AN ACT concerning abandoned oil and gas wells; relating to the state corporation commission; abolishing the well plugging assurance fund; transferring assets and liabilities to the abandoned oil and gas well fund; amending K.S.A. 27-118, 55-161, 55-168, 55-179, 55-180, 55-192 and 75-3036 and K.S.A. 2019 Supp. 55-155 and repealing the existing sections; also repealing K.S.A. 55-166 and 55-167 and K.S.A. 2019 Supp. 55-193.

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

Section 1. K.S.A. 27-118 is hereby amended to read as follows: 27-118. All moneys received by the state of Kansas from the United States under the mineral leasing act as the state's share shall be deposited in the state treasury by the state treasurer, and 50% of all such moneys shall be credited to the state general fund, and the remaining 50% shall be credited to the abandoned oil and gas well fund established by K.S.A. 2000 Supp. 55-192, and amendments thereto.

Sec. 2. K.S.A. 2019 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 or more gas wells used strictly for personal use on the property where such gas wells are located shall pay an annual license fee of $25;

(6) complied with subsection (d); 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 annually demonstrate 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
(6) The operator has provided other financial assurance approved by
the commission.

(e) 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) 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) 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 and credit 10% of each such
deposit to the state general fund with the balance credited to the
conservation fee fund created by K.S.A. 55-143, and amendments thereto.

(h) 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
abandoned oil and gas well fund established pursuant to K.S.A. 55-192,
and amendments thereto.

Sec. 3. K.S.A. 55-161 is hereby amended to read as follows: 55-161.
The commission shall investigate abandoned wells, and, based on actual or
potential pollution problems, may select abandoned wells to be drilled out
by the commission in order to test the integrity of the plugs. The cost of
such testing shall be paid from the well plugging assurance fund or the
abandoned oil and gas well fund, as appropriate established pursuant to K.S.A. 55-192, and amendments thereto.

Sec. 4. K.S.A. 55-168 is hereby amended to read as follows: 55-168. Whenever there are insufficient moneys in the well plugging assurance fund or the abandoned oil and gas well fund established pursuant to K.S.A. 55-192, and amendments thereto, to pay the liabilities of such fund, such liabilities shall be and are hereby imposed on the conservation fee fund, established pursuant to K.S.A. 55-143, and amendments thereto, provided such liabilities were incurred in accordance with the prioritization schedule established pursuant to subsection (b)(2) of K.S.A. 55-166, and amendments thereto, and subsection (b)(2) of K.S.A. 55-192, and amendments thereto.

Sec. 5. K.S.A. 55-179 is hereby amended to read as follows: 55-179. (a) Upon receipt of any complaint filed pursuant to K.S.A. 55-178, and amendments thereto, the commission shall make an investigation for the purpose of determining whether such abandoned well is polluting or is likely to pollute any usable water strata or supply or causing the loss of usable water, or the commission may initiate such investigation on its own motion. If the commission determines:

(1) That such abandoned well is causing or likely to cause such pollution or loss; and

(2) (A) that no person is legally responsible for the proper care and control of such well; or (B) that the person legally responsible for the care and control of such well is dead, is no longer in existence, is insolvent or cannot be found, then, after completing its investigation, and as funds are available, the commission shall plug, replug or repair such well, or cause it to be plugged, replugged or repaired, in such a manner as to prevent any further pollution or danger of pollution of any usable water strata or supply or loss of usable water, and shall remediate pollution from the well, whenever practicable and reasonable. The cost of the investigations, the plugging, replugging or repair, and the remediation shall be paid by the commission from the well plugging assurance fund or the abandoned oil and gas well fund, as appropriate established pursuant to K.S.A. 55-192, and amendments thereto.

(b) For the purposes of this section, a person who is legally responsible for the proper care and control of an abandoned well shall include, but is not limited to, one or more of the following: Any operator of a waterflood or other pressure maintenance program deemed to be causing pollution or loss of usable water; the current or last operator of the lease upon which such well is located, irrespective of whether such operator plugged or abandoned such well; the original operator who plugged or abandoned such well; and any person who without authorization tampers with or removes surface equipment or downhole
equipment from an abandoned well.

