



AD ASTRA PER ASPERA
Kansas

Corporation Commission

Abandoned Oil & Gas Well Status Report

Joint Committee on Energy and Environmental Policy

*Doug Louis, Conservation Division Director
September 9, 2011*



Early 20th Century Oil Field, Kansas

There are two funds for the KCC to use for abandoned well plugging.

- Abandon Well/Site Remediation Fund- used to plug wells drilled before 1996, and site remediation.
- Well Assurance Fund- used to plug well wells drilled after 1996.

Abandoned Well / Site Remediation Fund

- Created with the passage of K.S.A. 55-192 and K.S.A. 55-193 in 1996.
- Purpose is to provide significant funding to plug abandoned oil and gas wells and to investigate, monitor, and remediate oil & gas contamination sites.
- Fund's sunset date extended to June 30, 2016.

Abandoned Well / Site Remediation Fund

Funding Sources

Four statutory funding sources established 7/1/1996:

- Increased assessments on crude oil and natural gas production through the conservation fee fund
- General fund monies
- State water plan monies
- 50% of monies received by the state through the federal mineral leasing program

Total funding package averages \$1,600,000 per year.

ANNUAL FUNDING SOURCES AND WELL PLUGGING TOTALS

KCC ABANDONED WELL PLUGGING / SITE REMEDIATION FORECAST

NO SGF TRANSFER FOR FY 00-04-05-06-07-08-09-10-11-12-13; NO SWP FY03-04; PROJECTION SCENARIO 1										CURRENT PROGRAM SUNSET @ JUNE 30, 2016 (END OF FY2016)			
	FY2004	FY2005	FY2006	FY2007 EST	FY2008	FY2009	FY2010	FY2011 TO	FY2012-EST	FY2013-EST	FY2014-EST	FY2015-EST	FY2016-EST
CST. USED FROM 2143 CASH BAL*	\$712,369	\$0	\$0	\$222,599	\$361,054	\$0	\$20,750	\$0	\$0	\$0	\$0	\$0	\$0
STATE GENERAL FUND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$400,000	\$400,000	\$400,000
STATE WATER PLAN	\$0	\$967,300	\$400,000	\$400,000	\$400,000	\$330,000	\$280,000	\$374,585	\$400,000	\$354,000	\$400,000	\$400,000	\$400,000
1/2 FEDERAL LEASE MINERAL	\$786,872	\$371,391	\$1,240,018	\$892,730	\$1,100,998	\$1,085,117	\$987,096	\$859,090	\$841,911	\$825,073	\$809,571	\$792,400	\$778,552
CONSERVATION FEE FUND 2136	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
CFE 2136 ADDTL. TRANSFER*	\$430,000	\$295,000	\$310,000	\$400,000	\$400,000	\$480,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LEASE SALVAGE	\$21,322	\$24,519	\$22,045	\$45,031	\$10,031	\$14,446	\$26,000	\$7,239	\$0,000	\$5,000	\$5,000	\$5,000	\$5,000
INTEREST	\$23,051	\$34,747	\$69,125	\$95,050	\$32,329	\$80,599	\$15,000	\$5,733	\$0,000	\$5,000	\$5,000	\$0,000	\$0,000
MISC. & RECOVERIES	\$295	\$303	\$4,881	\$8,201	\$2,385	\$22,247	\$949	\$3,591	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
TOTAL AVAILABLE	\$2,353,940	\$2,392,990	\$2,457,079	\$2,473,281	\$2,878,437	\$2,392,489	\$1,443,480	\$1,858,291	\$1,857,511	\$1,855,073	\$2,004,571	\$2,038,400	\$1,982,552
LESS REMEDIATION**	\$288,373	\$88,012	\$21,385	\$23,261	\$6,876	\$8,321	\$87,029	\$13,488	\$20,000	\$20,000	\$10,000	\$12,000	\$12,000
ABN WELL PLUGGING \$	\$1,965,567	\$2,304,978	\$2,435,694	\$2,449,020	\$2,871,561	\$2,384,168	\$1,356,451	\$1,844,803	\$1,837,511	\$1,835,073	\$2,014,571	\$1,998,400	\$1,970,552
FUND-2143 UNENC CASH BAL***	\$194,018	\$83,795	\$483,725	\$383,814	\$448,343	\$343,714	\$220,985	\$394,000					

