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MEMORANDUM

To: Chairman Holmes and members of the House Energy and Utilities Committee
From: Matt Sterling, Assistant Revisor of Statutes
Date: February 16, 2012
Subject: House Bill 2711

HB 2711 concerns the plugging of oil and gas wells. The bill would require every operator of a well to annually pay to the commission, for each well that the operator maintained control of, 5% of the total projected cost of plugging the well. At the time of the initial application of intent to drill a well, the Kansas Corporation Commission would determine the projected cost of plugging the well. For all wells for which an operator has already filed an application of intent to drill, the commission would determine the projected cost of plugging each such well prior to renewal of the operator's license and would require the annual payment of 5% of those projected costs as part of the operator's renewal application. The annual payments would continue until an operator had paid an aggregate amount equal to 100% of the projected costs of plugging each well.

All moneys received by the commission from these payments would be remitted to the state treasurer and credited to the well plugging assurance fund. All moneys credited to the well plugging assurance fund from the annual 5% payments would be credited to a separate account established within the fund for each county. Every quarter, the commission would determine and distribute all moneys credited to each county's well plugging assurance fund account in the well plugging assurance fund to the county treasurer of such county.

The bill would also direct the board of county commissioners of each county to establish a county well plugging assurance trust fund to receive moneys from the well plugging assurance fund. Within the county fund, the county would maintain a separate trust account for each well located in the county for which the county received moneys from the well plugging assurance fund. The county

treasurer would be responsible for the administration of the county fund. Moneys in the fund could be invested and earn interest.

When a well was plugged in accordance with commission rules and regulations, the commission would notify the county in which the well was located and the county treasurer would pay all the moneys credited to the trust account for that well to the entity that plugged the well.