

**House Energy and Utilities Committee
House Bill No. 2642
Comments by
Tom Day, Legislative Liaison
Kansas Corporation Commission**

February 10, 2012

Chairman Holmes and members of the Committee, I am Tom Day with the Kansas Corporation Commission. I am here today to provide staff's comments on House Bill 2642. Thank you for this opportunity to appear before you.

The Commission is taking a neutral position on House Bill 2642, and wishes to convey to the committee the concerns in the language, as introduced, which seeks to use Kansas manufactured or supplied products first in the process of hydraulic fracturing.

The Commission considers enactment of HB 2642 to be a policy decision for this Legislature to make with as much information as available.

Background

The Commission has been involved in regulating oil and gas exploration and production operations since the mid-1930's. Some of these activities include: licensing oil and gas operators, permitting drilling activities such as "intents-to-drill" and associated pit permits, enforcing proration orders, overseeing well-plugging operations, permitting injection well activities, regulating gas gathering, enforcing pit and spill regulations, regulating underground porosity gas storage operators and administering the abandoned well-plugging program. Staff has developed an expertise with many aspects of the industry's field activities by enforcing regulations which are designed to prevent waste of natural resources, protect correlative rights and protect public safety.

Commission Staff's Comments

KCC staff appreciates the desire to promote the use of products and services which originate in Kansas, however, there are concerns with the new language:

- 1) Sub-section (b) (pg. 1, lines 19-22): Operators tell us that the decision to hydraulically fracture a well, or what materials to use, is made with data obtained during drilling operations. Recording an estimate on the intent-to-drill, then not using or using another product/service could cause an unintended violation of the statute.

- 2) Sub-section (b) (pg. 1, lines 30-31): Staff is unsure how it could obtain and maintain a verifiable list of Kansas suppliers and manufacturers.
- 3) As written, the bill does not give the Commission direction as to how often the list should be updated or how it should be distributed.
- 4) Staff is not sure if the “commercially and economically viable” (pg. 1, lines 21-22) standard could be developed or how it would be enforced.

Thank you again for this opportunity and I will gladly answer any questions the committee might have.