

**House Energy and Environment Committee
Comments by Doug Louis
Conservation Division Director
Kansas Corporation Commission**

January 15, 2013

Chairman Hedke and members of the Committee, I am Doug Louis, Conservation Division Director, for the Kansas Corporation Commission. I am here today to provide an overview of our activities in the Conservation Division. Thank you for this opportunity to appear before you.

Background

The Commission has been involved in regulating oil and gas exploration and production operations since the mid-1930's. With this historical experience, the staff and Commission have developed legal and technical expertise in the areas of the exploration of oil and gas, the specific areas in which we regulate. Our mission is two-fold, to protect correlative rights and prevent waste of natural resources. Natural resources not only include natural gas and oil, but also soils and usable waters of the State.

Two major groupings

The KCC's statutory authority to regulate the exploration and production of oil and natural gas can be found in K.S.A 55-152 (general) 55-603 (oil) and 55-703 (oil). These statutes and others in chapter 55 give the KCC authority to adopt regulations for the drilling of wells, oil and natural gas production and permanent abandonment of wells. The statutes, rules and regulations, which the Commission uses, can be divided into two major groups; production related and environmental related laws.

Production related

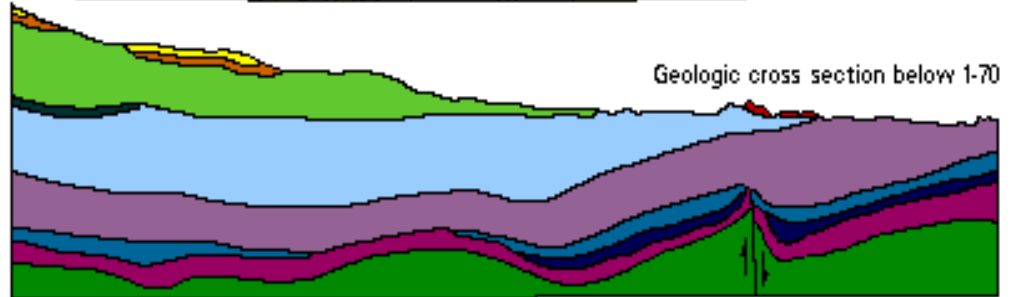
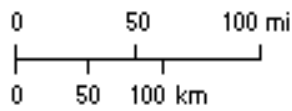
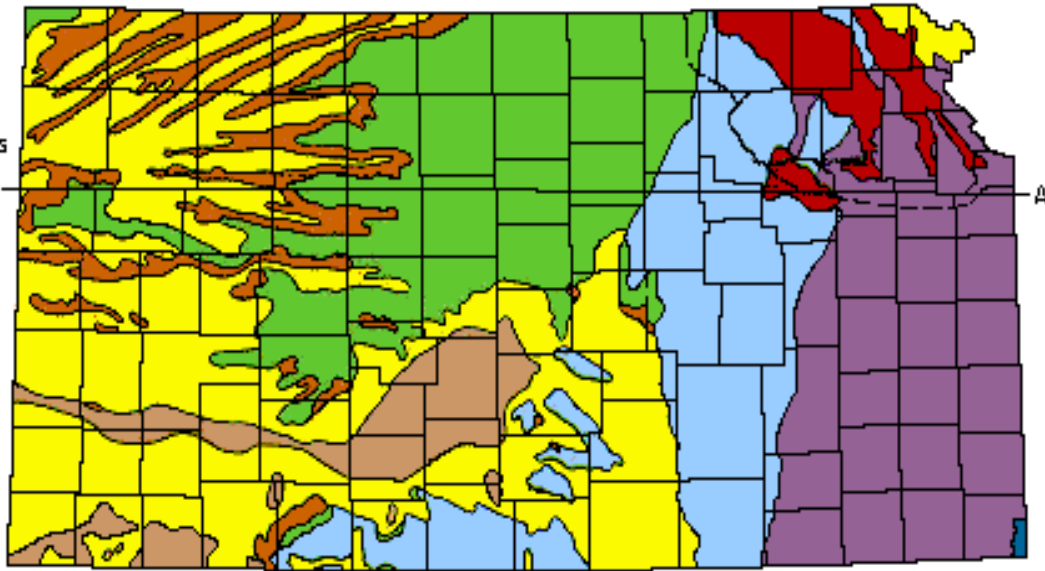
Correlative rights are protected by ensuring mineral rights owners have a fair share of the proven oil and gas associated with their property. In essence, Kansas law is trying to protect the taking of an adjacent mineral holder's property. In practice, this is done by controlling the distance one may drill from an adjacent lease line, the density of well drilling and the daily allowable production of oil and gas.

