

**House Energy and Utilities Committee  
House Bill No. 2711  
Comments by Doug Louis  
Director-Oil and Gas Conservation Division  
Kansas Corporation Commission**

**February 16, 2012**

Chairman Holmes and members of the Committee, I am Doug Louis, Director of the KCC's Conservation Division. I am here today to provide staff's comment on House Bill 2711. Thank you for this opportunity to appear before you.

**Background**

The Commission has been involved in regulating oil and gas exploration and production operations since the mid-1930s. Some of these activities include: licensing oil and gas operators, permitting drilling activities such as "intents-to-drill" and associated pit permits, enforcing proration orders, overseeing well-plugging operations, permitting injection well activities, regulating gas gathering, enforcing pit and spill regulations, regulating underground porosity gas storage operators and administering the abandoned well-plugging program. Staff has developed an expertise with many aspects of the industry's field activities by enforcing regulations which are designed to prevent waste of natural resources, protect correlative rights and protect public safety.

**Commission Staff's Comments**

As plugging abandoned wells is an important role in our overall responsibilities at the KCC, staff appreciates the attention this bill brings to raising the commitment to plugging future abandoned wells and tying operator plugging responsibility to wells.

I would like to offer a few facts to show the magnitude of wells, operators and activities this bill would impact, which demonstrates the increased administrative costs the bill places on commission staff:

- There are approximately 106,000 oil, gas and injection wells in the state. Staff would have to update and adjust the plugging cost annually for each well.
- 2,107 oil and gas operators renew their licenses annually.
- In 2011, staff processed 7,819 well transfers (6,545 wells in 2010).
- In 2011, 5,441 intents-to-drill filed (4,241 in 2010).
- In 2011, industry plugged 2,576 wells (2,241 in 2010).
- There are 93 oil and gas producing counties which staff would have to report to quarterly.

- How would this statutory change affect the existing Well Assurance Fund? For example, could the existing balance of \$4.5 million be used for abandoned wells that would be plugged but do not have enough money allocated to a specific well?
- Going forward- Would the financial assurance, the current funding mechanism for the Well Assurance Fund, provided for in the existing Sec 3 (d) be needed?
- Staff respectfully requests this committee consider adding a well signage requirement to aid staff in properly associating specific wells to specific accounts.

Thank you again for this opportunity and I will gladly answer any questions the committee might have.