ACTUAL / PROJECTED WELL PLUGGING BY FISCAL YEAR			
	AM TOTAL\$	# PLUGGED	AVG WELL \$
FY1997	\$1,732,796	428	\$4,049
FY1998	\$1,584,272	581	\$2,727
FY1999	\$1,280,744	508	\$2,529
FY2000	\$1,588,721	544	\$2,920
FY2001	\$1,382,488	581	\$2,379
FY2002	\$1,738,320	754	\$2,309
FY2003	\$2,132,310	696	\$3,063
FY2004	\$1,385,875	650	\$2,132
FY2005	\$2,234,291	664	\$3,365
FY2006	\$2,061,552	560	\$3,681
FY2007	\$2,434,229	614	\$3,964
FY2008	\$2,089,581	581	\$3,600
FY2009	\$2,077,700	526	\$3,950
FY2010	\$1,382,451	325	\$4,254
FY2011	\$1,842,795	365	\$5,048
FY12-EST	\$1,827,511	326	\$5,606
FY13-EST	\$1,285,073	302	\$4,255
FY14-EST	\$2,014,571	388	\$5,200
FY15-EST	\$1,998,400	340	\$5,878
FY16-EST	\$1,970,552	330	\$5,971
EST. TOTAL	\$38,059,941	9728	\$3,707

*ADDITIONAL TRANSFERS MADE TO COMPENSATE FOR LOSS OF SGF & SWP

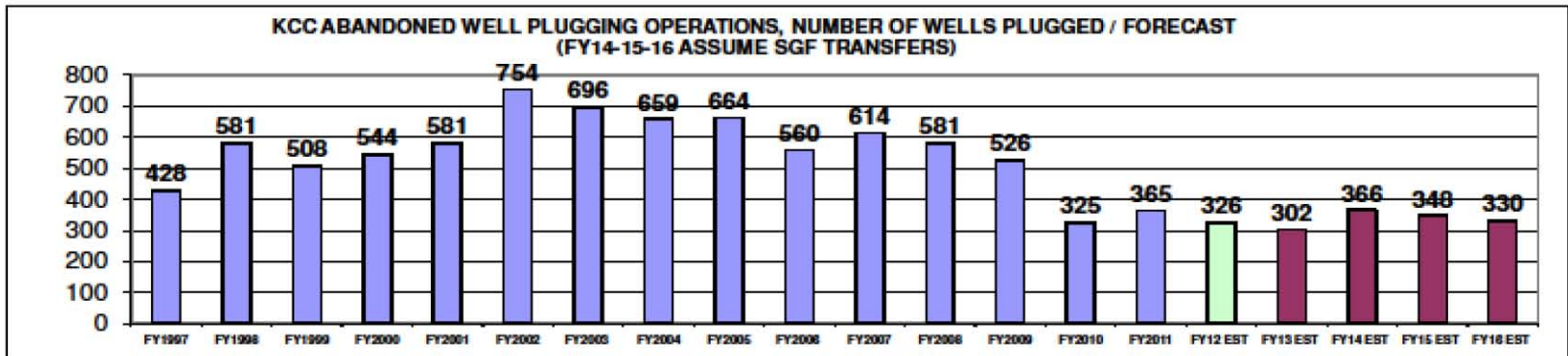
**SITE REMEDIATION ACTIVITY

*** 2143 CASH BALANCE FROM "STARS / SMART", DOES NOT CORRELATE TO THE ABOVE DATA IN PROJECT TRACKING FORMAT.

PLUGGING ESTIMATES FOR FY14, FY15, FY16 ASSUME RESUBMISSION OF SGF \$400,000 TRANSFERS TO FUND.

CURRENT PROGRAM SUNSET @ JUNE 30, 2016 (END OF FY2016)

\$354,000
\$1,837,511
\$1,835,073



Abandoned Well / Site Remediation Fund

Status of the Abandoned Well Inventory

Historical Activity

- 8,200 wells plugged since July 1, 1996
- 3,500 wells investigated, no longer requiring action for other reasons

Current Activity

- 5,475 wells having no responsible party which require plugging
- 209 wells having no responsible party added in FY2011
- 326 wells will be plugged with available FY2012 funding

**KANSAS CORPORATION COMMISSION
ABANDONED WELL PLUGGING FUND
WELLS PLUGGED FROM 7/1/1996 TO DATE**

KCC DISTRICT 1, DODGE CITY

PRIORITY	GW	SW	PS	TOTAL
1-A	22			22
1-B	17			17
1-C	32			32
2	6			6
TOTAL	77	0	0	77

KCC DISTRICT 3, CHANUTE

PRIORITY	GW	SW	PS	TOTAL
1-A	1602	583	159	2344
1-B	2853	1361	56	4270
1-C	321	539	1	861
2	29	42		71
TOTAL	4805	2525	216	7546