Environmental related

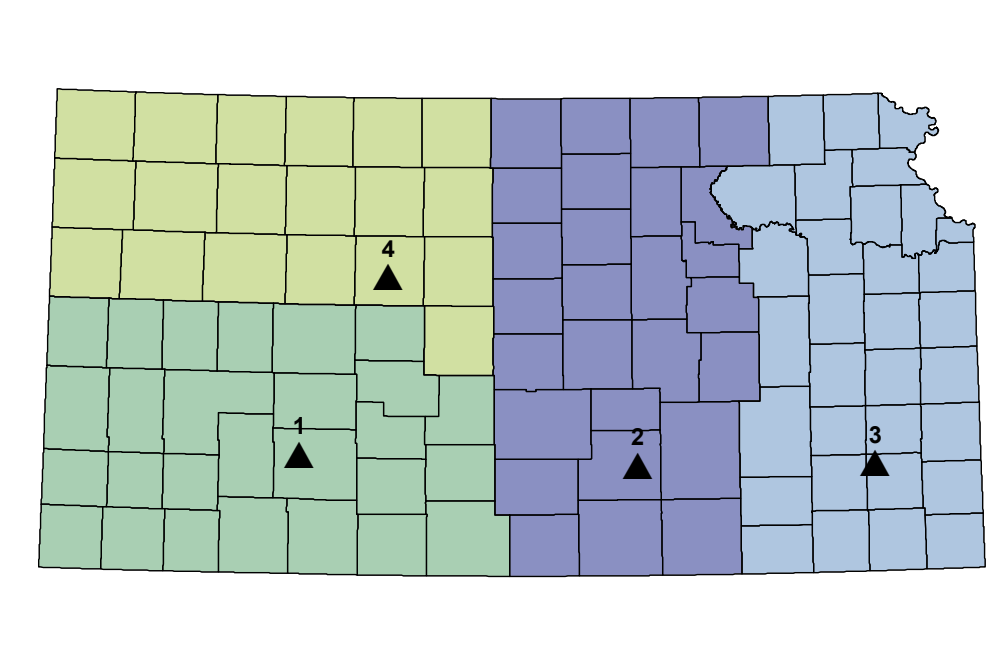
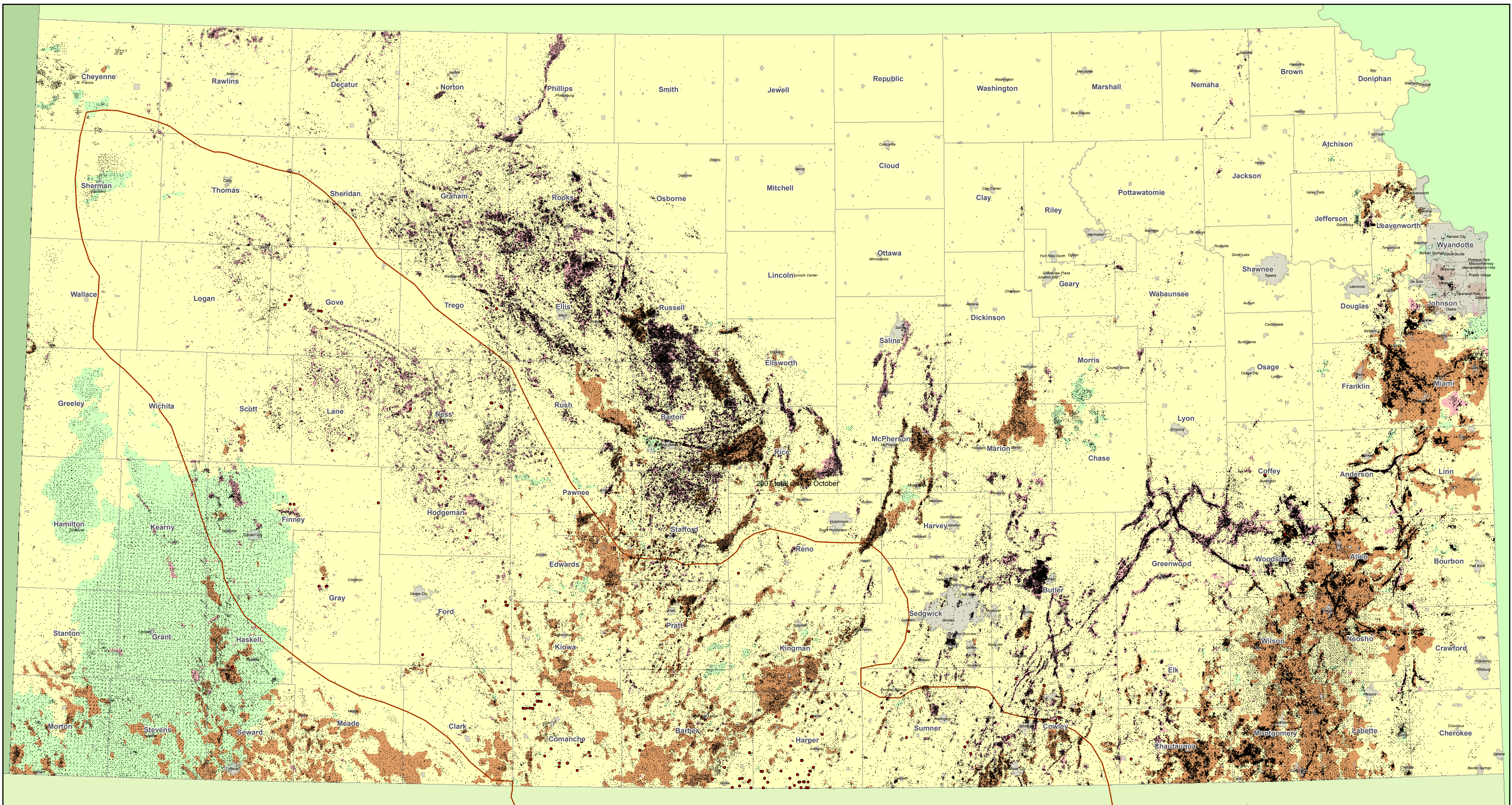
Soils and waters of the state are protected by requiring operators to safely confine saltwater and oil in tanks, pipelines or ponds, (K.S.A. 55- 172). Natural resources are also protected by ensuring wells are constructed properly (K.S.A. 55-157), and when wells are abandoned they are properly plugged. By enforcing specific regulations for the construction and maintenance of pits, oil and gas wells and injection wells staff reduces and/or eliminates waste by cross-flow in wells and surface spills.

