

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Senator David Corbin at 8:00 a.m. on March 20, 2000 in 245-N of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes Office
Lila McClafin, Committee Secretary

Conferees appearing before the committee:

Dick Brewster, BP Amoco
Pat Hubbell, Anadarko
Ron Hein, Pioneer Natural Resources USA, Inc.

Others attending:

See attached list.

With a motion from Senator Vratil and a second from Senator Morris the minutes of March 14 were adopted.

The hearing was opened on **HB 2823**-Valuation of certain natural gas wells for property tax purposes.

Dick Brewster, BP Amoco, said the bill is intended to clarify the nature of the Kansas property tax, or ad valorem tax as it is applied to Kansas gas and oil producing properties (Attachment 1).

Concern was expressed with the amendment that was added in the House Committee and where the language came from. Staff said the language came from the revisors office.

Pat Hubbell, Anadarko, supported the bill as it addresses a gross injustice dealt to Kansas natural gas producers at the hands of the federal government. **HB 2823** seeks to clarify the Kansas legislature's original intent as to how the value of oil and gas properties is determined for tax purposes. It is clear that on producing wells, the ad valorem tax has always been determined based upon production of the oil or gas actually severed from the earth. Therefore, the tax should be deemed, in accordance with the Natural Gas Policy Act of 1978, similar to a production tax and would qualify as an appropriate add-on cost under FERCs former rules. That is what the legislature intended and that is what **HB 2823** would make clear (Attachment 2).

Ron Hein, Pioneer Natural Resources USA, Inc., requested passage of the bill, as it clarifies what the Legislature thought was the intent and effect of the ad valorem tax on oil and gas during the time frame when the severance tax was enacted (Attachment 3). Mr. Hein responding to a question, he said, he was in the Kansas Senate and a member of the Ways and Means Co. when the severance tax was passed and it was their understanding at that time that the tax would be passed through.

Written testimony was submitted by Dick Carter, Barbee and Assoc., from Robb Wilson, Northern Natural Gas opposing **HB 2823** (Attachment 4).

Ron Gaches, on behalf of Colorado Interstate Gas and Williams Co., said passage of the bill would encourage producers to try and litigate all over again whether the Kansas ad valorem tax on gas can be passed on to consumers or not. He further stated it is time to negotiate some settlement that mitigates the adverse impact of the decision on Kansas's royalty owners and small producers (Attachment 5).

Nancy Vandenberg, Coastal Corporation, believed if the bill passed it would stall the settlement process. It could easily delay settlement discussion between the parties and lead to more court cases delaying

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resolution for years (Attachment 6). Responding to questions Ms. Vandenberg stated they thought the bill would stop the settlement process and probably was unconstitutional.

Ron Gaches and Bob Krehbiel both responded to questions regarding the court decisions.

The hearing on **HB 2823** was closed.

Chairperson referred to **HB 2762**—Inspections of controlled shooting areas. Chairperson reminded the committee a motion was on the floor to strike the correspondence course portion of the bill. A substitute motion was offered by Senator Morris to strike all the language starting in line 43, page 1, and through line 20 on page 2, and a new sec. 2 would be inserted, and Section 2 (b) would contain the language “completion of an approved hunter education course shall not be required to obtain a special controlled shooting area hunting license valid only for licensed controlled shooting areas, with a 2 year sunset provision” The motion was seconded by Senator Huelskamp. Motion carried.

Senator Huelskamp with a second from Senator Morris moved that HB 2762 as amended be passed. Motion carried.

Chairperson referred to **HB 2976**—Penalties for taking trophy big game animals.

Senator Tyson presented a visual of a deer rack. From a hunters position, he described how difficult it would be to determine the measurement of a racks spread and with a scope on a gun, he said it is easy to determine the points on a rack.

Senator Biggs moved that on page 1, in line 31, the bill be amended to read “18 inches”. The motion was seconded by Senator Vratil and the motion carried.

Senator Biggs with a second from Senator Morris moved that **HB 2976** be passed as amended. The motion carried.

Chairperson than referred to **HB 2975**-the purple paint bill.

Clint Riley, Wildlife and Parks was called on to describe the current penalty for trespassing on posted land.

Senator Tyson with a second from Senator Vratil moved that **HB 2975** be passed. The motion carried.

Chairperson than referred to **HB 2860** -Utilization of solid waste management fund.

Senator Stephens moved to amended the bill to cleanup how the tipping fee is used. The motion was seconded by Senator Biggs. A substitute motion was made by Senator Huelskamp to amended the bill to allow county commissions to exempt solid waste from the statewide tipping fee if it is transferred out of state through a solid waste transfer station. If a county commission would take this action, then all entities in that jurisdiction would be banned from receipt of any solid waste grant. Motion carried.

Senator Huelskamp with a second from Senator Tyson moved that **HB 2860** be passed as amended. Motion carried.

The meeting adjourned at 9:00 a.m., and the next scheduled meeting will be on March 21, 2000.