Approved: 3-7-95

MINUTES OF THE SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES.

The meeting was called to order by Chairperson Don Sallee at 8:00 a.m. on February 22, 1995 in Room 254-E- of the Capitol.

All members were present except:

Senator Doug Walker, Excused Senator Phil Martin, Excused

Committee staff present: Raney Gilliland, Legislative Research Department

Dennis Hodgins, Legislative Research Department

Mary Ann Torrence, Revisor of Statutes Mike Corrigan, Revisor of Statutes Clarene Wilms, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

SB-37: An Act concerning oil and gas; transferring jurisdiction and authority for cleanup of certain pollution from the department of health and environment to the state corporation commission; imposing certain assessments; providing for establishment and expansion of certain programs; creating an energy education and remediation board and an energy education and remediation fund;

A bill balloon on <u>SB-37</u> was presented by the sub-committee with changes proposed in four areas. (Attachment 1) The balloon changes would make the program mandatory for the oil and gas industry and would set up a remediation and education fund. This bill provides that eighty percent of funds collected would go for remediation and twenty percent would go for eduction and public relations. The committee could be staffed by the Kansas Corporation Commission, the committee structure would stay in place as stated in the original bill, that it would principally be an advisory board except in several areas. This committee would have total control over the education portion of the funds as to how they are expended. They would also prepare a list of remediation sites to be addressed, the funds paid by the gas industry would be reduced in half from the original bill.

Up to ten percent of funds collected would go to Kansas Corporation Commission for staffing, travel expenses, etc. with no additional staff required. Ninety percent of the funds collected would be used for remediation and education. Funds collected would be put into the conservation fund which would avoid payment of twenty percent of collected funds to the general fund.

A member questioned the possibility of pursuing an entirely voluntary program with the sub-committee chairman stating the sub-committee felt if it was voluntary there was no need for this bill. Another member stated that by going to eighty percent remediation it was not as necessary for it to be voluntary.

A member commented the original bill set up an independent board rather than having it under the Kansas Corporation Commission, however the Governor's office would prefer no new boards be formed.

Concern was expressed about the amount of funds already collected by the Kansas Corporation Commission and the very small amount going to remediation, and whether additional funds would be used in a like manner. A sub-committee member stated that was one of the reasons the bill balloon stated that ninety percent of the monies would be used for remediation. (Attachment 2)

The issue of public relations and the original consideration of funds for this purpose was discussed and Senator Emert stated the subcommittee felt this group was not engaged in selling to the public. He further stated the subcommittee supported this bill unanimously.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, ROOM 254-E-Statehouse, at 8:00 a.m. on February 22, 1995.

A member commented a better understanding was needed of what are the costs and who actually bears the cost of plugging a well as an explanation of who is dealing with wells that have owners, those that have no owners, if the owners paid the expenses and Kansas Corporation Commission only had oversite.

Jack Glaves told the committee that the money the Kansas Corporation Commission spends is for plugging wells that owners or responsible parties cannot be found, otherwise the owners bear the plugging expense.

Ron Hammerschmidt, KDHE told the committee the department has done extremely little concerning these sites in the past few years and that was why they were supporting this bill.

A member asked whether the sub-committee considered making this bill mandatory for the first year and from that time forward making it voluntary. The sub-committee chairperson stated just about everything had been considered.

Staff voiced concern about the appointment of an advisory board by industry, that the same problem may exist as has been encountered with the State Board of Agriculture and noted a different mechanism for possibly a nomination process would be necessary.

SB-113: An act concerning oil and gas; relating to unitization and unit operations of oil and gas pools; providing for the sharing of costs of oil and gas operations and productions; establishing procedures for penalties and interest to be assessed nonpaying interest owners for unpaid production expenses by the Kansas corporation commission;

Jack Glaves told committee members this bill provides statutory authority for penalties to be assessed to non-paying interest holders and would essentially authorize the Kansas Corporation Commission to do what they are presently doing now.

Senator Morris made a motion to amend the bill striking the 300 percent figure and replacing it with 200 percent figure. Senator Vancrum seconded the motion.

Senator Emert made a substitute motion to remove percentages from statutes and let the Kansas Corporation Commission establish it. Senator Wisdom seconded the motion and the motion carried.

Senator Emert moved to report SB 113 as amended favorable for passage. Senator Wisdom seconded the motion and the motion carried.

The chairman told the committee that <u>SB-114</u> would be re-referred to committee and would be recommended for a summer interim. <u>Senate Bill 337</u> will be sent to Ways and Means Committee, re-referred and worked in March.

A proposed concurrent resolution concerning environmental water permitting was handed to committee members. (Attachment 3)

Senator Vancrum made a motion to introduce the proposed concurrent resolution concerning environmental water permitting. Senator Lee seconded the motion and the motion carried.

Senate Bill 284, SB 37 as well as the proposed concurrent resolution will be on the agenda for February 23.

The meeting adjourned at 8:45 a.m.

The next meeting is scheduled for February 23, 1995.

SENATE COMMITTEE ON ENERGY & NATURAL RESOURCES GUEST LIST COMMITTEE

DATE: February 22, 1995

NAME	REPRESENTING		
TON HAMMERSchuelt	KDHE		
ED SCHAUB	KDHE WESTERN RESOURCES		
Jack Glaves	Pete Mchill i Associates		
Whitney Damron	Pete Mchill & Associates		
Volta (est) Selvinor	77777		

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SENATE BILL No. 37

By Committee on Energy and and Natural Resources

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AN ACT concerning oil and gas; transferring jurisdiction and authority for cleanup of certain pollution from the department of health and environment to the state corporation commission; imposing certain assessments; providing for establishment and expansion of certain programs; creating an energy education and remediation board and an energy education and remediation fund; amending K.S.A. 55-143, 55-158, 55-162, 55-179, 74-623, 74-624, 74-625, 74-626, 74-627, 74-628 and 79-4230 and K.S.A. 1994 Supp. 65-171d and repealing the existing sections; also repealing K.S.A. 55-185.