Generalized Geologic Map of Kansas

- Quaternary
 - Loess and river-valley deposits
 - Sand dunes
 - Glacial-drift deposits
- Tertiary
 - Tertiary
- Cretaceous
 - Cretaceous
- Jurassic
 - Jurassic
- Permian
 - Permian
- Pennsylvanian
 - Pennsylvanian
- Mississippian
 - Mississippian
- Silurian-Devonian
 - Silurian-Devonian
- Cambrian-Ordovician
 - Cambrian-Ordovician
- Precambrian
 - Precambrian
- Limit of Kansas
Glacier (Qt)
- A—A' Line of cross section

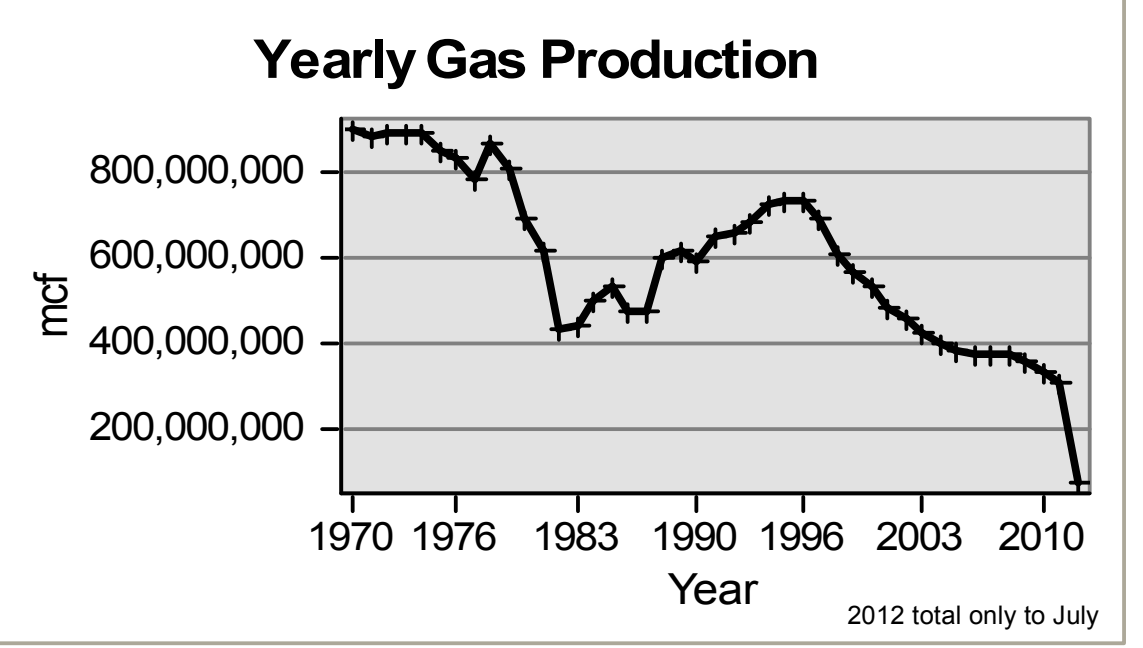
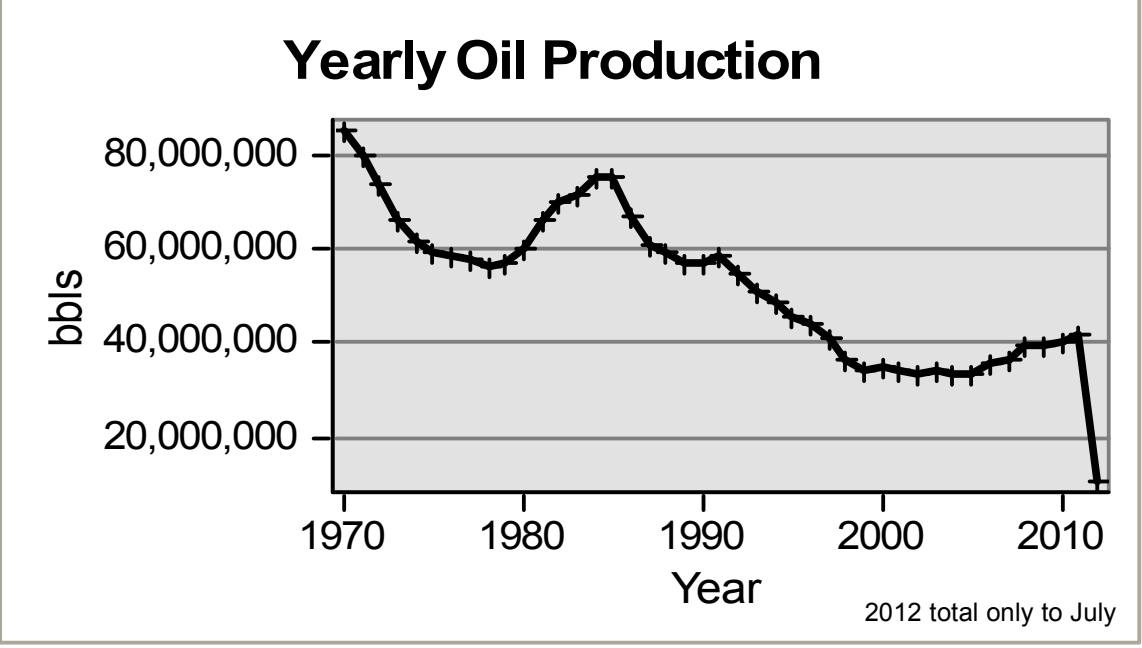


Geologic cross section below 1-70



**Kansas Corporation Commission
Conservation Division
District Field Offices**

District 1 Dodge City, Kansas (SW Kansas) 620-225-8888
 District 2 Wichita, Kansas (South & North Central Kansas) 316-630-4000
 District 3 Chanute, Kansas (Eastern Kansas) 620-432-2300
 District 4 Hays, Kansas (Northwestern Kansas) 785-625-0550



- Horizontal Well
- Active or Historical Well
- ▭ Mississippi Extent
- ▭ Oil
- ▭ Oil and Gas
- ▭ Gas