KCC DISTRICT 2, WICHITA

PRIORITY	GW	SW	PS	TOTAL
1-A	79	32	41	152
1-B	22	1	2	25
1-C	4			4
2			2	2
TOTAL	105	33	45	183

KCC DISTRICT 4, HAYS

PRIORITY	GW	SW	PS	TOTAL
1-A	179	14	6	199
1-B	179		3	182
1-C	10			10
2				0
TOTAL	368	14	9	391

KCC DIVISION TOTALS

PRIORITY	GW	SW	PS	TOTAL	%
1-A	1882	629	206	2717	33%
1-B	3071	1362	61	4494	55%
1-C	367	539	1	907	11%
2				79	1%
TOTAL	5320	2530	268	8197	
%	65%	31%	3%		

GW - GROUND WATER
SW - SURFACE WATER
PS - PUBLIC SAFETY

Abandoned Exploration & Production Wells

Priority Ranking (Priority I)

- Level A – Surface Water (SW) Wells actively discharging oil or brine into surface waters
- Level A – Groundwater (GW) Wells creating significant ongoing or potential impacts to groundwater supplies through water quality degradation or loss of water supplies through downward drainage
- Level A – Public Safety (PS) Wells creating a threat to public safety (active gas flows or open large diameter wellbores or in urban or suburban settings)

Priority Ranking (Priority I)

- Level B – Surface Water (SW) Wells intermittently to actively discharging oil or brine into surface waters
- Level B – Groundwater (GW) Wells creating ongoing or potential impacts to groundwater supplies through water quality degradation or loss of water supplies through downward drainage
- Level B – Public Safety (PS) Wells creating a current or ongoing threat or potential danger to public safety (active gas flows or open large diameter wellbores in rural, low population areas)

Abandoned Exploration & Production Wells

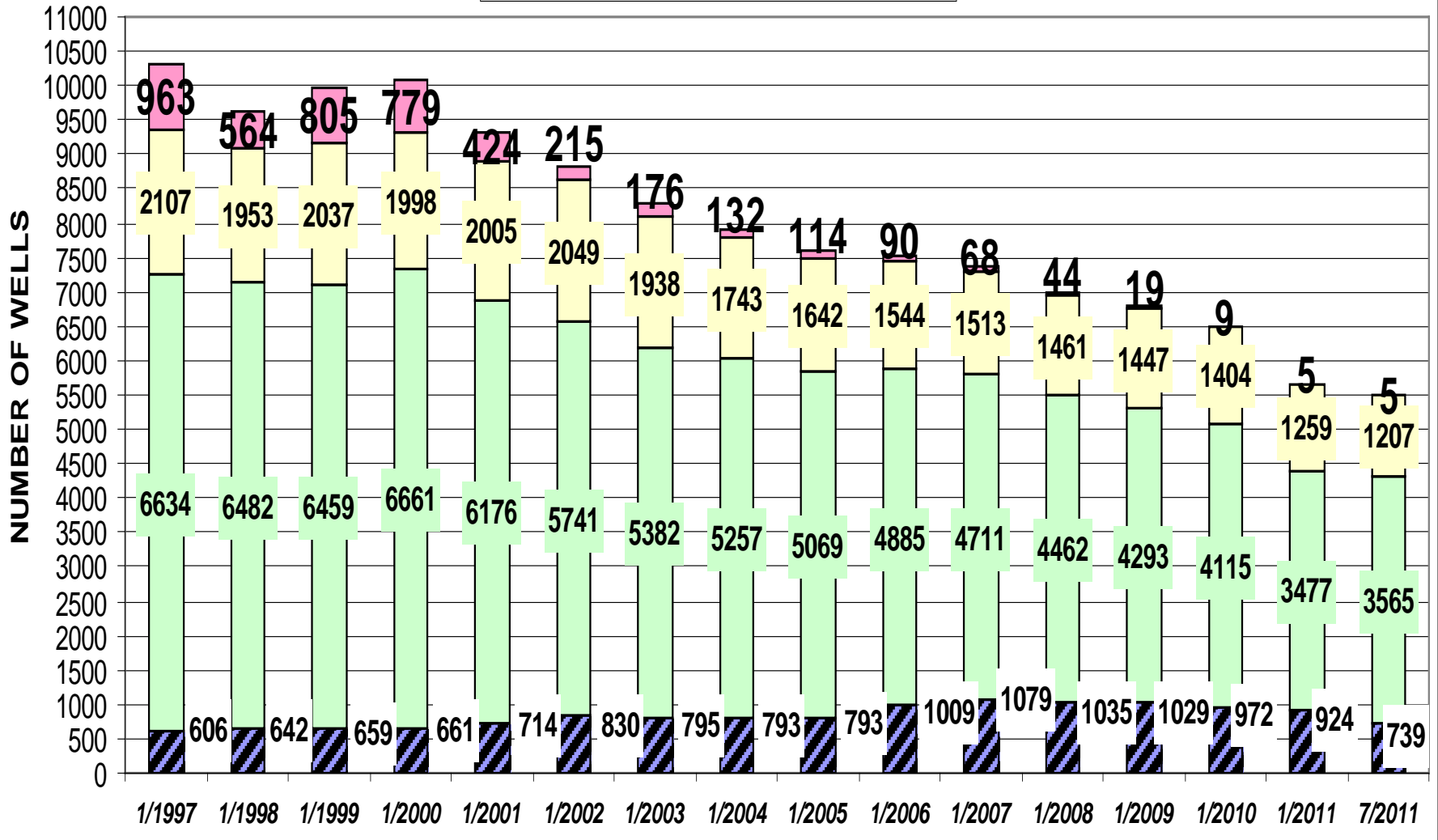
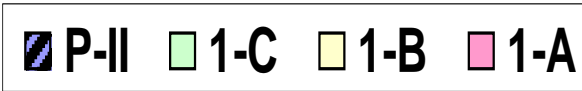
Priority Ranking (Priority I)

