

## MINUTES OF THE HOUSE ENVIRONMENT COMMITTEE

The meeting was called to order by Chairman Joann Freeborn at 3:30 P.M. on February 1, 2005 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Legislative Research Department  
Liza Montgomery, Revisor of Statutes Office  
Pam Shaffer, Committee Secretary

Conferees appearing before the committee:

Maurice Korphage, Director of Kansas Corporation Commission (KCC) Conservation Division  
Bob Jenkins, KCC Coordinator of Abandoned Well/Site Remediation Fund

Others attending:

See attached list.

Chairperson Freeborn called the meeting order.

Chairperson Freeborn announced the agenda for Thursday, February 3's meeting would be an overview from KSU by Fred Cholick, Dean of Agriculture and Director of Agricultural Experiment Station and Jana Beckman, Coordinator of Kansas Center for Sustainable Agriculture and Alternative Crops (KCSAAC). After the presentation, there will be a hearing on **HB2014 - Powers of members ex officio of the Kansas Water Authority.**

Chairperson Freeborn asked if there were any bill requests.

Tom Day of the KCC, respectively requested the introduction of a bill to change the financial assurance responsibilities of oil and gas operations. The motion to introduce this bill was made by Representative Johnson and seconded by Representative Svaty. The motion carried and will be introduced. (Attachment 1)

Representative George made a motion to recommend **HB2052 - Changes definition of uncontaminated soil in the solid waste statutes** for passage and that it be placed on the Consent Calendar due to its non-controversial nature, seconded by Representative Johnson. After discussion concerning whether the bill should be placed on the Consent Calendar both the motion maker and the second withdrew their motions. It was then moved by Representative George and seconded by Representative Johnson that **HB2052** be recommended for passage. Representative Knox will carry the bill.

Chairperson Freeborn explained that the Vice Chair is the person who writes up the bill briefs for the Republicans and the Ranking minority member is the one who writes the bill briefs for the democrats, unless he assigns someone else. These are the ones to go to if anyone wants to make comments.

Chairperson Freeborn welcomed Maurice Korphage, Director of Kansas Corporation Commission (KCC) Conservation Division to present an overview on abandon gas and oil well remediation. The Abandoned Well/Site Remediation Fund was created in 1996 with passage of **House substitute for SB755**. The purpose of the fund is to provide additional funding to the KCC Division with which to address the problem of both abandoned oil and gas wells and exploration and production related to contaminated 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 assessment on crude oil and natural gas production through the conservation fee fund, (\$400K-\$700K/yr) (2) General fund monies, (\$400K which has not been put in the last 2 fiscal years) (3) 50% of monies received by the state through the federal mineral leasing program, (\$450K-\$600K/yr) and(4) State water plan monies (\$400K) Total funding package expected to be \$1.6M/yr. Intents to drill are driven by the crude oil price, in 2004 there was a 36% increase in intents to drill over 2003, a 109% over 2002. Mr. Korphage turned the presentation over to Bob Jenkins, Coordinator of Abandoned

## CONTINUATION SHEET

MINUTES OF THE House Environment Committee at 3:30 P.M. on February 1, 2005 in Room 231-N of the Capitol.

Well/Site Remediation Fund.

Mr. Jenkins explained that we compete with the oil business for equipment, labor, and materials for plugging remediation operations. The KCC total abandoned well inventory currently contains 14,492 wells documented and verified. This represents an increase in the total inventory of 381 wells over that reported in January, 2005. 13,604 wells are listed as priority I inventory, of which 6,825 still require plugging operations, 307 less than one year ago. Expenditures for FY 2004 will result in the plugging of approximately 650 abandoned wells. Plugging costs for 458 wells have been paid to date totaling \$1.34M, which is \$2,925/well including restoration costs. For the first 6 months of fiscal year 2005, 296 wells have been authorized to be plugged or have been plugged with monies from the fund. Distribution of remaining 6,825 priority I wells requiring plugging operations are by action level: Level A-114 wells(2%) Level B-1,642 wells (24%), Level C-5,609 wells (74%). Intents to drill are driven by the crude oil price, in 2004 there was a 36% increase in intents to drill over 2003, a 109% over 2002. Mr. Jenkins showed several slides of Abandoned well sites before and after remediation. Whittier School, Coffeyville, KS, Crawford County, Fairfax Area, Kansas City, KS, Lindsborg, KS, Lost Springs, KS, Arkansas River, south of Oxford, KS, Kingman county. (See attachment 2)

Committee questions and discussion followed.

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

Chairperson Freeborn adjourned the meeting at 4:41PM. The next scheduled meeting is February 3.