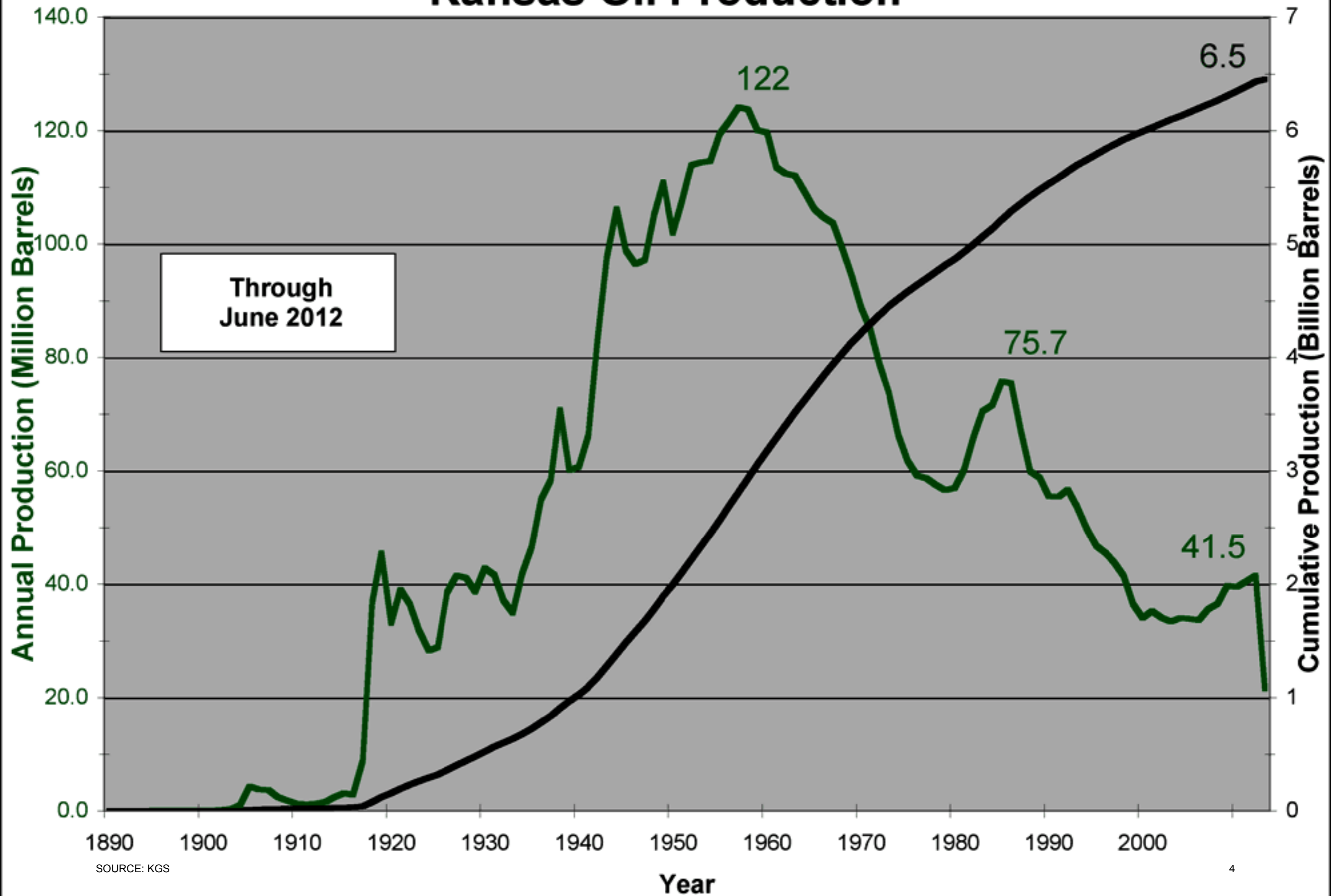
This map shows the distribution of over 410,000 oil and gas wells in the State of Kansas. Well locations may include active, abandoned and other well codes in the Conservation Division RDBMS. This data is constantly under development.

The information provided is updated to best of KCC knowledge. KCC makes no guarantees or warranties as to the completeness or accuracy of the data represented on this map.

OIL AND GAS WELLS WITH FIELDS IN KANSAS

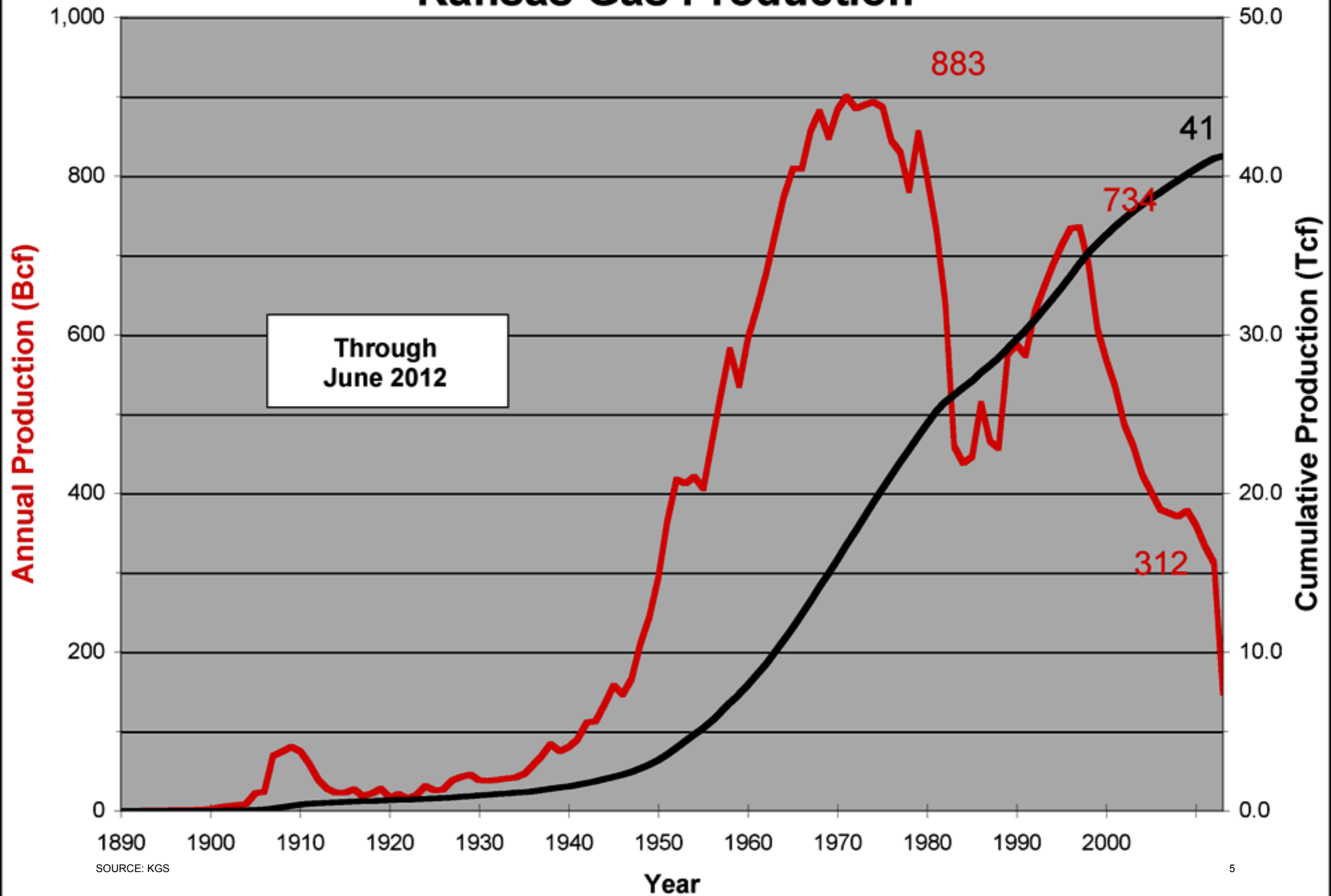
Kansas Corporation Commission
Information Technology, July 2012

