

Approved: March 19, 2010
Date

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Chairman Carl Holmes at 9:30 a.m. on January 13, 2010, in Room 785 of the Docking State Office Building.

All members were present except:
Representative Rob Olson- excused

Committee staff present:
Matt Sterling, Office of the Revisor of Statutes
Mary Torrence, Office of the Revisor of Statutes
Cindy Lash, Kansas Legislative Research Department
Iraida Orr, Kansas Legislative Research Department
Renaë Hansen, Committee Assistant

Conferees appearing before the Committee:
Doug Louis, Kansas Corporation Commission
Edward Cross, Kansas Independent Oil & Gas Association

Others attending:
Twenty-three including the attached list.

Hearing on:
SB 298 - Requiring well identification signs be placed on or near certain oil or gas wells.

Matt Sterling gave a brief overview to the committee on **SB 298** (Attachment 1).

Proponents:

Doug Louis, Kansas Corporation Commission, (Attachment 2), offered an explanation about **SB 298** and why the KCC brought this bill before the Legislature. Included in the information are examples of signs that have been used and could be used to identify the wells. The KCC will create rules and regulations pertaining to the signs and indicate the information on the signs would include the owner of the well and some sort of contact information.

Questions were asked and comments made by Representatives: Vern Swanson, Tom Moxley, Tom Sloan, Annie Kuether, and Carl Holmes.

Edward Cross, Kansas Independent Oil & Gas Association, (Attachment 3), offered testimony in favor of **SB298**. KIOGA believes that all wells need to be identified and abandoned ones need to be identified and plugged. Additionally, the identification will make it clear which wells are abandoned and which are operational.

Questions were asked and comments made by Representatives: Vern Swanson, Joe Seiwert, Forrest Knox,

The hearing was closed on **SB 298**.

Doug Louis also spoke to the committee on the abandoned oil and gas well program that began in 1996. Abandoned wells are defined as wells that do not have a responsible party. Approximately 2.5 million dollars has been allotted for the capping of wells per year. The KCC caps approximately 500 wells a year. This year, 2010, they are committed to plugging 300 wells that pose a threat to the environment. A majority of the wells are in Southeast Kansas, with a few in the Western part of the state. Most of these wells were drilled in the 1930's. There was no official state record keeping during the time that these wells were drilled. When one is found they go out and GPS the well site and then identify where the salt water level is in the well. They are concerned about salt water getting in the fresh water aquifers. They progress through the list and cap them from the least safe to the most safe. They are also look for natural gas leaks and oil that might be leaking into the water supply via aquifers or streams. Mr. Louis noted that when wells are plugged they are plugged permanently. He spent time talking about the details of how a contractor goes about physically plugging the

CONTINUATION SHEET

Minutes of the House Energy and Utilities Committee at 9:30 a.m. on January 13, 2010, in Room 785 of the Docking State Office Building.

wells. When a well is plugged, the KCC documents the plugging and the type of plugging that is done. Additionally, they share information with the Kansas Geological Survey (KGS) so that there is another source of documentation for the wells that are capped. He noted that there is nothing on a title for the owner, or potential owner of a piece of land that shows there are wells and whether they are capped or not. One must search out the information through the KCC or the KGS, There is also a report put together on wells that are capped and contamination of the area.

Questions were asked and comments made by Representatives: Carl Holmes, Forrest Knox, Vince Wetta, Don Myers, Gail Finney, and Rocky Fund.

David Bleakley, EKOGA (Attachment 4), offered written testimony in support of **SB298**.

The hearing on **SB298** was closed.

The next meeting is scheduled for January 14, 2010.

The meeting was adjourned at 10:08 a.m.

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

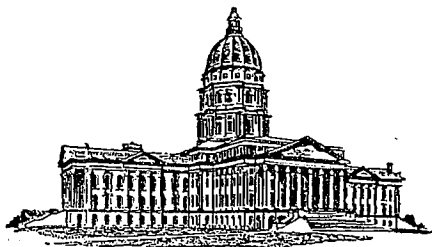
DATE: January 13, 2010

NAME	REPRESENTING
Ed Cross	KIOGA
Doug Louis	KCC
PAUL WAGGS	KEPCO
Jon Stanton	Northern Natural Gas
Ken PETERSON	KS Petroleum Council
TOM DAY	KCC
WON GACHES	GBA
Jackson Lindsey	Hein Law
Katie Long	Dan Johnson
Kimberly Sady	GSPA
Doug Smith	SWKROA
Scott Jones	KCPL
Michelle Peterson	Capital Strategia
Nelson Krueger	Sure West

MARY ANN TORRENCE, ATTORNEY
REVISOR OF STATUTES

JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR

GORDON L. SELF, ATTORNEY
FIRST ASSISTANT REVISOR



OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

Legal Consultation—
Legislative Committees and Legislators
Legislative Bill Drafting
Legislative Committee Staff
Secretary—
Legislative Coordinating Council
Kansas Commission on
Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

MEMORANDUM

To: Chairman Holmes and members of the House Committee on Energy and Utilities
From: Matt Sterling, Assistant Revisor of Statutes
Date: January 13, 2010
Subject: Senate Bill 298

As amended by the Senate Committee on Utilities, Senate Bill 298 would amend K.S.A. 55-165 to require anyone who is operating or responsible for any oil, gas, injection, disposal, cathodic protection, natural gas storage injection or withdrawal or CO2 injection or withdrawal well to place a well identification sign near the well. The Kansas Corporation Commission would also be required to adopt rules and regulations specifying the information to be placed on the well identification sign, as well as the size and location of the sign.

Under current law, K.S.A. 55-165 requires the Kansas Corporation Commission to create and maintain a data base of all oil and gas wells in the state, including the location, name and address of the well.

HOUSE ENERGY AND UTILITIES

DATE: 1/13/2010

ATTACHMENT 1



Mark Parkinson, Governor
Thomas E. Wright, Chairman
Michael C. Moffet, Commissioner
Joseph F. Harkins, Commissioner

House Committee on Energy & Utilities
SB 298
Comments by Doug Louis
Kansas Corporation Commission, Conservation Division
January 13, 2010

Chairman Holmes and members of House Energy & Utilities Committee, I am Doug Louis, Director of KCC Conservation Division. I am here today to testify on Senate Bill 298.

