

Approved: Carl Dean Holmes

Date 4/29/94

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Carl Holmes at 3:30 p.m. on February 22, 1994 in Room 526-S of the Capitol.

All members were present except: Representative Walker Hendrix - Excused

Committee staff present: Raney Gilliland, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Mary Torrence, Revisor of Statutes
Shirley Wilds, Committee Secretary

Conferees appearing before the committee: Jim Garner, KS State Representative, 11th District
Karen Flaming, KS Corporation Commission
Rob Hodges, KS Telecommunications Assn
Mike Reeht, AT&T
William Bryson, KS Corporation Commission
Don Schnacke, KS Independent Oil & Gas
Danny Biggs, Great Bend

Others attending: See attached list

Chairperson Holmes opened the meeting recognizing Representative Lawrence. Representative Lawrence announced that the Sludge Subcommittee will meet at 7:30 a.m. on February 23 in Room 526-S

Hearing on HB 3039:

The Honorable Jim Garner. (See Attachment #1) Representative Garner reported to the Committee that this legislation provides needed regulation regarding the new Caller ID services being offered in our state and is mirrored after a California statute. In our area the Kansas Corporation Commission would have regulatory oversight and enforcement powers.

Caller identification has been offered since 1987, and in this past year these services have been offered and aggressively marketed by the industry in Kansas. He said that to address the concerns of individual right to "informational privacy," the State of Kansas should provide a modest level of protection to informational privacy as set out in **HB 3039**, and will alleviate concerns of those who do not wish to have their phone numbers identified.

Although Representative Garner recognizes there are chances of misuse with this system, there are numerous benefits to caller identification, such as eliminating threatening or harassing phone calls.

Rob Hodges. (See Attachment #2) As a representative for the Kansas Telecommunications Association, Mr. Hodges said the Association is opposed to this bill because it could be interpreted as mandating "per line" blocking of what is commonly known as caller ID. He recommends replacing the words "an individual" with the words "a per call," thereby basically codifying current practice within the industry (as ordered by KCC). Without this clarification, Mr. Hodges said the bill could be interpreted as requiring per line blocking. Per line blocking would decrease the market for caller ID services and require installation of additional memory capacity in most telephone central offices.

Before the value of this service can be determined statewide, the Association asks that the Legislature not take action to restrict the market.

Mike Reeht. (See Attachment #3) Mr. Reeht reported that AT&T opposes **HB 3039** in its current form, recommending two (necessary) amendments. He said they support the amendment to specify "per call" blocking, and in addition they would request consideration to add an amendment to Page 1, line 40, Section 1 (d) (4), inserting "700" following the word "any."

Karen Matson-Flaming. (See Attachment #4) Espousing a neutral position on this legislation, Ms. Flaming appeared to report to the Committee the status of the Commission's actions on this issue.

Currently Caller ID is tarified and available for Southwestern Bell in Lawrence, Wichita, Topeka and Kansas City. (There are two other small independent telephone companies preparing to offer Caller ID.)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES, Room 526-S Statehouse, at 3:30 p.m. on February 22, 1994.

The Kansas Attorney General has issued an opinion (No. 92-80) that Caller ID is not in violation of Kansas laws. Per line blocking provides that function automatically for all calls from a given line or phone number. She said **HB 3039** is unclear on what is intended by blocking on "an individual basis." It will make a pronounced difference whether the blocking is on an individual call basis vs an individual line basis.

The KCC incorporated several requests from the Citizens Utility Rate Payers Board in approving the service. Modifications include per line blocking at no charge for domestic violence agencies, their employees and volunteers of the agencies, including the residence lines of employees and volunteers. Additionally per line blocking is available to federal, state and local law enforcement agencies at no charge. (Per line blocking is not generally available to other subscribers.)

Any telephone company proposing to offer the service is required to give notice to the specific area prior to implementing the service, to inform customers their number will be displayed. Also the company is to provide directions as to how to block delivery of their number, if the caller desires. This information also appears in the local directories for the involved areas.

Chairperson Holmes recognized guest, Mr. Jim Robinson, Chairperson, Kansas Corporation Commission, welcoming him to the Committee meeting.

Hearing on HB 2587:

Donald P. Schnacke. (See Attachments #5 and #6) Mr. Schnacke referred to a packet of materials he handed out to the Committee that was a result of a special oil and gas industry presentation in a special noon meeting last week. He referred to a paper within the packet entitled "Legislative and Administrative Remedies," listing initiatives the Committee can undertake to help alleviate the economic plight of Kansas oil producers.

He said KIOGA considers **HB 2587** to be unnecessary and is a very restrictive burden to the Kansas oil operators and does not recommend its passage. He said the KCC is constantly reviewing the rules and regulations as set out in the statutes. The Oil and Gas Advisory Committee meets on a quarterly basis and procedures are discussed and recommendations are made to the KCC for changes to the statutes and the rules and regulations. He referred to a copy of KAR 82-3-401 in his attachments, wherein the Commission requires an area review to assure that fluids will go into the zone to which it is intended. The intent of this statute is to insure that the well is properly constructed and that no injection fluids will come in contact with fresh or usable water aquifers.

Mr. Schnacke stated that the five-mile requirement proposed in this legislation is too restrictive (and unnecessary), and there is no justification for it, since there is no end to determining the source of water for cities. Other areas of concern to KIOGA are:

- On Page 2, line 6, referencing reservoirs and watercourses, the language is too broad and would stop their industry from operating.
- Section 2 has no provision for obtaining the approval of the governing board of the municipality
- Section 2(b) would prevent acidizing of a well, hydraulic fracturing of a well and establishing secondary and tertiary recovery operations.

Mr. Schnacke concluded by urging the Committee to report this bill adversely.

William R. Bryson. (See Attachment #7) Mr. Bryson appeared before the Committee today to provide information on the Kansas Underground Injection Control (UIC) Program administered by the Conservation Division under the Federal Safe Drinking Water Act (SDWA). The UIC program for oil and gas-related injection well is administered by KCC under primacy agreement with the USEPA, and is outlined in KAR 82-3-401. (Mr. Bryson included in his handout a design of an injection well completion and fact sheet on the UIC program.)

When Kansas assumed program primacy in 1984, it was agreed to carry out the federal mandate and it has been done. The Kansas Class II program was peer reviewed by the Underground Injection Practices Council in 1990 at which time a very good rating was given on the groundwater protection aspects. The current process for the filing an injection well is to publish notice of the application one or more times in the official county newspaper. Any municipality could have information up front on the intention to file. The review of an application involves a great deal of technical staff time and if municipalities became part of the approval process they would have to depend upon some level of expertise (to determine if the injection proposal is sound). The KCC staff would still have to do their own review.

Mr. Bryson said the Commission had a difficult time trying to determine what **HB 2587** intended to cover under Section 2(b). KCC has a regulatory process whereby drilling mud from a reserve pit can be disposed down the annulus of a producing well on a one-time basis - if the surface pipe is cemented through all fresh and usable groundwater. KCC also has a few dually completed (producer-injection) wells. They couldn't derive any interpretation to cover other situations from the wording of Section g(b).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES, Room 526-S Statehouse, at 3:30 p.m. on February 22, 1994.

Also of concern is that a standard five-mile radius around a municipal supply intake or well would be either downgradient or downstream from the municipal supply and represents a geometric approach to a hydrogeologic problem. With their technical regulations and staff review process, KCC believes all groundwater should be protected for current and future use. Mr. Bryson apprised the Committee of the detailed procedures used by the Commission in approving new injection well applications.

He said the KCC can visualize conflicts between the prevention of waste and the protection of water resources which can be avoided by using the KCC hearing process. Also there is a potential conflict between landowner, royalty owner and a municipality which turns down an application. In addition, waste of hydrocarbon resources include an imposed prohibition against being able to recover oil by water-flooding.

Action on HB 3007:

Representative McClure moved to adopt balloon (See Attachment #8) to amend on Page 1, lines 14, 15 and 16, ~~computer paper and mixed paper, other than newsprint~~, in all offices in the state capitol building “,those types of paper for which there is a market and in doing so, the secretary shall provide “~~in each office a container~~ and cause to be placed throughout the building” for deposit of such paper for recycling. Representative Alldritt seconded.

Representative McClure withdrew her original motion and moved that a section of her original amended language be changed to read “and cause to be placed throughout the building containers” for deposit of such paper for recycling. Representative Alldritt seconded.

Representative Gatlin made a substitute motion to report **HB 3007** adversely. Representative Powers seconded. Motion carried.

Action on HB 3008:

Representative Powers moved to report **HB 3008** adversely. Representative Mills seconded. Motion carried.

Upon completion of its business, the meeting adjourned at 5:00 p.m.

The next meeting is scheduled for February 23, 1994.



Date: 2/22/94

[illegible]

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 LAW AND JUSTICE COMMITTEE

TESTIMONY IN SUPPORT OF
 HOUSE BILL 3039

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the committee and to testify in support of HB 3039. HB 3039 provides some needed regulation regarding the new "Caller ID" services being offered in our state. HB 3039 is mirrored after a California statute dealing with caller identification services in the telephone industry. The bill would simply require that any telecommunication company offering caller identification services to allow callers, who so requests, to block disclosure of the display of their telephone number on a caller identification device. The Kansas Corporation Commission would have regulatory oversight and enforcement powers in this area.

Since at least 1987, telephone companies have been starting to offer the caller identification service. This service displays the telephone number of the calling party each time the phone rings. During the past year, the caller identification services have been offered and aggressively marketed by the industry in Kansas.

This new achievement in telecommunications has not been welcomed without controversy. The service raises serious concerns over an individual's right to "informational privacy," particularly a person's right to control who has access to his or her telephone number.

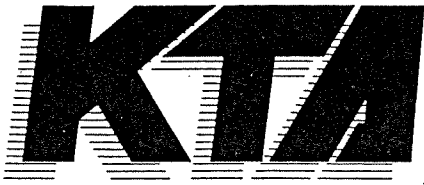
The State of Kansas should provide this modest level of protection to informational privacy as set out in HB 3039. This will alleviate concerns of those Kansans who do not wish to have their phone numbers identified by such devices.

*Energy's Natural Resources
 Attachment #1
 2/22/94*

Undoubtedly, there are numerous benefits to caller identification services, such as eliminating threatening or harassing phone calls. However, like many technological advances, it is subject to misuse. And, there currently available other effective ways of dealing with annoying or obscene phone calls, such as "call-trace," "call-reject," or "call-return."

My main concern is that by combining Caller ID technology with other available technology (Caller ID - Plus), it allows telemarketing companies to collect information about people who call them in response to advertisements. These companies can learn a person's identity, match it with other information and use it for enhanced marketing, or to sell the information to other companies in telemarketing without the caller's knowledge or consent.

Again, thank you for this opportunity to appear in support of HB 3039. I would be glad to stand for any questions.



Legislative Testimony

Kansas Telecommunications Association, 700 S.W. Jackson St., Suite 704, Topeka, KS 66603-3731

Testimony before the House Committee on Energy & Natural Resources

HB 3039

February 22, 1994

Mr. Chairman, members of the committee, I am Rob Hodges, President of the Kansas Telecommunications Association. Our membership is made up of telephone companies, long distance companies, and firms and individuals who provide service to and support for the telecommunications industry in Kansas.

The KTA is opposed to passage of HB 3039, because the bill could be interpreted as mandating the offering of "per line" blocking of what is commonly known as caller ID.

The bill speaks to a caller being allowed "to withhold display of the caller's telephone number, on an individual basis." If the bill were clarified in line 17 by replacing the words "an individual" with the words "a per call", KTA members would have no problem with HB 3039. The bill would then basically codify current practice in our industry, as ordered by the KCC.

Without that word of clarification, the bill could be interpreted as requiring per line blocking. KTA members are opposed to such a requirement. Caller ID is a new service, recently introduced in parts of Kansas. Per line blocking would decrease the market for caller ID services and require installation of additional memory capacity in most telephone central offices which would dramatically increase the cost of compliance with HB 3039.

As new technology brings new telecommunications products to the marketplace, the Kansas telecommunications industry will offer those services as quickly as possible. We ask that the legislature not take action to restrict the market for a service before its value can be determined statewide.

Thank you, Mr. Chairman, for the opportunity to appear and tell you of our concerns about HB 3039 and to ask for its clarification.

*Energy & Natural Resources
Committee #2
2/22/94*



Mike Reecht
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TESTIMONY ON BEHALF OF AT&T
BEFORE THE HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE
MIKE REECHT
HOUSE BILL 3039
FEBRUARY 22, 1994

Mr. Chairman and members of the Committee:

My name is Mike Reecht. I am Director-State Government Affairs for AT&T in Kansas. I offer the following testimony on HB3039.

