

SESSION OF 2007

**SUPPLEMENTAL NOTE ON
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2485**

As Amended by Senate Committee of the Whole

Brief*

Sen. Sub. for HB 2485 would allow the Kansas Corporation Commission (KCC) to adopt rules and regulations to fix, charge, and collect a fee for an application of intent to drill an oil or gas well. The maximum fee allowed by the bill would be \$300. In addition, the bill would clarify that the KCC must make available information regarding intents to drill to the Secretary of the Kansas Department of Health and Environment (KDHE) and to county clerks. Current law requires the KCC to send copies of intents to drill to KDHE and to county clerks.

In addition, the bill would amend the Kansas Petroleum Education and Marketing Act to modify the definition of the term "interest owner" to exclude any overriding interest carved out of the working interest. The bill also would delete the annual cap of \$20,000 for the voluntary assessment of each interest owner. The bill would repeal provisions that allow interest owners to opt out of the assessment. (The existing provision that permits interest owners to seek a refund would remain intact.) Further, assessments would be due by the 60th day, rather than the 15th, following the end of the month in which the assessment was collected. Finally, the bill would allow those individuals who request less than a full refund of all assessments to serve on the Kansas Oil and Gas Resources Board. Current law prevents persons requesting any refund to serve on the Board.

Finally, the bill would authorize the Board to permit or require an entity other than the first purchaser to deduct the assessment if the entity is the operator or if the entity distributes revenue to interest owners.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

As passed by the House, the bill prescribed certain energy conservation design standards for buildings and required the use of light-emitting diodes in traffic signals.

The Senate Utilities Committee replaced the House-passed provisions with the provisions of SB 238 and amendments to the Kansas Petroleum Education and Marketing Act described above. A spokesperson from the Kansas Independent Oil and Gas Association described the proposed changes to the Kansas Petroleum Education and Marketing Act.

The Senate Utilities Committee held a hearing on SB 238. SB 238 was requested by the Kansas Corporation Commission (KCC), whose representative testified before the Senate Committee in support of the bill which contained two amendments to KSA 55-151. The conferee indicated that the first amendment regarding notification of intents to drill aligns the statute with the current practice, and the second amendment eliminates the prohibition against the Commission charging a fee for an application for an intent to drill and allows the Commission to charge a fee which would be established by rules and regulations adopted by the Commission. No one appeared as an opponent.

The Senate Committee of the Whole amended the bill to impose a cap on the intent to drill fee. The Senate Committee of the Whole also amended the bill to authorize the Oil and Gas Resources Board to designate an entity to deduct assessments for the Petroleum Education and Marketing Program.

The fiscal note on HB 2485 would no longer be applicable. The fiscal note on the original SB 238 states that enactment of the bill could result in additional revenues if the KCC chooses to impose an application fee for intents to drill. The KCC indicates that it has no immediate plans to implement such a fee, but the agency believes that it should have the authority to

impose this fee if it considers it necessary. The agency also reports that the amount charged for applications must be presented to the statutorily created Oil and Gas Advisory Committee and would require a public hearing.