Background

The Commission has been involved in regulating oil and gas exploration and production operations since the mid 1930's. Some of these activities include: licensing oil and gas operators, permitting drilling activities, enforcing proration orders, overseeing well plugging operations, permitting injection well activities, regulating gas gathering, enforcing pit and spill regulations, regulating underground porosity gas storage operators and administering the state's abandoned well plugging program. Staff has developed an expertise with many aspects of the industry's field activities by the nature of enforcing regulations, which are designed to prevent waste of natural resources, protect correlative rights and public safety.

Comments / Recommendations - SB 298

The Conservation Division requests K.S.A. 55-165 be amended to require operators to post signs at their wells and allow the Commission to adopt regulations concerning well identification signs.

Properly identified wells in the field is an important part of building a statewide well-inventory program. The idea is to require operators to identify every well in the field by posting a sign. The information on the sign would contain the name of the well and its location. There are areas in the state in which wells are densely located, making well reference difficult without a sign. There are other areas in the state in which lease boundaries for adjacent operators are not apparent. In these situations, it is very time consuming to associate the correct operator to a specific well.

In Oil and Gas Advisory Committee meetings representatives of the oil industry shared the opinion that well identification at the well-site would aid employees and contractors, who work on their wells.

Initially, we believed this change could be accomplished by rule and regulation revision. The revision to regulation K.A.R. 82-3-126 passed unanimously in the Oil and Gas Advisory Committee. The regulation change was approved by the Department of Administration, but the Attorney General's office opined the agency did not have statutory authority to require well identification.

During the last legislative session the KCC introduced SB 298 and the bill unanimously passed the Senate. The Kansas Corporation Commission respectfully requests your favorable consideration and passage of Senate Bill 298.

Thank you for this opportunity to provide comment and if the Committee has questions I will be happy to answer them.

Requirements for Oil & Gas Well Signage

*Doug Louis, Director
KCC - Conservation Division
d.louis@kcc-ks.gov
316-337-6200
www.kcc-ks.gov*

January 13, 2010

House Energy & Utilities Committee

Senate Bill 298

Purpose Of Well Signage

The Conservation Division would like KSA 55-165 amended to require operators to post signs at their wells and allow the Commission to adopt regulations concerning well identification signs.

The idea is to require operators to identify every well in the field by posting a sign. The information on the sign would be the name of the well and its location. Properly identifying wells in the field is an important part of building a state-wide well inventory program. In oil and gas advisory committee meetings representatives of the oil industry expressed well identification at the well-site would aid employees and contractors who work on their wells. The revisions to regulation K.A.R. 82-3-126 passed unanimously in the oil and gas advisory committee. The regulation was approved by the Department of Administration, but the Attorney General's office felt the KCC did not have statutory authority to require well identification.

Proposed Statute Changes

Senate Bill 298 would allow the following changes:

55-165 Well identification and maintenance of information on wells.

(a) Any person who operates or is responsible for the care and control of any oil, gas, injection, disposal, cathodic protection, natural gas storage injection or withdrawal or CO₂ injection or withdrawal well shall place a well identification sign on or near each well.

(b) The state corporation commission shall adopt rules and regulations specifying the information to be contained on the well identification sign, and the size and location of such sign.

(c) The state corporation commission shall create and maintain a date base of all oil or gas wells in existence in this state. The date base shall include the location of each well and name, address and other information relevant to the identity of the operator of the well.

(Proposed changes are underlined.)

Proposed Regulation Changes

K.A.R. 82-3-126. Tank, well, and truck identification; penalty. (a) Tanks. All oil tanks, tank batteries, tanks used for salt water saltwater collection or disposal, and tanks used for sediment oil treatment or storage shall be identified by a sign posted on, or not more than 50 feet from, the tank or tank battery. The sign shall be of durable construction and shall be large enough to be legible under normal conditions at a distance of 50 feet. The sign shall identify the following:

- (1) The name and license number of the operator;
- (2) the name of the each lease or unit being served by the tank; and
- (3) the location of the tank by unit name, section, township, range, and county.

(b) The failure to post an identification sign shall be punishable by a \$100 penalty. Wells. On and after July 1, 2011, all oil, gas, injection, disposal, and service wells shall be required to be identified by a sign posted on, or within 15 feet of, the wellhead. The sign shall be of durable construction and shall be legible under normal conditions. The sign shall identify the following:

- (1) The name and license number of the operator;
- (2) the lease or well name and the well number;
- (3) the American petroleum institute (API) number, if available;
- (4) the footage location of the well from the nearest outside section corner, the section, township, and range, and the county; and

(5) an emergency contact number for the operator.

(c) Well identification exception.

(1) Each well that is identified on July 1, 2011 by an existing sign posted on or within 15 feet of the wellhead shall be deemed to meet the requirements of subsection (b) if all of the following conditions are met:

(A) The sign is of durable construction.

(B) The identifying information on the sign is legible under normal conditions.

(C) The sign identifies the name and license number of the operator.

(2) A sign that meets all of the requirements of subsection (b) shall be installed to replace any existing sign within 90 days after the existing sign is required to be replaced because it fails to meet the requirements of paragraph (c)(1).

(c) (d) Trucks. Every Each truck, tank wagon, or and other vehicle transporting crude petroleum oil, sediment oil, water, or brine produced in association with the production of oil or gas shall have the name and address of the owner or lessee painted or otherwise durably marked on both sides of the vehicle.

(e) Penalty. The failure to post an identification sign shall be punishable by a \$100 penalty. (Authorized by K.S.A. 55-152; and implementing K.S.A. 55-1503, 55-1504, K.S.A. 1989 Supp. 55-164, 55-165, and 55-1504; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended April 23, 1990; amended P-_____.)

(Proposed Changes are Underlined.)