AT&T opposes House Bill 3039 in its current form without two necessary amendments. Rob Hodges of the Kansas Telecommunications Association proposed an amendment that would structure the legislation to codify the law relative to the current regulations. The Kansas Corporation Commission has implemented regulations regarding Caller ID service, after a one year trial in Lawrence. As a part of its regulation, the staff recommended per call blocking. I support the amendment specifying "per call" blocking in this legislation.

In addition to that amendment, AT&T would request consideration of a second amendment that would add "700" services to the exemptions listed in Section (d) of the bill. Specifically, Page 1 at line 40, in Section 1(d)(4), insert "700", following the word "any". It is our understanding that 700 service may, in the future, provide functions related to Information Services, similar to 800 services.

I would be glad to answer any questions that the Committee might have.

*Energy & Natural Resources
Attachment #3
2/22/94*

BEFORE THE HOUSE
ENERGY AND NATURAL RESOURCES COMMITTEE

PRESENTATION OF THE
KANSAS CORPORATION COMMISSION ON

HB 3039 - Caller Id

The Kansas Corporation Commission is neither supporting or opposing this bill. Caller Id has been an issue before the Commission, and we wanted to provide you a status report so that you will know what action the Commission has taken on this matter.

Caller Id has been available in limited areas of Kansas since December 21, 1992. Today, Caller Id is tariffed and available for Southwestern Bell in Lawrence, Wichita, Topeka, and Kansas City. I am aware of two other small independent telephone companies that are preparing to offer Caller Id in their service territories.

Caller Id has always carried with it concerns regarding a caller's privacy and right to not have the calling telephone number identified by the called party. In Kansas, the Attorney General has issued an opinion (Opinion No. 92-80 on June 22, 1992) that Caller Id is not in violation of Kansas laws. The major privacy issue surrounding Caller Id thus was whether to require the ability to block the calling telephone number from the called party on a "per call" or "per line" basis. The per call blocking requires customers to enter the blocking code (*67) prior to dialing each telephone number if they wish to prevent their number from being displayed. Per line blocking provides that function automatically for all calls from a given line or telephone number. The majority of states with approved Caller Id services allow the service to be implemented with per call blocking rather than per line blocking. This bill is unclear on what is intended by blocking on "an individual basis." Obviously, it will make a pronounced difference whether the blocking is on an individual call basis versus an individual line basis.

In preparing its recommendation for the Commission, the Commission staff met with CURB (Citizens Utility Rate Payers Board), representatives from Kansas domestic violence agencies and local law enforcement

*Energy! Natural Resources
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agencies, during its investigation. We incorporated several of these organizations' requests and recommended the Commission approve the service with certain modifications. The modifications included per line blocking at no charge for domestic violence agencies, their employees and volunteers of the agencies, including the residence lines of employees and volunteers. Additionally per line blocking is available to federal, state, and local law enforcement agencies, also at no charge. Per line blocking is not generally available to other subscribers.

Any telephone company proposing to offer the service is required to give notice to the specific area prior to implementing the service, to inform customers that their number will be displayed and to provide directions as how to block delivery of their number if the caller desires. After implementation, this information also appears in the local directories for the involved areas.

I will be happy to answer any questions you may have, and I thank you for this opportunity to provide you information.



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HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

FEBRUARY 22, 1994

RE: HB 2587 - LOCATION OF WELLS

*Statement of Donald P. Schnacke
Executive Vice President, KIOGA*

For those you on the Committee who were unable to attend the special 1 1/2 hour oil and gas industry presentation last Tuesday which was sponsored by Senator Moran and Senator Papay, we have put together the charts, graphs and handouts that were made available. At that meeting there were a number of presentations which gave a current report on the dismal condition of the Kansas oil industry. One of the papers included in the packet of materials gets into the details of the economic impact of active and producing wells and what these wells mean to the well-being of the Kansas economy.

Obviously, this Committee cannot remedy the problems brought on by a national energy policy that encourages the importation of cheap foreign crude oil; nor can you fix the posted price of oil so our industry can keep going--not shut-in production--loss of jobs and loss of the tax base that flows to the producing counties and the State of Kansas.

However, in this packet of materials, there is a paper entitled "**Legislative and Administrative Remedies**" which lists several initiatives your Committee and the Kansas legislature can undertake to help alleviate the economic plight of Kansas oil producers. It is under the heading of controlling state administrative costs arising from punitive and/or unnecessary legislation. We consider this bill being heard today, HB 2587, as an unnecessary and very restrictive burden to Kansas oil operators and we do not recommend that this legislation be passed.

Chapter 55 of the Kansas Statutes contains 72 pages of state law that was initiated in 1899, 94 years ago, and was the beginning of State of Kansas regulation of the state oil and gas industry. The protection of water, provision for the installation of casing, and the plugging of wells were implemented in 1935, 58 years ago. KSA 1993 Supp. 55-150 is that section of the law for protection of surface and ground water.

*Energy & Natural Resources
Attachment #5
2/22/94*

**HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES
FEBRUARY 22, 1994
RE: HB 2587 - LOCATION OF WELLS**

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The State Corporation Commission has initiated rules and regulations to implement KSA Chapter 55 and starts with KAR 82-2-100 through 35 pages of rules, ending with KAR 82-3-603. The KCC is constantly reviewing these rules and regulations.

There is legislative authorization for the KCC Oil and Gas Advisory Committee composed of representatives of the KDH&E, KGS, the Kansas Water Office, the Water Office, Department of Agriculture, etc. The Oil and Gas Advisory Committee meets on a quarterly basis and procedures are discussed and recommendations are made to the KCC for changes to the statutes and the rules and regulations. The proper forum for discussing the subject matter contained in HB 2587 is within the Oil and Gas Advisory Committee.

As to the subject matter related to HB 2587, the KCC has a lengthy rule on the subject of injection and disposal wells under KAR 82-3-401, a copy of which is attached. Look at Sub Section (C)(5) where the Commission requires an area review to assure that fluids will indeed go into the zone that is intended. If you will review the procedure being followed, the intent of KAR 82-3-401 is to insure that the well is properly constructed and that no injection fluids will come in contact with fresh or usable water aquifers.

The Committee will recall that it had the Allen Drilling Company issue brought to it with a similar concern. The City of Hays thought their water might be contaminated even though there were other similar wells nearby. This Committee rejected restrictive legislation similar to what is proposed in HB 2587. That matter was resolved under Commission jurisdiction which insured that the wells were properly installed under the rules with no contamination being reported.

The five mile requirement proposed in HB 2587 is far too restrictive and unnecessary. There is no technical justification for it. There is no end to determining the source of water for cities.

We believe it should also be noted that a licensed operator is required to give notice in the same legal publication a municipal water district would use to give public notice of its activity. The municipal water district can request a public hearing before the KCC to present its case if it believes the well threatens its system.

Further, on page 2, line 6, where the reference is to reservoirs and watercourses, the language is too broad and would simply stop our industry from operating.

New Section 2 is fraught with problems. There is no provision for obtaining the approval of the governing board of a municipality and the governing board of the municipality has not standard by which to grant or deny any such approval. Likewise, there is no timetable given for the approval procedure.

HOUSE COMMITTEE ON ENERGY AND NATURAL RESOURCES

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RE: HB 2587 - LOCATION OF WELLS

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New Section 2(b) would literally stop our industry in its tracks. This would prevent acidizing of a well, hydraulic fracturing of a well and establishing secondary and tertiary recovery operations.

We consider this bill unnecessary regulation over something that is presently provided for by statute and rules and regulations and should not be passed. We urge the Committee not to vote for this bill.

Donald P. Schnacke

DPS:pp

Attachment

55-901, 55-1003; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended May 1, 1986; amended, T-87-46, Dec. 19, 1986; amended May 1, 1987; amended May 1, 1988.)

82-3-401. Injection or disposal well; application, content, notice, objection, hearing and approval. (a) Fluid shall not be injected into a well for enhanced recovery or disposal purposes until approved by the commission, following the required application and notice procedures. An exception to this requirement may be granted by the commission for good cause.

(b) Each application shall be verified and filed with the commission and shall show:

(1) The name, location, surface elevation, total depth, and plug back depth of each injection or disposal well;

(2) the location of all oil and gas wells, including abandoned wells, drilling wells and dry holes within a ½ mile radius of the injection or disposal well;

(3) the name and address of each operator of a producing or drilling well within a ½ mile radius of the injection or disposal well;

(4) the name, description, and depth of each injection interval. The application shall indicate whether the interval is through any perforations, an open-hole, or both;

(5) the depths of the tops and bottoms of all casing and cement used or to be used in the injection or disposal well;

(6) a plat, showing all producing wells within a ½ mile radius and indicating producing formations and the subsea top of the producing formations;

(7) the size of the casing and tubing and the depth of the tubing packer;

(8) any information that is available in the log of the injection or disposal well, including an elevation reference;

(9) a description of the fluid to be injected, the source of injected fluid, and the estimated maximum and average daily rate of injection in barrels per day;

(10) the names and addresses of the operators shown in paragraph (b)(3) above who were notified of the application, and evidence that the notice was given;

(11) information showing that injection or

disposal into the proposed zone will be contained within the zone and will not initiate fractures through the overlying strata which could enable the fluid or formation fluid to enter fresh and usable water strata. Fracture gradients shall be computed and furnished to the commission by the applicant, if requested by the commission;

(12) the applicant's license number; and
(13) any other information that the commission requires.

(c) (1) Approval of the design of any proposed well may be obtained prior to actual construction of the well. Each applicant desiring design approval shall place the words "design approval" at the top of the application for enhanced recovery or disposal operations. The design approval application shall be subject to the requirements set forth in subsections (b), (g) and (j) of this regulation.

(2) Each applicant shall be notified by the commission of its approval of the well design provided:

(A) All requirements set forth in subsections (b), (g) and (j) of this regulation have been met;

(B) the design of the proposed well will protect fresh and usable water; and

(C) no objections or complaints have been filed pursuant to subsection (h) of this regulation.

(3) Upon completion of each well construction, a copy of the well completion report, on the form prescribed and furnished by the commission, shall be submitted to the commission. The application for the injection of fluid into the proposed well for enhanced recovery or disposal purposes shall be approved, if there are no significant differences between actual construction and the approved designed construction of the proposed well and the mechanical integrity of the well has been tested pursuant to K.A.R. 82-3-405.

(d) When issuing an order approving injection or disposal, the following factors shall be considered by the commission:

(1) Maximum injection or disposal rate;

(2) maximum surface pressure;

(3) the type of injection or disposal fluid and the rock characteristics of the injection or disposal zone and the overlying strata;

(4) the adequacy and thickness of the confining zone or zones between the injection interval and the base of the lowest fresh or usable water; and

(5) the construction of all oil and gas wells within a ¼ mile radius of the proposed injection or disposal well, including all abandoned, plugged, producing, and other injection or disposal wells, to ensure that fluids introduced into the proposed injection or disposal wells, to ensure that fluids introduced into the proposed injection or disposal zone will be confined to that zone.

(e) Applications may be filed for more than one injection or disposal well on the same lease or on more than one lease. The applicant shall provide the requested information for each well included in the application.

(f) Each application shall be executed by the operator of the proposed injection plan or disposal well.

(g) Each applicant shall give notice of the application by mailing or delivering a copy of the application to the landowner on whose land the well is located, to each operator of a producing or drilling well and to each unleased mineral owner within a ½ mile radius of the proposed injection or disposal well. Notice shall be mailed or delivered on or before the date the application is filed with the commission. Notice of the application shall be published in at least one issue of the official county newspaper of each county in which the lands involved are located.

(h) Objections or complaints shall be filed within 15 days after the notice is published. The complaint or objection shall state the reasons why the proposed plan, as contained in the application, may cause damage to oil, gas, or fresh and usable water resources.

(i) If the application is for disposal into a formation producing within a ½ mile radius of the applicant's well, the disposal zone shall be below the oil-water contact or 50 feet below the base of the producing zone. For the purposes of this subsection, "disposal zone" means that stratigraphic interval which contains little or no commercially

productive hydrocarbons and which is salt-water bearing; "producing zone" means that stratigraphic interval which contains, or appears to contain, a common accumulation of commercially productive hydrocarbons.