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

Section 1. K.S.A. 55-143 is hereby amended to read as follows: 55-143. There is hereby created in the state treasury the conservation fee fund. All deposits credited to the conservation fee fund shall be for the use of the state corporation commission in administering the provisions of K.S.A 55-128 to 55-142, inclusive, 55-601 to 55-613, inclusive, 55-701 to 55 713, inclusive, 55 901, 55 902 and 55 1201 to 55 1206, inclusive, and subsection (a)(1) and subsection (a)(2)(A) of K.S.A. 65-171d, and amendments thereto, and K.S.A. 1003 Supp. 55-172 to 55-184, inclusive through 55-142 55-172 through 55-184, 55-601 through 55-613, 55-701 through 55-713, 55-901 55-902 and 55-1201 through 55 1206 and amendments thereto. All expenditures from the conservation fee fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chairperson of the state corporation commission or by a person or persons designated by the chairperson. The corporation commission, with the approval of the director of accounts and reports, shall formulate a system of accounting procedures to account for the money credited to the conservation fee fund pursuant to this section.

(b) Whenever the state corporation commission determines that the unencumbered balance of moneys credited to the conservation fee fund at the end of a fiscal year is more than necessary, when considered in relation to the amount of revenues and expenditures estimated for the ensuing fiscal year and an appropriate unencumbered balance in the fund at the end of the ensuing fiscal year, the commission shall proportionally

-advisory board, an energy remediation fund

-55-182,

55-1205

reduce all fees and assessments which are charged, taxed or assessed by the commission as authorized or required by law, other than fees or assessments in amounts prescribed by statute or any penalties authorized by statute, and which are collected and deposited to the credit of the conservation fee fund, in order to reduce such unencumbered ending balance in the fund to an appropriate amount. For the purposes of determining an appropriate unencumbered balance in the conservation fee fund at the end of the fiscal year ending June 30, 1987, an unencumbered balance of more than \$1,000,000 shall be deemed to be more than necessary.

Sec. 2. K.S.A. 55-158 is hereby amended to read as follows: 55-158. (a) Operators, upon request of the commission, shall submit cement bond logs or other surveys for surface casing. Failure to submit such logs or surveys within a reasonable period of time as prescribed by the rules and regulations of the commission shall be a class C misdemeanor.

(b) The commission shall transmit, upon request of the secretary of the department of health and environment, a copy of any bond log requested by the secretary.

Sec. 3. K.S.A. 55-162 is hereby amended to read as follows: 55-162. (a) Whenever the commission, from investigation or upon written complaint filed with the commission, finds reasonable cause to believe that a person has violated any provision of this act or any rules and regulations adopted pursuant to this act, the commission shall cause such person to come before it at a hearing held in accordance with the provisions of the Kansas administrative procedure act. After such hearing, if the commission finds that such person violated any provisions of this act or the rules and regulations adopted pursuant to this act, the commission shall take any appropriate action necessary to prevent pollution and protect water quality. Such action may include, but not be limited to:

quality. Such action may include, but not be limited to:

(1) Order the person to take such action necessary to remedy the
violation;

32 (2) order the well or the lease to be shut down until the violation is 33 corrected;

- (3) order any combination of such orders enumerated in paragraphs (1) and (2); or
- (4) if the commission finds that a person has not complied with an order issued under paragraph (1), (2) or (3), it may order the suspension or revocation of any license issued pursuant to this act to such person.
- (b) If it appears to the commission or the secretary of the department of health and environment that damage may result if immediate remedial action is not taken, the commission, on the basis of emergency adjudicative proceedings, shall make such orders as provided in subsection (a), or may authorize its or the secretary's agents to enter upon the land where

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the well is located and take such remedial action necessary pending the giving of notice and hearing in accordance with the provisions of the Kansas administrative procedure act.

(c) Proceedings for reconsideration and judicial review of any order shall be conducted in the manner provided for the conduct of reconsideration and review proceedings under K.S.A. 55-606, and amendments thereto.

(d) Agents of the commission shall investigate any written or oral complaint within 72 hours of receipt thereof, not including Sundays and legal holidays, except that if such investigation is impracticable within such time frame, the agent shall communicate the same to the person making the complaint and make alternative arrangements for such investigation.

Sec. 4. K.S.A. 55-179 is hereby amended to read as follows: 55-179. (a) Upon receipt of any complaint filed pursuant to K.S.A. 55-178 and amendments thereto, the commission shall make an investigation for the purpose of determining whether such abandoned well is polluting or is likely to pollute any usable water strata or supply or causing the loss of usable water, or the commission may initiate such investigation on its own motion. If the commission determines that:

(1) That Such abandoned well is causing or likely to cause such pollution or loss; and

(2) (A) that no person is legally responsible for the proper care and control of such well; or (B) that such person so the person legally responsible for the care and control of such well is dead or, no longer in existence or insolvent or cannot be found, then, within 60 days after completing its investigation, the commission shall plug, replug or repair such well, or cause it to be plugged, replugged or repaired, in such a manner as to prevent any further pollution or danger of pollution of any usable water strata or supply or loss of usable water. The cost of such plugging shall be paid by the commission from the conservation fee fund.