Kansas Oil Production

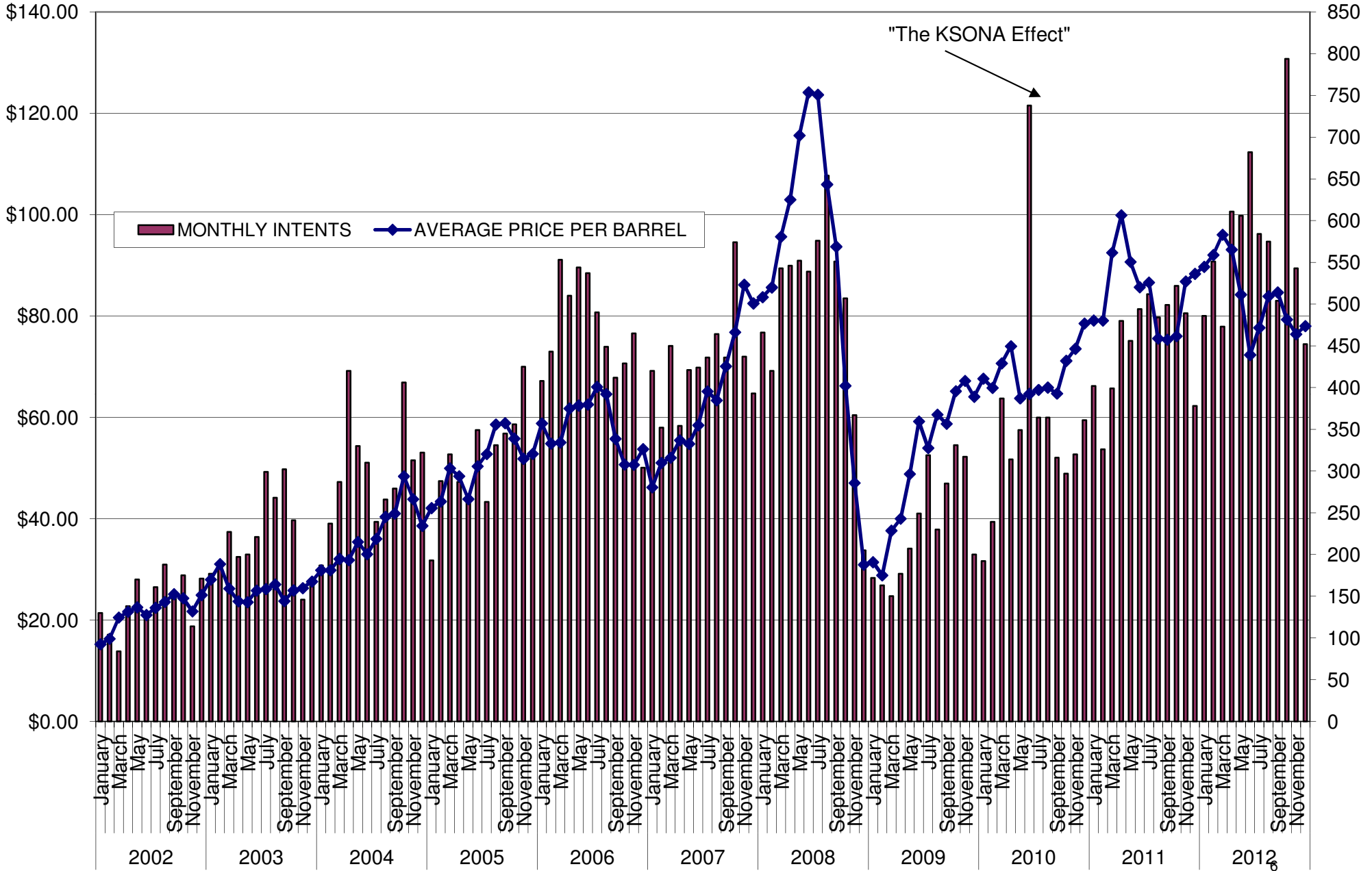


SOURCE: KGS

Kansas Gas Production



KS Intents vs. Oil Price 2002-2012



**Intents To Drill
By Month Year
1989-2012**

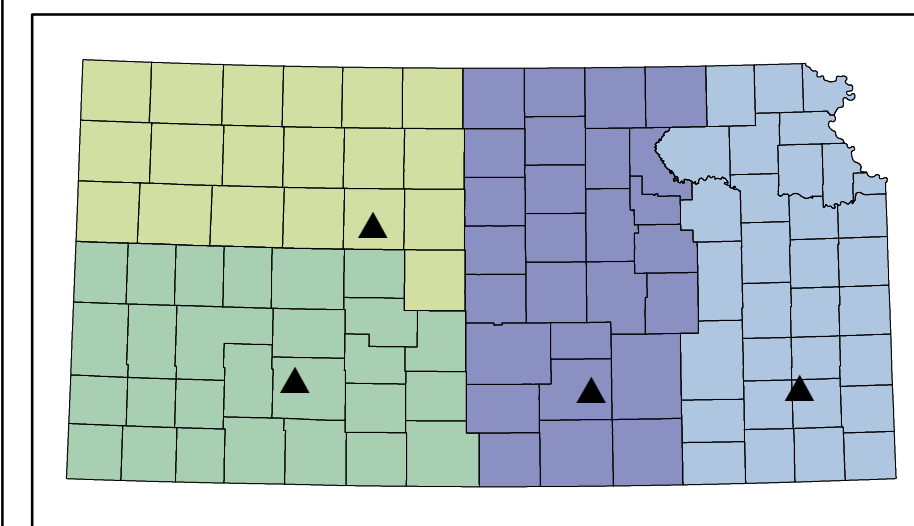
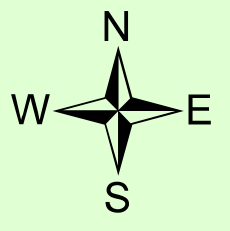
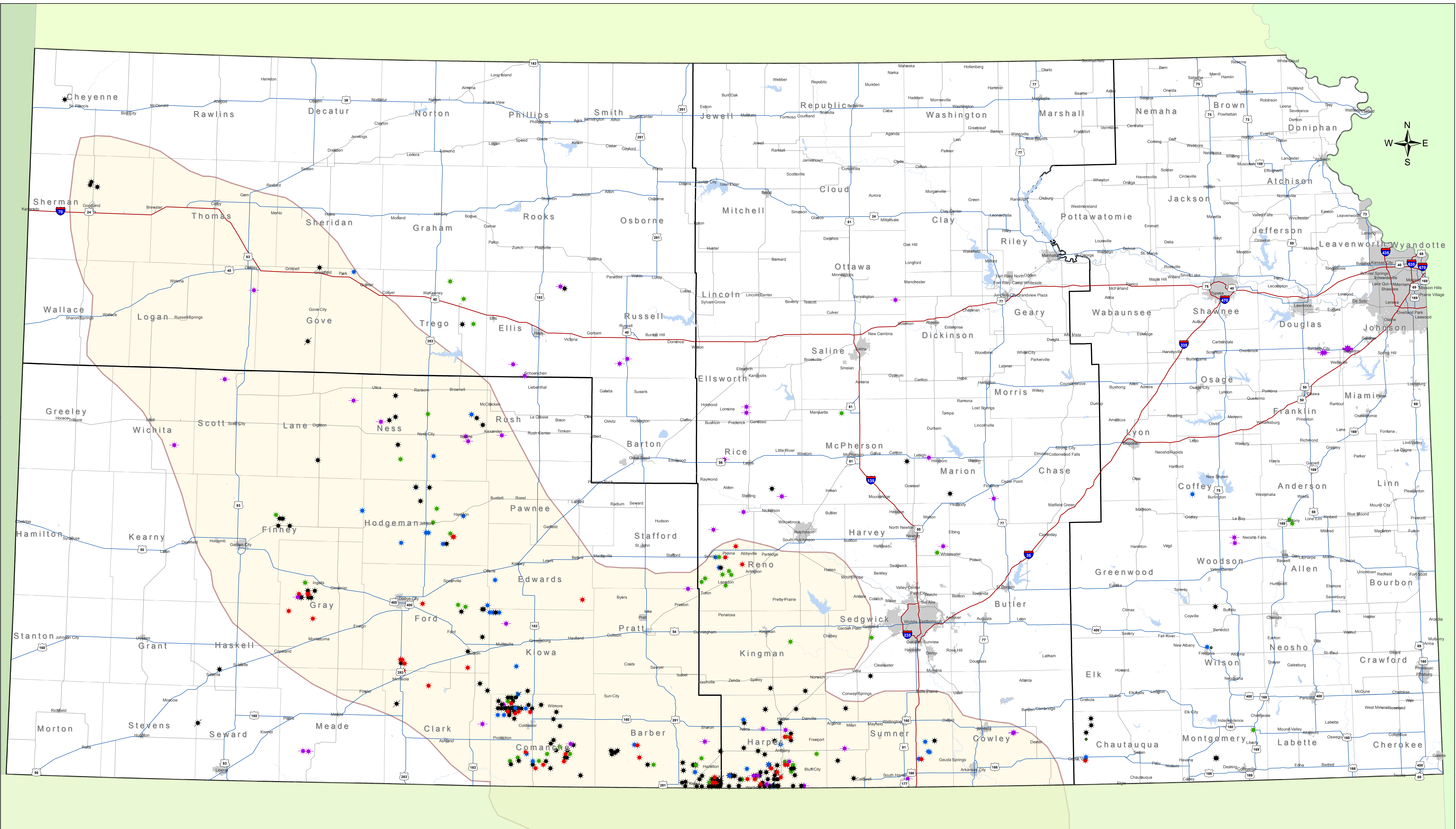
TABLE-1A: MONTHLY INTENT TO DRILL																								
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
JAN	264	309	383	229	140	147	167	138	201	105	48	140	191	130	177	187	193	408	420	466	172	192	402	486
FEB	197	271	300	177	127	110	150	148	146	82	45	160	143	104	184	237	288	443	352	420	163	239	326	551
MAR	323	303	382	199	130	205	200	149	166	90	58	155	196	84	227	287	320	553	450	543	150	387	399	473
APR	278	326	304	247	154	149	148	243	182	101	57	127	207	138	197	420	287	510	354	546	177	314	480	611
MAY	348	380	280	207	194	157	147	177	227	97	52	132	185	170	200	330	268	544	421	552	207	349	456	606
JUN	291	310	300	239	240	265	186	147	245	97	78	164	172	125	221	310	349	537	424	539	249	738	494	682
