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Written Testimony re: SB 576
Senate Utilities Committee
Submitted by David L. Bushnell
on behalf of
OXY USA Inc.
March 9, 2006

Mr. Chairman, Members of the Committee:

My name is David L. Bushnell, and I am a Gas Business Coordinator for OXY USA Inc. ("OXY"), a subsidiary of Occidental Petroleum Corporation, a major global oil and gas producer. As part of its large domestic oil and gas operations, OXY has significant, long-lived natural gas production in the Hugoton Field and other gas fields in Southwest Kansas. OXY also owns and operates four gathering systems in the Hugoton Field that transport primarily OXY produced gas.

OXY has reviewed the merits of SB 576 primarily from a technical perspective, and based on the concerns of our engineering staff, OXY must oppose this bill for a number of reasons.

GATHERING SYSTEM OPERATIONS

Gas gathering systems were designed to gather and transport gas from wellheads to downstream delivery points (transmission interconnects). As such, the systems were not designed to accept deliveries from the transmission system for delivery to a customer connected to the gathering system, as appears to be required under the language of SB 576.

With the continuing decline in reservoir pressures in the Hugoton, Panoma and Greenwood Fields in Southwest Kansas, the operating conditions of the gathering systems have and continue to change. In order to maximize reservoir value to producers, royalty owners and the State of Kansas, gathering systems are operated at the lowest pressures possible. There are some systems that even operate under vacuum conditions. Given these narrow and limited operating parameters, it is technically impractical to force gathering system operators to provide a gas delivery service from their gathering systems.

GAS QUALITY

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Gas quality can vary significantly on a gathering system and/or from gathering system to gathering system based on the quality requirements of the gathering system owner and the quality of the gas produced from wells connected to the system. Based on the economics of producing small volume wells, it will become more common to treat non-transmission specification gas at centralized locations on gathering systems compared to treating at the wellhead, as is common practice today. Additionally, the water saturation of gas in the above mentioned low-pressure fields continues to increase as reservoir pressures continue their decline. Since the quality of gas delivered to customers on gathering systems is not uniform and can vary from day to day, gathering system owners should not be required to deliver gas to unsolicited customers with some actual or implied obligation to assure quality to these end users.

Based on the foregoing, OXY recommends that SB 576 either be reported adversely, or that the committee takes no action on this legislation.

Thank you very much for the opportunity to submit written testimony in this matter.

Respectfully submitted,
OXY USA INC.

A handwritten signature in cursive script that reads "David L. Bushnell". The signature is written in dark ink and is positioned above the printed name.

David L. Bushnell