

MINUTES OF THE SENATE NATURAL RESOURCES COMMITTEE

The meeting was called to order by Chairman Carolyn McGinn at 8:30 a.m. on March 5, 2009, in Room 446-N of the Capitol.

All members were present.

Committee staff present:

Kristen Kellems, Revisor of Statutes Office
Jason Thompson, Revisor of Statutes Office
Corey Carnahan, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Alissa Vogel, Committee Assistant

Conferees appearing before the Committee:

Jane Kelsey, Producer, Surface Owner
Bob Vancrum, Quest Cherokee, LLC
John Donley, Assistant General Counsel, Kansas Livestock Association (written only)
Doug Zillinger, Farmer (written only)
Charles Sizemore, Manager, Operations Engineering, Mid-Continent Division for Pioneer Natural Resources USA, Inc
Ed Cross, Kansas Independent Oil and Gas Association
Bob Krehbiel, Kansas Independent Oil and Gas Association
Richard Alldritt, Land Manager, Palomino Petroleum, Inc.

Others attending:

See attached list.

The meeting began with the approval of minutes. Senator Morris moved to approve the minutes from February 5, 2009 and February 6, 2009. Senator Abrams seconded the motion, and the motion carried.

Senator McGinn announced the continuation of the hearing on **SB 184 - Surface owner notice act.**

Senator McGinn introduced Jane Kelsey, producer and surface owner, who spoke as a proponent to **SB 184.** (Attachment 1) Mrs. Kelsey stated that she had a serious problem with a gas drilling and pipeline company, which has since been legally resolved, but could legally give no further explanation. Similar problems have been an issue in her neighborhood for the last three years, in which a property owner's right to protection under the law is almost nonexistent. She is in support of **SB 184**, as it will provide fairness to Kansas law regarding private property rights in relationship to the oil and gas industry.

Senator McGinn introduced Bob Vancrum, representing Quest Cherokee, LLC, who spoke in favor of **SB 184.** (Attachment 2) Quest Cherokee, LLC supports **SB 184** for the following reasons: it provides surface owners assurance that prior notice of significant oil and gas operations on their land will be given, it gives oil and gas operators certainty that access will be allowed for those operations, and **SB 184** will help oil and gas companies avoid litigation that is time-consuming and expensive. Quest Cherokee, LLC supports no more than 5 business days be required for oil and gas operators to give written notice to landowners prior to entry on the lease. If there is an extension of that period, then they will no longer support the passage of **SB 184.**

Ms. Kelsey and Mr. Vancrum stood for questions.

John Donley, Assistant General Counsel for the Kansas Livestock Association, provided written testimony in support of **SB 184.** (Attachment 3)

Doug Zillinger, farmer and rancher, provided written testimony in support of **SB 184.** (Attachment 4)

Charles Sizemore, Manager, Operations Engineering for the Mid-Continent Division for Pioneer Natural Resources USA, Inc, ("Pioneer") spoke as an opponent to **SB 184.** (Attachment 5) Pioneer is opposed to **SB 184** for the following reasons: it changes the manner in which the rights and obligations relating to ingress and egress are established between the oil and gas company and the landowner, the authority to interpret and enforce the oil and gas company's rights and obligations would shift from the courts to the

CONTINUATION SHEET

Minutes of the Senate Natural Resources Committee at 8:30 a.m. on March 5, 2009, in Room 446-N of the Capitol.

Kansas Corporation Commission (KCC), and notice requirements and time restrictions placed on the oil and gas company would be overly burdensome. Pioneer prefers to resolve communication problems through educational initiatives, and they support efforts to add new board positions on the KCC Oil and Gas Advisory Committee and the Commission's rules and regulations committee.

Ed Cross, President of the Kansas Independent Oil and Gas Association (KIOGA), spoke as an opponent to **SB 184**. (Attachment 6) He referred to a study conducted by the Interstate Oil and Gas Compact Commission (IOGCC) that compared states with surface related oil land gas legislation and states that relied on common law. The study concluded that common law was the more successful method, and the IOGCC did not recommend states adopt surface related oil and gas legislation. Mr. Cross stated that **SB 184** would create legal challenges, where none need to exist. He suggested educational initiatives to develop communication and a better understanding between all stakeholder groups including: continuing the Good Neighbor Initiative (Attachment 7), holding informational seminars, and creating a hotline where surface owners or tenants can voice their complaints.

Bob Krehbiel, appearing on his own behalf and on behalf of KIOGA, spoke in opposition to **SB 184**. (Attachment 8) He stated that he opposes **SB 184**, as it attempts to rewrite and impair thousands of contracts that have been in place for many years. He fully supports the measures taken by KIOGA to improve understanding and communication between landowners and oil and gas companies. He provided Committee members with an example, using his own family farm experiences, to explain the following: the rights and obligations given to an oil and gas company through a mutually agreed upon lease, the effects **SB 184** will have on an oil and gas lease, and his support for common law to resolve surface right issues. (Attachment 9)

Richard Alldritt, representing Palomino Petroleum, Inc., spoke in opposition to **SB 184**. (Attachment 10) He stated that **SB 184** would mandate a notification notice, a matter of courtesy and respect, which is already a common practice within Palomino Petroleum, Inc and a majority of other oil and gas companies. Palomino Petroleum, Inc. is opposed to **SB 184** for the following reasons: it punishes the entire oil and gas industry for the actions of a few, it is difficult to notify the appropriate person prior to oil and gas operations in cases where multiple parties may own the land or the surface owner may live out of the state or country, the contract may not be recorded in the courthouse in cases where the surface owner of record is not the actual surface owner, and it will place a burden on operators who decide on a day to day basis when and where oil and gas operations will occur.

He stood for questions.

Senator McGinn informed the Committee that discussion on **SB 184** will continue at a later date.

The next meeting is scheduled for March 12, 2009.

The meeting was adjourned at 9:30 a..m.