

March 14, 2013

The Honorable Dennis Hedke, Chairperson
House Committee on Energy and Environment
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Hedke:

SUBJECT: Fiscal Note for HB 2332 by House Committee on Energy and Environment

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2332 is respectfully submitted to your committee.

HB 2332 would require the Kansas Corporation Commission (KCC) to promulgate rules and regulations concerning hydraulic fracturing and horizontal drilling. The rules and regulations for hydraulic fracturing would be implemented by December 31, 2013, and provisions for any horizontally drilled well must include the following requirements:

1. Collection of monitoring samples from the drilling site and any adjacent water well areas within 1,000 feet before and after drilling;
2. Minimum setback restrictions for occupied buildings and surface waters of 1,000 feet;
3. Minimum well-casing depths of at least 300 feet below the lowest water-bearing formation;
4. Pressure testing of well casings and concrete seals during stimulation and establishing cement bond logs. This would include ultrasonic imaging to determine cement to wellbore integrity; assurances that all cement conforms to American Petroleum Institute standards; continuation of testing for five years; maintenance of records that would be submitted to the KCC; and assurances that pressure would never exceed 90.0 percent of the maximum pressure for which the well was designed;
5. Disclosure of the chemical composition used in hydraulic fracturing to landowners, groundwater management districts, and the KCC;
6. The use of impervious liners with appropriate thickness standards;
7. Transportation of all waste fluids by licensed drivers and waste removal approved by the KCC with fines and penalties specified for violations;

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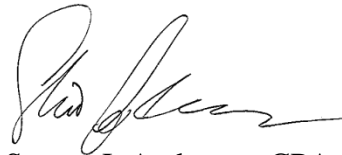
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8. Operators of wells or their successors would be responsible for the maintenance, abandonment or remediation treatments for a period of 40 years, including testing for radiation in drilling mud and flowback fluids;
9. Continued monitoring of injection wells for well-integrity and seismic impacts;
10. Use of methods to monitor, minimize, and capture methane releases as well as other air pollutants;
11. Conservation of water and recycling of fluids;
12. Use of non-toxic additives and water-based proppants, lubricants, and stimulants; and
13. Monitoring and testing to ensure the integrity of horizontally drilled wells.

The bill would also require an annual review by the KCC regarding current drilling methods, geologic formation standards, plugging techniques, and casing and cementing standards and materials. Upon review, the KCC would amend rules and regulations as needed.

The passage of HB 2332 would have a fiscal effect for the KCC if fines were levied against well owners or operators. The KCC is unable to estimate the number or amount of any fines that would be levied in FY 2014; however, any revenue from fines would be deposited in the Conservation Fee Fund of the KCC. Any fiscal effect associated with HB 2332 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,



Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Tom Day, KCC