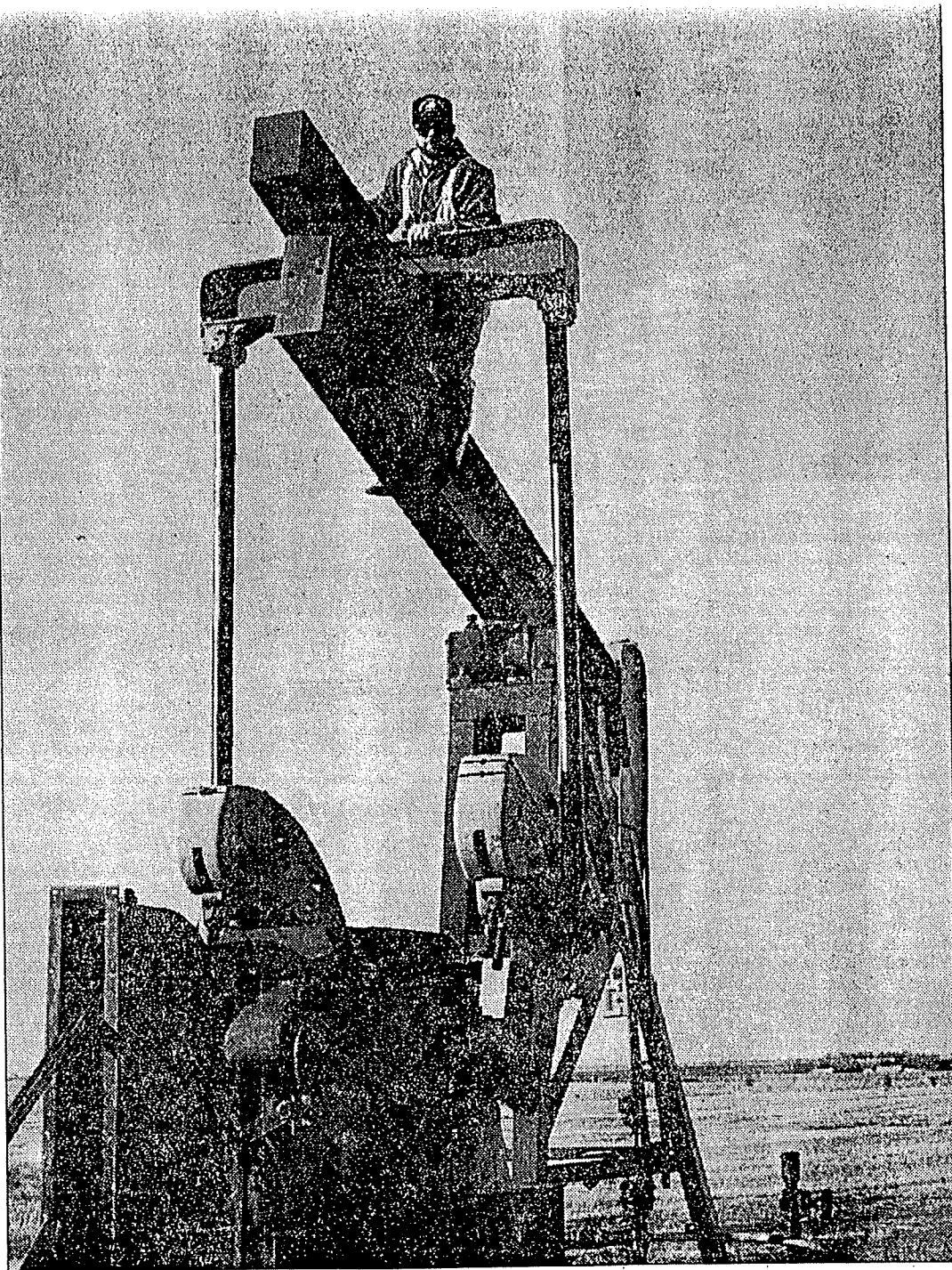
(j) If any objection or complaint is filed, or if the commission, on its own motion, deems that there should be a hearing on the application, a hearing shall be held. The applicant shall provide notice of the hearing not less than 15 days prior to the hearing date. The notice shall be provided to the landowner on whose land the well is located, to each operator of a producing or drilling well and to each unleased mineral owner within a ½ mile radius of the proposed injection or disposal well. Notice shall also be provided pursuant to K.A.R. 82-3-135. (Authorized by K.S.A. 1986 Supp. 55-901, 55-152; implementing K.S.A. 1986 Supp. 55-605, 55-706, 55-152, 55-1003; effective T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended, T-85-51, Dec. 19, 1984; amended May 1, 1985; amended May 1, 1986; amended, T-87-46, Dec. 19, 1986; amended May 1, 1987; amended May 1, 1988.)

82-3-402. Casing and cement. Injection and disposal wells shall be cased and the casing cemented in such a manner that damage will not be caused to hydrocarbon sources or fresh and usable water sources. Surface casing shall be set and cemented as follows: (a) Existing wells to be converted to injection or disposal use that do not have adequate surface pipe shall be cemented between the bore hole and the casing by circulating cement to the surface from a point at least 50 feet below the base of the lowest known fresh and usable water. If cement fails to circulate to the surface, staged squeezes shall be required at upward intervals of 50 feet until circulation occurs.

(b) At the discretion of the commission, an alternate process may be performed between the casing and the bore hole at a point at least 50 feet below the base of the fresh and usable water to insure the protection of fresh and usable water sources. Cement bond logs or temperature surveys de-

The people who still earn their living in the Kansas oil patch survived the last downturn. But this one was sudden and unexpected. And no one knows how long it will last. "It's spooky, is all I've got to say."

Curtis Hitchmann



Guy Boulton/The Wichita Eagle

Curtis Hitchmann hasn't been hurt too badly by the downturn; but his brother has, and Hitchmann figures his time's coming: "I guess that in 30 days I could be in as bad a shape as my brother."

A MARGIN SO THIN

Energy: Natural Resources
(over) attachment 6

2/22/94

By Guy Boulton
The Wichita Eagle

GREAT BEND — Driving his pickup along the wheatfields and pastures of Barton County, Curtis Hitchmann points to two oil wells, then five more, then another two, all of them in less than a mile, all of them shut down since oil prices collapsed in late November.

"And this is just what you see off the blacktop," Hitchmann says.

The motionless pumps are a daily reminder that his livelihood, the job he's had for 14 years, is threatened.

Hitchmann, a contract pumper, earns his living maintaining 28 of the thousands of wells that mark the landscape of central Kansas.

The wells are the vestige of once prolific fields. Wells that once produced hundreds of barrels a day now produce only a few barrels a day. Many of them are unprofitable.

So far, Hitchmann has lost only two wells. But he knows that could change any day.

Prices for the highest quality of crude oil produced in Kansas fell from an average of \$17 a barrel in June to an average of \$12.54 a barrel in December. Lately, prices have hovered around \$13 a barrel. And thousands of wells in Kansas are losing money.

Approximately 35,000 of Kansas' 46,000 oil wells produce fewer than five barrels a day. No other oil-producing state could be hurt worse by the recent collapse in prices.

Thousands of wells throughout the state have probably been shut down since December. The exact number is unknown and the evidence is anecdotal. More than half the wells maintained by Hitchmann's brother, for instance, have been temporarily shut down.

"I guess that in 30 days," Hitchmann says, "I could be in as bad a shape as my brother."

About 7,200 people work in the state's oil fields, according to the Kansas Independent Oil & Gas Association. The jobs are scattered among hundreds of small companies — from geologists in Wichita to oil field workers such as Hitchmann.

The price collapse is already being felt. Companies have started laying off workers. But the layoffs come in ones and twos, and have none of the drama of a large layoff by one company.

The impact, though, could be as severe.

"As time goes on, more and more wells will be shut in," says J.O. Farmer III, president of J.O. Farmer Inc. in Russell.

Oil companies can temporarily shut-in a well — basically turn off the pump — for up to 90 days. They then must get approval from state regulators to keep the well shut in for one year. They also generally must get approval from the owner of the mineral rights. Shutting in a well is one step short of plugging and permanently abandoning a well.

Farmer estimates that 30 percent of the company's 230 wells in Kansas and other states are unprofitable. The company has shut in about 15 wells since December, and it laid off two of its 19 employees at the first of the year.

J.O. Farmer is not alone. "In December, it was like flipping off a light switch. Our business was gone," says Bob Harris, district manager for Service Fracturing Co.

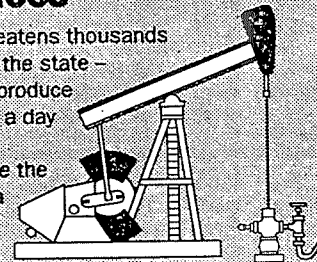
The company uses acid or high-pressure water to "fracture" the rock in an oil-bearing formation, thereby increasing the flow of oil to the well.

Serfco laid off two of its six employees in Great Bend after the holidays.

"If something doesn't happen pretty soon, I'm afraid it is going to be the straw that broke the camel's

Pumping at a loss

The collapse in oil prices threatens thousands of marginal wells throughout the state — particularly those wells that produce less than three barrels of oil a day or those that produce large quantities of water. Below are the revenues and expenses for a well in Ness County that produces 2.7 barrels of oil and about 21 barrels of water a day. Costs will vary throughout the state and from well to well, but these figures are representative of a marginal well in Kansas.



Per-barrel revenue

Oil price	\$12.50
Deduction for "western" Kansas crude	-.25
Deduction for low gravity (33.6 degrees)	-.96
12.5 percent royalty	-1.41
5.47 percent override for geologist	-.62

Total \$9.26

Monthly Revenues

(2.7 barrels a day at \$9.26 a barrel) \$760.06

Monthly Expenses

Pumper wages and car allowance	\$152.50
Electricity	135.55
Well servicing	160.03
Supplies and repairs	110.37
Chemicals	79.57
Salt water disposal	30.08
Administration/miscellaneous	386.73
Taxes	44.15 (a)

Total -\$1,098.98

Monthly loss (\$348.92)

(a) Based on 1993 property taxes of \$529.77

Source: Pickrell Drilling Co.

OIL

From Page 1F

back," Harris said over morning coffee at the Black Angus restaurant in Great Bend.

The unknown is how long oil prices will stay down.

Most analysts expect them to strengthen by the second half of this year. Supply and demand are more or less in balance, and even a slight increase in demand would boost prices.

"Anytime now, you could see a one or two dollar upward adjustment," says John Parry, a senior research associate at John S. Herold Inc., an oil research company in Greenwich, Conn.

This is the consensus.

John Spears, president of Spears & Associates, an energy forecasting company in Tulsa, expects oil prices to increase \$3 a barrel by the end of the year.

But he also warns that almost 10 percent of the wells in the United States — about 50,000 wells — could be shut in if prices do not increase.

Kansas and Oklahoma would account for a disproportionate number of those wells.

"These wells in Kansas and Oklahoma," Spears says, "are among the most marginal in the world."

Each well's break-even point varies. Some produce large quantities of water, which increases pumping costs. Others produce low-gravity oil, which may sell for \$2 a barrel less than the highest-quality crude oil. Costs vary throughout the state.

Low prices, for instance, will particularly hurt eastern Kansas, where some shallow wells may produce only one-fourth barrel a day.

"When you cross 10 miles east of

Eureka, it's a different world," says Dick Pearce, president of Rexoco in El Dorado. "It's tough on them. Really tough on them now. But it's tough on everyone right now."

He estimates that 30 percent of Rexoco's wells are unprofitable. The company has shut in 25 of its 178 wells and, since the holidays, it has laid off two of its 16 employees.

No part of the state may be more vulnerable, however, than central Kansas, where most wells produce large quantities of water and have high pumping costs.

One of the wells that Hitchmann maintains produces 3.34 barrels of oil a day and 190 barrels of water — roughly 57 barrels of water for every barrel of oil.

"I'm sure they're losing money on this well," Hitchmann says.

His best well produces 13 barrels of oil a day; it also produces more than 200 barrels of water.

Yet Ellis, Russell, Rooks and Barton counties remain the four largest oil producers in the state. Most of their oil production comes from marginal wells — the very ones most susceptible to a sustained drop in oil prices.

These counties sit on or border an underground geological formation — the Central Kansas Uplift, or "the arch" — that has produced many of the state's largest oil fields.

The fields have surprisingly long lives; many were discovered more than 60 years ago.

Hitchmann maintains a well that produced 600 barrels of oil a day when discovered in 1939. Fifty-five years later, its pumping jack still draws 3.4 barrels a day out of the porous rock 3,000 feet below.

Hitchmann, 35, a soft-spoken man with a trim beard, drives 150 miles a day as he makes his way from well to well. He wears a pair of oil-stained coveralls and works quickly and efficiently.