(b) For the purposes of this section, a person who is legally responsible for the proper care and control of an abandoned well shall include, but is not limited to, one or more of the following: Any operator of a waterflood or other pressure maintenance program deemed to be causing pollution or loss of usable water; the current or last operator of the lease upon which such well is located, irrespective of whether such operator plugged or abandoned such well; and the original operator who plugged or abandoned such well.

(c) Whenever the commission determines that a well has been abandoned and is causing or is likely to cause pollution of any usable water strata or supply or loss of usable water, and whenever the commission has reason to believe that a particular person is legally responsible for the

Sec. 4. K.S.A. 55-182 is hereby amended read as follows: 55-182. (a) Agents of the commission shall have the right of ingress egress upon any lands where any well is located and the lands adjacent thereto and to occupy such lands as are necessary in making any investigation or in plugging, replugging or repairing of any well or in the supervision thereof. Any agent when entering upon any land to plug, replug or repair a well, or to supervise or inspect the same, shall liable for any damages necessarily resulting therefrom, except damages to growing crops, livestock or improvements on the land.

Agents of the commission shall have the right of ingress and egress upon anv lands clean up pollution resulting from oil and gas activities. Such agents shall have the power to land if necessary to investigate and occupy such clean up such pollution. Any agent entering land to conduct cleanup activities shall not be liable for any damages necessarily resulting therefrom except damages to growing crops, livestock or improvements on the land.

Renumber the remaining sections accordingly

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proper care and control of such well, the commission shall cause such person to come before it at a hearing held in accordance with the provisions of the Kansas administrative procedure act to show cause why the requisite care and control has not been exercised with respect to such well. After such hearing, if the commission finds that such person is legally responsible for the proper care and control of such well and that such well is abandoned, in fact, and is causing or is likely to cause pollution of any usable water strata or supply or loss of usable water, the commission may make any order or orders prescribed in K.S.A. 55-162, and amendments thereto. Proceedings for reconsideration and judicial review of any of the commission's orders may be held pursuant to K.S.A. 55-606, and amendments thereto.

(d) For the purpose of this section, any well which has been abandoned, in fact, and has not been plugged pursuant to the rules and regulations in effect at the time of plugging such well shall be and is hereby deemed likely to cause pollution of any usable water strata or supply.

(e) For the purpose of this section, the person legally responsible for the proper care and control of an abandoned well shall not include the landowner or surface owner unless the landowner or surface owner has operated or produced the well, has deliberately altered or tampered with such well thereby causing the pollution or has assumed by written contract such responsibility.

(f) As used in this section, "person" shall have the meaning ascribed thereto by subsection (b) of section 14.

Sec. 5. K.S.A. 1994 Supp. 65-171d is hereby amended to read as follows: 65-171d. (a) For the purpose of preventing surface and subsurface water pollution and soil pollution detrimental to public health or to the plant, animal and aquatic life of the state, and to protect beneficial uses of the waters of the state and to require the treatment of sewage predicated upon technologically based effluent limitations, the secretary of health and environment shall make such rules and regulations, including registration of potential sources of pollution, as may in the secretary's judgment be necessary to: (1) Glean up pollution resulting from oil and gas activities regulated by the state corporation commission; (2) Protect the soil and waters of the state from pollution resulting from (A) oil and gas activities not regulated by the state corporation commission or (B) underground storage reservoirs of hydrocarbons; natural gas and liquid petroleum gas; (3) (2) control the disposal, discharge or escape of sewage as defined in K.S.A. 65-164 and amendments thereto, by or from municipalities, corporations, companies, institutions, state agencies, federal agencies or individuals and any plants, works or facilities owned or operated, or both, by them; and (4) (3) establish water quality standards for the waters of the state to protect their beneficial uses.

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- (b) The secretary of health and environment may adopt by reference any rule and regulation relating to water quality and effluent standards promulgated by the federal government pursuant to the provisions of the federal clean water act and amendments thereto, as in effect on January 1, 1989, which the secretary is otherwise authorized by law to adopt.
- (c) For the purposes of this act, including K.S.A. 65-161 through 65-171h and amendments thereto, and rules and regulations adopted pursuant thereto: (1) "Pollution" means: (A) Such contamination or other alteration of the physical, chemical or biological properties of any waters of the state as will or is likely to create a nuisance or render such waters harmful, detrimental or injurious to public health, safety or welfare, or to the plant, animal or aquatic life of the state or to other designated beneficial uses; or (B) such discharge as will or is likely to exceed state effluent standards predicated upon technologically based effluent limitations.
- (2) "Confined feeding facility" means any lot, pen, pool or pond: (A) Which is used for the confined feeding of animals or fowl for food, fur or pleasure purposes; (B) which is not normally used for raising crops; and (C) in which no vegetation intended for animal food is growing.
- (3) "Animal unit" means a unit of measurement calculated by adding the following numbers: The number of beef cattle weighing more than 700 pounds multiplied by 1.0; plus the number of cattle weighing less than 700 pounds multiplied by 0.5; plus the number of mature dairy cattle multiplied by 1.4; plus the number of swine weighing more than 55 pounds multiplied by 0.4; plus the number of sheep or lambs multiplied by 0.1; plus the number of horses multiplied by 2.0; plus the number of turkeys multiplied by 0.018; plus the number of laying hens or broilers, if the facility has continuous overflow watering, multiplied by 0.01; plus the number of laying hens or broilers, if the facility has a liquid manure system, multiplied by 0.033; plus the number of ducks multiplied by 0.2. However, each head of cattle will be counted as one full animal unit for the purpose of determining the need for a federal permit.
- (4) "Animal unit capacity" means the maximum number of animal units which a confined feeding facility is designed to accommodate at any one time.
- (5) "Habitable structure" means any of the following structures which is occupied or maintained in a condition which may be occupied: A dwelling, church, school, adult care home, medical care facility, child care facility, library, community center, public building, office building or licensed food service or lodging establishment.
- (d) In adopting rules and regulations, the secretary of health and environment, taking into account the varying conditions that are probable for each source of sewage and its possible place of disposal, discharge or escape, may provide for varying the control measures required in each

