

**Comments of Lane R. Palmateer
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Before the
Joint Committee on Administrative Rules and Regulations
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Chair and members of the Committee, I am Lane Palmateer, Litigation Counsel for the Kansas Corporation Commission. Today, I will provide comment on several amended and new regulations regarding horizontal wells and pits, spills, and transfers of refuse. First, I will provide a brief overview of the reasons the proposals are being made. Then, I will provide a description of each new and amended regulation. As we go through the individual regulations, I will be happy to answer any questions.

I. Summary

First, I will address the horizontal well regulations. Historically, most wells drilled in Kansas have been vertical wells, and that continues to be true today. Horizontal wells, being a deviation from the norm, have been permitted through an application and notice process, providing offset operators and mineral owners the opportunity to protest a horizontal well. At the same time, the application and notice process typically takes about 45 days from beginning to end, with considerable risks to the upside if a protest is filed and a hearing held. In contrast, the form-approval process for vertical wells takes a few days.

Over the past few years, several companies have begun drilling many horizontal wells in Kansas. As soon as the scope of this development became apparent to Commission Staff, meetings with stakeholders were initiated to identify areas of improvement to facilitate the efficient permitting of horizontal wells. Staff filed an application in KCC Docket 12-CONS-117-CEXC for special field rules for horizontal wells productive from the Mississippi Limestone formation. A hearing was held, and the Commission issued an Order granting the application. The Commission directed Staff to investigate whether regulations addressing all horizontal wells should be adopted. Staff and stakeholders have determined that the standards appear appropriate for all horizontal wells regardless of the productive formation. The regulations being proposed mirror the Commission's special field rules for Mississippian horizontal wells.

Next, I will address the regulations covering pits, spills, and transfers of refuse. Currently, the Commission requires an operator to file a form reporting a transfer of waste from any pit. However, the Commission does not require other types of waste transfers to be reported. Requiring operators to report transfers of other kinds of waste will assist the Commission in ensuring the transferred waste is disposed of properly. Commission Staff has worked extensively with stakeholders to determine the appropriately-tailored scope of the reporting requirement. Additional changes made during the review process will be described for each regulation. Implementation of this expanded requirement will be simple and inexpensive.

All of these regulations have been reviewed by the Commission's Oil and Gas Advisory Committee pursuant to K.S.A. 55-152, and the Committee voted unanimously in support of the regulations. In addition, I should mention that the technical document referenced in K.A.R. 82-3-602 is available for viewing by the public upon request. The Commission has published notice of these regulations, and a public hearing will be held on May 16, 2013. The Notice of Hearing, Economic Impact Statement, and regulations are available on the Commission's website at <http://kcc.ks.gov>.

II. New and Amended Regulations

K.A.R. 82-3-103a. Deviated holes; notice and hearing required. The proposed amendment to this regulation removes the application and notice requirement for drilling a horizontal well.

K.A.R. 82-3-135a. Notice of application. The proposed amendment to this regulation clarifies the notice requirement for an application for a deviated wellbore. This is a technical change, and there is not a substantive change to this regulation.

K.A.R. 82-3-602. Closure of pits; disposal of pit contents; closure form; drilling fluid management; surface restoration. The proposed amendment to this regulation reduces the time allowed to close a work-over pit from 365 days to 90 days; provides limits on extensions for pit closure; removes the requirement to report chlorides in a reserve pit within 48 hours; limits the references to technical documents; removes language regarding transfer of pit waste to prevent a conflict with proposed new K.A.R. 82-3-608; removes the requirement to provide notice before transferring waste from a pit; and changes the surface restoration required from "to the greatest extent possible" to "as nearly as practicable."

K.A.R. 82-3-603. Spill notification and cleanup; penalty; lease maintenance. The proposed amendment to this regulation requires "reasonable diligence" in preventing spills instead of a strict prohibition of spills. The regulation also references the refuse transfer reporting requirement in K.A.R. 82-3-608.

K.A.R. 82-3-604. Discharges into emergency pits and diked areas; removal of fluids; penalties. The proposed amendment to this regulation creates a reference to the refuse transfer reporting requirement in K.A.R. 82-3-608, except if the fluid is removed from the pit or diked area to an on-site tank.

K.A.R. 82-3-607. Disposal of dike and pit contents. The proposed amendment to this regulation creates a reference to the refuse transfer reporting requirement in K.A.R. 82-3-608, except if the refuse is removed to the same on-site tank or facility from which the refuse originated. The penalty amounts in subsection (b) are removed, and a reference to the penalty in K.A.R. 82-3-608(d) is added, to prevent the creation of a duplicative penalty.

K.A.R. 82-3-608. Transfer of refuse. This new regulation creates a form-filing requirement within 30 days after an operator transfers "refuse from any pit or diked area or refuse relating to any remediation or cleanup activity." The regulation specifies penalties for the failure to comply with the requirement. The regulation also provides Commission staff with authority to require an operator to transfer "refuse from any pit or diked area or refuse relating to any remediation or

cleanup activity” if it is reasonably likely that the refuse would cause pollution without the transfer. The regulation provides penalty amounts for the failure to timely transfer refuse.

K.A.R. 82-3-1300. Definitions; horizontal wells. This new regulation creates definitions relating to horizontal wells.

K.A.R. 82-3-1301. Horizontal wells. This new regulation provides that the regulations applicable to vertical wells shall apply to horizontal wells except as specifically provided, and in addition to, the requirements in K.A.R. 82-3-1300 through K.A.R. 82-3-1307.

K.A.R. 82-3-1302. Notice of intention to drill; setback. This new regulation provides a form-filing requirement before drilling a horizontal well, with information specific to horizontal wells. The regulation also provides that the setback specified in K.A.R. 82-3-108, K.A.R. 82-3-207, and K.A.R. 82-3-312 shall apply to the entire completion interval of each horizontal wellbore.

K.A.R. 82-3-1303. Oil and gas allowables. This new regulation provides horizontal oil wells with an allowable of 200 barrels per 660 feet of completion interval, with each remainder of less than 660 feet resulting in a correspondingly proportionate addition to the allowable. Horizontal gas wells are granted an allowable of 3,000,000 cubic feet per day.

K.A.R. 82-3-1304. Gas well test exemption. This new regulation exempts horizontal wells from the gas well testing requirements in K.A.R. 82-3-303 and K.A.R. 82-3-304.

K.A.R. 82-3-1305. Venting and flaring. This new regulation prohibits venting from any horizontal well and provides requirements for flaring from a horizontal well.

K.A.R. 82-3-1306. High-volume pumps. This new regulation exempts horizontal wells from the requirements in K.A.R. 82-3-131 pertaining to high-volume pumps.

K.A.R. 82-3-1307. Well completion report. This new regulation provides that an operator of a horizontal well will provide a well completion report pursuant to K.A.R. 82-3-106 and K.A.R. 82-3-130, including information specific to horizontal wells and a directional survey.

Thank you for your consideration of these regulations.