At each tank battery, he drops a weighted tape measure into the oil tanks and then swiftly circles each tank to check for leaks. At each well, he greases the pumping units and does other routine maintenance.

He can often detect a problem simply by the sound of the pumping unit. He likens it to the way a rancher knows his cattle. At one well, a squeaking sound is audible among the put-put of the engine.

"If oil was \$18 a barrel," he says, "I'd replace those belts."

Hitchmann, the father of three children, ages 10 to 15, enjoys working alone and at his own pace. But he also works seven days a week, the year round, to earn a modest living.

Most contract pumpers charge about \$150 a month for each well and oversee 30 or so wells — grossing about \$54,000 a year. From this, they must pay for their truck, fuel, insurance and tools. They generally work more than 50 hours a week to clear about \$20,000 a year.

Hitchmann can count 15 other contract pumpers who work just in northern Barton County. There are probably more.

Well-servicing and supply companies — Bovaird Piping Resources, Oilfield Manufacturers Warehouse, Petroleum Electric Service, Bentley & Associates, Chase Well Service, Serfco, Gressel Oilfield Service — line Patton Road in Great Bend.

These companies were among the first to be hurt by the price collapse.

"Business has got to pick up to be slow," says Donald Bentley of Bentley & Associates, a manufacturers representative.

He sits at the counter at the Bovaird supply store, talking and drinking coffee with several other

men in the oil business. They joke and laugh. Their jokes have an undertone of worry and of uncertainty.

One person says that he recently came upon a cartoon from the early 1980s with the caption, "Stay Alive 'Til '85."

He crossed out "'85" and wrote "'95."

"The outlook is scary," says Frank Feist, manager of the Bovaird store in Great Bend.

Sales are down 60 percent to 70 percent since oil prices collapsed.

"I've been laid off twice, and it looks like it could happen again," says Feist, 48, as he sits in his small office.

Shortly before Christmas, he put in for a transfer to Siberia — literally. The Tulsa-based company plans to open a store there. He would spend 28 days in Siberia followed by 28 days in the United States.

He has little choice.

"I've been in this 25 years," he says wearily, "and this is all I know."

Companies such as Bovaird survived the oil bust that culminated in the price crash of 1986. It was the death knell for the speculative excesses of the oil boom. And the Kansas oil industry is less than half the size it was 10 years ago.

Yet it remains an important part of the Kansas economy. Oil still accounts for 10.7 percent of the tax base in Barton County. And the state last year produced more than \$800 million worth of oil.

The typical marginal well costs \$13,000 a year to operate — generating jobs for contract pumpers and revenues for well-servicing companies, suppliers and utilities, says Mike Vess of Vess Oil Corp.

"All these marginal wells are individual consumers," he says.

In this sense, the loss of 10,000 wells could have the same economic impact as the loss of 5,000 jobs pay-

ing \$26,000 a year.

"We are trying to get out the word on what this industry means to the state," says Danny Biggs, president of KIOGA and general superintendent of Pickrell Oil Co.

More wells would have been shut down by now were it not for potential corrosion and mechanical problems caused by temporarily shutting them in. Most oil companies prefer to operate a well at a loss for a few months than to chance repairs costing hundreds, even thousands, of dollars.

When wells need work, though, the companies will simply shut in the well.

The downturn may be less harsh for other parts of the state.

Prices for natural gas are the highest they've been in years. And some companies are focusing their exploration on the state's southern counties, where gas is more plentiful.

Companies are actively exploring the deeper geological zones in southwest Kansas. It is one of the state's most lucrative oil plays. And many of the wells found in southwest Kansas, particularly those closer to Oklahoma, produce gas as well as oil.

Moreover, many companies — particularly those with new wells — have the financial resources to endure a sustained drop in prices.

Kevin McCoy, vice president of

McCoy Petroleum Co., said the company will be more selective about where it drills and may postpone some projects.

"I don't think the answer is to stop and wait," McCoy says. "I think it is important to continue to move forward. (But) the pace and priority change."

McCoy Petroleum has discovered dozens of new wells in southwest Kansas in recent years. Few companies have been as active. The vast majority of the state's oil companies have done little or no exploration in recent years and depend on older wells.

"If you've got marginal properties, it's devastating," McCoy says.

Those properties, and the jobs they support, depend on the vagaries of the world oil market.

Hitchmann's daily route takes him past five shut-in wells that his brother pumped. Contract pumpers, who are self-employed, do not qualify for unemployment insurance. And he's seen his brother's income cut in half.

"You can tell it works on him," Hitchmann says.

The people who still earn their living in the Kansas oil patch survived the last downturn. But this one was sudden and unexpected. And no one knows how long it will last.

"It's spooky, is all I've got to say," Hitchmann says. "A lot of people have the attitude that we made it through the last one. But this one could be here a while."

(Over)

Kansas oil industry trying to find niche in world market

By Guy Boulton
The Wichita Eagle

GREAT BEND — The Kansas oil industry is struggling to compete against other oil-producing regions that simply have a competitive advantage.

"We are trying to compete in a worldwide market now, and when you have low-productivity wells, it's very difficult," says J.O. Farmer, president of J.O. Farmer Inc. in Russell.

The prolific wells in Saudi Arabia, for instance, can produce oil at a cost of several dollars a barrel. By comparison, the Kansas Independent Oil & Gas Association estimates that Kansas oil costs an average of \$8.50 a barrel to produce.

For years, Kansas and other domestic oil producers have pushed for an import fee that would set a floor price for domestic oil — about \$18 a barrel.

What would benefit the Kansas oil industry, however, would raise costs for all consumers. And Congress has shown little interest in an import fee.

It's a bitter frustration. Kansas oil producers note the cost of the Persian Gulf War. And they note the emphasis on revitalizing Russia's oil industry.

"That's the only energy policy we have that I know of: Revitalize Russia's domestic oil industry while we let ours die," says Danny Biggs, president of KIOGA and general superintendent of Pickrell Drilling Co.

The country's small oil producers regularly note that the United States imports more than 50 percent of its oil. And they contend that a healthy domestic oil industry is essential to national security.

The warning has largely been ignored. And many question its validity.

The world oil market is more geo-



Guy Boulton/The Wichita Eagle

"That's the only energy policy we have that I know of: Revitalize Russia's domestic oil industry while we let ours die." — Danny Biggs, Kansas Independent Oil & Gas Association president

graphically diverse and more stable than it was 20 years ago, says Cheryl Trench, executive vice president of the Petroleum Industry Research Foundation, a research organization funded primarily by major oil companies.

The market "reacts very quickly to changes in supply and demand

and rebalances very quickly," Trench says. "And that rebalancing mechanism is tremendously important."

The recent price collapse, in fact, has been blamed on new wells in the North Sea — not on OPEC.

A shortage anywhere in the world, Trench adds, is now a short-

age everywhere.

"It will appear whether we import 55 percent, 50 percent or 45 percent," she says.

She adds: "Self-sufficiency is simply not available."

The United States is the most intensely explored country in the world. And the country's major oil companies now focus their exploration elsewhere.

This appears to be the prevailing wisdom. For certain, Washington has shown little interest in the domestic oil industry in recent years.

The Department of Energy's recent "Domestic Gas and Oil Initiative," as its title subtly indicates, largely ignored oil and instead emphasized natural gas.

What can be done to help the Kansas oil industry?

On Monday, Gov. Joan Finney and a new energy advisory committee will meet with U.S. Energy Secretary Hazel O'Leary. But some Kansas oil producers have given up on Washington and are instead focusing on Topeka.

The state could take a number of steps to help the oil industry, says Mike Vess of Vess Oil Corp. It could remove the sales tax on electricity to run oil pumps, lower insurance rates for workmen's compensation and remove some environmental regulations.

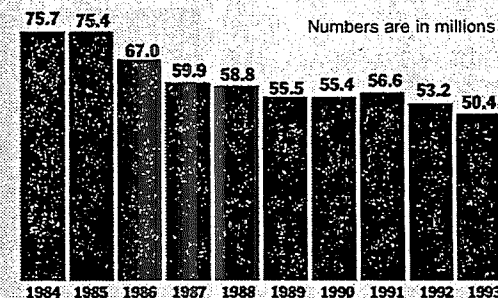
"Every piece helps," Vess says.

Do Kansas producers, many of whom depend on high-cost, marginal wells, face the same fate as other high-cost producers in a global economy? Is the slow death of the Kansas oil industry inevitable?

"They've been saying that for many years," says Farmer — adding, "We were supposed to be running out of oil in the 1950s."

Kansas oil production

Kansas oil production has fallen 33 percent since 1984. Last year, the state's estimated production was the lowest in 60 years and far below the peak production of 124.5 million barrels in 1956.



(a) Estimate by Kansas Geological Survey
Source: Department of Energy and Kansas Geological Survey

The Wichita Eagle

Biggs, too, can recall previous predictions that the Kansas oil industry was doomed. But he acknowledges that finding oil in Kansas was easier in the 1960s. "Your chances of finding a good well were a lot better," he says.

More than 300,000 wells have been drilled in the state and its large fields were discovered long ago. Oil production peaked in 1956 at 124.5 million barrels. Last year, the state produced an estimated 50.4 million barrels.

Still, Lee Gerhard, director of the Kansas Geological Survey, says Kansas still has plenty of prospects — and the decline of the industry is not inevitable.

"There are new targets to drill. There are new prospects. There are

horizons that haven't been adequately tested," he says.

Kansas, with its relatively low exploration costs, does have advantages over other states.

"You can't put a deal together cheaper anywhere else than in Kansas," says Raul Brito of Brito Oil Co. Kansas still holds promising areas for exploration, Brito says. But companies must focus on finding large prospects — wells that can initially produce 100 barrels a day instead of 25 barrels a day.

"The people who are drilling now are looking for the bigger stuff," he says.

He's given up on trying to predict oil prices.

"It all boils down to finding reserves."

VESS OIL CORPORATION

KANSAS ECONOMIC CRISIS: OIL

Kansas oil production has slumped to a 59 year low. In 1992 Kansas oil producers, through all drilling activity, discovered total new oil reserves equivalent to only 29 days of current daily Kansas production. Total 1992 Kansas oil production represented 16% of all Kansas proved reserves of December 31, 1992. While Washington D.C. finds the Kansas Oil and Gas Industry expendable and is content to allow it to dwindle to economic extinction it remains a vital segment of the Kansas economy.

Kansas is a marginal well state, home to over 35,000 marginal wells. While many of these wells make less than 3 BOPD their contribution to the Kansas economy is significant. The marginal wells cast no vote gaining little political consideration despite their sizeable economic presence across the State. Political apathy will be expensive for all Kansans. Each marginal well is a resident Kansas consumer expending almost \$13,000 annually on Kansas goods, services, labor and utilities. This represents over \$400,000,000 annually in Kansas consumption. It is estimated that it would take almost 30,000 new jobs in Kansas to offset the loss of the marginal well base:

Potential job loss equivalent - Marginal Wells

- Direct oilfield employment	4,500
- Estimated associated employment	4,500
- Marginal well employment equivalent	<u>20,800</u>

Job loss equivalent 29,800

The typical marginal well dollar expended goes approximately 40% to labor, 35% to utilities and 25% to goods and services.

Loss of the marginal well base will result in increased unemployment along with higher taxes, increased electric rates for all Kansans and a significant reduction in royalty income to the agricultural community. Low oil prices, punitive taxing policies, escalating insurance costs, expanding federal regulatory programs and high electric rates have contributed to the steady deterioration of the Kansas Oil and Gas Industry.

The following trends have been sending a clear message as to the condition of this industry:

Kansas Oil and Gas Industry
Trends at a Glance

	<u>1984</u>	<u>1987</u>	<u>1993 (E)</u>	<u>1984-1993 Trend</u>
Kansas Oil Production (In Thousands)	75,845	60,545	50,000	34% Decline
Net Kansas Oil Price Working Interest Owner \$/Bbl.	25.18	15.49	14.69	42% Decline
Oilfield Employment	16,700	9,800	7,200	57% Decline
Active Rotary Rigs	130	50	28	78% Decline
Kansas Wells Drilled	15,198	5,214	2,300	85% Decline

A concerted effort is necessary to slow down the rapidly growing deterioration. Kansas oilfield workers make less today than 8 years ago. Kansas oil and gas producers work on thinning margins operating properties close to the breakeven point. Recognition of the importance of this industry to the Kansas economy by the Governor's office and the Kansas Legislature should prompt urgent responses which include the following:

1. Repeal/exemption of 2.5% sales tax on power/fuel consumed in marginal well production.
 - Sales tax on power/fuel consumed cannot be passed through to consumers.
 - Oil and gas production of a finite resource differs from manufacturing or construction.
 - Currently power/fuel consumed to produce irrigation water is exempt.
2. Establishment of "Marginal Well Rate Class" for electric consumption.
 - Electric costs are generally the single largest factor in marginal well production costs. Electric rates in one area may differ as much as 30-40% between suppliers.

