

## SENATE UTILITIES COMMITTEE

March 11, 2004

**RE: SB 401 - An Act relating to oil and gas; concerning information to be included with payment to interest owners from sales of oil and gas; amending K.S.A. 2003 Supp. 55-1620 and 55-1622 and repealing the existing sections.**

Testimony of David Bleakley - Legislative Chairman  
Eastern Kansas Oil and Gas Association  
&  
Director of Acquisitions & Land Management  
Colt Energy, Inc.

The Eastern Kansas Oil and Gas Association (EKOGA) strongly opposes SB 401.

Our association represents and supports eastern Kansas oil and gas producers, service companies, royalty owners and associated businesses along with the overall welfare of the Kansas oil and gas industry in this state.

In testimony opposing SB 401, EKOGA feels the following questions are important in determining the merits of this Bill.

1. Is this bill that amends K.S.A. 55-1620 and 55-1622 solving a real problem? **NO**. In our opinion, it's not, because in 1997 SB 147 was passed which resulted in K.S.A. 55-1620 and 55-1622 that addressed the interest owners concerns on what they wanted in the way of information that accompanied a payment made for the sale of oil or gas.
2. How many complaints have there been because of a lack of information not accompanying a payment made for the sale of oil or gas? Are we talking about 5 or 10 or 100?
3. If there have been complaints, are such complains against one gas or oil purchaser in particular or against several?
4. Are such complaints violations under the current statutes?
5. What would the ramifications to the oil and gas industry be if this Bill passed?
  - A. Every oil and gas purchaser, large and small, would have to change the information that they currently provide the interest owner that accompanies the payments for the sale of oil or gas with the greatest hardship falling on the smaller oil and gas purchasers and producers who do not have extra office staff to perform additional clerical tasks.

- B. Some of the information would be difficult for the oil and gas purchasers (especially the smaller ones) to obtain, in particular with gas.
- C. The price paid to all interest owners would go down because of the increased overhead expense to gather and distribute additional information.
- D. Many of the smaller oil and gas purchasers and producers that pay gas royalty checks and have never had a problem or even a request for additional information will look at this bill as additional paperwork and just one more requirement from a growing list of state and federal laws pushing them out of business.

In conclusion, EKOGA feels that the current statues 55-1620 and 55-1622 are very adequate to serve all the interest owners needs for information provided with the sale of oil or gas and that the current statues provide for the interest owners to request additional information from the oil and gas purchasers if they don't feel they have been provided enough. EKOGA does have royalty owners as members in it's organization along with hundreds of other royalty owners that our oil and gas producing members see on a daily basis and the issue of not having enough information with their payments of oil or gas has never been an issue to date. We hope that the legislature does not allow itself to be used by small segments of the population to pass bills that basically use the state as their attorney at the tax payers' expense. If this "information" issue is a real problem then it should be addressed; but, if this is a more isolated issue then, we would like to see the problem resolved between the interest owner and the oil and gas purchaser and not thru the passage of a new bill or amendment.

Therefore, Mr. Chairman and members or this Committee, we urge you to vote against SB 401.

Thank you for your time.

David P. Bleakley