



# E K O G A

**EASTERN KANSAS OIL & GAS ASSOCIATION**

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## HOUSE ENERGY AND UTILITIES COMMITTEE

**RE: HB 2711 - An Act concerning oil and gas; counties; relating to licensure of operators and contractors; well plugging assurance; amending K.S.A. 55-166 and K.S.A. 2011 Supp. 19-101a, 55-151 and 55-155 and repealing the existing sections.**

Testimony of David P. Bleakley - Legislative Chairman  
Eastern Kansas Oil and Gas Association

&

Executive Vice President  
Colt Energy, Inc.

Our association represents and supports eastern Kansas oil and gas producers, gas gatherers, service companies, royalty owners and associated businesses along with the overall welfare of the Kansas oil and gas industry in this state.

The Eastern Kansas Oil and Gas Association (EKOGA) **STONGLY OPPOSES** House Bill 2711.

### **Concerns with this Bill:**

1. We already have two State plugging Funds that came about over a period of years of hard work by the KCC, all three oil and gas organizations, royalty owners, land owners and many other state agencies and groups to address past and future abandon wells in this state.
  - a. The ***Abandoned Oil and Gas Well Plugging Fund*** established 1996 for wells drilled prior to July 1, 1996 and abandoned with no responsible party. Funded by the state general fund, water plan, federal royalties and the conservation fee fund which is collected from the oil and gas operators.
  - b. The ***Well Plugging Assurance Fund*** established 1996 for wells drilled after July 1, 1996 and abandoned with no responsible party. Funded by the oil and gas industry via; operator license fees, cash bonds, certificates of deposit and letters of credit to assure the state that there will be money to plug newly drilled wells after July 1, 1996.

These two Funds are functioning as they were intended and the KCC has plugged abandon wells every year since the **Abandoned Oil and Gas Well Plugging Fund** was established and over the same period the **Well Plugging assurance fund** has grown to approximately \$3.3 million without having a claim to date.

2. This would grow county government **requiring** the hiring of additional personnel because the county treasurer would be required to setup a separate trust account for each well located in that county, receive moneys from the state plugging fund and then the money in each trust account may be invested in accordance with the provisions of K.S.A.10-131, and amendments thereto, with interest thereon credited to the corresponding trust account.
3. This would grow the conservation division of the KCC **requiring** the hiring of additional personnel to setup separate accounts for each well, by county to collect an amount equal to 5% of the projected cost to plug that particular well. The KCC will have to determine the projected cost to plug each well and all wells are not constructed the same. The plugging cost will vary considerably from well to well, field to field and what part of the state they are located in. Then the KCC would be required to remit all moneys received from the oil and gas operators to the state treasurer and certify such amounts and finally on a quarterly basis the moneys will make its way to the county treasurers via the KCC and director of accounts. This would be a massive undertaking by any ones estimation.
4. We don't believe starting a new plugging fund and putting the moneys in the county treasurers account would protect the moneys from be swept any better than being in the state treasurers account, if that was a goal.
5. This will cost the oil and gas operators more money to operator in this state, keeping track of each well and there plugging cost and their individual amount to pay and verifying it with the KCC and the county the wells are located in.
6. Last but not least this will cost the tax payers, because the above describe growth from the KCC, counties and probably the state treasures office will need to be funded and that means higher taxes to pay for those additional positions. It is possible that if you have oil and/or gas in your county you might have to pay higher taxes on both a county level and state level.

Therefore, Mr. Chairman and members of this Committee, **EKOGA WOULD STRONGLY URGE YOU TO VOTE AGAINST HB 2711, because we have two good plugging funds that work now.**

Thank you for your time.

David P. Bleakley