case to those the secretary finds to be necessary to prevent pollution. If a freshwater reservoir or farm pond is privately owned and where complete ownership of land bordering the reservoir is under common private ownership, such freshwater reservoir or farm pond shall be exempt from water quality standards except as it relates to water discharge or seepage from the reservoir to waters of the state, either surface or groundwater, or as it relates to the public health of persons using the reservoir or pond or waters therefrom.

- (e) (1) Whenever the secretary of health and environment or the secretary's duly authorized agents find that the soil or waters of the state are not being protected from pollution resulting from oil and gas activities not regulated by the state corporation commission or from underground storage reservoirs of hydrocarbons, natural gas and liquid petroleum gas or that storage or disposal of salt water or oil not regulated by the state corporation commission or refuse in any surface pond is causing or is likely to cause pollution of soil or waters of the state, the secretary or the secretary's duly authorized agents shall issue an order prohibiting such activity, underground storage reservoir or surface pond. Any person aggrieved by such order may within 15 days of service of the order request in writing a hearing on the order.
- (2) Upon receipt of a timely request, a hearing shall be conducted in accordance with the provisions of the Kansas administrative procedure act
- (3) Any action of the secretary pursuant to this subsection is subject to review in accordance with the act for judicial review and civil enforcement of agency actions.
- (f) The secretary may adopt rules and regulations establishing fees for the following services:
- (1) Plan approval, monitoring and inspecting underground or buried petroleum products storage tanks, for which the annual fee shall not exceed \$5 for each tank in place;
- (2) permitting, monitoring and inspecting salt solution mining operators, for which the annual fee shall not exceed \$1,950 per company; and
- (3) permitting, monitoring and inspecting hydrocarbon storage wells and well systems, for which the annual fee shall not exceed \$1,875 per company.
- (g) Agents of the secretary shall have the right of ingress and egress upon any lands to clean up pollution resulting from oil and gas activities. Such agents shall have the power to occupy such land if necessary to investigate and clean up such pollution. Any agent entering upon any land to conduct cleanup activities shall not be liable for any damages necessarily resulting therefrom except damages to growing crops, livestock or improvements on the land.

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(h) Prior to any new construction of a confined feeding facility with an animal unit capacity of 300 to 999, such facility shall register with the secretary of health and environment. Facilities with less than 300 animal units may register with the secretary. Any such registration shall be accompanied by a \$25 fee. Within 30 days of receipt of such registration, the department of health and environment shall identify any significant water pollution potential or separation distance violations pursuant to subsection (i) (h). If there is identified a significant water pollution potential, such facility shall be required to obtain a permit from the secretary. If there is no water pollution potential posed by a facility with an animal unit capacity of less than 300, the secretary may certify that no permit is required. If there is no water pollution potential nor any violation of separation distances posed by a facility with an animal unit capacity of 300 to 999, the secretary shall certify that no permit is required and that there are no certification conditions pertaining to separation distances. If a separation distance violation is identified, the secretary may reduce the separation distance in accordance with subsection (i) (i) and shall certify any such reduction of separation distances.

(i) (h) Any new construction or new expansion of a confined feeding facility shall meet or exceed the following requirements in separation

distances from any habitable structure:

1320 feet for facilities with an animal unit capacity of 300 to 999; and

- 4000 feet for facilities with an animal unit capacity of 1,000 or (2)more.
- (i) The separation distance requirements of subsection (i) (h) shall not apply if such person newly constructing or newly expanding a confined feeding facility obtains a written agreement from all owners of habitable structures which are within the separation distance stating such owners are aware of such construction or expansion and have no objections to such construction or expansion. The written agreement shall be filed in the register of deeds office of the county in which the dwelling habitable structure is located. The secretary may reduce separation distance requirements if: (1) No substantial objection from owners of habitable structures within the separation distance is received in response to public notice; or (2) the board of county commissioners of the county where the confined feeding facility is located submits a written request seeking a reduction of separation distances.
- (k) (j) The separation distances required pursuant to subsection (i) (h) shall not apply to:
- (1) Confined feeding facilities which are permitted or certified by the secretary on the effective date of this act;
 - (2) confined feeding facilities which exist on the effective date of this