JUL	289	296	245	262	227	269	181	154	157	105	100	165	239	161	299	239	263	490	436	576	319	364	512	584
AUG	308	412	347	265	206	215	185	188	218	113	94	170	199	188	268	266	331	449	464	654	230	364	484	575
SEP	266	441	323	279	222	218	173	190	164	95	116	179	197	156	302	279	345	412	436	551	285	316	499	504
OCT	371	619	385	291	250	210	173	205	181	95	144	177	245	175	241	406	356	429	574	507	331	297	522	794
NOV	352	579	242	229	220	170	193	169	137	60	124	163	228	114	146	313	425	465	437	367	317	320	489	543
DEC	305	328	214	249	164	163	107	148	130	72	140	140	95	171	164	322	322	304	393	205	200	361	378	452
TOTAL	3592	4574	3705	2873	2274	2278	2010	2056	2154	1112	1056	1872	2297	1716	2626	3596	3747	5544	5161	5926	2800	4241	5441	6861
YEARLY HORIZ/DEV.	0	1	7	6	5	6	4	2	19	10	13	13	3	1	2	5	10	54	17	13	8	23	76	296
TABLE-1B: MONTHLY INTENT TO DRILL																								
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
AVERAGE INTENTS PER MONTH	299	381	309	239	190	190	168	171	180	93	88	156	191	143	219	300	312	462	430	494	233	353	453	572

