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Testimony to House Energy & Utilities Committee

House Bill 2711

An Act concerning oil and gas; counties; relating to licensure of operators and contractors; well plugging assurance

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February 16, 2012

Good morning Chairman Holmes and members of the committee. I am Edward Cross, President of the Kansas Independent Oil & Gas Association (KIOGA). KIOGA represents the interests of independent oil and natural gas producers in Kansas. With over 1,400 members across the entire state, KIOGA is the lead state and national advocate for Kansas independent oil and natural gas producers. Our members account for 86% of the oil and 63% of the natural gas produced in Kansas. I am responsible for public policy advocacy and interaction with external stakeholders including elected officials, regulators, governmental decision-makers, and community thought leaders. I am here this morning to express our strong opposition to House Bill 2711 (HB 2711).

HB 2711 establishes a well plugging trust fund. Currently, two state funds exist for the plugging of wells. The Well Plugging Assurance Fund addresses wells drilled subsequent to July 1, 1996. The Abandoned Oil & Gas Well Plugging Fund addresses those wells drilled prior to July 1, 1996. The Well Plugging Assurance Fund has a current balance of nearly \$3.3 million and has had no claims to date. The Well Plugging Assurance Fund is funded by industry through operator license fees, cash bonds, surety bonds, certificate of deposits, and letters of credit. The Abandoned Oil & Gas Well Plugging Fund receives about \$1.6 million per year and is suppose to receive funds from the state water plan, federal royalties, conservation fee fund, and the state general fund. Over the past several years, the fund did not receive the transfers from the state general fund. Insufficient funds for either state plugging funds are imposed on the conservation

fee fund, which is paid by oil and gas operators. The oil and gas industry is a highly taxed industry. Recent studies show the Kansas oil and gas industry's total tax liability is 21.1% higher than Arkansas, 54.8% higher than Oklahoma, and 57.1% higher than Texas. HB 2711 adds yet another fee on the Kansas oil and gas industry for something the industry already funds through two other state programs. HB 2711 is duplicative and superfluous and is trying to address an issue that is already addressed by the two state plugging programs. The first source to look for additional funding of the two state well plugging programs is to restore the transfers from the state general fund and state water plan to the well plugging programs. When fully funded, many suggest that the two current state well plugging funds provides more funding than could be spent plugging abandoned wells based upon past state plugging performance.

We strongly urge the committee to not pass HB 2711 as well plugging financial assurance is already established by the two current state well plugging programs. Thank you for your time and consideration. I stand for questions.