- Level C – Surface Water (SW) Wells located outside of sensitive groundwater areas, which are intermittently discharging oil and/or brine or have potential for discharge into surface waters.
- Level C – Groundwater (GW) Wells located outside of sensitive groundwater areas which have potential impacts to groundwater supplies or loss of water resources through downward drainage
- Level C – Public Safety (PS) Wells creating a potential danger to public safety (Includes secured gas wells in populated areas)

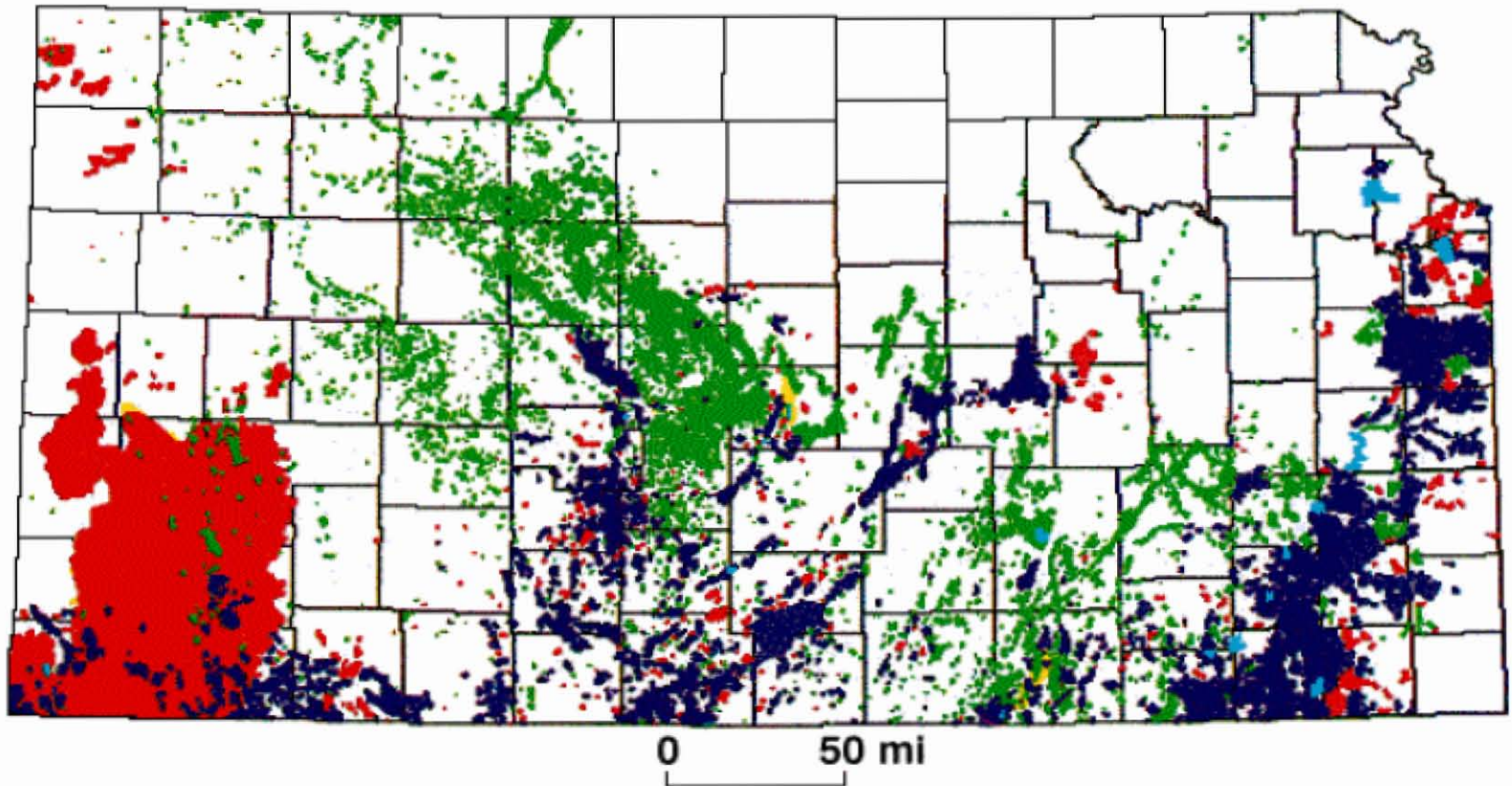
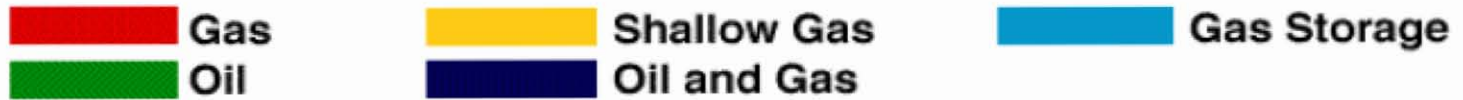
Priority Ranking (Priority II)