Existing Sign Requirements

TANKS

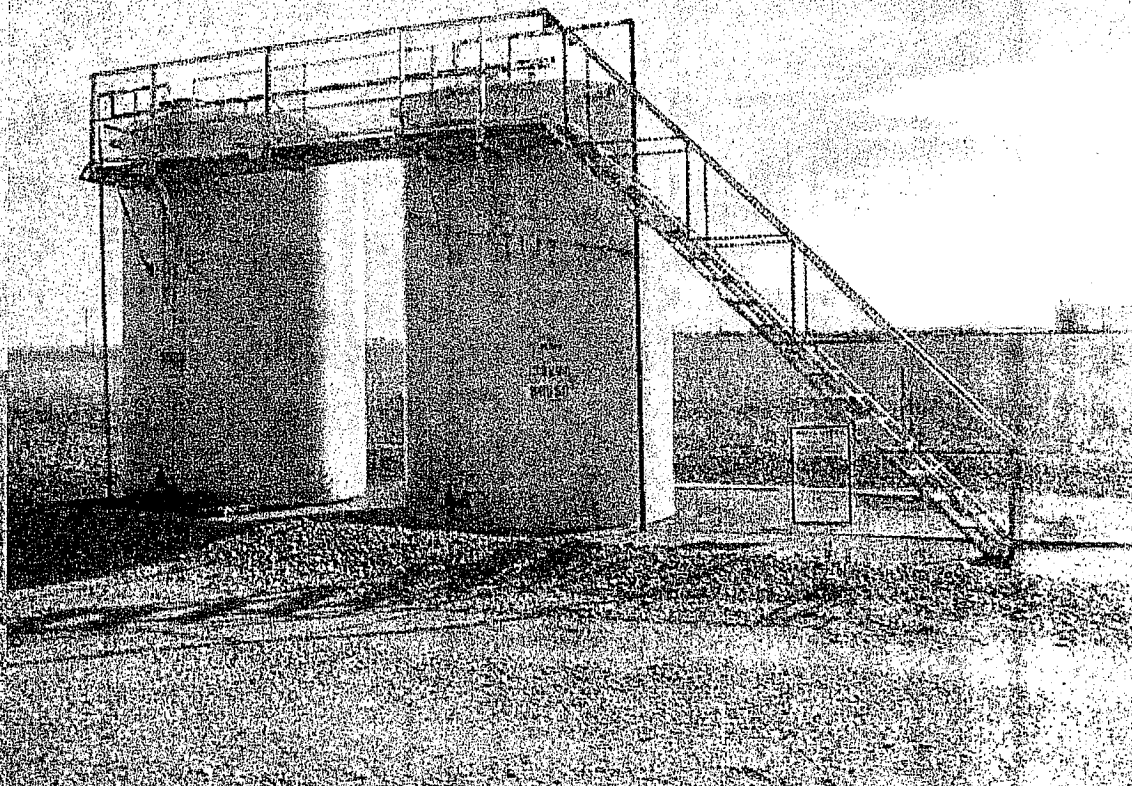
- Name and License number of the Operator
- Name of the lease being served by the tank
- The location of the tank by unit name, section, township, range, and county.

TRUCKS

- Every truck, tank wagon or other vehicle transporting crude petroleum oil, sediment oil, water or brine produced in association with the production of oil or gas shall have the name and address of the owner or lessee painted or otherwise durably marked on both sides of the vehicle.

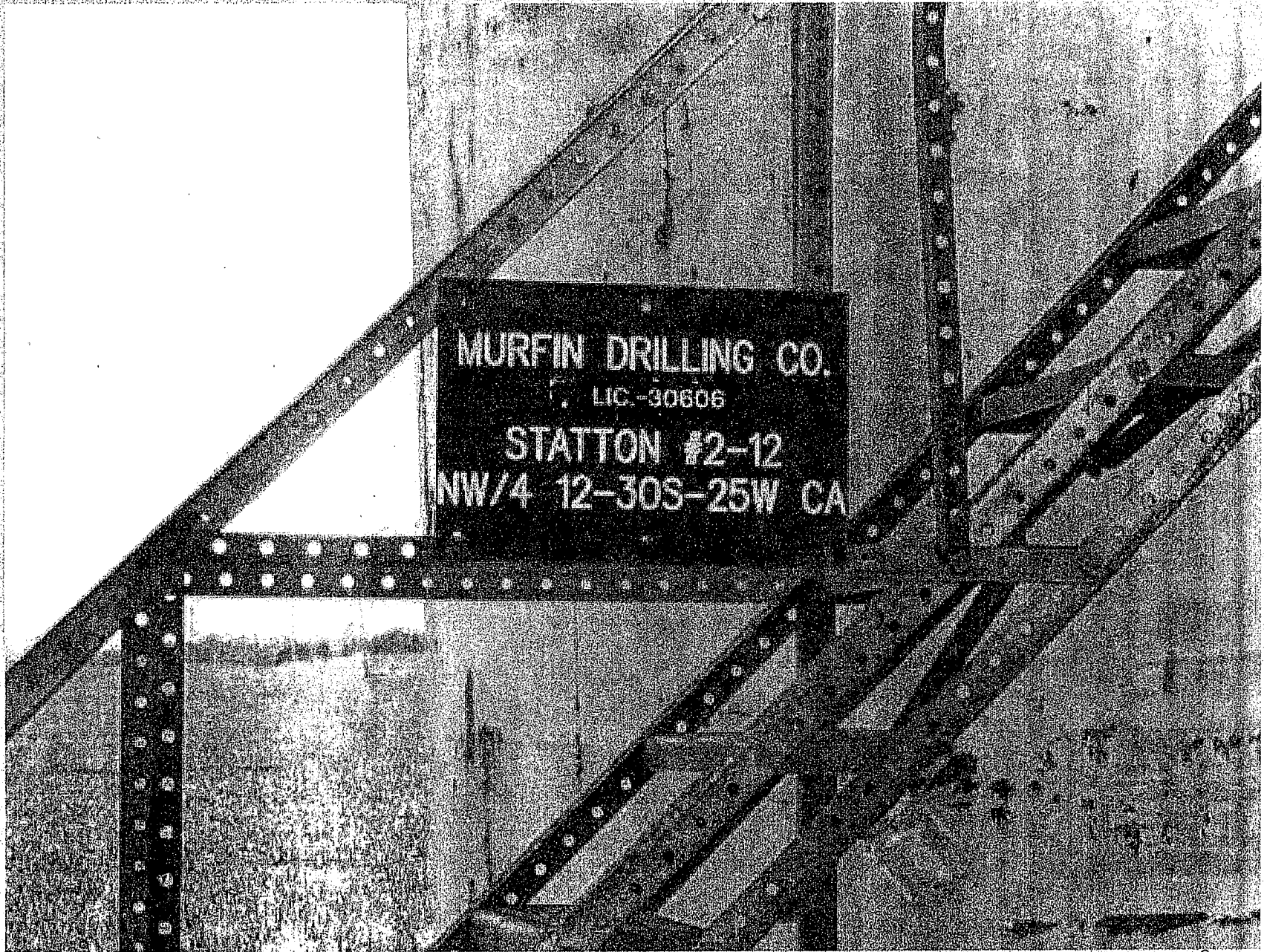
(PER K.A.R. 82-3-126. TANK AND TRUCK IDENTIFICATION)