PRODUCTION RELATED ACTIVITIES

Activity	Regulation and/or Statute	Description
Intent-to-drill	KSA 55-174 KAR 82-3-103	Permit to drill a well Well construction and setback Surface pipe depths Table I
Well Location	KAR 82-3-108	330' setback in western ks 165' setback in eastern ks
Wells Spacing	KSA 55-703a KAR 82-3-109, 207	General rule 10 acre in Western General rule 5 acre in Eastern
Oil Allowables	KSA 55-604 KAR 82-3-203	Bbls/day tied to depth
Gas Allowables	KSA 55-705b KAR 82-3-300	Determined by an open flow or shut-in gas test
Venting or Flaring	KSA 55-102 KAR 82-3-208	Venting and flaring is limited to prevent waste of resource and reservoir pressure
Gas Gathering	KSA 55-1,101	KCC licenses gas gatherers Formal rate complaint procedure
Hydraulic Frac Fluid Disclosure		HB 2526 gave KCC ability to write regulations for fluid disclosure and supervision discussing spec recommendations in oil and gas advisory

ENVIRONMENTAL RELATED ACTIVITIES

Activity	Regulation and/or Statute	Description
Intent-to-drill	KSA 55-151 KAR 82-3-103	Permit to drill a well Well construction and setback Surface pipe depths Table I
Well Construction	KAR 82-3-130	Well completion report
Injection wells	KSA 55-901, 903 and 904 KAR 82-3-400's	Well Construction and main tenance of saltwater disposal and enhanced recovery wells
Pit construction and maintenance	KSA 55-171 KAR 82-3-600	Pit permits are required before use build and maintain to contain fluids
Spills	KSA 55-172 KAR 82-3-603	Operators are required to clean-up spills timely
Cathodic Protection Wells	KSA 55-152 KAR 82-3-700's	KCC Staff and GMD 2 and 5 permit construction plugging of wells
Underground Porosity Gas Storage	KSA 55-1115, 1202 KAR 82-3-1000	KCC licenses and monitors 7 intrastate gas storage fields used as part of transportation
Carbon Dioxide Storage	KSA 55-1637 KAR 82-3-1100	Sequestration of subsurface CO2
Compressed Air Energy Storage	KSA 66-1272 thru 1279	Authority to license operators permit construction in reserve and caverns for air storage
Landspreading	KDHE solid waste Statute 65-3407c draft 28-29-1600's	Sen sub for hb 2597 KCC/KDHE write regulations for landspreading of drilling waste
Abandoned Wells	KSA 55-156 KAR 82-113 thr 115 KSA 55-179	Plugging wells after use Cement plugs placed to isolate zones Commission to investigate unplugged abandon well



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- Mississippi Play Extent
- Conservation Districts
- Cities, Towns
- Lakes
- County

- Roads**
- Interstate
 - Kansas Highway
 - US Highway

- Horizontal Well Status ***
- Pending Intent in KOLAR
 - Permitted in Last 30 Days
 - Permitted
 - Spudded
 - Producing
 - Saltwater Disposal Well

**Horizontal Wells in Kansas
December 2012**



* Represents all Horizontal wells since 1/1/2010
 pulled from RBDMS database on 28 December 2012

