



# PIONEER

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NATURAL RESOURCES

**Written Testimony, Re: SB 325**  
**Senate Utilities Committee**  
**Submitted by Charles M. Sizemore, P.E.**  
**on behalf of**  
**Pioneer Natural Resources USA, Inc.**  
**February 21, 2007**

Mr. Chairman, Members of the Committee:

My name is Charles M. Sizemore, and I am the Manager, Operations Engineering for the Mid-Continent Division for Pioneer Natural Resources USA, Inc. Pioneer is one of the largest independent exploration and production oil and gas companies in North America and is a major natural gas producer in the Hugoton and Panoma Fields in Southwest Kansas. Pioneer currently operates approximately 662 Hugoton gas wells and 328 Panoma gas wells in Kansas.

An essential part of Pioneer's operations includes the ownership and operation of a gas gathering system. The gas gathering system transports gas from approximately 881 wells in the Hugoton and Panoma gas fields to the Satanta processing plant and then on to interstate and intrastate pipelines. Pioneer also owns and operates gas gathering systems in other states.

Pioneer opposes SB 325 for the reasons that are set forth in my testimony.

The current law establishes a regulatory framework to assure that Kansas producers have the ability to connect their wells to a gas gathering system so they can get their gas to market. That law was never intended to require owners and operators of gas gathering systems to become common carriers or public utilities. It appears the intent of SB 325 is to amend the current statutes so as to add a requirement that gas gathering companies in Kansas become common carriers or public utilities that most provide open access transportation services to end use customers on their gas gathering systems.

Pioneer previously provided testimony to this Committee on this subject matter when it appeared during the last legislative session in opposition to SB 576. In that previous testimony, Pioneer explained that Pioneer and other gas gathering companies and producers operating in Southwest Kansas have historically attempted to accommodate and allow oil and gas lessors, right-of-way easement providers, and irrigation farmers to have access to natural gas supplies transported

through their gas gathering systems.

Pioneer explained how the main function of its gas gathering system in Southwest Kansas is to move natural gas and the liquids in that natural gas stream from the wellhead (Point A) to the processing plant (Point B). Historically, when wellhead and gathering systems' pressures in Southwest Kansas were much higher than they are now, Pioneer was able to move natural gas from the wellhead (Point A) to oil and gas lessors' exit taps (Points C, D, E, etc.) and irrigators' exit taps (Points F, G, H, etc.) which were located along the way to the processing plant (Point B).

However, given the maturity of the natural gas fields connected to the gathering systems, the necessity of operating gathering systems on vacuum and at very low pressures to accommodate producers with depleting gas reserves and the increasing problems with high concentrations of H<sub>2</sub>S due to the depletion of the natural gas fields, it is no longer practical and it is contrary to public policy to pass legislation, like SB 576 last session or SB 325 this session, that would require gas gathering companies to provide open access transportation services to end users on gas gathering systems that, for the most part, are not in a position nor were they originally designed to provide reliable and safe service to end use customers. Simply put, Pioneer is no longer economically able to move gas from the wellhead to various exit taps on its gas gathering system because of the very low pressures that now exist.

As Pioneer mentioned last session, the changes proposed by the legislation before you are contrary to and go against the recent trend of the efforts being made to move end use customers off of gas gathering systems that can no longer provide safe and reliable service, for the various reasons I just stated, over to systems that can provide safe and reliable pipeline quality natural gas. For the past several years, Pioneer has voluntarily implemented several successful programs to move oil and gas lessors and irrigation farmers off of Pioneer's gas gathering system because of the very low pressures that exist and to work out other accommodations so those parties could meet their energy supply needs. Pioneer is continuing to work with the few remaining oil and gas lessors and irrigators on Pioneer's gas gathering system to see if accommodations can be made for those remaining parties. It makes absolutely no sense to create a new law, which would require Pioneer and the other gas gatherers in Kansas to essentially add distribution customers to these gas gathering systems, when these systems are no longer capable of providing safe and reliable distribution service.

This legislature should continue its efforts to promote programs such as rural natural gas cooperatives and not-for-profit utilities (NPU's), where groups of natural gas users can combine efforts to construct their own pipeline systems to connect to suppliers of pipeline quality gas to replace the less reliable and increasingly unsafe natural gas transported through gas gathering systems. This legislature should not adopt legislation that requires gas gathering companies to connect end users to systems that are no longer able to provide safe and reliable service to those end users.

Pioneer, like other operators in the Hugoton and Panoma Fields, is dealing with declining volumes in the field. This is attributed to the natural decline as reserves are depleted. As these fields approach depletion, gathering becomes a more critical operation. A system that was once used primarily for gathering gas (and secondarily for allowing lessors, right-of-way easement owners, and irrigators to use gas off of the system) can no longer physically handle both functions. Pioneer certainly can't abandon the gathering function on its system and is no longer in a position to operate that gathering system as a distribution system.

As mentioned in my opening remarks, Pioneer owns and operates gas gathering systems in other states. None of those other states require Pioneer to provide open access transportation service and exit taps to third parties and I know of no state that has such a requirement. While it may be appropriate for intrastate and interstate pipelines and distribution utilities to provide for open access transportation service on their systems, it is not appropriate to require gas gathering systems to provide said services when those systems are not economically set up to do so.

Pioneer has reviewed the substitute bill proposed by several of the other gas gathering system owners and can generally support that bill. As Pioneer understands the intent of the substitute bill, a gas gathering system, which was economically able to provide transportation service to an exit tap on its system could do so without having to become a public utility or common carrier and without having to become subject to all of the rate, tariff and cost of service requirements that are imposed upon a public utility or common carrier.

Again, we would recommend that SB 325 either be reported adversely, or that the committee take no action on this legislation.

Thank you very much for permitting Pioneer to submit written testimony.

Charles M. Sizemore, P.E.  
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