, KIOGA  
Charles Wilson, Berexco

Written testimony-

Ron Hein, Pioneer Natural Resources  
Erick Nordling, Southwest Kansas Royalty Owners Assn.

Others attending: See attached sheet

Chair opened the meeting. Copies of a memo from Jack Glaves was distributed. (Attachment 1)

Chair opened hearing on:

**SB 51 - exempting incremental severance and production of oil and gas from severance tax.**

The following proponents testified:

Dick Brewster, Director, Government Affairs, Bp (Attachment 2)

Following his testimony, Mr. Brewster explained their proposed changes and amendments to **S.B. 51**. (Attachment 3)

Jack Glaves, Occidental Oil and Gas Company (Attachment 4)

Robert Krehbiel, Kansas Independent Oil & Gas Association (Attachment 5)

Charles Wilson, vice president, BEREXCO, INC. (Attachment 6)

Written testimony was provided by:

Ronald Hein, Pioneer Natural Resources U.S.A., Inc. (Attachment 7)

Erick Nordling, Southwest Kansas Royalty Owners Association (Attachment 8)

Chair opened for questions. The committee reviewed the fiscal note. Severance tax rates for other states were requested. In some instances, the severance tax while higher in other states, is the only tax paid.

Bill Brian, attorney for Oxy, reviewed the advantages to Kansas if more companies were to invest in enhancing wells due to the exemption from severance tax.

Property ad valorem tax increase will be 50% more than the severance tax and producers pay sales tax on materials and 6 1/2% income tax on the increment.

Chair asked KCC for their definition of horizontal drilling and whether they agreed with the language on page 5

line 43 thru page 6 line 4 on horizontal drilling. Dave Williams, KCC supervisor of production, noted they have two definitions - one on deviated drilling and one on horizontal drilling. Purpose of this exemption is for horizontal only and does not cover deviated drilling.

Chair closed hearing.

Moved by Senator Barone, seconded by Senator Brownlee to amend S.B. 51 by striking the language from line 43 on page 5 to line 4 on Page 6 “production from a horizontally drilled well drilled and completed in a manner which encounters and produces oil or gas from a geological formation at an angle in excess of 70 degrees from vertical and which laterally penetrates a minimum of 150 feet into the pay zone of the formation;”. Motion carried.

Moved by Senator Wagle, seconded by Senator Brownlee, to amend S.B.51 with language prepared by Dick Brewster, Bp. (Attachment 3) Motion carried.

Moved by Senator Wagle, seconded by Senator Lee, to pass out S.B. 51 as amended. Motion carried.

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Next meeting of Senate Utilities Committee with be held jointly with the House Utilities Committee on February 7 in Room 526-S at 9:30 a.m.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 8