3. Continued cooperation between government/industry on analysis and implementation of federal mandated policies effecting the Kansas marginal well base.
4. Assistance in accelerating the review and analysis of procedures, methods and formulas used to determine Workmans Compensation rates on oil and gas producers. While many rate categories declined for other industries oil and gas production increased.

REFERENCE SOURCE DETAIL

In 1992 Kansas oil producers, through all drilling activity, discovered total new oil reserves equivalent to only 29 days of current daily Kansas production. Total 1992 Kansas oil production represented 16% of all Kansas proved reserves of December 31, 1992.

SOURCE: Energy Information Administration 1992 Annual Report

Kansas Oil and Gas Industry Trends

	<u>1984</u>	<u>1987</u>	<u>1993(E)</u>	1984-1993 <u>Trend</u>
Kansas Oil Production (In Thousands)	75,845	60,545	50,000	34% Decline

The last time Kansas annual production was less than 50,000,000 barrels was in 1934. This is a 59 year low.

SOURCE: 1984 - Present - Kansas Department of Revenue
1978 - 1984 - Energy Information Administration
1925 - 1977 - Bureau of Mines, Mineral Yearbook
Volumes I and II

	<u>1984</u>	<u>1987</u>	<u>1993(E)</u>	
Kansas Oil Price Working Interest Owner \$/Bbl. (.875 NRI)	25.18	15.49	14.69	42% Decline

SOURCE: Monthly postings taken from Koch Oil Company/NCRA price bulletins. Kansas Common - 40 gravity.

	<u>1984</u>	<u>1987</u>	<u>1993(E)</u>	
Oilfield Employment	16,700	9,800	7,200	57% Decline

SOURCE: Kansas Department of Human Resources Labor Market Survey.

	<u>1984</u>	<u>1987</u>	<u>1993 (E)</u>	
Kansas Wells Drilled	15,198	5,214	2,300	85% Decline

SOURCE: Kansas Corporation Commission

There are approximately 31,000 marginal lease certificates issued by the Kansas Department of Revenue. There are many more marginal wells which exceed the severance tax definition, but are economically marginal. A sample of 210 wells in 14 counties indicated average well expenditures of \$1060 per well per month. This converts to \$12,720 annual consumption per well. The typical dollar expended by a marginal well goes to the following:

Labor	- 40%
Utilities	- 35%
Goods/Service	- 25%

SOURCE: Vess Oil Corporation

CALCULATION DETAIL

Direct Oilfield Employment - Marginal Wells

31,000 Marginal Wells	= 62% of Active Well Base
50,000 Active Wells	
Total direct oilfield employment	7,200 (2)
Marginal well base employment (7,200 x .62)	<u>4,500</u>

Marginal Well Employment Equivalent

Annual Kansas consumption per average marginal well (excluding direct labor)	\$ 11,160 (3)
Annual disposable income per average Kansas job	\$ 16,700 (4)

$\frac{11,160}{16,700} = .67$ marginal well job equivalent ratio

Marginal well job equivalent 20,800
(.67 x 31,000)

ESTIMATED ANNUAL UTILITY CONSUMPTION

Average annual utility consumption per
marginal well 4,450 (3)

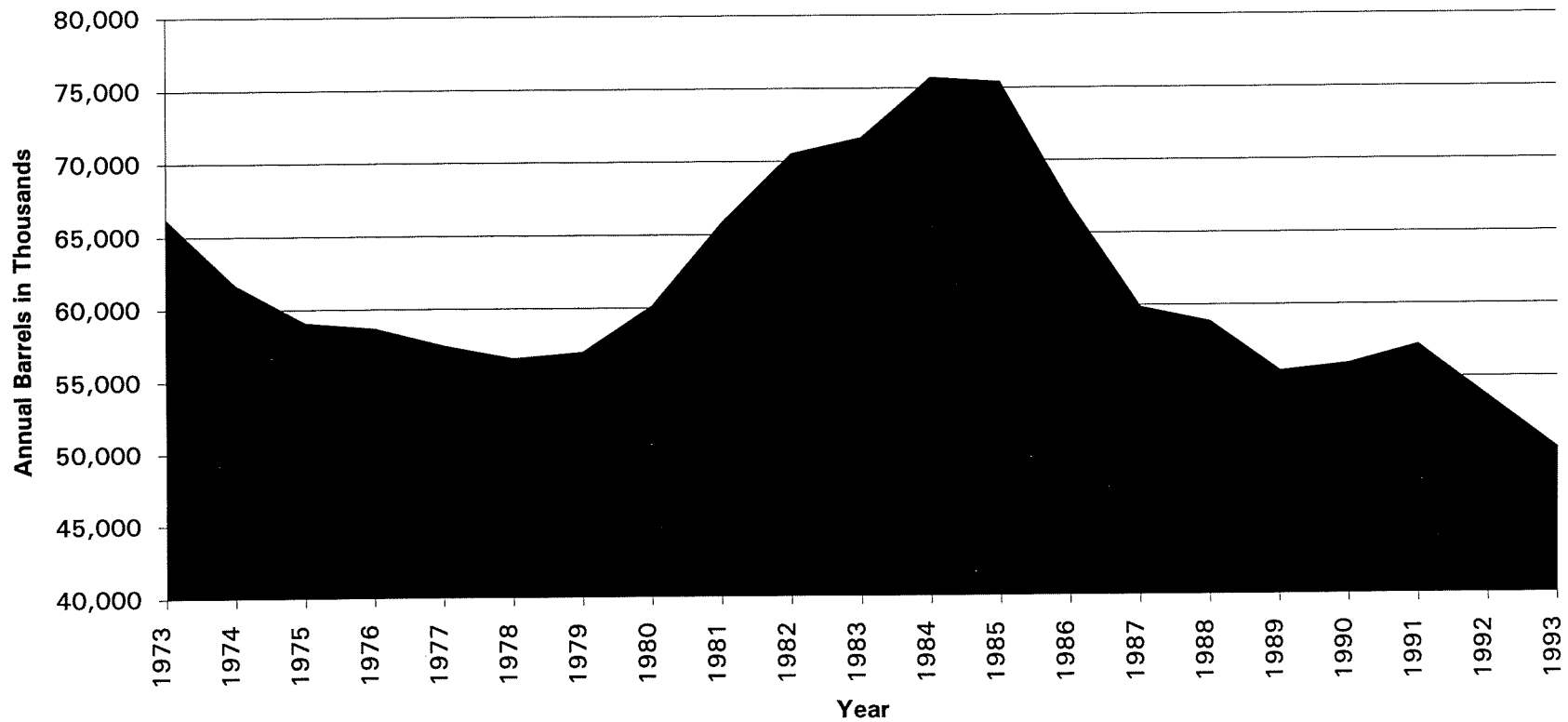
Total estimated annual utility \$138,000,000
consumption

- (1) Kansas Dept. of Revenue marginal well certificates
- (2) Kansas Dept. of Human Resources Labor Marketing Survey (1992)
- (3) 210 well samples/14 counties
- (4) Kansas Dept. of Human Resources Statewide Annual
Wage Average (1991)

Total Private Wages	\$20,993
Fed/State WH	<u>4,385</u>
Disposable Income	<u>\$16,608</u>

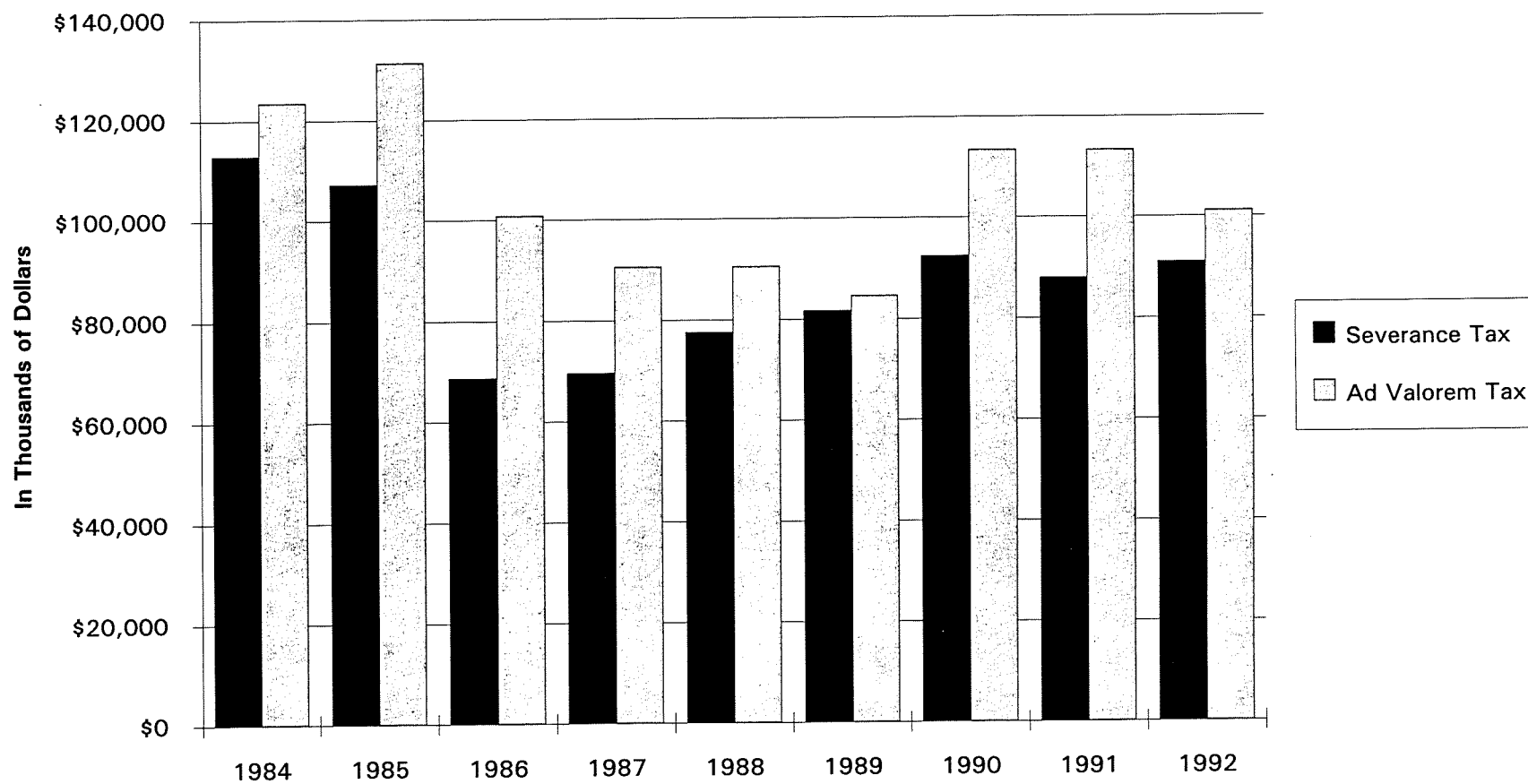
Kansas Oil Production - Barrels Produced per Year

Information Source: Kansas Department of Revenue; Energy Information Administration; Bureau of Mines



