

**SENATE UTILITY COMMITTEE
MARCH 9, 2006**

RE: HB 576 - An Act concerning Natural Gas; relating to gas gathering facilities amending K.S.A 55-1,101, 55-1,102, 55-1,103, 55-1,104, 55-1,107, 55-1,108 and 55-1,109 and K.S.A. 2005 Supp. 66-105a and repealing the existing sections laid out in SB 576.

Testimony of David Bleakley - Legislative Chairman
Eastern Kansas Oil and Gas Association
&
Director of Acquisitions & Land Management
Colt Energy, Inc.

The Eastern Kansas Oil and Gas Association (EKOGA) strongly opposes amending K.S.A 55-1,101, 55-1,102, 55-1,103, 55-1,104, 55-1,107, 55-1,108 and 55-1,109 and K.S.A. 2005 Supp. 66-105a and repealing the existing sections laid out in SB 576.

Our association represents and supports eastern Kansas oil and gas producers, service companies, royalty owners and associated businesses along with the overall welfare of the Kansas oil and gas industry in this state.

BACK GROUND

Eastern Kansas and in particular Southeastern Kansas has been experiencing a boom in shallow gas production thru the major development of coalbed methane gas (CBM) over the last eight years. Several hundred miles of new gas gathering pipeline has been installed to bring this gas to market. This gas production has generated millions of dollars in severance tax and conservation fee fund tax going to the state general fund and the Kansas Corporation Commission, not to mention the millions of dollars the counties have derived from the new personal property taxes being assessed on all of these new wells, pipelines and assets. Numerous Gas Companies collectively have invested several hundred million dollars to bring this boom to fruition. Most of these companies have drilled their own wells in one company, operated their wells in another and have an affiliate company build the gas gathering systems and compression to move their gas to the market. Some of the companies gather third party gas, but none of them consider themselves a public Utility and what's more they don't want to be.

OPPOSING POINTS

1. No gas gatherer should be forced by legislation to open up their lines to anyone who desires a tap and cheap natural gas or to transport gas for other companies. Both of these business decisions should be left up to private negotiations between both parties, if it makes since it will happen, if it doesn't it won't.

2. Most gas gatherers are not Public Utilities and don't want to be because they were organized to drill, develop, produce and gather gas to deliver into major pipelines not distribute gas to individuals.
3. The cost to be forced to switch over from a gas gatherer to a Public Utility would be astronomical with the additional manpower required, 24 hour service, additional State and Federal rules and regs, liability to service individuals, insurance cost and additional safety concerns to mention a few.
4. This bill would not encourage the drilling, development and new pipelines being laid to bring this gas to market and we believe would actually discourage and make companies rethink their investing in gas in Kansas that has been such a windfall for the state and counties.

CONCLUSION

Therefore, Mr. Chairman and members of this Committee, **EKOGA WOULD STRONGLY URGE YOU TO VOTE AGAINST HB 576** and let the gas gatherers remain private instead of forcing them to become Public Utilities.

Thank you for your time.

David P. Bleakley