act and register with the secretary before July 1, 1996; or

- (3) expansion of a confined feeding facility, including any expansion for which an application is pending on the effective date of this act, if:
 (A) In the case of a facility with an animal unit capacity of 1,000 or more prior to the effective date of this act, the expansion is located at a distance not less than the distance between the facility and the nearest habitable structure prior to the expansion; or (B) in the case of a facility with an animal unit capacity of less than 1,000 prior to the effective date of this act and, the expansion is located at a distance not less than the distance between the facility and the nearest habitable structure prior to the expansion the animal unit capacity of the facility after expansion does not exceed 2,000.
- Sec. 6. K.S.A. 74-623 is hereby amended to read as follows: 74-623. (a) Except as provided in subsection (b), The state corporation commission shall have the exclusive jurisdiction and authority to regulate oil and gas activities. The state corporation commission's jurisdiction shall include: (1) All practices involved in the exploration for and gathering of oil and gas and the drilling, production, lease storage, treatment, abandonment and postabandonment of oil and gas wells, except refining, treating or storing of oil or gas after transportation of the same; and (2) prevention and cleanup of pollution from oil and gas activities, which jurisdiction shall be exercised in ecoperation with the department of health and environment.
- (b) All jurisdiction and authority of the Kansas department of health and environment shall have jurisdiction and authority relating to the cleanup of pollution from oil and gas activities; which jurisdiction shall be exercised in ecooperation with the state corporation commission. Procedures to be followed and the responsibility of each agency in instances where pollution results from any oil or gas activity shall be established pursuant to K.S.A. 1002 Supp. 55-185 is hereby transferred to the state corporation commission.
- (c) The state corporation commission shall be the successor in every way to the powers, duties and functions of the bureau of oil field and environmental geology of the Kansas department of health and environment relating to the authority to regulate oil and gas activities, which activities shall include all practices involved in the exploration for and gathering of oil and gas and the drilling, production, lease storage, treatment, abandonment and postabandonment of oil and gas wells cleanup of pollution from oil and gas activities. Every act performed in the exercise of such powers, duties and functions by or under authority of the state corporation commission shall be deemed to have the same force and effect as if performed by the department of health and environment.
 - (d) Whenever the Kansas department of health and environment, or

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words of like effect, or the bureau of oil field and environmental geology of the department of health and environment, or words of like effect, is referred to or designated by a statute, contract or other document relating to the protection of surface water and groundwater cleanup of pollution from oil and gas activities, such reference shall be deemed to apply to the

state corporation commission, which activities shall include all practices involved in exploration for and gathering of oil and gas and the drilling, production, lease storage, treatment, abandonment and postabandon

ment of oil and gas wells.

(e) All rules and regulations of the secretary of health and environment which are administered by the bureau of oil field and environmental geology of the Kansas department of health and environment relating to the protection of surface water and groundwater from oil and gas activities, which activities shall include all practices involved in the exploration for and gathering of oil and gas and the drilling, production, lease storage, treatment, abandonment and postabandonment of oil and gas wells in existence on the effective date of this act in existence on July 1, 1995, and relate to the cleanup of pollution from oil and gas activities shall continue to be effective and shall be deemed to be the duly adopted rules and regulations of the state corporation commission until revised, amended, revoked or nullified pursuant to law.

(f) All orders and directives of the Kansas department of health and environment relating to the protection of surface water and groundwater from oil and gas activities; which activities shall include all practices involved in the exploration for and gathering of oil and gas and the drilling, production, lease storage, treatment, abandonment and postabandonment of oil and gas wells in existence on the effective date of this act in existence on July 1, 1995, and relate to the cleanup of pollution from oil and gas activities shall continue to be effective and shall be deemed to be orders and directives of the state corporation commission until revised,

amended, revoked or nullified pursuant to law.

(g) (1) The commission shall have jurisdiction and authority to cleanup pollution from oil and gas activities only if the commission determines that:

- (A) No person or entity is legally responsible for the cleanup; or
- (B) the person or entity legally responsible for the cleanup is dead, no longer in existence or insolvent or cannot be found.
- (2) As used in this subsection, "person" shall have the meaning ascribed thereto by subsection (b) of section 14.
- Sec. 7. K.S.A. 74-624 is hereby amended to read as follows: 74-624. (a) The state corporation commission shall succeed to all property and records of the Kansas department of health and environment which were used for, or pertained to, the performance of the powers, duties and

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functions transferred pursuant to this act. On the effective date of this act K.S.A. 74-623 through 74-628, and amendments thereto. On July 1, 1995, the balance of all funds appropriated and reappropriated to the department of health and environment for the activities of the bureau of oil field and environmental geology of the department of health and environment relating to the protection of surface water and groundwater from pollution by oil and gas activities, which activities shall include all practices involved in the exploration for oil and gas and the drilling, production, lease storage, treatment, abandonment and postabandonment of oil and gas wells and salt water disposal or injection wells are hereby transferred to the state corporation commission and shall be used only for the purposes for which the appropriation was originally made. Any conflict as to the proper disposition of such property or records or the unexpended balances of any appropriation or reappropriation arising under this section shall be resolved by the governor, and the decision of the governor shall be final.

(b) Unless otherwise provided by law, whenever federal or private moneys are received by the state on or after July 1, 1995, for the purpose of cleanup of pollution of the soil or waters of this state, such moneys shall be appropriated to the commission for cleanup of pollution from oil and gas activities in the proportion that responsibilities of the commission under this act bear to all soil and water pollution cleanup responsibilities

of all state agencies.

Sec. 8. K.S.A. 74-625 is hereby amended to read as follows: 74-625. On the effective date of this act July 1, 1995, liability for all accrued compensation or salaries of officers and employees who, immediately prior to such date, were engaged in the performance of powers, duties and functions transferred by this act K.S.A. 74-623 through 74-628, and amendments thereto, shall be assumed and paid by the state corporation commission.

Sec. 9. K.S.A. 74-626 is hereby amended to read as follows: 74-626. Whenever any conflict arises as to the disposition of any power, duty or function as a result of any transfer made by this act, or under authority of this act K.S.A. 74-623 through 74-628, and amendments thereto, such conflict shall be resolved by the governor, and the decision of the governor shall be final.