Provided by: Vess Oil Corporation

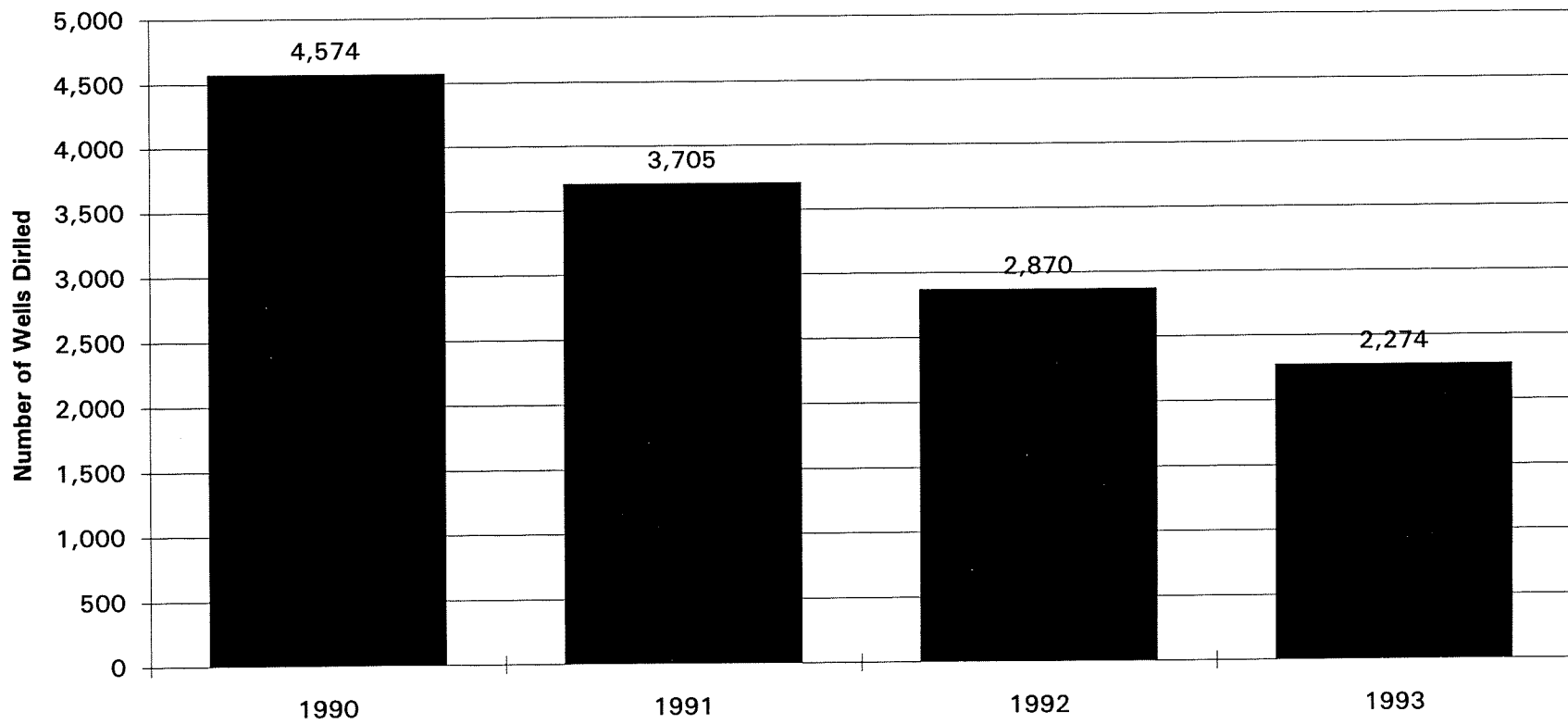
Kansas Severance Tax and Ad Valorem Tax Collections on Oil and Gas Production



6-12
Provided by: Vess Oil Corporation

Kansas Drilling Activity - Number of Oil and Gas Wells Drilled

Information Source: Kansas Corporation Commission - Drilling Intents Filed.

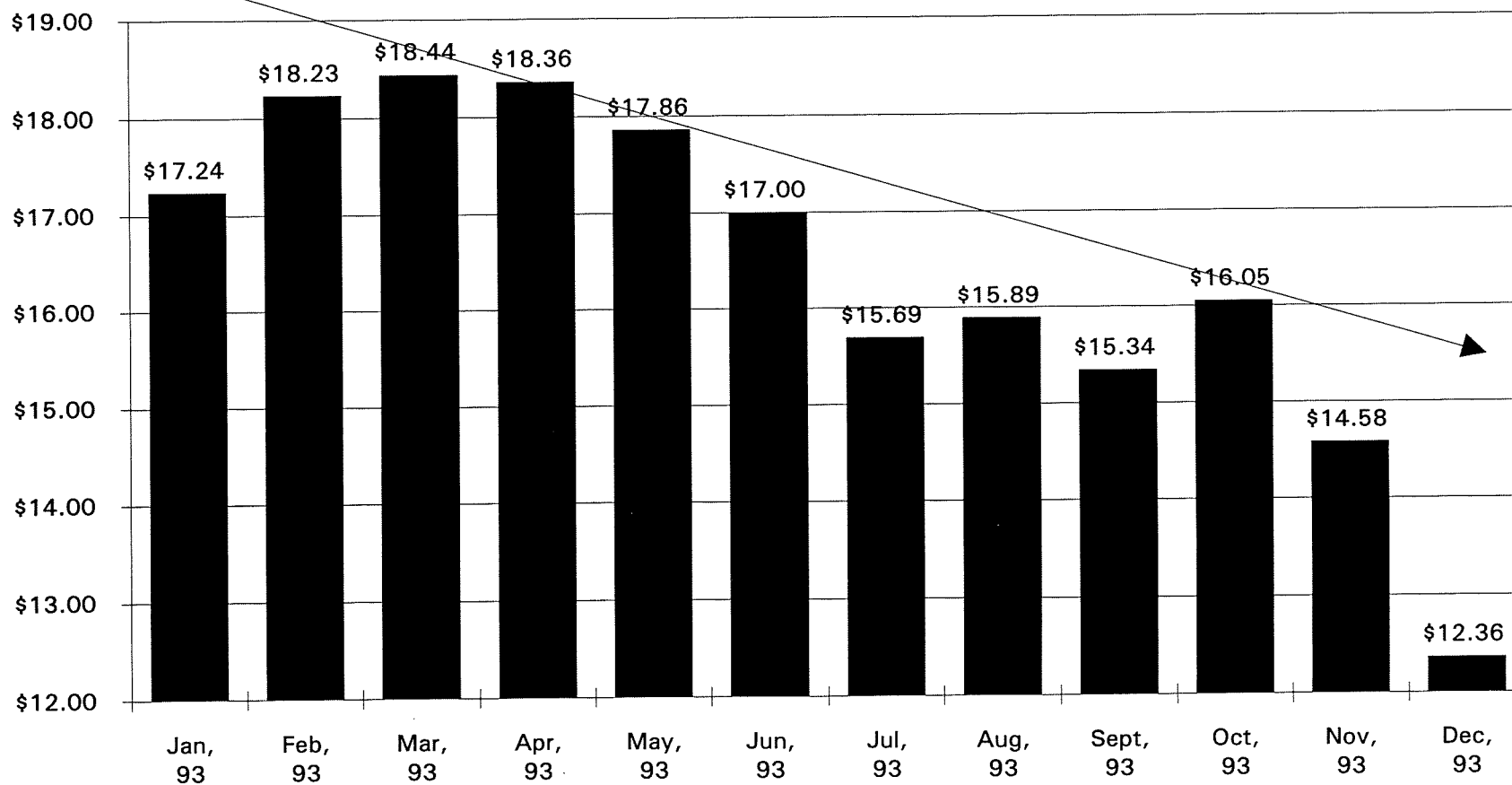


Provided by: Vess Oil Corporation

6-13

Weighted Average Monthly Posting - Kansas Common / 40 Gravity Oil

Crises at \$15.50



Provided by: Vess Oil Corporation

6-14



INTERSTATE OIL AND GAS COMPACT COMMISSION

900 Northeast 23rd Street ■ P.O. Box 53127 ■ Oklahoma City, Oklahoma 73152-3127 ■ Phone: 405/525-3556 ■ Fax: 405/525-3592

RESOLUTION

Pertaining to a Current National Crisis in Crude Oil Production and Price Stability

Chairman:

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Governor of Kansas

Chairman-Elect:

Gaston Caperton
Governor of West Virginia

Past Chairmen:

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Governor of Oklahoma

Mike Sullivan
Governor of Wyoming

Edwin W. Edwards
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Bruce King
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Executive Director:

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OKLAHOMA,
PENNSYLVANIA,
SOUTH DAKOTA, TEXAS,
UTAH, VIRGINIA,
WEST VIRGINIA,
WYOMING

ASSOCIATES:

GEORGIA, IDAHO,
NORTH CAROLINA,
OREGON, SOUTH
CAROLINA, WASHINGTON

Whereas, the 29 member and 6 associate member states of the Interstate Oil and Gas Compact Commission have the responsibility of providing crude oil for this country's energy needs while preventing waste and protecting correlative rights; and

Whereas, the national security of the United States of America is threatened by the ever-increasing reliance on imported offshore crude oil and the sharp decline in domestic production within the producing states; and

Whereas, the United State's annual energy import bill is about \$55 billion and projected to be over \$100 billion by the year 2000, creating a huge negative balance of trade; and

Whereas, conservation of America's finite oil resources is dependent on our oil producers receiving a fair price; and

Whereas, along with the current national crisis relating to crude oil production throughout the United States, as a result of current devastating crude oil price decrease, the infrastructure consisting of drilling rigs, equipment, and jobs relating directly to the industry is quickly disappearing and is no longer readily available; and

Whereas, the employment in the U. S. oil and gas exploration and production industry has decreased fifty percent over the past half dozen years, from 700,000 to 350,000 today; and

Whereas, increasing regulation by the federal and individual state governments is contributing to this national crisis in crude oil production by mandating implementation of new and expanded regulations and shifting the cost of these regulations to domestic operators; and

Whereas, failure by national, state and congressional political leadership to take corrective action to stimulate crude oil production and insure price stability with tax incentives, minimum price guarantees, or other appropriate means has, is, and will continue to allow the domestic oil producing industry to collapse to the point where the industry will no longer be a viable national industry able to contribute to the well-being of its citizens; and

Whereas, any program designed to conserve and maximize the production of domestic oil reserves must be in the national interest and not simply a transfer of wealth from one area of the country to another;

Now, Therefore; be it Resolved that, the Interstate Oil and Gas Compact Commission, convened at its annual meeting in Santa Fe, New Mexico, December 7, 1993, recognizes the seriousness of the current national crisis in domestic crude oil production in the United States of America and recommends that the following action be taken immediately to preserve this important segment of the economy:

- 1) Urge the 35 member states and the federal government to take immediate action to relieve domestic crude oil producers of excessive and regressive taxes and regulations, the result of which will encourage domestic production; and
- 2) Urge the President of the United States and the U. S. Congress to take immediate action to enact energy tax initiatives, credits and deductions that will reward and stimulate private investment in increased exploration, drilling and production of domestic crude oil, including but not limited to:
 - a) Full deductibility for federal income tax purposes of actual exploration, drilling and completion costs; and
 - b) Income tax credit for all crude oil produced from new field discovery wells, and enhanced recovery projects.
- 3) Urge the President of the United States and the U. S. Department of Energy to focus national attention on this precipitous decline in domestic crude oil production and price; and

- 4) Urge the U. S. Congress to use restraint in instituting new regulatory initiatives that restrict and penalize and which charge the cost thereof to the domestic oil produced; and
- 5) Urge the U. S. Congress and the President of the United States, in the strongest possible terms to adopt without delay one or more of the following measures to stimulate new, domestic exploration, drilling, and production, and to prevent premature abandonment of many thousands of existing stripper oil wells, and the irretrievable loss of reserves otherwise recoverable from those wells as follows:
 - a) A federal import tariff or a federal transportation tax on all non-North American crude oil and refined products imported into the United States of a sufficient size to insure that producers receive the minimum fair price required to ensure optimum conservation while protecting the interests of the consuming public. Such import tariff or tax should only be activated when the price of non-North American crude oil drops below the minimum fair price and the tariff or tax would only reflect the price differential between domestic and non-North American crude. All proceeds of this tariff should be used exclusively for reduction of the federal deficit; and
 - b) A federal tax credit or transferable voucher payable to producers of domestic crude oil of sufficient size to ensure that domestic producers receive an amount equal to the differential between imported and domestic crude oil to ensure the greatest benefit to the energy consumer.

And be it Further Resolved, that a copy of this resolution be sent to the President of the United States; and the Vice President; the Secretary of the U. S. Department of Energy; all members of the U. S. Congress; and the Governors of the states participating in the Interstate Oil and Gas Compact Commission.

