

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES.

The meeting was called to order by Chairman Carl D. Holmes at 9:09 a.m. on February 15, 2005 in Room 231-N of the Capitol.

All members were present except: Representative Eric Carter - Unexcused  
Representative Vaughn Flora - Excused  
Representative Bonnie Huy - Excused  
Representative Judy Showalter - Excused

Committee staff present: Mary Galligan, Legislative Research  
Dennis Hodgins, Legislative Research  
Mary Torrence, Revisor of Statutes  
Jo Cook, Administrative Assistant

Conferees appearing before the committee:

John Crump, Southwest Kansas Royalty Owners Association, Hugoton, KS  
Erick Nordling, Southwest Kansas Royalty Owners, Assn, Hugoton, KS  
Kimberlee Hamilton, Montana  
Mike Leathers, Austin, TX  
Doug Smith, Southwest Kansas Royalty Owners Assn, Topeka, KS  
Terry Holdren, Kansas Farm Bureau, Topeka, KS  
Kenny Carter, Wilson County, KS  
Elbert Goins, Thayer, KS  
Alan DeGood, Kansas Independent Oil and Gas Association, Wichita, KS  
Jon Callen, Edmiston Oil, Wichita, KS  
David Bleakley, Eastern Kansas Oil and Gas Association, Topeka, KS

Others attending: See Attached List

**HB 2146 - Information required with payment to oil and gas royalty interest or working interest owners**

Chairman Holmes opened the hearing on **HB 2146**.

John Crump, President of the Southwest Kansas Royalty Owners Association (SWKROA), addressed the committee in support of **HB 2146** (Attachment 1). Mr. Crump explained the reasons for their request of this bill and outlined the problems many of their members had been having in understanding the information included on the remittance advices included with the royalty checks.

Erick Nordling, Executive Secretary for SWKROA, spoke in support of **HB 2146** (Attachment 2). Mr. Nordling told the committee that this type of legislation is necessary to provide protections for thousands of royalty owners. Included with Mr. Nordling's testimony is correspondence between royalty owners and oil companies, producers, etc.

Kimberlee Hamilton shared her family's story in dealing with royalty payment difficulties (Attachment 3) during her testimony in support of **HB 2146**. She told of inconsistencies from companies in providing payments detail and supporting documentation on royalty payments received from her holdings.

Mike Leathers appeared in support of **HB 2146** and supplied information about his royalty payment concerns (Attachment 4). He told the committee he supported measures that would lead to concise uniform information begin provided by the oil and gas producers.

Doug Smith, appearing on behalf of the SWKROA testified in support of **HB 2146**. Mr. Smith shared a comparative (Attachment 5) of current law, the proposed legislation, and statutory language from Texas. He also provided an amendment that would eliminate 'oil' from the section dealing with leases.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON UTILITIES, Room 231-N, Statehouse, at 9:09 a.m. on February 15, 2005

Terry Holdren, Local Policy Director for Kansas Farm Bureau Governmental Relations, addressed the committee as a proponent of **HB 2146** ([Attachment 6](#)). Mr. Holdren stated that many of their members have sought clarification about the price and production information received on the check stubs of their royalty payments.

Kenny Carter testified in support of **HB 2146** ([Attachment 7](#)). Mr. Carter urged support of the legislation so as to bring more transparency to the business.

Elbert Goins spoke in support of **HB 2146** ([Attachment 8](#)). Mr. Goins told the committee that the information provided by the different companies is not the same or even comparable. He said they needed clarity in the production of their wells and sales of gas.

Written testimony in support of **HB 2146** was submitted by John Majeroni ([Attachment 9](#)) and Robert Larrabee ([Attachment 10](#)).

Alan DeGood, President of the Kansas Independent Oil and gas Association (KIOGA), testified in opposition to **HB 2146** ([Attachment 11](#)). Mr. DeGood told the committee that this bill would completely change the way interest owners would be paid and that two major crude oil purchasers would no longer distribute revenue because they lack information regarding production by wells. He also stated that adequate information is currently available on the check stubs and should an interest owner request it, they would receive information about price, sales, volume, and ownership from the gas purchaser.

Jon Callen, President of Edmiston Oil Company, appeared as an opponent to **HB 2146** ([Attachment 12](#)). Mr. Callen told the committee the primary objections to the bill were 1) regarding the gas measurement reporting - important tax implications for all users; 2) reporting interest to the sixth decimal - would require new division orders to be prepared; and 3) reporting the price before and after adjustments - interferes and conflicts with contractual rights of the producer and purchaser.

David Bleakley, Legislative Chairman for the Eastern Kansas Oil and Gas Association, addressed the committee in opposition to **HB 2146** ([Attachment 13](#)). Mr. Bleakley stated they felt that the current statutes are adequate to serve all the interest owners needs for information provided with the sale of gas and provides them ways to obtain the information they feel is lacking.

Written testimony in opposition to **HB 2146** was submitted by Ken Peterson, Kansas Petroleum Council ([Attachment 14](#)), Jack Glaves, Duke Energy Field Services ([Attachment 15](#)), and Kevin Moore, OXY, Inc. ([Attachment 16](#)).

The conferees responded to questions from the committee.

Chairman Holmes closed the hearing on **HB 2146**.

The meeting adjourned at 10:29 a.m.

The next meeting is Wednesday, February 16, 2005 at 9:00 a.m.