Sec. 10. K.S.A. 74-627 is hereby amended to read as follows: 74-627. (a) No suit, action or other proceeding, judicial or administrative, lawfully commenced by or against the Kansas department of health and environment or by or against any officer or employee of the department acting in the official capacity of such officer or employee or in relation to the discharge of official duties, shall abate by reason of the transfer of powers, duties and functions effected under the provisions of this act K.S.A. 74-

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623 through 74-628, and amendments thereto. The court may allow any such suit, action or proceeding to be maintained by or against the state corporation commission.

- (b) No criminal action commenced or which could have been commenced by the state shall abate by the taking of effect of this act K.S.A. 74-623 through 74-628, and amendments thereto.
- Sec. 11. K.S.A. 74-628 is hereby amended to read as follows: 74-628. (a) On the effective date of this act July 1, 1995, all officers and employees who were engaged immediately prior to the effective date of this act that date in the performance of powers, duties and functions which are transferred pursuant to the provisions of this act transferred pursuant to K.S.A. 74-623 through 74-628, and amendments thereto, and who are necessary to perform such powers, duties and functions, shall be transferred to and shall become officers and employees of the state corporation commission.
- (b) Any such officer or employee transferred pursuant to this section whether before or after amendment of this section on July 1, 1995, shall retain all retirement benefits and all rights of civil service which have accrued to or vested in such officer or employee prior to the effective date of this act officer's or employee's transfer. The service of each such officer or employee so transferred shall be deemed to have been continuous. All transfers and any abolishments of personnel in the classified service under the Kansas civil service act shall be in accordance with civil service laws and rules and regulations adopted thereunder.
- Sec. 12. K.S.A. 79-4230 is hereby amended to read as follows: 79-4230. An oil or gas mineral severance tax return required to be submitted pursuant to K.S.A. 79-4221 and amendments thereto, in addition to the provisions therein, shall be utilized to report those fees assessed by the state corporation commission pursuant to subsection (c) of K.S.A. 55-609 and amendments thereto or subsection (c) of K.S.A. 55-711 and amendments thereto and by the department of health and environment pursuant to subsection (f)(4) of K.S.A. 65-171d and amendments thereto and such other information pertaining to the production on which such fees are assessed as determined necessary pursuant to a memorandum of agreement executed on behalf of the state corporation commission and the departments of revenue and health and environment. Such fees shall be payable to the state at the same time the tax is payable under the provisions of K.S.A. 79-4220 and amendments thereto and they shall be remitted at the same time the tax is remitted by the purchaser or operator responsible for remitting the tax.
- New Sec. 13. (a) This section and sections 14 through 18 shall be known and may be cited as the Kansas energy education and remediation act.
 - (b) The collection of funds under section 17 will be terminated on

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July 1, 2005. The board will continue its duties under this act until such time as the board decides the money remaining in the education and remediation fund is no longer sufficient to accomplish any of the board's goals. When the board makes this decision, it will deposit the remaining funds in the conservation fee fund and terminate the Kansas energy education and remediation act. If the board has not terminated the Kansas energy education and remediation act by December 31, 2006, the Kansas energy education and remediation act will terminate on January 1, 2007, and all unfinished remediation projects will be turned over to the Kansas corporation commission and the money remaining in the education and remediation fund will be deposited in the conservation fee fund.

New Sec. 14. As used in the Kansas energy education and remedia-

New Sec. 14. As used in the Kansas energy education and remediation act:

- (a) "Board" means the energy education and remediation board
- (b) "Person" means any individual, association, partnership, corporation or other entity.

New Sec. 15. (a) There is hereby created the energy education and remediation board. The board shall be composed of 11 members as follows:

- (1) Four members appointed by the Kansas petroleum council;
- (2) four members appointed by the Kansas independent oil and gas association;
- (3) two members appointed by the eastern Kansas oil and gas association; and
- (4) one member appointed by the southwest Kansas royalty owner association.
- (b) Appointed members of the board shall serve at the pleasure of the appointing authority.
- (c) The board, at its first meeting, shall elect one of its members as chairperson, who shall preside over meetings of the board and perform such other duties as may be required by the board. The first meeting of the board shall be called by the governor!
- (d) No member of the board shall receive a salary or reimbursement for duties performed as a member of the board, however, members shall receive amounts provided by subsection (e) of K.S.A. 75-3323, and amendments thereto.
- (e) The board shall have the following powers, duties and responsibilities:
- (1) Administer and enforce the provisions of the Kansas energy education and remediation act;
- (2) establish an office for the board within the state of Kansas;
- (3) elect a chairperson and such other officers as may be necessary to direct operations of the board;

advisory

"Commission" means the state corporation commission.
(c)

advisory

Members

chairperson of the commission. Thereafter, the board shall meet on call of the chairperson of the board. A majority of the members of the board shall constitute a quorum for the transaction of business

Members of the board

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- employ personnel as deemed necessary to carry out the purpose and provisions of this act and to prescribe their duties and fix their compensatidn;
 - administer the energy education and remediation fund; (5)
 - approve or disapprove the budget of the board;

promulgate rules and regulations as deemed necessary to carry out the provisions of this act;

enter into contracts or agreements for studies, public relations, seminars, experimental work, supplies or other services to carry out the purposes of the Kansas energy education and remediation act, and incur those expenses necessary to carry out such purpose. Any such contract or agreement shall provide that:

(A) The person entering into the contract or agreement on behalf of the board shall develop and submit to the board a plan or project together with a budget or budgets that show estimated costs to be incurred for the plan or project; and

(B) the person entering into the contract or agreement shall keep accurate records of all transactions, account for funds received and expended, and make periodic reports to the board of activities conducted and such other reports as the board may require;

(9) keep accurate records of all financial transactions performed pursuant to this act. These records shall be audited annually by an independent auditor and an annual report shall be compiled and presented to the legislature and governor;

(10) cooperate with any private, local, state or national commission, organization, agency or group and make contracts and agreements for joint programs beneficial to the oil and gas industry;

(11) accept donations, grants, contributions and gifts from any public or private source and deposit such in the energy education and remediation fund; and

(12) keep an accurate record of all assessments collected.