(c) Whenever the commission determines that a well has been abandoned and is causing or is likely to cause pollution of any usable water strata or supply or loss of usable water, and whenever the commission has reason to believe that a particular person is legally responsible for the proper care and control of such well, the commission shall cause such person to come before it at a hearing held in accordance with the provisions of the Kansas administrative procedure act to show cause why the requisite care and control has not been exercised with respect to such well. After such hearing, if the commission finds that the person is legally responsible for the proper care and control of such well and that such well is abandoned, in fact, and is causing or is likely to cause pollution of any usable water strata or supply or loss of usable water, the commission may make any order or orders prescribed in K.S.A. 55-162, and amendments thereto. Proceedings for reconsideration and judicial review of any of the commission's orders may be held pursuant to K.S.A. 55-606, and amendments thereto.

(d) For the purpose of this section, any well which has been abandoned, in fact, and has not been plugged pursuant to the rules and regulations in effect at the time of plugging such well shall be and is hereby deemed likely to cause pollution of any usable water strata or supply.

(e) For the purpose of this section, the person legally responsible for the proper care and control of an abandoned well shall not include the landowner or surface owner unless the landowner or surface owner has operated or produced the well, has deliberately altered or tampered with such well thereby causing the pollution or has assumed by written contract such responsibility.

Sec. 6. K.S.A. 55-180 is hereby amended to read as follows: 55-180.

(a) The fact that any person has initiated or supported a proceeding before the commission, or has remedied or attempted to remedy the condition of any well under the authority of this act, shall not be construed as an admission of liability or received in evidence against such person in any action or proceeding wherein responsibility for or damages from surface or subsurface pollution, or injury to any usable water or oil-bearing or gas-bearing formation, is or may become an issue; nor shall such fact be construed as releasing or discharging any action, cause of action or claim against such person existing in favor of any third person for damages to property resulting from surface or subsurface pollution, or injury to any usable water or oil-bearing or gas-bearing formation.

(b) The commission, on its own motion, may initiate an investigation into any pollution problem related to oil and gas activity. In taking such action the commission may require or perform the testing, sampling,
monitoring or disposal of any source of groundwater pollution related to oil and gas activities.

(c) The commission or any other person authorized by the commission who has no obligation to plug, replug or repair any abandoned well, but who does so in accordance with the provisions of this act, shall have a cause of action for the reasonable cost and expense incurred in plugging, replugging or repairing the well against any person who is legally responsible for the proper care and control of such well pursuant to the provisions of K.S.A. 55-179, and amendments thereto, and the commission or other person shall have a lien upon the interest of such obligated person in and to the oil and gas rights in the land and equipment located thereon.

(d) Any moneys recovered by the commission in an action pursuant to subsection (c) shall be remitted 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 conservation fee fund, well-plugging assurance fund established pursuant to K.S.A. 55-143, and amendments thereto, or the abandoned oil and gas well fund established pursuant to K.S.A. 55-192, and amendments thereto, as appropriate based on the fund from which the costs incurred by the commission were paid.

Sec. 7. K.S.A. 55-192 is hereby amended to read as follows: 55-192.

(a) There is hereby established in the state treasury the abandoned oil and gas well fund.

(b) Moneys in the abandoned oil and gas well fund shall be used only for the purpose of paying the costs of: (1) Investigation and remediation of contamination sites; (2) investigation of abandoned wells, and their well sites, drilling of which began before July 1, 1996; and (3) plugging, replugging or repairing abandoned wells, and remediation of the well sites, drilling of which began before July 1, 1996, in accordance with a prioritization schedule adopted by the 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 abandoned oil and gas well fund interest earnings based on: (1) The average daily balance of moneys in the abandoned oil and gas well 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 abandoned oil and gas well fund shall be made in accordance with appropriations 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.

(e) On July 1, 2020: (1) The director of accounts and reports shall
transfer all moneys in the well plugging assurance fund established
pursuant to K.S.A. 55-166, prior to its repeal, to the abandoned oil and
gas well fund; (2) all liabilities of the well plugging assurance fund are
hereby transferred to and imposed on the abandoned oil and gas well
fund; and (3) the well plugging assurance fund is hereby abolished.