LEGISLATIVE AND ADMINISTRATIVE REMEDIES

Donald P. Schnacke, Executive Vice President

Kansas Independent Oil & Gas Association

February 15, 1994

- 1) **Adopt a joint legislative resolution** directed at the President, the Secretary of the U.S. Department of Energy, and the U.S. Congress demanding federal recognition of the issue of low crude oil prices and increasing foreign oil imports and the threat to the Kansas domestic oil industry. (See IOGCC Resolution.)
- 2) **Repeal the 2.5% sales tax on energy used in pumping oil wells** putting oil producers on par with irrigation pumpers (SB 4, SB 203, HB 2791).
- 3) Recognize the plight of shut-in production. **Declare a severance tax and ad valorem tax holiday on all oil production of 5 BOD or less.**
- 4) Recognize the mistake of doubling the taxes on oil and gas production in Kansas 11 years ago. **Repeal the severance tax and/or the ad valorem tax** and return this Kansas industry to parity with Oklahoma and other states.
- 5) A minimal alternative to outright repeal of the severance tax would be to **reduce the severance tax on natural gas production to equal that on crude oil** because of changed federal rules (SB 3, SB 203, H. Sub. for SB 324).
- 6) **Continue workers compensation insurance reform** to address why oil and gas industry rates increased 13-28% in 1993 in six job classifications.
- 7) **Control state administrative costs and fees** which result in increased industry overhead and operating costs and which have the effect of indirect taxation, i.e. clarification of the underground excavation "one-call" legislation (SB 644), and an effort to reduce the KCC Conservation Fee Fund assessments--not further increases.
- 8) Make a special effort to **enact incentive legislation** such as that recommended in the "Strategic Analysis of the Oil and Gas Industry in Kansas" by Arthur D. Little, April, 1990 ; the Governor's "Kansas Energy Policy Committee Report", February, 1993; and the Kansas Commission on Natural Gas Policy "Report to the Kansas Legislature" January, 1993; Kansas, Inc. Recommendations of January, 1994. Examples of this would be **HB 2706 and HB 714** which would exempt from the severance tax production from wells which have been inactive for three years or more.

Several states faced with problems similar to Kansas are aggressively sponsoring legislation and regulatory measures designed to help relieve the problems associated with low oil prices and shut-in oil production.

TESTIMONY ON HOUSE BILL 2587

BY THE KANSAS CORPORATION COMMISSION

PRESENTED BEFORE THE HOUSE ENERGY AND
NATURAL RESOURCE COMMITTEE

February 22, 1994

Mr. Chairman, member of the Committee, I am William R. Bryson, Director of the Oil and Gas Conservation Division of the Kansas Corporation Commission. The Commission is appearing today primarily to provide information on the Kansas Underground Injection Control (UIC) Program administered by the Conservation Division under the Federal Safe Drinking Water Act (SDWA). The UIC program for oil and gas related injection wells is administered by KCC under primacy agreement with the U.S. Environmental Protection Agency (EPA) and requires the operator to adhere to a comprehensive set of construction standards, reporting requirements and well testing procedures. An outline of the basic requirements is attached to this testimony in the form of Regulation K.A.R. 82-3-401. I have also included a design of a typical injection well completion and a fact sheet about the Kansas UIC program.

The fact that Congress, in 1974, elected to address their concerns over substandard injection well practices as a part of the sole Federal act designed to protect drinking water sources indicates acknowledgment that uncontrolled or improper injection of liquid wastes could endanger water supplies. Kansas, when assuming program primacy in 1984, agreed to carry out the federal mandate and has done so. The Kansas Class II program was Peer Reviewed by the Underground Injection Practices Council in 1990 and was given a very good rating as to the groundwater protection aspects of the program.

House Bill 2587 expressed the concern that municipalities may be in current and future danger of drawing water from reservoirs, aquifers or other drinking water sources that may become contaminated by oil field brine. I have attached copies of the KCC regulations which outlines the current process of application notice, filing of protests and the notice of hearings which are in conformance with the Kansas Administrative Procedure Act (KAPA). Attached Regulation K.A.R. 82-3-401 outlines the application filing process and cross references K.A.R. 82-3-135a(c). The current process is to publish notice of the application one or more times in the official county newspaper. We, therefore, believe a process is in place whereby any municipality could have information up front on the intention to file an injection well. The review of an application involves a great deal of technical staff time and if municipalities became part of the approval process they would have to depend upon some level of expertise to determine if the injection proposal is sound. KCC staff would still have to do their own review.

*Energy! Natural Resources
Attachment #7*

2/22/94

The Commission staff had a difficult time trying to determine what HB 2587 intended to cover under new Section 2(b). We do have a regulatory process whereby drilling mud from a reserve pit can be disposed down the annulus of a producing well on a one-time basis if the surface pipe is cemented through all fresh and usable groundwater. We also have a few dually completed (producer-injection) wells. We couldn't derive any interpretation to cover other situations from the wording of Section g(b).

Our final concern is that a standard five mile radius around a municipal supply intake or well has no technical basis in that much of the area would be either downgradient or downstream from the municipal supply. It represents a geometric approach to a hydrogeologic problem. Our technical regulations and staff review process is designed to critically evaluate each proposed injection well construction, the amount of wellhead injection pressure, volume to be injected and the ability of the well to protect groundwater regardless of use. In other words, KCC believes all groundwater should be protected for current and future use. Area of Review is done on all wells of record within one-quarter mile of an injection well location. Operators are required to plug any wells within that radius that, in the staff's opinion, might cause a problem once injection begins. Prior to approval, each well has to have a mechanical integrity test run on the casing and tubing. We wanted the Committee to be aware of the rather detailed procedure used by the Commission in approving new injection well applications.

In addition, we can visualize conflicts between the prevention of waste and the protection of water resources which can be avoided by using the KCC hearing process for municipalities who are concerned about an injection well project. There is also a potential conflict between landowner, royalty owner and a municipality which turns down an application. Waste of hydrocarbon resources also include an imposed prohibition against being able to recover oil by waterflooding.

We hope the Committee will take these issues into account when discussing HB 2587.

- (f) Emergency authority to inject or dispose of fluids at an alternate location, in the event a facility is shut-in for maintenance, testing, repairs or by order of the commission, may be granted by the commission.
- (g) The failure to obtain commission approval before beginning injection or disposal operations shall be punishable by a penalty of \$1,000 to first-time violators, \$5,000 to second-time violators, and \$10,000 and operator license review to third-time violators. In addition, each injection or disposal well found to be operating without commission approval shall be shut-in until compliance is achieved.

(Authorized by K.S.A. 1989 Supp. 55-152, 55-164, 55-901; implementing K.S.A. 1989 Supp. 55-151, K.S.A. 55-153, K.S.A. 1989 Supp. 55-901, 55-1003, effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended May 1, 1986; amended, T-87-46, December 19, 1986; amended May 1, 1987; amended May 1, 1988; amended May 8, 1989; amended April 23, 1990.)

82-3-401. INJECTION OR DISPOSAL WELL; APPLICATION, CONTENT, NOTICE, OBJECTION, HEARING AND APPROVAL

- (a) Fluid shall not be injected into a well for enhanced recovery or disposal purposes until approved by the commission, following the required application and notice procedures.
- (b) The original and two copies of each application shall be verified and filed with the conservation division and shall show:
 - (1) The name, location, surface elevation, total depth, and plug back depth of each injection or disposal well;
 - (2) the location of all oil and gas wells, including abandoned wells, drilling wells and dry holes within a 1/2 mile radius of the injection or disposal well;
 - (3) the name and address of each operator of a producing or drilling well within a 1/2 mile radius of the injection or disposal well;
 - (4) the name, description, and depth of each injection interval. The application shall indicate whether the injection is through perforations, an open-hole, or both;

- (5) the depths of the tops and bottoms of all casing and cement used or to be used in the injection or disposal well;
 - (6) a plat showing all producing wells within a 1/2 mile radius and indicating producing formations and the subsea top of the producing formations;
 - (7) the size of the casing and tubing and the depth of the tubing packer;
 - (8) an electric log run to the surface or a log showing lithology or porosity of geological formations encountered in the injection or disposal well, including an elevation reference. If such a log is unavailable, an electric log to surface or a log showing lithology or porosity of geological formations encountered in wells located within a one-mile radius of the subject well;
 - (9) a description of the fluid to be injected, the source of injected fluid, and the estimated maximum and average daily rate of injection in barrels per day;
 - (10) the names and addresses of the operators shown in paragraph (b)(3) above who were notified of the application, and evidence that the notice was given;
 - (11) information showing that injection or disposal into the proposed zone will be contained within the zone and will not initiate fractures through the overlying strata which could enable the fluid or formation fluid to enter fresh and usable water strata. Fracture gradients shall be computed and furnished to the commission by the applicant, if requested by the commission;
 - (12) the applicant's license number; and
 - (13) any other information that the commission requires.
- (c) If the application is for disposal into a formation producing within a 1/2 mile radius of the applicant's well, the disposal zone shall be below the oil-water contact or 50 feet below the base of the producing zone. For the purposes of this subsection, "disposal zone" means that stratigraphic

interval which contains little or no commercially productive hydrocarbons and which is salt-water bearing and "producing zone" means that stratigraphic interval which contains, or appears to contain, a common accumulation of commercially productive hydrocarbons.

- (d) In addition to the requirements set out in subsection (b), applications for dually completed injection and production or disposal and production wells shall show that the producing interval lies above the injection or disposal interval. Before a well is dually completed the applicant shall demonstrate that the well has mechanical integrity pursuant to K.A.R. 82-3-405 from a point immediately above the producing interval to the surface.
- (e) Upon cessation of commercial production from the producing interval of a dually completed injection or disposal well, the injection or disposal authority shall be cancelled by the commission unless the operator, through the filing of an amendment shows:
 - (1) The perforations at the producing interval are sealed;
 - (2) the casing above the injection or disposal packer has mechanical integrity pursuant to K.A.R. 82-3-405; and
 - (3) the tubing-casing annulus is filled with a corrosion-inhibiting fluid.
- (f) Approval of the design of any proposed well may be obtained prior to actual construction of the well. Each applicant desiring design approval shall place the words "design approval" at the top of the application for enhanced recovery or disposal operations. The design approval application shall be subject to the requirements set forth in subsections (b), (g) and (j) of this regulation.
 - (1) Each applicant shall be notified by the commission of its approval of the well design if:
 - (A) All requirements set forth in subsections (b), (g) and (j) of this regulation have been met; and
 - (B) the design of the proposed well will protect fresh and usable water.

- (2) Upon completion of each well construction, a copy of the well completion report, on the form prescribed and furnished by the commission, shall be submitted to the commission. The application for the injection of fluid into the proposed well for enhanced recovery or disposal purposes shall be approved, if there are not significant differences between actual construction and the approved designed construction of the proposed well and the mechanical integrity of the well has been tested pursuant to K.A.R. 82-3-405.
- (g) When issuing an order approving injection or disposal, the following factors shall be considered by the commission:
- (1) Maximum injection or disposal rate;
 - (2) maximum surface pressure, formation pressure, pressure at the formation face or all of the above;
 - (3) the type of injection or disposal fluid and the rock characteristics of the injection or disposal zone and the overlying strata;
 - (4) the adequacy and thickness of the confining zone or zones between the injection interval and the base of the lowest fresh and usable water; and
 - (5) the construction of all oil and gas wells within a 1/4 mile radius of the proposed injection or disposal well, including all abandoned, plugged, producing, and other injection or disposal wells, to ensure that fluids introduced into the proposed injection or disposal zone will be confined to that zone. If deemed necessary by the conservation division to ensure protection of fresh and usable water, this radius may be determined pursuant to 40 C.F.R. Section 146.6(a)(2) promulgated under part C of the safe water drinking act, 42 U.S.C. Section 300(f) *et seq.*, effective June 24, 1980, which is hereby adopted by reference.
- (h) Applications may be filed for more than one injection or disposal well on the same lease or on more than one lease. The applicant shall provide the requested information for each well included in the application.

- (i) Each application shall be executed by the operator of the proposed injection plan or disposal well.
- (j) Each applicant shall give notice of the application pursuant to the provisions of K.A.R. 82-3-135a(c). Notice shall be mailed or delivered on or before the date the application is filed with the commission. Notice of the application shall be published in at least one issue of the official county newspaper of each county in which the lands involved are located.
- (k) Objections or complaints shall be filed within 15 days after the notice is published. The complaint or objection shall state the reasons why the proposed plan, as contained in the application, may cause damage to oil, gas, or fresh and usable water resources.

(Authorized by K.S.A. 1989 Supp. 55-901, 55-152; implementing K.S.A. 1989 Supp. 55-605, 55-706, 55-152, 55-1003; effective T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended, T-85-51, Dec. 19, 1984; amended May 1, 1985; amended May 1, 1986; amended, T-87-46, December 19, 1986; amended May 1, 1987; amended May 1, 1988; amended May 8, 1989; amended April 23, 1990.)

82-3-402. CASING AND CEMENT.