There shall be an annual meeting of the board at which the annual report and proposed budget shall be presented. The board, at the call of the chairperson, shall hold at least three other regular meetings each year. The chairperson shall establish the time, a manner and place of all meetings and shall provide notice of such meetings. A majority of the members of the board shall constitute a quorum for the transaction of any business. In addition, the board shall determine the circumstances under which additional meetings of the board may be held.

(g) The board may appoint a director who shall carry out the provisions of the Kansas energy education and remediation act. The director shall not be one of the appointed board members.

New Sec. 16. (a) There is hereby created in the state treasury the

The board shall: (e)

Consult with and advise (1)the commission regarding the environmental cleanup and remediation project priority list established pursuant to section 19; and

all expenditures from the energy approve

education fund.

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energy education and remediation fund. All expenditures from the fund shall be in accordance with appropriation acts upon warrants of the director of accounts and reports pursuant to vouchers approved by the chairperson of the board or a person designated by the chairperson.

(b) (1) Of the moneys collected, a minimum of 50% and a maximum of 60% of such moneys collected during the first three years after October 1, 1905, shall be expended on environmental cleanup and remediation projects related to oil and gas pollution authorized by the board from a priority list of projects submitted by the state corporation commission.

(2) The remainder of the moneys credited to the fund shall be used to coordinate energy awareness activities which may include: (A) A public relations program designed to demonstrate the importance of the Kansas oil and gas exploration and production industry; (B) a program to encourage the wise and efficient use of energy; (C) a program to promote environmentally sound production methods and technologies; (D) educational programs in public schools concerning the oil and gas exploration and production industry; (E) voluntary continuing education programs for licensed oil and gas operators; and (F) a program to promote persoleum-based alternative fuels.

(c) On the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the energy education and remediation fund, the amount of money certified by the pooled money investment board in accordance with this subsection. Prior to the 10th day of each month, the pooled money investment board shall certify to the director of accounts and reports the amount of money equal to the proportionate amount of all the interest credited to the state general fund for the preceding period of time specified under this subsection, pursuant to K.S.A. 75-4210a and amendments thereto, that is attributable to money in the energy education and remediation fund. Such amount of money shall be determined by the pooled money investment board based on: (1) The average daily balance of moneys in the energy education and remediation fund during the period of time specified under this subsection as certified to the board by the director of accounts and reports; and (2) the average interest rate on repurchase agreements of less than 30 days' duration entered into by the pooled money investment board for that period of time. On or before the fifth day of the month for the preceding month, the director of accounts and reports shall certify to the pooled money investment board the average daily balance of moneys in the energy education and remediation fund for the period of time specified under this subsection.

New Sec. 17. (a) On and after January 1, 1996, there is hereby levied an assessment in the amount of \$0.015 on each barrel of oil and \$0.0015 per mcf of natural gas produced from each well in the state of Kansas.

commission

Money credited to the energy remediation fund

, as

\$0.00075

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Whenever the unobligated principal balance of the energy education and remediation fund equals or exceeds \$3,000,000 on the day before the beginning of a new fiscal year, no assessment shall be levied pursuant to this section during such fiscal year or any subsequent fiscal year until the unobligated balance of the fund is less than \$1,500,000 on the day before the beginning of a new fiscal year, in which case the levy of the assessment shall resume.

(b) The assessment levied by this section shall be paid in the manner provided by law for payment of oil conservation assessments pursuant to K.S.A. 55-176 and amendments thereto and gas conservation assessments pursuant to K.S.A. 55-711 and amendments thereto. All revenue received from the assessment levied pursuant to subsection (a) shall be remitted daily to the state treasurer. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the energy education and remediation fund.

(c) The board shall be responsible for taking appropriate legal actions to collect any assessment levied by this section which is not paid or is not properly paid.

New Sec. 18. Nothing in this act shall be construed to preempt or supersede any other program relating to oil and gas public relations organized and operated under the laws of the state of Kansas or the United States. In the event of the establishment of a national program for an assessment on oil and natural gas production, the board, by majority vote, may elect to designate up to a maximum of 50% of the moneys collected under this act to such a national program in lieu of an additional assessment as may be required by such national program.

27 Sec. 19. K.S.A. 55-143, 55-158, 55-162, 55-179, 55-185, 74-623, 74-28 624, 74-625, 74-626, 74-627, 74-628 and 79-4230 and K.S.A. 1994 Supp. 29 65-171d are hereby repealed.

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

and shall credit 80% to the energy remediation fund and 20% to the energy education fund

commission

Insert sections 19 and 20, attached

commission

55-182,

New Sec. 19. (a) The commission shall develop a priority system for environmental cleanup and remediation projects to be paid for from the energy remediation fund, establish ranking criteria therefor and prepare a project priority list, which may be modified periodically in accordance with the system and criteria adopted. In developing the priority system, ranking criteria and list, including any modifications, the commission shall consult with and solicit the advice of the board.

(b) Expenditures from the energy remediation fund shall be in accordance with the priority list prepared pursuant to this section.

New Sec. 20. (a) There is hereby created in the state treasury the energy education fund. All expenditures from the fund shall be in accordance with appropriation acts upon warrants of the director of accounts and reports pursuant to vouchers approved by the chairperson of the board or a person designated by the chairperson.