Examples Of Existing Signs At Tank Battery



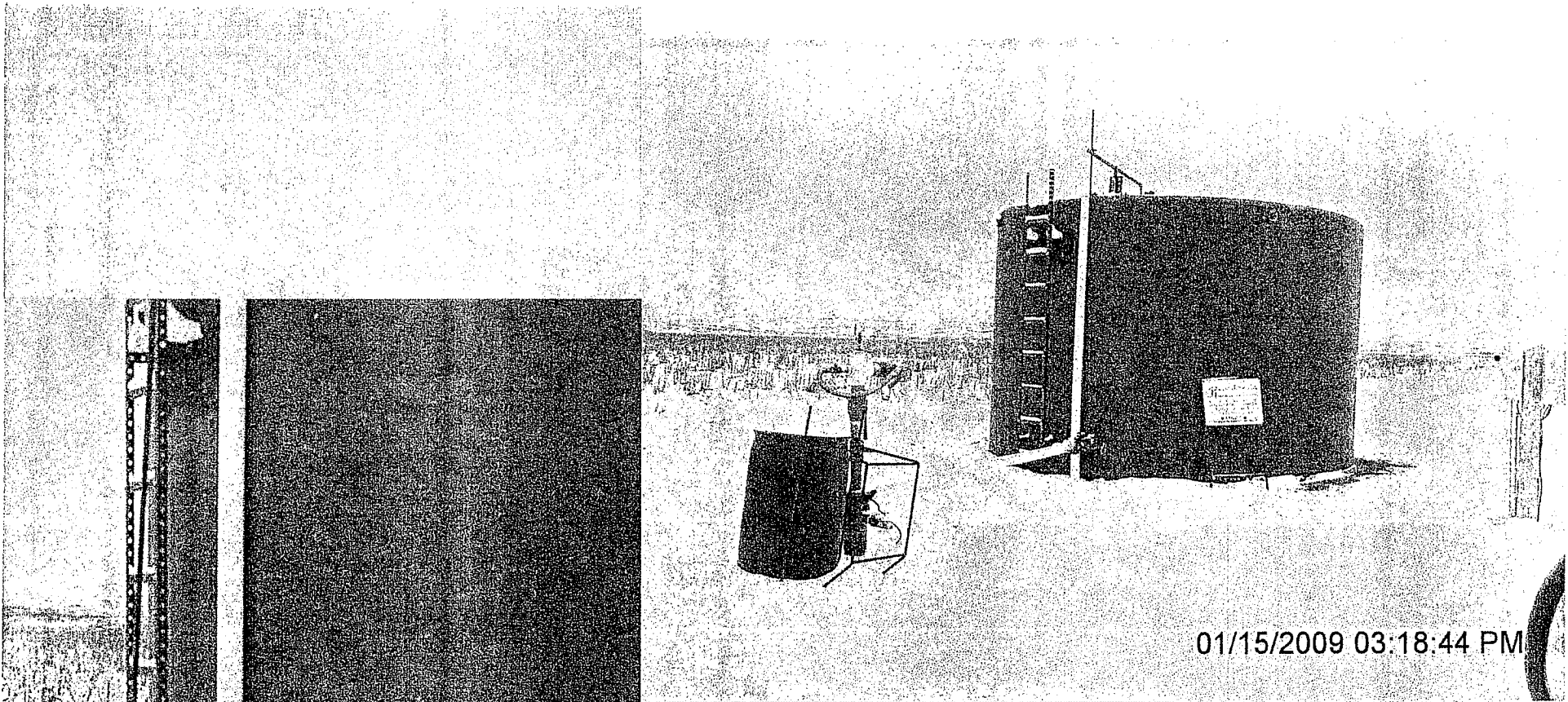
CANADAY OIL CORPORATION
KS OPER. NO. 5303
ROONEY No. 1
NE 1/4 SEC. 11-30S-25W
CLARK COUNTY, KANSAS