- Wells of relatively modern construction, which do not pose either an ongoing or potential threat to the public safety or the environment. These wells have adequate surface pipe in place to protect shallow freshwater aquifers and are generally located in environmentally non-sensitive areas. These wells fall within the lowest priority ranking for authorization of plugging with Abandoned Oil and Gas Well / Remediation Fund monies. It is important these wells be documented within the inventory and periodically inspected to determine if well conditions have changed to a sufficient degree to warrant upgrading to Priority I status.

KCC ABANDONED WELLS REQUIRING ACTION BY PRIORITY RANKING CALENDAR YEAR BEGINNING INVENTORY

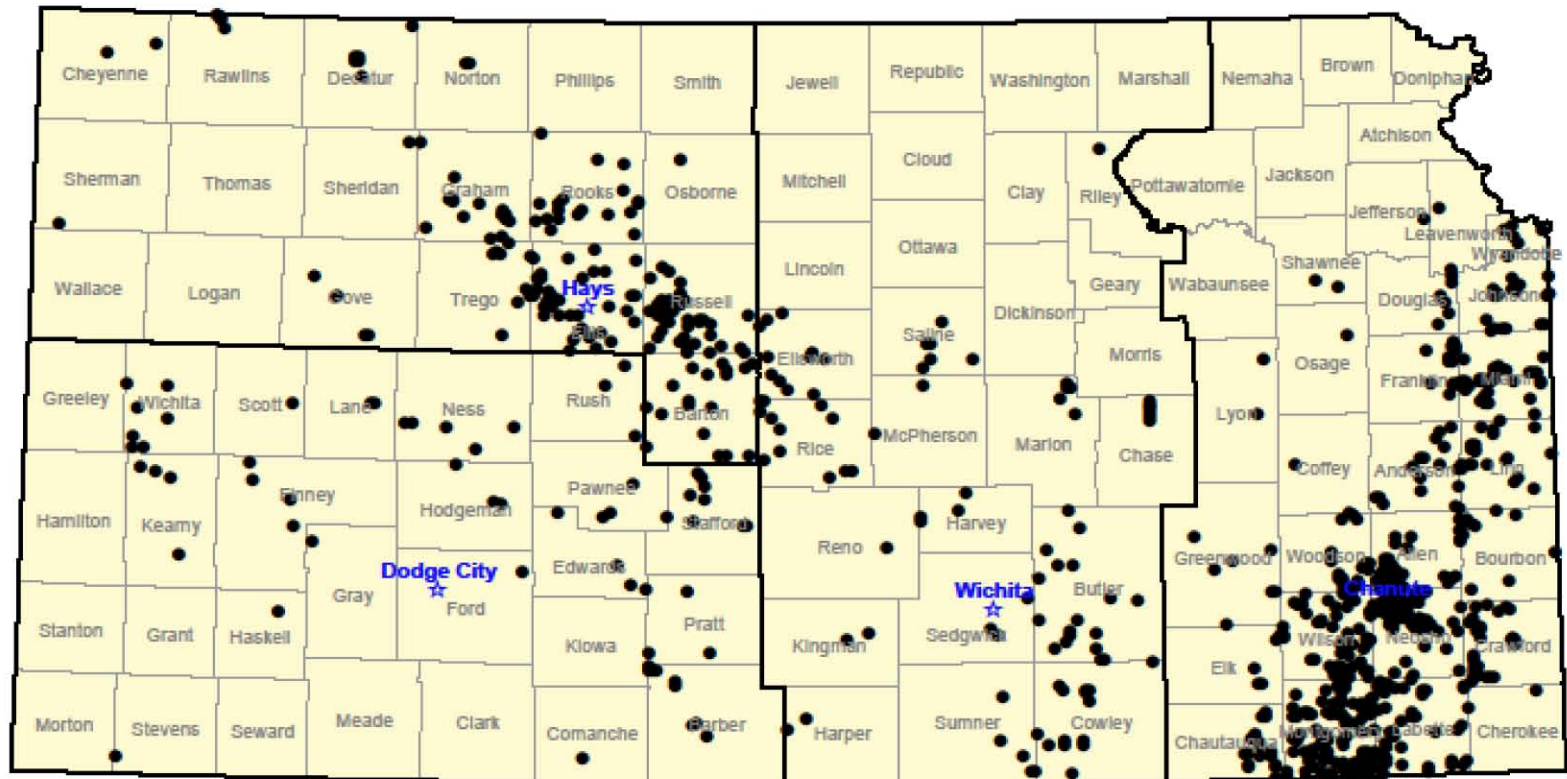


Oil and Gas Fields in Kansas



KGS

Statewide Distribution of State Funded Abandoned Wells Since 1996



- Location of an abandoned oil and gas well or group of wells plugged since inception of the plugging program in 1996
- ☆ District Field Offices
- Conservation Districts
- County



ABANDONED WELL LEAKING OIL & SALTWATER IN VERDIGRIS RIVER FLOODPLAIN, MONTGOMERY CO.



ABANDONED WELL LEAKING OIL, 65-WELL PLUGGING PROJECT, NEOSHO CO.





**ABANDONED
WELL
DRILLED IN
1926**

**VENTING GAS
AND FLOWING
SALTWATER**

KINGMAN CO.

ABANDONED WELL FLOWING SALTWATER, LABETTE CO.



ABANDONED WELL VENTING GAS AT RESIDENCE IN COFFEYVILLE, KS





**ABANDONED WELL
DRILLED IN 1923.
6' DIAMETER AT
SURFACE
TAPERS TO 13" DIA.
2800' DEEP
EASTERN BUTLER CO.**



BURIED ABANDONED WELL IN SCHOOL YARD LOST SPRINGS, MARION CO.





**ABANDONED WELL
BELOW SURFACE
LEAKING GAS &
SALTWATER
CHANUTE
NEOSHO CO.**



ABANDONED GAS WELL FOUND UNDER HOUSE FOUNDATION, NEODESHA, KS





ABANDONED WELL VENTING GAS AT RESIDENCE IN LEAWOOD JOHNSON CO.

