



Before the Senate Utilities Committee
SB 325
Testimony of David Scharf, Vice-President
ONEOK Partners
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Chairman Emler and Members of the Committee,

My name is Dave Scharf. I am the commercial Vice-President of the Gathering and Processing segment of ONEOK Partners, the owner of ONEOK Field Services Company, LLC (“OFS”). OFS owns and operates more than 5,100 miles of natural gas gathering pipelines in the State of Kansas from which it gathers gas from more than 5,700 wells. I appear before you today in opposition to Senate Bill 325.

OFS believes this bill is inappropriate, unnecessary, and would be unduly burdensome to both gas gatherers and to state offices charged with interpreting and enforcing the law. It is such a radical departure from existing practices that the consequences of its implementation can't be adequately foreseen. However, at a minimum, it would result in pointless effort and expense, and it would likely cause the premature abandonment of wells and loss of associated reserves – either directly, via higher line pressures that facilitate tap deliveries but inhibit production, or indirectly, through lower wellhead netback values.

Our gathering systems were built and are operated to efficiently move the maximum amount of gas practical to processing plants where the value of the gas and its components can be enhanced and delivered to markets. Declining pressures, reduced

volumes, underutilized processing facilities, and aging equipment put considerable pressure on this business, and gatherers have had to be nimble and resourceful to maintain efficient and profitable operations. Common carrier or public utility status, even for limited agricultural use, would be an additional impediment to effectiveness that this industry, and the state, can ill-afford.

OFS and other gatherers are sympathetic to the needs of agricultural users, but passage of this bill will not solve the underlying problems of the decline in Hugoton field volumes and pressures, or remedy the issues encountered when delivering raw natural gas to an end-use customer. This is not to say that there is no situation where gas can be used for agricultural purposes. We have offered, individually and as an industry, to consider specific applications – for instance, consolidating taps on low pressure lines so they could be fed from a more secure and reliable source of gas. However, we believe declaring gas gathering systems to be common carriers and public utilities for certain uses will impede, rather than encourage progress on finding such accommodations.

OFS has affiliates that are fully regulated utilities and/or common carriers, with attendant tariffs, rate-making procedures, gas control facilities, regulatory personnel, and so on. These are good businesses, but I respectfully submit to the Committee, they are fundamentally different businesses than gas gathering and processing. Reaction times are much slower, and expenses per unit tend to be much higher. Despite significant quality issues in our raw gas systems, agricultural users prefer to get gas from gathering systems rather than interstate pipelines, precisely because tap costs are much less, and gatherers can move more quickly and are more responsive to operational problems. SB 325 would move the gas gathering industry of Kansas away from its existing structure and intended

function (that it performs well), to a hybrid structure and mixed function that OFS believes would be inefficient and ultimately ineffective in addressing the needs of both the producing and agricultural industries.

OFS urges a Do Not Pass recommendation for this bill.