FALCON EXPLORATION
KLN 5316
GILES LEASE
SE/4 SEC 3-TWP 31S-RNG 22W
CLARK CO., KS

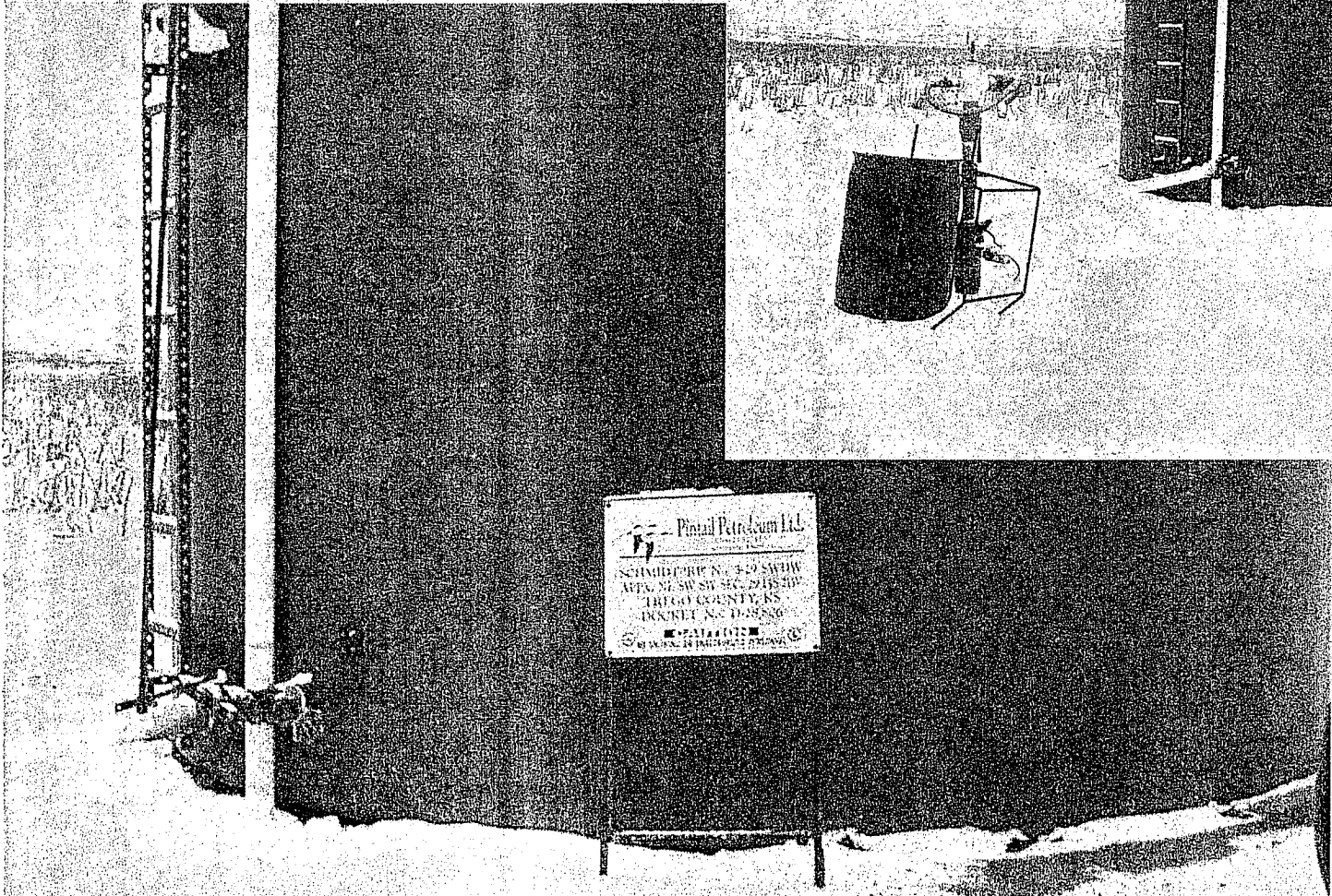


MURFIN DRILLING CO.
LIC-30606
STATTON #2-12
