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HOUSE APPROPRIATIONS COMMITTEE

RE: HB 2022 - AN ACT concerning oil and gas wells; relating to the state corporation commission; investigation and determination of responsibility for abandoned wells; plugging abandoned wells; abolishing the well plugging assurance fund and transferring all assets and liabilities to the abandoned oil and gas well fund; amending K.S.A. 55-150, 55-161, 55-168, 55-178, 55-179, 55-180, 55-192 and 75-3036 and K.S.A. 2020 Supp. 55-155 and repealing the existing sections; also repealing K.S.A. 55-163, 55-166 and 55-167 and K.S.A. 2020 Supp. 55-193.

Testimony of David P. Bleakley - Chairman
Kansas Independent Oil and Gas Association
&
Executive Vice President
Colt Energy, Inc.

The Kansas Independent Oil and Gas Association (KIOGA) SUPPORTS House Bill 2022.

Why KIOGA Supports HB 2022:

This bill addresses decades of attempts by the Kansas Corporation Commission Conservation Division (KCC) and the oil and gas industry to define; what is an abandoned well, who has the legal responsibility for the proper care, control and plugging of an abandoned well, and how the KCC administers the current ambiguous abandoned well regulations in an equitable and fair way to the industry. This has been difficult over the years for both the KCC and the industry to regulate and be regulated.

This bill finally addresses these issues in a rational, pragmatic, fair, and equitable way that both sides can work with. Below are the bullet point takeaways from this bill:

- ***Investigation and determination of responsibility for abandoned wells and plugging abandoned wells.***
 - a. This bill gives the KCC a more defined and clear set of regulations vetted by the stakeholders to now work from to be able to investigate either through their own records or complains filed by citizens to determine if a well is abandoned, if it is causing pollution to any fresh water, and who is responsible to plug such abandoned well or if the Abandoned Oil and Gas Well fund will plug such well.

b. This bill defines the meaning of “*abandoned well*” within the appropriate statutes and their appropriate sections.

➤ ***Abolishing the Well Plugging Assurance Fund and transferring all assets and liabilities to the Abandoned Oil and Gas Well Fund.***

a. This bill would do away with the **Well Plugging Assurance Fund** which has hardly been used to plug abandoned wells and transfer the accumulated funds and any liabilities to the **Abandoned Oil and Gas Well Fund** which has plugged over 10,000 wells. The “**Well Plugging Assurance Fund**” was designed to plug wells drilled on or after July 1st, 1996, and the “**Abandoned Oil and Gas Well Fund**” was designed to plug wells drilled before July 1st, 1996. The industry believes an abandoned well is an abandoned well regardless of when it was drilled making two funds unnecessary.

b. The accumulating funds in the **Well Plugging Assurance Fund** have become a tempting target when the state has budget shortfalls and the talk turns to fund sweeps to raise revenue. The money in this fund is generated solely from the oil and gas industry to plug abandoned wells not to be swept into the general fund for other purposes. Logically there should be one plugging fund the **Abandoned Oil and Gas Well Fund** to provide the state and the industry with the necessary funds to plug abandoned wells and better security that the fund will not be swept.

➤ **This bill provides for any well that has been abandoned for five (5) years or more, any person who has no obligation to plug, replug or repair the well, that causes such well to be plugged may seek reimbursement from the Abandoned Oil and Gas Well Fund.**

a. This would allow landowners and other interested parties that do not have any responsibility to plug such abandoned well the opportunity to be reimbursed for the plugging of such abandoned well.

b. This opportunity would only be available if approved by the KCC pursuant to the rules and regulations established by commission for such purpose and permission is granted by the landowner whose property the abandoned well is located on. The funds for such plugging reimbursement would be paid from the **Abandoned Oil and Gas Well Fund**.

➤ **Other provisions of this bill provide for some housekeeping between the KDHE and the KCC by repealing 55-163 which dates back to joint regulatory duties from the early 1980s that are no longer in place.**

This is a very worthy bill that has truly been years in the making that will bring clarity to the abandoned well issue and financial security to the abandoned well plugging fund. This clarity and financial security will benefit the KCC, the oil and gas industry, the State of Kansas and the citizens of Kansas.

Therefore, Mr. Chairman and members of this Committee, **KIOGA WOULD STRONGLY URGE YOU TO VOTE IN FAVOR OF THE PASSAGE OF HB 2022.**

Thank you for your time and I would stand for questions.

David P. Bleakley
Chairman KIOGA