Sec. 8. K.S.A. 75-3036 is hereby amended to read as follows: 75-
3036. (a) The state general fund is exclusively defined as the fund into
which shall be placed all public moneys and revenue coming into the state
treasury not specifically authorized by the constitution or by statute to be
placed in a separate fund, and not given or paid over to the state treasurer
in trust for a particular purpose, which unallocated public moneys and
revenue shall constitute the general fund of the state. Moneys received or
to be used under constitutional or statutory provisions or under the terms
of a gift or payment for a particular and specific purpose are to be kept as
separate funds and shall not be placed in the general fund or ever become a
part of it.

(b) The following funds shall be used for the purposes set forth in the
statutes concerning such funds and for no other governmental purposes. It
is the intent of the legislature that the following funds and the moneys
deposited in such funds shall remain intact and inviolate for the purposes
set forth in the statutes concerning such funds: Board of accountancy fee
fund, K.S.A. 1-204 and 75-1119b, and amendments thereto, and special
litigation reserve fund of the board of accountancy; bank commissioner fee
fund, K.S.A. 9-1703, 16a-2-302 and 75-1308, and amendments thereto,
bank investigation fund, K.S.A. 9-1111b, and amendments thereto,
consumer education settlement fund and litigation expense fund of the
state bank commissioner; securities act fee fund and investor education
and protection fund, K.S.A. 17-12a601, and amendments thereto, of the
office of the securities commissioner of Kansas; credit union fee fund,
K.S.A. 17-2236, and amendments thereto, of the state department of credit
unions; court reporters fee fund, K.S.A. 20-1a02, and amendments thereto,
and bar admission fee fund, K.S.A. 20-1a03, and amendments thereto, of
the judicial branch; fire marshal fee fund, K.S.A. 31-133a and 31-134, and
amendments thereto, and boiler inspection fee fund, K.S.A. 44-926, and
amendments thereto, of the state fire marshal; food service inspection
reimbursement fund, K.S.A. 36-512, and amendments thereto, of the
Kansas department of agriculture; wage claims assignment fee fund,
K.S.A. 44-324, and amendments thereto, and workmen's compensation fee
fund, K.S.A. 74-715, and amendments thereto, of the department of labor;
veterinary examiners fee fund, K.S.A. 47-820, and amendments thereto, of
the state board of veterinary examiners; mined-land reclamation fund,
K.S.A. 49-420, and amendments thereto, of the department of health and
environment; conservation fee fund and well-plugging assurance fund,
abandoned oil and gas well fund, K.S.A. 55-155, 55-176, 55-192, 55-609,
55-711 and 55-901, and amendments thereto, gas pipeline inspection fee
fund, K.S.A. 66-1,155, and amendments thereto, and public service
regulation fund, K.S.A. 66-1503, and amendments thereto, of the state
corporation commission; land survey fee fund, K.S.A. 58-2011, and
amendments thereto, of the state historical society; real estate recovery
revolving fund, K.S.A. 58-3074, and amendments thereto, of the Kansas
real estate commission; appraiser fee fund, K.S.A. 58-4107, and
amendments thereto, and appraisal management companies fee fund of the
real estate appraisal board; amygdalin (laetrile) enforcement fee fund,
K.S.A. 65-6b10, and amendments thereto; mortuary arts fee fund, K.S.A.
65-1718, and amendments thereto, of the state board of mortuary arts;
board of barbering fee fund, K.S.A. 65-1817a, and amendments thereto, of
the Kansas board of barbering; cosmetology fee fund, K.S.A. 65-1951 and
74-2704, and amendments thereto, of the Kansas state board of
cosmetology; healing arts fee fund, K.S.A. 65-2011, 65-2855, 65-2911, 65-
5413, 65-5513, 65-6910, 65-7210 and 65-7309, and amendments thereto,
and medical records maintenance trust fund, of the state board of healing
arts; other state fees fund, K.S.A. 65-4024b, and amendments thereto, of
the Kansas department for aging and disability services; board of nursing
fee fund, K.S.A. 74-1108, and amendments thereto, of the board of
nursing; dental board fee fund, K.S.A. 74-1405, and amendments thereto,
and special litigation reserve fund, of the Kansas dental board; optometry
fee fund, K.S.A. 74-1503, and amendments thereto, and optometry
litigation fund, of the board of examiners in optometry; state board of
pharmacy fee fund, K.S.A. 74-1609, and amendments thereto, and state
board of pharmacy litigation fund, of the state board of pharmacy;
abstracters' fee fund, K.S.A. 74-3903, and amendments thereto, of the
abstracters' board of examiners; athletic fee fund, K.S.A. 74-50,188, and
amendments thereto, of the department of commerce; hearing instrument
board fee fund, K.S.A. 74-5805, and amendments thereto, and hearing
instrument litigation fund of the Kansas board of examiners in fitting and
dispensing of hearing instruments; commission on disability concerns fee
fund, K.S.A. 74-6708, and amendments thereto, of the governor's
department; technical professions fee fund, K.S.A. 74-7009, and
amendments thereto, and special litigation reserve fund of the state board
of technical professions; behavioral sciences regulatory board fee fund,
K.S.A. 74-7506, and amendments thereto, of the behavioral sciences
regulatory board; governmental ethics commission fee fund, K.S.A. 25-
4119e, and amendments thereto, of the governmental ethics commission; emergency medical services board operating fund, K.S.A. 75-1514, and amendments thereto, of the emergency medical services board; fire service training program fund, K.S.A. 75-1514, and amendments thereto, of the university of Kansas; uniform commercial code fee fund, K.S.A. 75-448, and amendments thereto, of the secretary of state; prairie spirit rails-to-trails fee fund of the Kansas department of wildlife, parks and tourism; water marketing fund, K.S.A. 82a-1315c, and amendments thereto, of the Kansas water office; insurance department service regulation fund, K.S.A. 40-112, and amendments thereto, of the insurance department; state fair special cash fund, K.S.A. 2-220, and amendments thereto, of the state fair board; scrap metal theft reduction fee fund, K.S.A. 2019 Supp. 50-6,109a, and amendments thereto; and any other fund in which fees are deposited for licensing, regulating or certifying a person, profession, commodity or product.

