

MINUTES OF THE HOUSE ENVIRONMENT COMMITTEE

The meeting was called to order by Chairperson Joann Freeborn at 3:30 P.M. on January 26, 2006 in Room 231-N of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Legislative Research Department
Lisa Montgomery, Revisor of Statutes Office
Pam Shaffer, Committee Secretary

Conferees appearing before the committee:

Michael Johnson, Kansas Turnpike Authority
Leslie Kaufman, Kansas Cooperative Counsel
Mary Jan Stankiewicz, Association of Ethanol Processors
Terry Holdren, Kansas Farm Bureau

Others attending:

See attached list.

Chairperson Freeborn asked for everyone to please sign the guest list being passed around. She announced the agenda for next Tuesday, January 31st meeting would be, a briefing by Lane Letourneau, Dept of Agriculture, Division of Water regarding **SB364, which was passed in 2004** and a hearing on **HB2683 - Addition to membership of Kansas water authority.**

Bill requests were then taken, Tom Palace, Petroleum Marketers and Convenience Store Association, introduce a bill Kansas essential fuel supply act, this bill would help offset the cost of fuel due to EPA. Representative Sloan moved to carry this bill, Representative Schwartz seconded, motion carried.

Briefing on abandoned oil and gas wells by Bob Jenkins, Kansas Corporation Commission (KCC) Coordinator of abandoned well/site remediation fund, and Maurice Korphage, Director of KCC Conservation Division. The Abandoned Well/Site Remediation Fund was created in 1996 with passage of **House substitute for SB755**. The purpose of the fund is to provide additional funding to the KCC Division with which to address the problem of both abandoned oil and gas wells and exploration and production related to contaminated sites. In addition to the creation of the fund the legislation directed the Conservation division to establish financial responsibility requirements for oil and gas operators within the state of Kansas. These requirements were in place by January, 1998. **SB321** passed during the 2001 legislative session extends the original fund sunset date 7 years to June 30, 2009. Funding to this abandoned well plugging and site remediation program is provided through four funding sources: (1) Increased assessment on crude oil and natural gas production through the conservation fee fund (2) General fund monies (3) 50% of monies received by the state through the federal mineral leasing program, and (4) State water plan monies (\$400K) Total funding package expected to be \$1.6M/yr. Intents to drill are driven by the crude oil price, in 2004 there was a 36% increase in intents to drill over 2003, a 109% over 2002. Mr. Korphage turned the presentation over to Bob Jenkins, Coordinator of Abandoned Well/Site Remediation Fund. Mr. Jenkins explained that we compete with the oil business for equipment, labor, and materials for plugging remediation operations. The KCC total abandoned well inventory currently contains 15,117 wells documented and verified. This represents an increase in the total inventory of 625 wells over that reported in January, 2005. 14,008 wells are listed as priority I inventory, of which 6,519 still require plugging operations, 306 less than one year ago. Expenditures for FY 2005 will result in the plugging of approximately 665 abandoned wells. Plugging costs for 461 wells have been paid to date totaling \$1.56M, which is \$3387/well including restoration costs. For the first 6 months of fiscal year 2005, 260 wells have been authorized to be plugged or have been plugged with monies from the fund. Distribution of remaining 6,519 priority I wells requiring plugging operations are by action level: Level A-90 wells (1%) Level B-1,544 wells (24%), Level C-4,885 wells (75%). Intents to drill are driven by the crude oil price. Mr. Jenkins showed several slides of Abandoned well sites before and after remediation. Galva city Site, McPherson County, 1926 abandoned well, plugged up to 200' Kingman county, abandoned well leaking saltwater in Verdigris River floodplan, Montgomery county and several others. (See attachment 1)

CONTINUATION SHEET

MINUTES OF THE House Environment Committee at 3:30 P.M. on January 26, 2006 in Room 231-N of the Capitol.

Chairperson Freeborn opened the hearing for **HCR5028 - Concurrent Resolution encouraging KTA to require service area operators to offer fuels containing ethanol and biodiesel.**

Michael Johnston, Kansas Turnpike Authority, proponent testified that the KTA is pleased that the Legislature is engaged in finding ways to encourage the use of alternative fuels. (See attachment 2)

Leslie Kaufman, Kansas Cooperative Council, proponent stated that HCR 5028 sends a message to the Kansas Turnpike Authority that this state supports renewable fuel use and encourages wide-spread availability. (See attachment 3)

Mary Jane Stankiewicz, Association of Ethanol Processors, proponent testified that KAEP supports the resolution that would encourage the Kansas Turnpike Authority to review their contracts and amend them in the future to require the offering of ethanol and biodiesel at the stations on the turnpike. (See attachment 4)

Questions and discussion followed the testimony.

Chairperson Freeborn closed the hearing on **HCR5028.**

Chairperson Freeborn announced that there would be no action taken on **HB2558 - Conservation and environmental protection or encroachment restriction** today, but that everyone had been given a handout with balloons on it for everyone to look at. There is an additional correction that is not reflected on the attachment, a title change to include that the bill would apply to military installations only. (See attachment 5)

Questions and some discussion followed regarding **HB2558.**

Chairperson Freeborn adjourned the meeting at 4:50pm. The next scheduled meeting is Tuesday, January 31.