

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Sen. Pat Ranson at 1:30 p.m. on March 20, 2000 in Room 231- N of the Capitol.

All members were present except:  
Sen. Hensley was excused

Committee staff present:  
Lynne Holt, Legislative Research Department  
Mary Torrence, Revisors of Statute Office  
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:  
None

Others attending:  
See attached list

Sen. Ranson introduced her pages from the Junior ROTC in Wichita who have assisted the committee today. She then directed the committees' attention to **HB 2782-concerning oil and gas; relating to disposition of certain fees** and to a draft of proposed amendments (Attachment 1). Sen. Ranson called on Ms. Torrence to explain the amendments to the committee. Sen. Ranson reminded the committee there is a sunset provision for 2002, which the committee wanted to remove, as well as more money allocated to plug priority wells drilled prior to July, 1996 and allow expenses to be paid out of that fund. The KCC would also have to request appropriations each year for the funds. Ms. Torrence also clarified that the committee wants to specify the amount to be spent on administration costs and personnel costs. Sen. Ranson clarified that the consensus was to address a specific amount to be spent on administration and personnel costs, leaving the Abandoned Well Plugging Fund for a specific purpose. Sen. Pugh asked for clarification on the funds and their purpose. The Abandoned Oil and Gas Well Fund, which has four sources of income and includes federal dollars, is for investigation and remediation of contaminated sites for wells drilled before July, 1996; no administrative expenditures come out of the fund. The Conservation Fee Fund for Abandoned Wells are for investigation and remediation of contaminated sites drilled on or after July 1, 1996; administrative expenses can be paid from the fund. The proposed Well Plugging Assurance Fund (**HB 2782**) would be for investigation and remediation of abandoned wells drilled on or after July 1,1996; no administrative expenses can be paid, except for contractual expenses.

The committee discussed the funds, and Sen. Ranson clarified reasons for the amendment are to specify priorities; to remove the Sunset provision, allow funds for continuing the plugging of priority wells as well as administrative costs and to ensure the money spent each year is subject to appropriation. Sen. Barone asked if the intention of the committee is to take money from the Abandoned Well Fund and put in the Assurance Fund. He stated he believes that wells producing today are a matter of record and those contractors need to be held responsible for cleaning up the well sites and stated if that is the case, there would be no need for another fund. Sen. Ranson stated her desire is for the interest accumulated in the Assurance Fund to flow to the Abandoned Well Fund. Sen. Barone suggested that the change be made for wells currently in production; after July 1,1996, the funding would go into the Assurance Fund. Sen. Ranson suggested it would be better to specify that wells abandoned after July, 1996 be included. Ms. Torrence stated there may be a problem knowing when the well was abandoned. Sen. Brownlee asked for clarification as to which fund is a fee fund, which is the Assurance Fund. She referred to Page 3, Line 40 of the bill, and stated if a contractor is unable to get bonding, then he is not qualified and should not be granted a license. Sen. Ranson clarified that the operators addressed on Page 3, Line 40 relates to those wanting to drill oil wells, not plugging abandoned wells. Ms. Edmiston stated that some operators cannot qualify for a bond, such as a startup company or a new partnership. Sen. Morris stated from the testimony, it appears we have more plugging contractors interested in bidding than we have been aware of, and stated his preference is to set up the one fund only.

Sen. Ranson stated it appears to be a consensus of the committee to establish one fund only, to specify the contaminated wells be given the highest priority and make the fund and administration expenses be subject to an appropriation, which the committee feels is very important. Sen. Ranson outlined what the

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committee wants to include in the amended bill: establish the fund stating the highest priority is to be contaminated wells, remove references to dates and to make funding subject to appropriations. Sen. Ranson asked Ms. Torrence to draft the changes, and bring them to committee tomorrow and remarked the committee is essentially drafting a new bill. Sen. Lee and others wanted an annual report from the Conservation Division, and Sen. Brownlee wanted to clarify that the funding is to be used to locate abandoned wells, as well as locating the responsible parties. The committee consensus was to stress how important it is to locate owners of the wells and make them responsible for the clean-up.

Sen. Ranson referred to Cindy Lash, who explained the Post Audit Division prepares an annual follow-up report (Attachment 2), which she discussed. She also referred to Page 27 of the Audit Report and Recommendations made to the Conservation Division. Post Audit recommended a formal plan be developed to prioritize wells, and she discussed the figures with the committee. The committee asked clarification as to how the wells are classified and compliance by the Conservation Division. Sen. Barone stated he agrees with plugging wells as a unit, as opposed to plugging only the most contaminated ones, then return later to work on the others. Tom Day (from the KCC) confirmed that the plugging is being done one-quarter section at a time, giving priority to the sections with the most contaminated wells on it.

Ms. Holt referred the committee to a listing of Abandoned Wells Plugged or Scheduled for Plugging with State Funds by Calendar Year, (Attachment 3), which the committee discussed and confirmed that Priority IA wells are receiving first attention. Ms. Holt also furnished the committee with the following documents:

- Abandoned Wells Removed from Priority I Abandoned Well Inventory Since January 1, 1996, (Attachment 4)
- Inventoried Abandoned Wells Requiring Action, (Attachment 5)
- All KCC Licensed Plugging Contractors, (Attachment 6)
- KCC Licensed Plugging Contractors With Active Tags, (Attachment 7)
- Plugging Contractors and Subcontractors - interest in State Plugging Contracts, (Attachment 8)

Also distributed to the committee was information on Bidders for Abandoned Oil Well Plugging from Fran Welch, Division of Purchases, and requested by Sen. Barone, (Attachment 9), and testimony from Diana Edmiston, Senior Assistant General Counsel for the Conservation Division, regarding CERCLA. as requested by Sen. Brownlee (Attachment 10).

Sen. Ranson announced the committee will have further discussion and action on the Kansas Corporation Commission abandoned well plugging program tomorrow.

Meeting adjourned at 2:30.

Next meeting will be March 21.

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