(b) Moneys credited to the fund shall be used to coordinate energy awareness activities, as authorized by the board, which activities may include: (A) A public relations program designed to demonstrate the importance of the Kansas oil and gas exploration and production industry; (B) a program to encourage the wise and efficient use of energy; (C) a program to promote environmentally sound production methods and technologies; (D) educational programs in public schools concerning the oil and gas exploration and production industry; (E) voluntary continuing education programs for licensed oil and gas operators; and (F) a program to promote petroleum-based alternative fuels.

CONSERVATION DIVISION	OBJ.	FY 1995 GOVERNOR'S	FY 1996 GOVERNOR'S
OBJECT OF EXPENDITURE	CODE	RECOMMEND	RECOMMEND
TOTAL SALARIES & WAGES	100	\$3,232,579	\$3,420,001
COMMUNICATION	200		\$180,873
FREIGHT & EXPRESS	210		\$2,069
PRINTING & ADVERTISING	220	•	\$13,032
RENTS	230	•	\$298,967
REPAIRING & SERVICING	240	•	\$590,392(2)
TRAVEL & SUBSISTENCE	250		\$367,752
FEES-OTHER SERVICES	260		\$73,745
FEES-PROFESSIONAL SERVICES	270		\$60,000
UTILITIES	280		\$13,425
OTHER CONTRACTUAL SERVICES	290	16,260	\$19,060
TOTAL CONTRACTUAL SERVICES		\$1,442,187	\$1,619,315
CLOTHING	300	1,000	\$1,000
FEED & FORAGE	310		Ψ1,000
FOOD FOR HUMAN CONSUMPTION	320		
FUEL.	330		
MAINT. MATERIALS SUPPLIES, PARTS	340		\$1,850
MOTOR VEHICLE PARTS, SUPPLIES	350		\$970
PROFESSIONAL & SCIENTIFIC SUPPLIES	360		\$12,500
STATIONERY OF OFFICE SUPPLIES	370		\$43,470
SCIENTIFIC RESEARCH SUPPLIES	380	•	φ40,470
OTHER SUPPLIES MATERIALS, PARTS	390		\$6,215
TOTAL COMMODITIES		\$61,900	\$66,005
TOTAL CAPITAL OUTLAY	400	\$228,518	\$21,900
INSTITUTIONAL OR DEPT. DEBT	600		
TOTAL NONEXPENSE ITEMS	700		
SUBTOTALSTATE OPERATIONS		\$4,965,184	\$5,127,221
FEDERAL AID TO LOCAL UNITS	500		
STATE AID TO LOCAL UNITS	510		
TOTAL AID TO LOCAL UNITS			
			MARCO MARCON CT
CLAIMS	520		
TOTAL OTHER ASSISTANCE, GRANTS AND BENEFITS			
			<u> </u>
TOTAL EXPENDITURES		\$4,965,184 (1)	\$5,127,221 (2)
NUMBER OF AUTHORIZED POSITIONS		86.5	86.5
NUMBER OF POSITIONS FILLED AS OF 1-25-95		76.0	

⁽¹⁾ Includes \$400,00 Well Plugging(2) Includes \$500,000 Well Plugging

Senate Energy and Nat'l Res February 22, 1995 Atlachment 2

PROPOSED CONCURRENT RESOLUTION **ENVIRONMENTAL WATER PERMITTING**

WHEREAS, The Steering Committee for the effort to Reinvent Kansas Government has provided the legislature with a thorough and excellent briefing on its study report "Environmental Water Permitting" through the study team appointed by the Steering Committee; and

WHEREAS, The study team was comprised of both members of the public receiving environmental water permits and agency heads responsible for the issuance of environmental water permits; and

WHEREAS, The study team solicited additional input from the public receiving environmental water permits through both mail and telephone surveys; and

WHEREAS. The resulting study report "Environmental Water Permitting" contains eighteen (18) "quick hit" initiatives and twenty-four (24) long range initiatives requiring a long term commitment to improving the manner in which the residents of the State of Kansas are served by water permitting agencies; and

WHEREAS, There has been a long standing perception among the legislature and the residents of the State of Kansas that improvements in environmental water permitting are necessary for the public to receive an acceptable level of service by the water permitting agencies; Now, therefore,

Be it resolved by the Senate of the State of Kansas, the House of Representatives concurring therein: That the legislature expresses its appreciation to the Environmental Water Permitting Study Team for its effort to develop a comprehensive plan for improving the manner in which environmental water permits are issued and renewed; and

Be it further resolved: That the legislature endorses the concepts for improvement in environmental water permitting contained in the study report; and

Be it further resolved: That the legislature endorses the transition of the Water Permitting Study Team into the Water Permitting Implementation Team to coordinate and track the implementation of the recommended initiatives; and

Be it further resolved: That the legislature endorses the concept of utilizing electronically transmitted documents in the water permitting process to improve process efficiency and decrease processing time; and

Be it further resolved: That the legislature requests the state agencies which are authorized to manage the environmental water permitting process, in conjunction with the Water Permitting Implementation Team, to create a "Water Permit Database" to be shared by the state agencies; and

Be it further resolved: That the legislature requests the Water Permitting Implementation Team, in conjunction with the state agencies, to form a "Water Database Policy Board" to develop uniform policies relating to the Water Permit Database; and

Be it further resolved: That the legislature requests the Water Permitting Implementation Team, in conjunction with the state agencies, to submit to the legislature any bills, resolutions or requests for appropriations designed to implement the various segments of the study report as submitted by the Steering Senate Energy & Natil Res. February 22, 1995 Attachment 3 Committee to Reinvent Kansas Government