

Testimony in support of

HB 2711

County Oil & Gas Well Plugging Assurance Fund

I've heard it said that if a company has a smart lawyer and is structured correctly it should never need to plug a well. This would especially be true when the resource they are tapping runs dry.

Experts that I have confidence in have assured me that the coal-bed methane that is currently being exploited in my neighborhood, in Southeast Kansas, with the drilling of many, many wells, will run out of gas within the next couple decades. There is no technology on the horizon that will extend the recovery of this resource. Will the field just be abandoned at this point and the state left responsible to plug all those wells?

Currently we are poised to begin exploiting the Mississippi play in South Central Kansas. These are tremendous resources for the state of Kansas. Many wells will be drilled.

The current abandoned well assurance funds have succeeded in guaranteeing that no wells are left abandoned during on-going development of a resource. However, I have found no one to assure me that in the future, when the resource runs dry, the present plan will insure that wells are not abandoned.

Now is the time, when the money is flowing, to make sure that plans are made to provide the funds to plug these wells in the future.

HB 2711 provides for a yearly payment of 5% of the estimated cost of plugging the well. This is administered by the KCC but the accumulated funds are kept in each county assuring the industry that the money will be there when it is needed. At the time of plugging the well the KCC will certify to the county that the work has been done and instruct the county who to pay and how much has been collected for that particular well. The county will then issue payment to the entity responsible for plugging the well, per KCC instructions.

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HB 2711 is not a tax. It is not a fee. It is a deposit toward a future business expense that will be incurred. This is good business. This is responsible legislation. When an amount has been accumulated in the fund that will cover the cost of plugging the well, the KCC will collect no more money for that particular well and the money will be there to draw upon when needed.

The county's job is easy; they just hold the money and issue the check when instructed to do so. The KCC already keeps track of each well in much detail. This should not be much extra bookkeeping burden.

Your support of HB 2711 will insure that the state of Kansas is not left holding the bag, not left responsible to pay for the plugging of thousands of additional abandoned wells, as has been the case in the past. We are still plugging abandoned wells from many years ago. We will be plugging these wells for many years to come. Current law allows for the potential of repeating this travesty. Let's insure that we don't. Please support HB 2711.