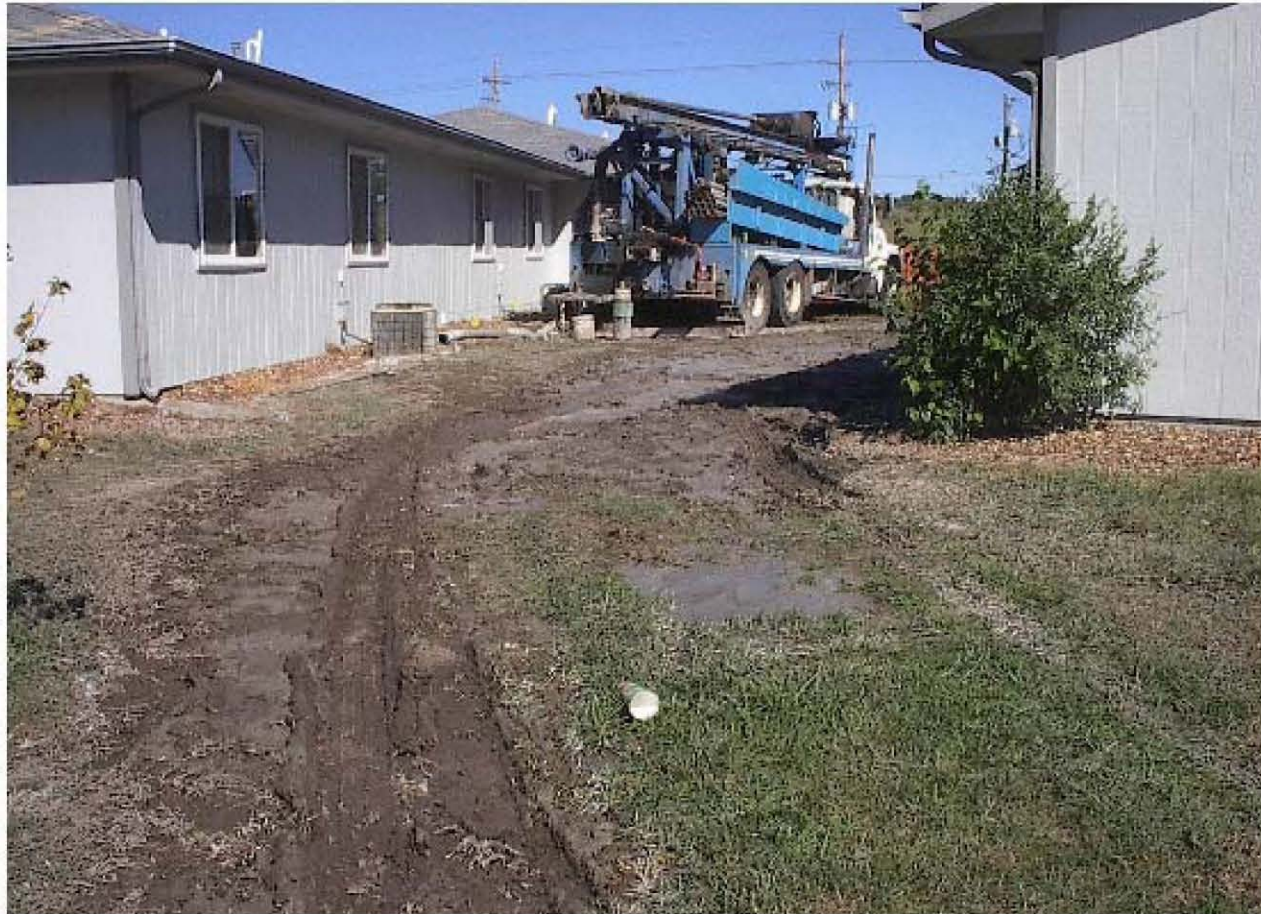




**ABANDONED WELL
PLUGGING
IN NEW HOUSING
DEVELOPMENT,
NORTHEAST WICHITA,
SEDGWICK CO.**



ABANDONED WELL PLUGGING AT APARTMENT COMPLEX, EAST SALINA, SALINE CO.



