



AD ASTRA PER ASPERA
Kansas

Corporation Commission

Abandoned Well Plugging Responsibility

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Controlling Statute - K.S.A. 55-179:

Who is responsible for plugging abandoned wells under K.S.A. 55-179?

- The operator of a waterflood or pressure maintenance program deemed to be causing pollution or loss of water.
- The current or last operator of the lease upon which the well is located, whether or not the operator plugged or abandoned the well.
- The original operator who plugged or abandoned the well.
- Any person who without authorization tampers with or removes surface or downhole equipment from the well.
- Landowners are only responsible if they operate or produce the well, alter or tamper with the well or assume responsibility by written contract.

Current or last operator

- Most of our responsible party determinations are made based on the current or last operator provision of K.S.A. 55-179.
- Over time the Commission's interpretation of who is the current or last operator under K.S.A. 55-179 has evolved.

Before 2004

- Prior to 2004 the Commission considered the current or last lessee of the acreage containing a abandoned well as the responsible party to plug the well. There was no requirement for physical operations on the lease.

New Donna Lee Case

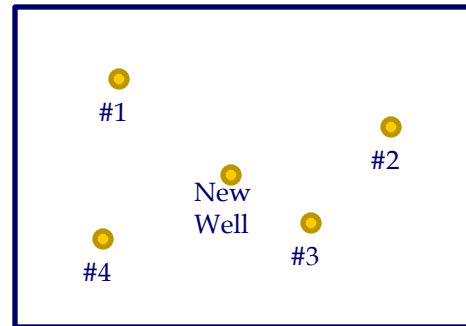
- In 2004 the Commission decided the New Donna Lee case (Docket No. 04-CONS-074-CSHO). In that case the Commission determined that to be considered the current or last operator of the lease containing an abandoned well, you had to conduct some physical oil and gas operation on the leased acreage. Once physical operations were conducted you became the responsible party for all wells on the lease.

Quest Case

- In 2008 the Commission took the physical operation requirement one step further in the Quest case (Docket No. 07-CONS-155-CSHO). The Commission decided that to be considered responsible for an abandoned well you either had to conduct physical operations on the well itself, the well had to be drilled under the lease agreement currently in force or you had to assume responsibility for the well in some way.

Example of responsibility under such interpretation of K.S.A. 55-179

- This is an example of how the Commission's evolving interpretation of K.S.A. 55-179 affects responsibility for plugging abandoned wells.



- The operator takes a new lease on the acreage. There are four abandoned wells (Well #1,2,3 & 4) on the acreage when the lease is taken. Later the operator drills a new well on the leased acreage.
- Prior to 2004 the operator was responsible for plugging the four abandoned wells on the acreage when he took the new lease and prior to drilling the new well.

Example of responsibility under such interpretation of K.S.A. 55-179

- Many operators circumvented responsibility by leasing around abandoned wells or trying to exclude existing wells from their new lease.
- Following the New Donna Lee case the operator is not responsible for the four abandoned wells until the new well is drilled. Once the new well is drilled the operator is responsible for the new well and becomes responsible for the four abandoned wells also.
- Currently under the Quest case the operator never becomes responsible for the four abandoned wells but is responsible for the new well. The operator did not physically operate any of the four abandoned wells, the four abandoned wells were not drilled under the current lease agreement and the operator has not assumed responsibility for the wells.

How has the Quest case interpretation of current or last operator under K.S.A. 55-179 made locating a responsible party to plug abandoned wells more difficult?

- There are more abandoned wells without an obvious responsible party.
- Wells, especially in the eastern part of the state, could have been drilled as far back as the early 1900's. This makes it very difficult to determine when a well was drilled or abandoned. You have to search further back in time to attempt to find a responsible party.
- The further back in time you go, there is a lack of any records or the records are inadequate or not accurate. KCC has the burden of proof to show a party is responsible.

How has the Quest case interpretation of current or last operator under K.S.A. 55-179 made locating a responsible party to plug abandoned wells more difficult?

- Going back in time to find responsible parties leads to those parties being deceased, the company out of business or just can't be found any longer.
- It is more difficult to prove the breakout of an abandoned well in a waterflood area was caused by the waterflood and therefore the waterflood operator is responsible for plugging the broken out well.

Positives to the Quest case interpretation of current or last operator:

- It encourages new development of old leases. For example, the whole coalbed gas development in eastern Kansas.
- It is perceived to be fairer because the new lessee did not abandon the well nor did he gain any economic value from the well, so why should he be responsible for plugging the well.

Miscellaneous observations on abandoned wells

- Our abandoned well inventory has started to increase as operators realize they can report abandoned wells on their leases and not be responsible for plugging. We expect this trend will continue and to increase as we continue with the phase in of the well inventory reporting.

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