KCC ABANDONED WELL PLUGGING / SITE REMEDIATION FORECAST

NO SGF TRANSFER FOR FY 00-04-05-06-07-08-09-10-11-12-13-14; NO SWP FY03-04; PROJECTION SCENARIO 1														CURRENT PROGRAM SUNSET IS JUNE 30, 2016 (END OF FY2016).			
	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013EST	FY2014EST	FY2015EST	FY2016EST				
EST. USED FROM 2143 CASH BAL*	\$712,389	\$0	\$0	\$232,589	\$381,054	\$0	\$50,750	\$0	\$0	\$216,000	\$0	\$0	\$0				
STATE GENERAL FUND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$400,000	\$400,000				
STATE WATER PLAN	\$0	\$667,000	\$400,000	\$400,000	\$400,000	\$320,000	\$288,000	\$374,865	\$400,000	\$600,000	\$355,011	\$400,000	\$400,000				
1/2 FEDERAL LEASE MINERAL	\$766,872	\$971,391	\$1,242,018	\$892,790	\$1,189,998	\$1,085,117	\$667,096	\$859,093	\$790,046	\$520,000	\$509,600	\$499,408	\$489,420				
CONSERVATION FEE FUND 2130	\$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				
CFF 2130 ADDTL. TRANSFER *	\$430,000	\$295,000	\$310,000	\$400,000	\$400,000	\$480,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0				
LEASE SALVAGE	\$21,333	\$24,319	\$32,045	\$45,831	\$10,091	\$14,446	\$26,803	\$7,239	\$13,452	\$20,000	\$5,000	\$5,000	\$5,000				
INTEREST	\$23,051	\$34,747	\$68,135	\$95,850	\$92,929	\$60,599	\$15,888	\$5,793	\$1,024	\$2,000	\$2,000	\$2,000	\$2,000				
MISC. & RECOVERIES	\$295	\$503	\$4,881	\$6,201	\$2,365	\$22,247	\$943	\$9,291	\$20,773	\$2,500	\$2,500	\$2,500	\$2,500				
TOTAL AVAILABLE	\$2,353,940	\$2,392,960	\$2,457,079	\$2,473,261	\$2,876,437	\$2,382,409	\$1,449,480	\$1,656,281	\$1,625,295	\$1,760,500	\$1,274,111	\$1,708,908	\$1,698,920				
LESS REMEDIATION **	\$368,373	\$88,012	\$51,985	\$55,261	\$6,876	\$8,321	\$67,029	\$13,486	\$51,434	\$60,000	\$50,000	\$50,000	\$50,000				
ABDN WELL PLUGGING \$	\$1,985,567	\$2,304,948	\$2,405,094	\$2,418,000	\$2,869,561	\$2,374,088	\$1,382,451	\$1,642,795	\$1,573,861	\$1,700,500	\$1,224,111	\$1,658,908	\$1,648,920				
FUND-2143 UNENC CASH BAL***	\$104,016	\$83,795	\$483,725	\$363,614	\$446,343	\$343,714	\$220,085	\$334,050	\$565,064								

ACTUAL / PROJECTED WELL PLUGGING BY FISCAL YEAR			
	AW TOTALS	# PLUGGED	AVG WELL \$
FY1997	\$1,732,796	428	\$4,049
FY1998	\$1,584,272	581	\$2,727
FY1999	\$1,269,744	508	\$2,499
FY2000	\$1,566,721	544	\$2,880
FY2001	\$1,963,468	581	\$3,379
FY2002	\$1,786,320	754	\$2,369
FY2003	\$2,192,210	696	\$3,150
FY2004	\$1,985,875	659	\$3,013
FY2005	\$2,224,291	664	\$3,350
FY2006	\$2,061,552	560	\$3,681
FY2007	\$2,494,229	614	\$4,062
FY2008	\$2,869,561	581	\$4,939
FY2009	\$2,036,146	526	\$3,871
FY2010	\$1,456,975	325	\$4,483
FY2011	\$1,617,567	357	\$4,531
FY2012	\$1,327,200	316	\$4,200
FY13 EST	\$1,700,500	400	\$4,250
FY14 EST	\$1,224,111	272	\$4,500
FY15 EST	\$1,658,908	349	\$4,750
FY16 EST	\$1,648,920	330	\$5,000
EST. TOTAL	\$34,752,446	9715	\$3,577

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

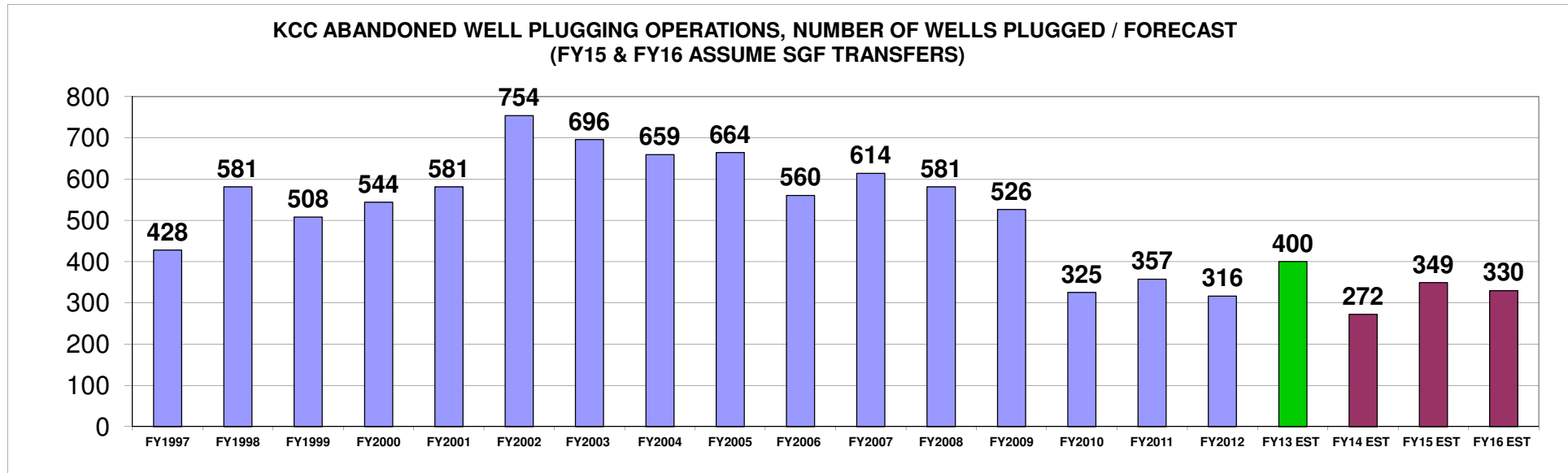
**SITE REMEDIATION ACTIVITY

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

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

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

\$580,480
11/30/2012
UNENC S-CB



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