PLUGGING ABDN. WELL BEHIND APARTMENT BUILDING IN COFFEYVILLE



Well Plugging Assurance Fund

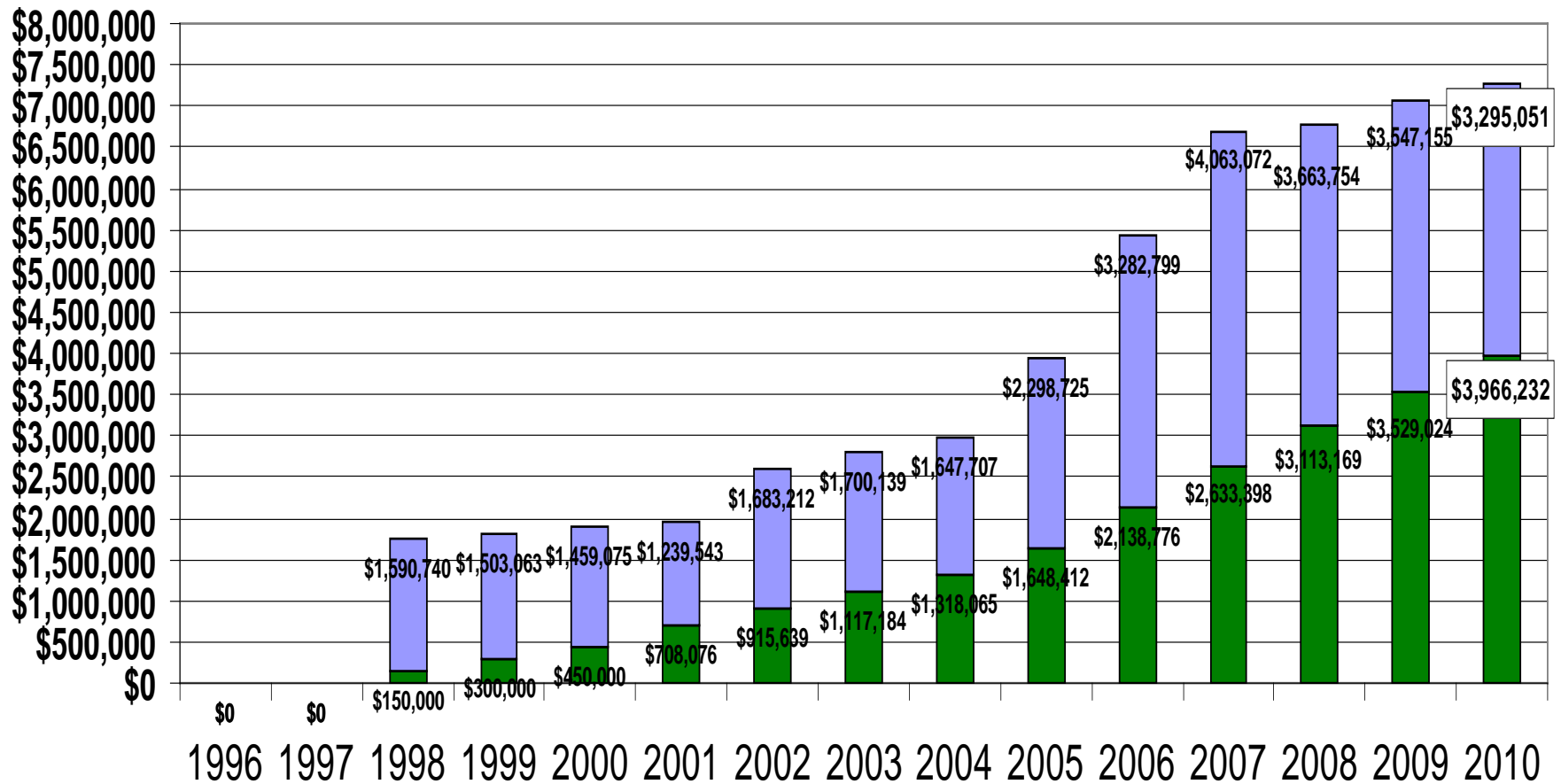
- Specific fund for the KCC to plug wells drilled & abandoned after 1996
- Financial Assurance is paid by oil & gas operators licensing fees
- Authority K.A.R. 55-155

2010 Contributions to Well Plugging Assurance Fund

<u>Method of Assurance</u>	<u>Number of Licenses</u>	<u>Revenue</u>	<u>Assurance</u>
\$100 Fee	1,627	\$162,700	\$162,700
Cash Bond To KCC	192	\$223,300	\$223,300
Surety Bond	27		\$927,183
CD / Letter of Credit	121		\$2,367,868

WELL PLUGGING ASSURANCE FUND BALANCES

■ ASSURANCE FUND CASH BALANCE ■ NET NON-CASH ASSURANCE



Considerations / Actions

The Abandoned Well Plugging Fund was scheduled to sunset on 6-30-2009, with an estimated 6,600 wells still requiring action. The 2008 Legislature amended K.S.A. 55-193 to extend this Fund seven more years to 6-30-2016.

To maintain abandoned well plugging and site remediation activities at meaningful levels, the KCC requests the statutory transfers (SGF and SWP) be re-instated.

The KCC did increase the CFF transfer for six fiscal years. These additional increases were discontinued due to budget reductions, cash fund sweeps and complaints from industry.

Inflationary pressures and competition will cause well-plugging costs to increase, which in-turn reduces the number of wells plugged annually.

Considerations / Actions

The KCC will continue to increase emphasis on enforcement programs to properly identify operators who are responsible for abandoned wells. Programs such as accurate producing-well inventories, enforcement of the 10-year temporary abandonment regulation, and requiring accurate GPS locations on wells will be implemented as ways of tying operators to specific wells over time.

The KCC will continue its commitment to work with industry, water-related and landowner groups (through the Oil and Gas Advisory Committee) to develop regulation and policy related to abandoned well responsibility and financial assurance consistent with recent Commission rulings concerning abandoned wells under K.S.A. 55-179.

KCC-Conservation Division

<http://kcc.ks.gov>

Doug Louis, Director

316-337-6200

d.louis@kcc.ks.gov