

2012

HOUSE BILL NO. ____

By Joint Committee on Energy and Environmental Policy

AN ACT concerning licensure of operators and contractors; requirements; fee for plugging of wells; amending K.S.A. 2011 Supp. 55-155 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2011 Supp. 55-155 is hereby amended to read as follows: 55-155. (a) Operators and contractors shall be licensed by the commission pursuant to this section.

(b) Every operator and contractor shall file an application or a renewal application with the commission. Application and renewal application forms shall be prescribed, prepared and furnished by the commission.

(c) No application or renewal application shall be approved until the applicant has:

(1) Provided sufficient information, as required by the commission, for purposes of identification;

(2) submitted evidence that all current and prior years' taxes for property associated with the drilling or servicing of wells have been paid;

(3) demonstrated to the commission's satisfaction that the applicant complies with all requirements of chapter 55 of the Kansas Statutes Annotated, and amendments thereto, all rules and regulations adopted thereunder and all commission orders and enforcement agreements, if the applicant is registered with the federal securities and exchange commission;

(4) demonstrated to the commission's satisfaction that the following comply with all requirements of chapter 55 of the Kansas Statutes Annotated, and amendments thereto, all rules and regulations adopted thereunder and all commission orders and enforcement agreements, if the applicant is not registered with the federal securities and exchange commission: (A) The applicant; (B) any officer, director, partner or member of the applicant; (C) any stockholder

owning in the aggregate more than 5% of the stock of the applicant; and (D) any spouse, parent, brother, sister, child, parent-in-law, brother-in-law or sister-in-law of the foregoing;

(5) paid an annual license fee of \$100, except that an applicant for a license who is operating one gas well used strictly for the purpose of heating a residential dwelling shall pay an annual license fee of \$25;

(6) complied with subsections (d) and (e); and

(7) paid an annual license fee of \$25 for each rig operated by the applicant. The commission shall issue an identification tag for each such rig which shall be displayed on such rig at all times.

(d) In order to assure financial responsibility, each operator shall demonstrate annually compliance with one of the following provisions:

(1) The operator has obtained an individual performance bond or letter of credit, in an amount equal to \$.75 times the total aggregate depth of all wells (including active, inactive, injection or disposal) of the operator.

(2) the operator has obtained a blanket performance bond or letter of credit in an amount equal to the following, according to the number of wells (including active, inactive, injection or disposal) of the operator:

(A) Wells less than 2,000 feet in depth: 1 through 5 wells, \$7,500; 6 through 25 wells, \$15,000; and over 25 wells, \$30,000.

(B) Wells 2,000 or more feet in depth: 1 through 5 wells, \$15,000; 6 through 25 wells, \$30,000; and over 25 wells, \$45,000.

(3) the operator: (A) Has an acceptable record of compliance, as demonstrated during

the preceding 36 months, with commission rules and regulations regarding safety and pollution or with commission orders issued pursuant to such rules and regulations; (B) has no outstanding undisputed orders issued by the commission or unpaid fines, penalties or costs assessed by the commission and has no officer or director that has been or is associated substantially with another operator that has any such outstanding orders or unpaid fines, penalties or costs; and (C) pays a nonrefundable fee of \$100 per year.

(4) the operator pays a nonrefundable fee equal to 6% of the amount of the bond or letter of credit that would be required by subsection (d)(2).

(5) the state has a first lien on tangible personal property associated with oil and gas production of the operator that has a salvage value equal to not less than the amount of the bond or letter of credit that would be required by subsection (d)(1) or by subsection (d)(2).

(6) the operator has provided other financial assurance approved by the commission.

(e) In order to assure that all wells are appropriately plugged and filled, each operator shall, for each well that the operator maintains control of, annually pay 5% of the total projected cost of plugging the well, as determined by the commission. Each payment of 5% of the projected cost of plugging the well shall transfer the liability of 5% of the actual costs of plugging the well from the operator to the state. If a well is abandoned, or the annual payments are discontinued for any reason, the operator shall maintain liability for the percentage of the cost of plugging the well that has not been transferred to the state. Upon receipt of the final payment for the cost of plugging a well, the commission shall notify the operator, in writing, that such operator is no longer liable for the plugging of such well and that liability for plugging the well has been transferred to the state. Any transfer of responsibility for the operation of a well by an

operator includes a transfer of the original operator's remaining liability to pay for the projected costs of plugging such well.

~~(e)~~ (f) Upon the approval of the application or renewal application, the commission shall issue to such applicant a license which shall be in full force and effect until one year from the date of issuance or until surrendered, suspended or revoked as provided in K.S.A. 55-162, and amendments thereto. No new license shall be issued to any applicant who has had a license revoked until the expiration of one year from the date of such revocation.

~~(f)~~ (g) If an operator transfers responsibility for the operation of a well or gas gathering system or for underground porosity storage of natural gas to another person, such operator shall file a notice of transfer of operator with the commission in accordance with rules and regulations of the commission. The commission shall, upon receipt of such notice, send a copy of such notice to the surface owner, as well as the contact information, including name, address, phone number, fax or email address, for a designated representative of the operator. The commission need not send such information if the operator verifies that the notice filed with the commission has been delivered to the surface owner. The commission need not send a copy of notice to the surface owner for transfers of responsibility for the operation of a gas gathering system or for underground porosity storage of natural gas to another person.

~~(g)~~ (h) The commission shall remit all moneys received from fees assessed pursuant to subsection (c)(7) of this section to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury. Ten percent of each such deposit shall be credited to the state general fund and the balance shall be credited to the conservation fee fund created by

K.S.A. 55-143, and amendments thereto.

~~(h)~~ (i) The commission shall remit all moneys received pursuant to subsections (d)(3) and (d)(4) to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the well plugging assurance fund.

(j) The commissions shall remit all moneys received pursuant to subsection (e) to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the well plugging operator liability fund.

New Sec. 2. (a) There is hereby established in the state treasury the well plugging operator liability fund.

(b) Moneys in the well plugging operator liability fund shall be used only for the purpose of paying the costs of: (1) Plugging, replugging or repairing wells for which liability has been transferred to the state pursuant to subsection (e) of K.S.A. 55-155, and amendments thereto; and (2) plugging, replugging or repairing abandoned wells, and remediation of the well sites, drilling of which began prior to July 1, 1996, in accordance with a prioritization schedule adopted by the state corporation commission and based on the degree of threat to public health or the environment. No moneys credited to the fund shall be used to pay administrative expenses of the commission or to pay compensation or other expenses of employing personnel to carry out the duties of the commission.

(c) On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the well plugging operator liability fund interest earnings

based on: (1) The average daily balance of moneys in the well plugging operator liability fund for the preceding month; and (2) the net earnings rate for the pooled money investment portfolio for the preceding month.

(d) All expenditures from the well plugging operator liability fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chairperson of the state corporation commission or a person designated by the chairperson.

Sec. 3. K.S.A. 2011 Supp. 55-155 is hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.