NW/4 12-30S-25W CA

WELL SIGNS

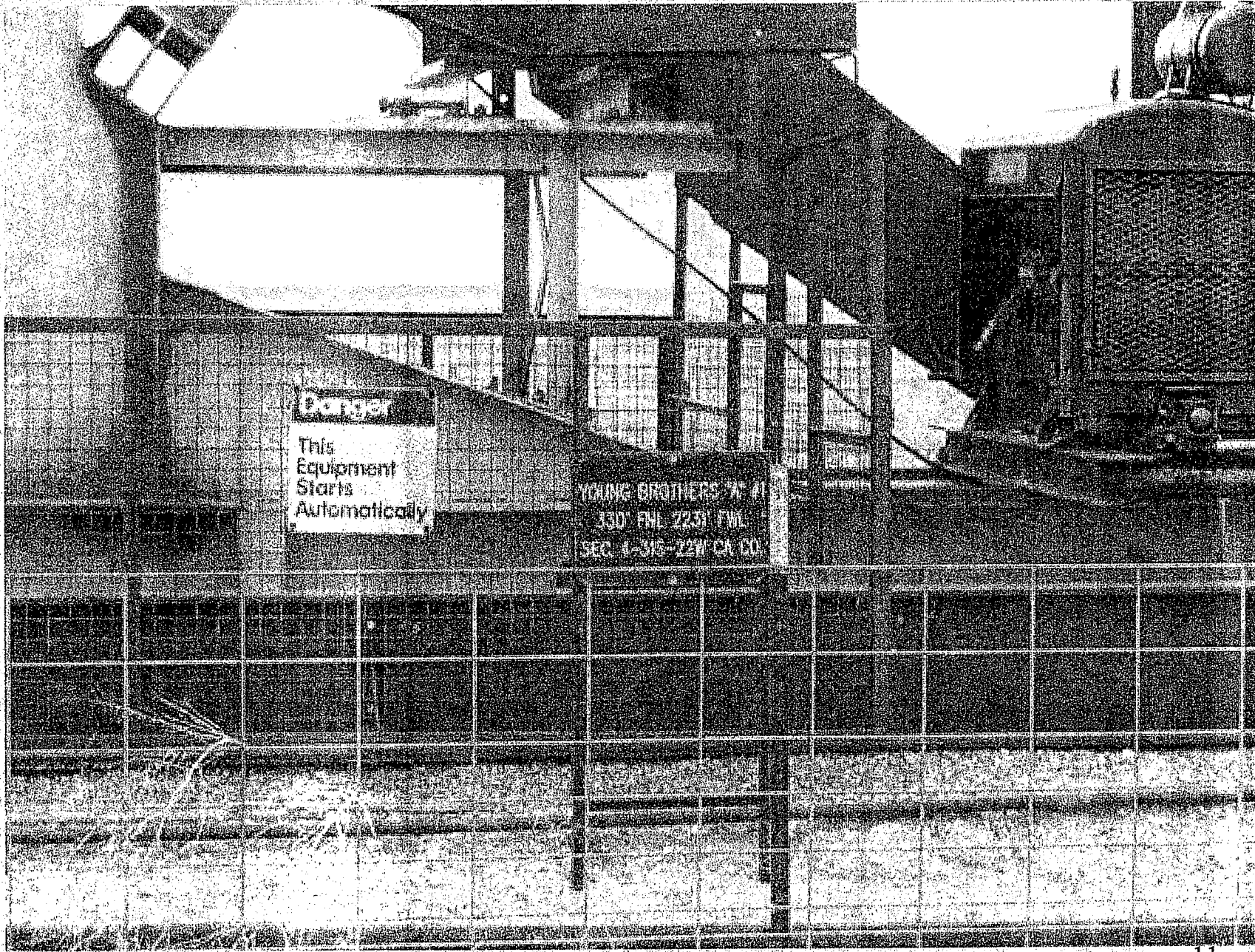


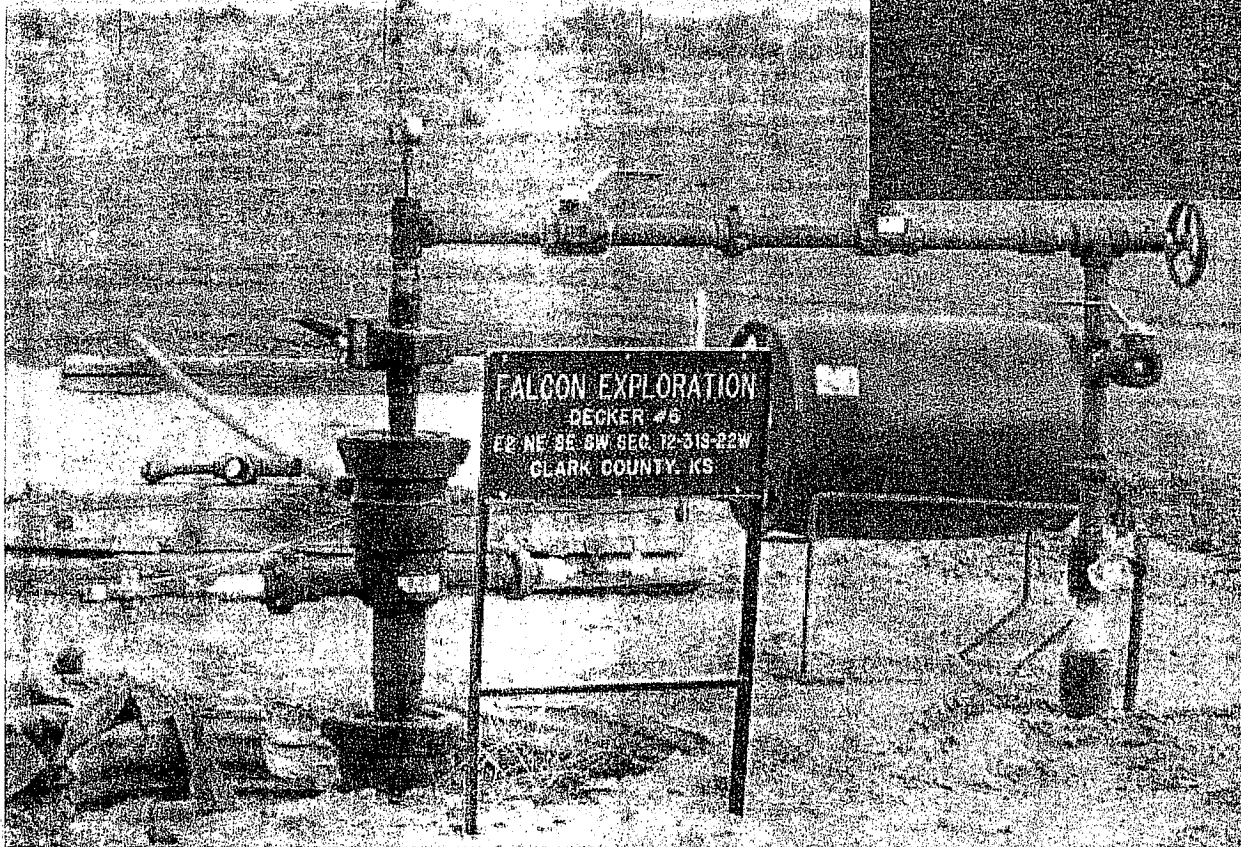
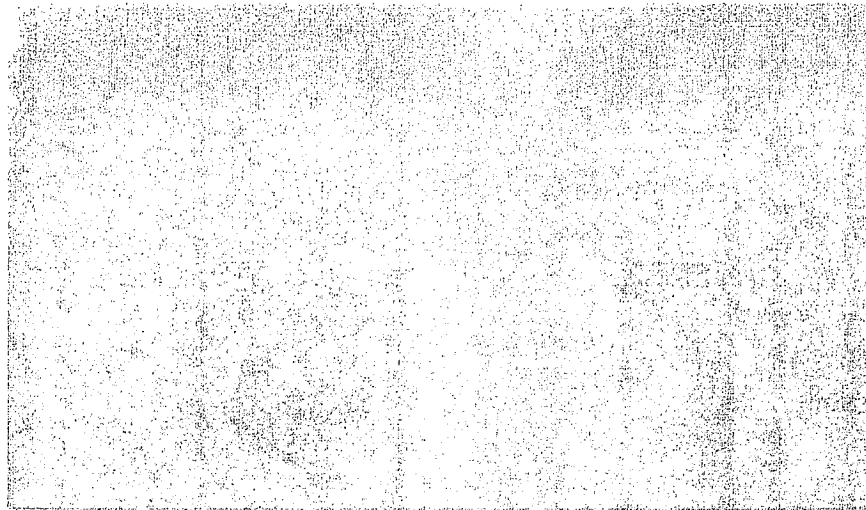
01/15/2009 03:18:44 PM

