

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES BUDGET

The meeting was called to order by Chairperson Larry Powell at 1:30 P.M. on February 11, 2008, in Room 431-N of the Capitol.

All members were present except:

John Grange-excused
Sharon Schwartz-excused

Committee staff present:

Jason Thompson, Revisor of Statutes
Heather O'Hara, Legislative Research Department
Joyce Bishop, Committee Assistant

Conferees appearing before the committee:

Leslie Kaufman, Executive Director, Kansas Cooperative Council
Mary Jane Stankiewicz, Administrator, Agricultural Remediation Board
Larry Shivers, Chairperson, Kansas Agricultural Remediation Board & Kansas Agricultural Retailer's Business Association
Duane Simpson, Chief Operations Officers & Vice President, Kansas Grain & Feed Association & Kansas Agribusiness Retailer's Association
Susan Duffy, Executive Director, Kansas Corporation Commission
Bob Jenkins, Coordinator of Abandoned Well Plugging & Site Remediation

Others attending:

See attached list.

Jason Thompson, Revisor of Statutes, presented the supplemental note as recommended by the Senate Committee on Natural Resources, regarding **SB 447**, an act concerning the agricultural and specialty chemical remediation act; increasing reimbursement limits; extending deposit loan program (Attachment 1).

Leslie Kaufman, Executive Director, Kansas Cooperative Council, presented testimony in support of **SB 447** (Attachment 2).

Mary Jane Stankiewicz, Administrator for the Agricultural Remediation Board, presented testimony in support of **SB 447** (Attachment 3).

Representative Carl Holmes asked Mary Jane how many sites will be eligible with the new criteria of 400,000 instead of 200,000, and if any have drawn funds yet. He also asked if any requests had been turned down.

Mary Jane said it would be six to eight sites. In some cases the original sellers have already drawn. The buyers have not drawn yet and the fund has not been depleted yet. As for refusals, there had been one due to attorney's fees included. Also, some application had been given partial approval due to ineligible costs such as lack of receipts.

Larry Shivers, Chairperson, Kansas Agricultural Remediation Board & Kansas Agricultural Retailer's Business Association, presented testimony in support of **SB 447** (Attachment 4).

Representative Holmes asked if \$1,000,000 was available and \$1,500,000 was requested, how allocation of these funds was determined.

Larry Shivers said it was based on priority by degree of risk, such as groundwater contamination.

Duane Simpson, Chief Operating Officer, Kansas Grain & Feed Association & Kansas Agribusiness Retailer's Association, presented testimony in support of **SB 447** (Attachment 5).

Representative Doug Gatewood asked if there had been an increase in applications for these funds.

Duane Simpson said requests have been steady at approximately \$1,000,000 per year, every year.

CONTINUATION SHEET

MINUTES OF THE House Agriculture and Natural Resources Budget at 1:30 P.M. on in Room 431-N of the Capitol.

Mary Jane Stankiewicz said they expect more applications will be coming in mass in the coming months due to recent acquisitions. Carbon tetrachloride is the main polluter. The number of sites with no further action required is minimal, and these sites are increasing. She would like to see the program extended another ten years. Currently orphan sites are not eligible as they become federal sites and Kansas Department of Health and Environment is in charge of their oversight.

Heather O' Hara, presented the Fiscal Note on **HB 2735**, an act concerning transfers to abandoned oil and gas well fund, sunset provision (Attachment 6).

Susan Duffy, Executive Director, Kansas Corporation Commission (KCC), presented testimony in support of **HB 2735** (Attachment 7).

Bob Jenkins, Coordinator, Abandoned Well Plugging & Site Remediation, stood for questions. He said 16,000 wells exist in Kansas that are known. They are ranked by risk level. Currently 6,500 have been plugged and 500 are awaiting the process. He said the Federal Mineral Royalty Trust is tied to prices of oil and gas.

Representative Vaughn Flora asked how they find abandoned wells in the fields, and if they have to plug each layer.

Bob Jenkins said they originally find them by existing maps of fields and lists. Some are also found when individuals are clearing land. Most of them are old enough no permit was required when they were created. In western Kansas, they set a plug on the bottom of the well with intermittent plugs at various levels. In shallow wells, they are filled completely with Portland cement. These wells average 150 sacks of cement per well. Some of the wells flow oil at the surface, but it is not enough to harvest.

Representative Jason Watkins asked if the increase in the price of oil is increasing the cost of plugging these wells, and is plugging also in greater demand than it has been in the past.

Bob Jenkins said the increase in price of oil has increased the cost of plugging these wells. When oil prices dropped years ago, the bottom fell out of the market and these wells were sometimes abandoned. Now with the price up again, these companies are rebuilding equipment and trying to find experienced workers. They have gone from an average of 500 prior to the oil price increases to 5,000 to 6,000 wells per year now.

Representative Watkins asked if there would be an advantage to signing contracts with a few companies to get a better price on these services. Also is there an advantage to long term contracts?

Susan Duffy said on the wells estimated to cost below \$15,000, they have a set list of companies they use. On wells that will cost over \$15,000 they are required to do requests for proposals (RFP). They have found it not to be cost effective to do RFPs on the less expensive jobs. In many cases, especially in the southeast portion of the state, these companies sometimes use the same crews with long term employees who are very efficient and effective. Also they hesitate to do a long term contract due to the fluctuation in prices on these services.

Representative Holmes asked why lines 22 and 26 were in **HB 2735**. He wanted to know why not leave this in appropriations instead of doing it as a statute. In 1996 the State General Fund would pick up \$400,000 per year. At that time the oil and gas industry was not paying into this fund, but agriculture was. The legislative intent was wrong and the State General Fund should not have been included in this. Also, Appropriations should supersede statute in this case. Also, in line 26 of **HB 2735** the year should be 2009 instead of 2008 as written.

The meeting adjourned at 2:30pm.

The next meeting is scheduled for February 12, 2008.