(c) If moneys received pursuant to statutory provisions for a specific purpose by a fee agency are proposed to be transferred to the state general fund or a special revenue fund to be expended for general government services and purposes in the governor's budget report submitted pursuant to K.S.A. 75-3721, and amendments thereto, or any introduced house or senate bill, the person or business entity who paid such moneys within the preceding 24-month period shall be notified by the fee agency within 30 days of such submission or introduction:

(1) By electronic means, if the fee agency has an electronic address on record for such person or business entity. If no such electronic address is available, the fee agency shall send written notice by first class mail; or

(2) any agency that receives fees from a tax, fee, charge or levy paid to the commissioner of insurance shall post the notification required by this subsection on such agency's website.

(d) Any such moneys which that are wrongfully or by mistake placed in the general fund shall constitute a proper charge against such general fund. All legislative appropriations which do not designate a specific fund from which they are to be paid shall be considered to be proper charges against the general fund of the state. All revenues received by the state of Kansas or any department, board, commission, or institution of the state of Kansas, and required to be paid into the state treasury shall be placed in and become a part of the state general fund, except as otherwise provided by law.

(e) The provisions of this section shall not apply to the 10% credited to the state general fund to reimburse the state general fund for accounting, auditing, budgeting, legal, payroll, personnel and purchasing services, and any and all other state governmental services, as provided in K.S.A. 75-3170a, and amendments thereto.
(f) Beginning on January 8, 2018, the director of the budget shall prepare a report listing the unencumbered balance of each fund in subsection (b) on June 30 of the previous fiscal year and January 1 of the current fiscal year. Such report shall be delivered to the secretary of the senate and the chief clerk of the house of representatives on or before the first day of the regular legislative session each year.

(g) As used in this section, "fee agency" shall include the state agencies specified in K.S.A. 75-3717(f), and amendments thereto, and any other state agency that collects fees for licensing, regulating or certifying a person, profession, commodity or product.


Sec. 10. This act shall take effect and be in force from and after its publication in the statute book.