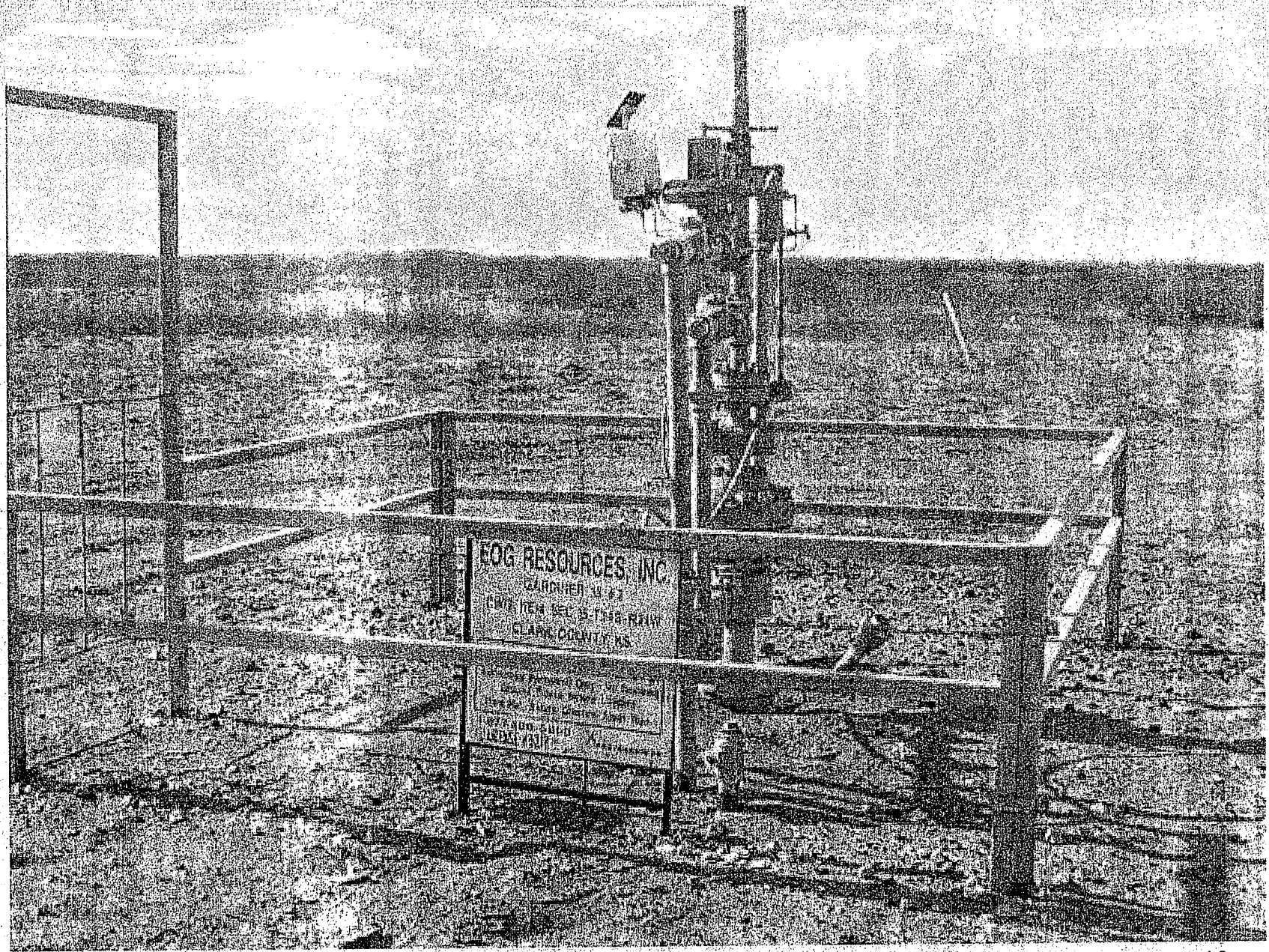


Pined Petroleum Ltd.
 SCHMIDT 2001 N. 40 SW 1/4
 APT. N. SW 1/4 SEC. 24 T15S R15E
 TRIGO COUNTY, KS
 JACKSON, NC 28586
 Pined Petroleum Ltd.
 2001 N. 40 SW 1/4 SEC. 24 T15S R15E

