

**House Committee on Energy & Utilities
House Bill No. 2750
Comments by John McCannon
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Chairman Holmes and members of the Committee, I am John McCannon, Litigation Counsel for the KCC's Conservation Division. I am here today to provide staff's comments on House Bill 2750. Thank you for this opportunity to appear before you.

The Commission is taking a neutral position on House Bill 2750, and wishes to convey to the committee the concerns in the language, as introduced, which seeks to change the definition of a potentially responsible party.

The Commission considers enactment of HB 2750 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-1930s. 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

It is difficult to comment on the amendments to K.S.A. 55-179 made by this bill without knowing the intended purpose of the amendment.

The amendment deletes the operator of the lease upon which such well is located as a category of responsible parties to plug abandoned wells and replaces it with the person responsible for the physical control of such well.

The current language used in K.S.A. 55-179 has been interpreted by the Commission in several orders. The most recent interpretation is found in the Quest Order, docket number 07-CONS-155-CSHO. The Commission's interpretation of the current language in K.S.A. 55-179 allows staff and operators to determine responsibility for abandoned wells under most factual situations. The amendment opens this category of responsible party open to interpretation once again.

All of the other categories of responsible party in K.S.A. 55-179 are "operators", the amendment makes "person" a responsible party. "Person" has a much broader definition than "Operator." "Person" could include a pumper or contractor that works on or tends to the well on a regular basis. "Person" could also be working interest owners who have final decision-making authority over how the well is operated and what work is done on the well. There could be multiple "persons" who have physical control of a well, depending on how "physical control" is defined.

The Commission and its staff must apply the statute to day-to-day factual situations to determine responsible parties for abandoned wells. Today we have the Quest Order to guide us in making those determinations. If the bill goes forward, I believe that "physical control" needs to be clearly defined so staff can make consistent decisions on responsibility for abandoned wells, and so industry will have clear guidelines on who is a responsible party and under what circumstances.

Thank you again for this opportunity. I will gladly answer any questions.