Injection and disposal wells shall be cased and the casing cemented in such a manner that damage will not be caused to hydrocarbon sources or fresh and usable water resources. Surface casing shall be set and cemented in the following manner:

- (a) In existing wells to be converted to injection or disposal use, all additional casing which is next to the bore hole shall be cemented by circulating cement to the surface from a point at least 50 feet below the base of the lowest known fresh and usable water. If cement fails to circulate to the surface, staged squeezes shall be required to protect and isolate fresh and usable water resources. Cementing shall be completed with a portland cement blend, except as provided by K.A.R. 82-3-106(d)(3).
- (b) The operator shall notify the appropriate district office prior to the cementing of the additional casing. A backside squeeze, the uncontrolled placement of cement in the annular space between the surface casing and the production casing from the surface down, shall be permitted only upon request to the appropriate district office.

82-3-135. NOTICE OF HEARINGS.

- (a) Scope. The notice requirements in this regulation apply to each hearing arising under any rule or regulation or statutory provision for the conservation of crude oil and natural gas or for the protection of fresh and usable water, heard by the commission or any agent appointed by the commission.
- (b) Hearings initiated by the attorney general or the commission.
 - (1) Notice of the hearing shall be published by the commission in the Wichita Eagle newspaper and in the Kansas Register. Notice of the hearing shall also be published in the official county newspaper of each county in which the lands affected by the hearing are located. If that county does not have an official county newspaper, notice may be published in any newspaper satisfying the requirements of K.S.A. 64-101 in a county in which the lands affected by the hearing are located.
 - (2) A copy of the notice of the hearing shall be mailed by the commission to each person who has filed for the purpose of receiving notice. The notice shall be mailed not less than 10 days prior to the hearing date.
 - (3) Any additional notice required by any rule, regulation or statute which applies to the hearing or which is necessary to provide due process to any person whose property may be affected by the hearing shall be provided by the commission.
- (c) Hearings initiated by any person other than the attorney general or commission.
 - (1) Anyone who initiates a hearing shall publish notice of the hearing in the Wichita Eagle newspaper and in the official county newspaper of each county in which the lands affected by the hearing are located. Anyone who initiates a hearing may publish notice in any newspaper satisfying the requirements of K.S.A. 64-101 in a county in which the lands affected by the hearing are located, if that county does not have an official newspaper.
 - (2) A copy of the notice of the hearing shall be mailed by the commission to each person who has filed for the purpose of

receiving notice. The copy of the notice shall be mailed not less than 10 days prior to the hearing date.

- (3) Anyone who initiates a hearing shall provide any additional notice required by any rule, regulation or statute which applies to the hearing or is necessary to provide due process to any person whose property may be affected by the hearing.
- (d) Proof of notice. If the commission is required to publish notice, it shall be proven by commission staff that notice has been properly published. Acceptable proof of notice may include an affidavit sworn by the commission staff that notice has been perfected. Anyone who initiates the hearing shall provide that notice has been properly published. An affidavit sworn by the person who initiates the hearing certifying that notice has been perfected may be accepted as proof of notice. The affidavit shall be filed with the commission on or before the hearing date.
- (e) Filing for the purpose of receiving notice. Anyone who desires to receive notice of any hearings shall file annually with the conservation division that person's name, address and other information as may be reasonably required by the commission. The filing shall be on a form required by the commission and shall be accompanied by an annual \$50 fee.

(Authorized by K.S.A. 1989 Supp. 55-152, 55-604, K.S.A. 55-602, 55-704; implementing K.S.A. 1989 Supp. 55-605, 55-706, effective, T-85-51, Dec. 19, 1984; effective May 1, 1985; amended May 1, 1986; amended May 1, 1988; amended April 23, 1990.)

82-3-135a. NOTICE OF APPLICATION.

- (a) Scope. Except as otherwise provided in K.A.R. 82-3-100, 82-3-103a, 82-3-109, 82-3-203, 82-3-208, 82-3-209, 82-3-300, and 82-3-300a, the notice requirements in this regulation apply to each application for an order filed pursuant to any rule or regulation, special order, or statutory provision for the conservation of crude oil and natural gas or for the protection of fresh and usable water.
- (b) Production matters. Except as otherwise provided in K.A.R. 82-3-100, 82-3-103a, 82-3-109, 82-3-203, 82-3-208, 82-3-209, 82-3-300, and 82-3-300a, each applicant for an order filed pursuant to K.A.R. 82-3-100 *et seq.*, 82-3-200 *et seq.*, and 82-3-300 *et seq.* shall give notice of the

application on or before the date the application is filed with the conservation division by mailing or delivering a copy of the application to the following:

- (1) Each operator or lessee of record within a one-half mile radius of the well or of the subject acreage; and
 - (2) each owner of record of the minerals in unleased acreage within a one-half mile radius of the well or of the subject acreage.
- (c) Environmental matters. Each applicant for an order filed pursuant to K.A.R. 82-3-400 *et seq.* and 82-3-600 *et seq.* shall give notice of the application on or before the date the application is filed with the conservation division by mailing or delivering a copy of the application to the following:
- (1) Each operator or lessee of record within a one-half mile radius of the well or of the subject acreage;
 - (2) each owner of record of the minerals in unleased acreage within a one-half mile radius of the well or of the subject acreage; and
 - (3) the landowner on whose land the well affected by the application is located.
- (d) Publication of notice. Notice of the application shall be published in at least one issue of the official county newspaper of each county in which the lands affected by the application are located. In addition, notice of applications relating to production matters shall also be published in at least one issue of the Wichita Eagle newspaper.
- (e) Protest. Once notice of the application is published pursuant to subsection (d), the application shall be held in abeyance for 15 days pending the filing of any protest pursuant to K.A.R. 82-3-135b. If a valid protest is filed, or if the commission, on its own motion, deems that there should be a hearing on the application, a hearing shall be held. The applicant shall publish notice of the hearing pursuant to K.A.R. 82-3-135.

(Authorized by K.S.A. 1989 Supp. 55-152, 55-604, K.S.A. 55-602, 55-704, K.S.A. 1989 Supp. 55-901; implementing K.S.A. 1989 Supp. 55-605, 55-706, 55-901, 55-1003; effective April 23, 1990.)

82-3-135b. PROTESTERS.

Any protest against the granting of an application for an order filed pursuant to the provisions of K.A.R. 82-3-135a shall be considered under the following conditions:

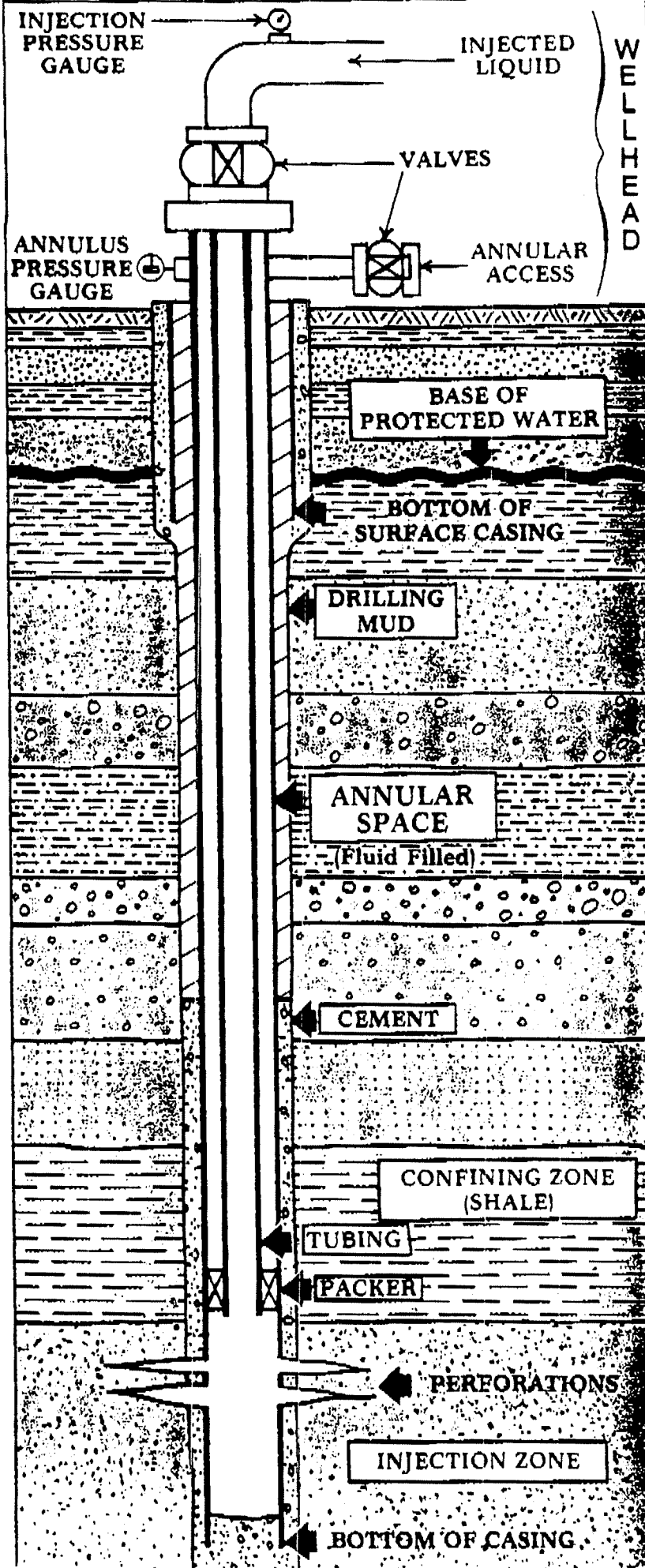
- (a) A protest may be filed by any person having a valid interest in the application. Protests shall be in writing and shall clearly identify the name and address of the protester and the title and docket number of the proceeding. The protest shall include a clear and concise statement of the direct and substantial interest of the protester in the proceeding, including specific allegations as to the manner in which the grant of the application will cause waste, violate correlative rights or pollute the water resources of the state of Kansas.
- (b) If the protester opposes only a portion of the proposed application, the protester shall state with specificity the objectionable portion.
- (c) The protest shall be filed in triplicate with the conservation division within 15 days after publication of the notice of the application as required in K.A.R. 82-3-135a. Failure to file a timely protest shall preclude the interested person from appearing as a protester.
- (d) Each protester shall serve the protest upon the applicant at the same time or before the protester files the protest with the conservation division. The protest shall not be served on the applicant by the conservation division.
- (e) To secure consideration of a protest, the protester shall offer evidence or a statement or participate in the hearing.

(Authorized by K.S.A. 1989 Supp. 55-152, 55-604, K.S.A. 55-602, 55-704, K.S.A. 1989 Supp. 55-901; implementing K.S.A. 1989 Supp. 55-605, 55-706, 55-901, 55-1003; effective April 23, 1990.)

KANSAS CLASS II INJECTION WELL PROGRAM

1. Kansas has approximately 15,000 active injection wells of which 6,000 are for brine disposal and 9,000 are for secondary recovery of oil and gas.
 - (a) Most disposal wells do not use surface wellhead pressure to inject whereas wellhead pressure is required in many enhanced recovery wells.
 - (b) The amount of brine received by injection wells ranges from a few barrels per day to over a thousand. KCC limits wellhead pressure which in turn prevent disposal of brine into a non-accepting formation.
2. A well is required to pass a Mechanical Integrity Test (MIT) prior to KCC approval and additionally at five years intervals during operation. KCC staff witnesses 65% of all tests even though EPA only required 25% witnessing.
3. Each injection well application is review to determine if (a) Correlative rights of landowners will be protected (b) Groundwater resources will be protected. Protection of groundwater resources is the overriding criteria for approval.
4. If a well fails an MIT, the problem has to be corrected before it is returned to active status. No injection is allowed into a failed wells.
5. District staff does routine inspection of injection wells in addition to visits during mechanical integrity testing.
6. KCC has a procedure for determining the level of non-compliance for injection wells. Use of a well without a permit from KCC is an automatic fine. EPA has been satisfied with KCC's approach to enforcement.

C' ASS II INJECTION WELL



HOUSE BILL No. 3007

By Committee on Energy and Natural Resources

2-11

8 AN ACT relating to recycling; providing for establishment and main-
9 tenance of a program for recycling certain paper in offices in the
10 state capitol building.
11

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

13 Section 1. (a) The secretary of administration shall establish and
14 maintain a program to recycle ~~computer paper and mixed paper,~~
15 ~~other than newsprint,~~ in all offices in the state capitol building. In
16 doing so, the secretary shall provide ~~in each office a container~~ for
17 deposit of such paper for recycling.

18 (b) The secretary of administration may adopt rules and regu-
19 lations to implement this section.

20 Sec. 2. This act shall take effect and be in force from and after
21 its publication in the statute book.

, those types of paper for which there is a market
and cause to be placed throughout the building

Containers for deposit

Energy & Natural Resources

*7/6/94
8#*