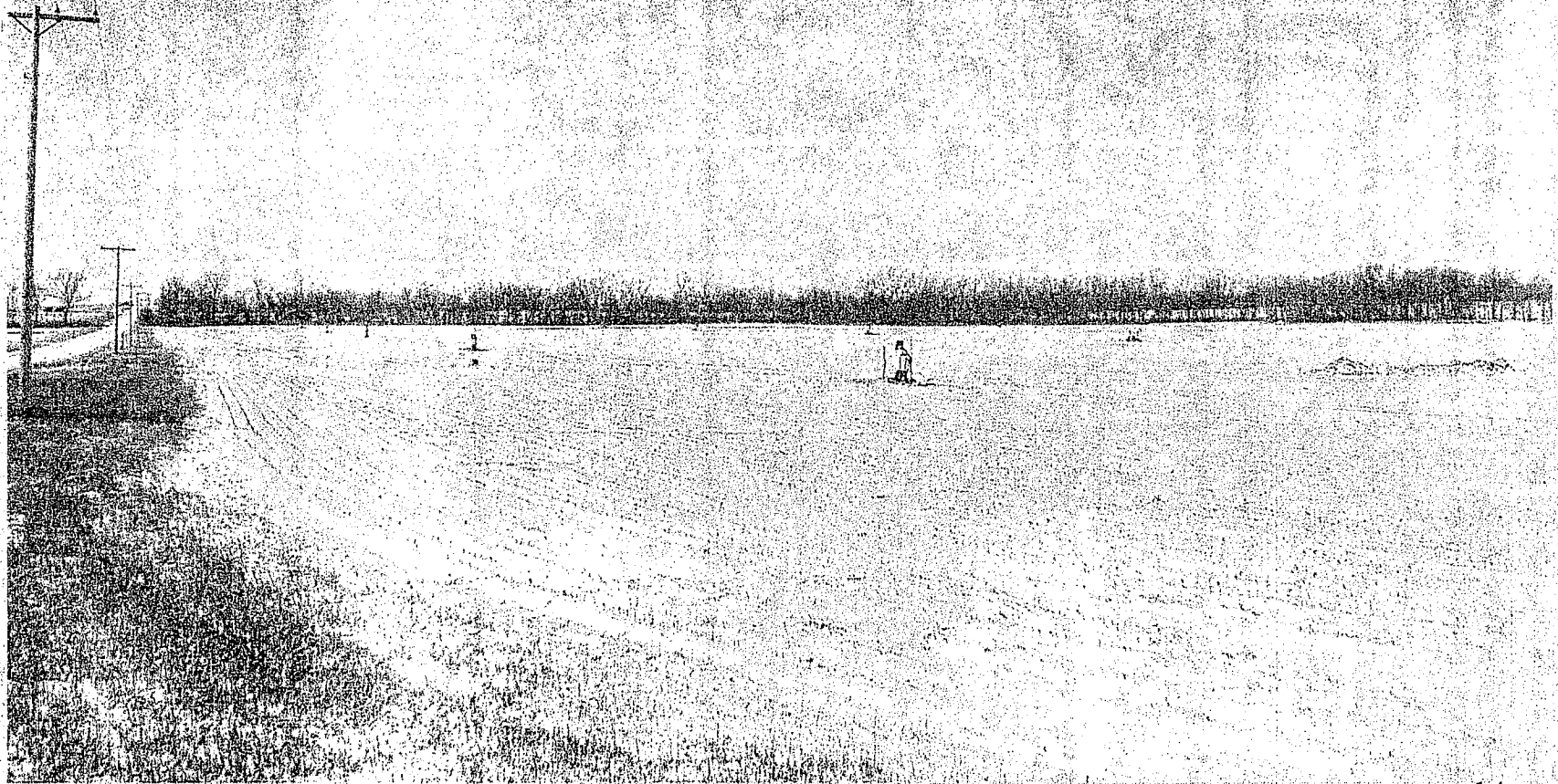
01/15/2009 03:18:59 PM







Densely Located Oil Wells



As Amended by Senate Committee

Session of 2009

SENATE BILL No. 298

By Committee on Ways and Means

3-3

10 AN ACT concerning oil and gas; relating to the state corporation com-
11 mission regulation of certain wells; amending K.S.A. 55-165 and re-
12 pealing the existing section.
13

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

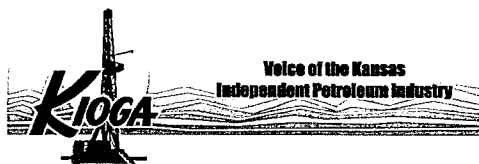
15 Section 1. K.S.A. 55-165 is hereby amended to read as follows: 55-
16 165. (a) *Any person who operates or is responsible for the care and control*
17 *of any oil, gas, injection, disposal, cathodic protection, natural gas storage*
18 *injection or withdrawal or CO₂ injection or withdrawal well shall place*
19 *a well identification sign on or near each well.*

20 (b) **The *Within 12 months after the effective date of this section,***
21 ***the*** state corporation commission shall adopt rules and regulations spec-
22 ifying the information to be contained on the well identification sign, and
23 the size and location of such sign.

24 (c) The state corporation commission shall create and maintain a data
25 base of all oil or gas wells in existence in this state. The data base shall
26 include the location of each well and name, address and other information
27 relevant to the identity of the operator of the well.

28 Sec. 2. K.S.A. 55-165 is hereby repealed.

29 Sec. 3. This act shall take effect and be in force from and after its
30 publication in the statute book.



Kansas Independent Oil & Gas Association

800 SW Jackson Street - Suite 1400

Topeka, Kansas 66612-1216

785-232-7772 Fax 785-232-0917

Email: kiogaed@swbell.net

Testimony to the House Energy & Utilities Committee

Senate Bill 298

Requiring well identification signs to be placed on or near certain oil or gas wells.

Edward P. Cross, President
Kansas Independent Oil & Gas Association

January 13, 2010

Good morning Chairman Holmes and members of the committee. I am Edward Cross, President of the Kansas Independent Oil & Gas Association (KIOGA). KIOGA represents the interests of independent oil and gas producers in Kansas. We have over 1,400 members from across the entire state and our members produce 86% of the oil and 63% of the natural gas produced in Kansas. We are the lead state and national advocate for Kansas independent oil and gas producers. I am responsible for public policy advocacy and interaction with external stakeholders including elected officials, regulators, government decision-makers, and community thought leaders. I am here this morning to express our support for Senate Bill 298 (SB 298).

The identification of individual oil and gas wells is part of the process of identifying responsible parties to plug those wells. Kansas has identified approximately 7,000 wells which are unplugged for whom the Kansas Corporation Commission (KCC) cannot identify a potentially responsible party. Where an oil and gas operator has abandoned a well prior to plugging and no responsible part has been identified, it becomes the responsibility of the State to plug the wells to protect the ground water of the State and to prevent other environmental damage. The plugging of these wells by the KCC is funded through sources largely from current industry participants.

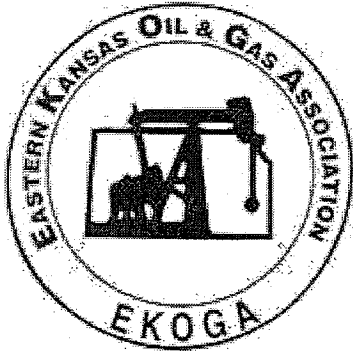
KIOGA has participated in the KCC's Open Docket which was established to address issues arising after the Quest-Cherokee decision in July 2008. Part of the KCC staff's proposals coming out of that investigative docket is to inventory all wells and to better identify who is currently responsible for the plugging of those wells. This would enable the KCC staff to better identify the potentially responsible party should such a well subsequently be abandoned.

KIOGA participates in the Oil & Gas Advisory Committee which reports to the KCC. We concur with the Committee recommendation to seek legislation to allow the KCC staff to better identify the oil and gas wells in the State. As such, KIOGA is supportive of SB 298. Thank you.

HOUSE ENERGY AND UTILITIES

DATE: 1/13/2010

ATTACHMENT 3



E K O G A

EASTERN KANSAS OIL & GAS ASSOCIATION
P. O. Box 355 • 17 S. EVERGREEN • CHANUTE, KS 66720
PHONE: (620)431-1020 • FAX: (620)431-9325 e-mail: ekoga@cableone.net

SENATE WAYS & MEANS COMMITTEE

January 13, 2010

RE: SB 298 - An Act concerning oil and gas; relating to the state corporation commission regulation of certain wells; amending K.S.A. 55-165 and repealing the existing section.

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) **supports** amending K.S.A. 55-165 and repealing the existing section.

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

This bill represents the outcome of discussions that took place in the 12 member Oil and Gas Advisory committee that meets quarterly to review and discuss regulations of oil and gas activities. EKOGA is a member of such committee and took part in the discussions and agreed with the KCC and the other members of the committee that well identification in the field was an important issue and well identification signs were a reasonable solution to resolve this issue.

Therefore, Mr. Chairman and members of this Committee, **EKOGA WOULD URGE YOU TO VOTE IN FAVOR OF SB 298.**

Thank you for your time.

David P. Bleakley

HOUSE ENERGY AND UTILITIES

DATE: 1/13/2010

ATTACHMENT 4