AN ACT concerning oil and gas; relating to the state corporation commission, powers and duties; requirements for certain injection wells; creating the citizens' injection well board; creating the injection well induced seismicity fund; amending K.S.A. 2017 Supp. 55-151, 66-1503 and 76-326b and repealing the existing sections.

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

New Section 1. (a) To protect Kansans from induced seismic activity caused by injections of large volumes of saltwater or other waste fluids from oil and gas operations:

(1) No operator of a class II injection disposal well shall inject more than 8,000 barrels of saltwater or other waste fluid per day into any such well; and

(2) No class II injection disposal well shall be drilled within 10 miles of any known or suspected fault line.

(b) To protect Kansans from increased risks of groundwater contamination from the operation of class II injection disposal wells, any applicant to drill and any operator of a class II injection disposal well shall conduct groundwater testing within a one-mile radius of the well location:

(1) Prior to drilling the well; (2) in each year during operation of the well; and (3) in each year, for no less than five years, after the well has been abandoned.

(c) After drilling of a class II injection disposal well has been completed pursuant to an application approved under K.S.A. 55-151, and amendments thereto, no injections of any saltwater or other waste fluids shall commence into such well until the operator of the well submits to the commission the results of a mechanical integrity test to verify that there are no significant leaks in the well and that the mechanical components function in a manner protective of the environment and human health. The commission shall prohibit the operation of any class II injection well if:

(1) A mechanical integrity test is not submitted prior to the operation of any class II injection disposal well approved pursuant to K.S.A. 55-151, and amendments thereto; or

(2) A mechanical integrity test is submitted in accordance with the
provisions of this subsection, but the mechanical integrity test shows that:
(A) Significant leaks are present; or
(B) the mechanical components are not functioning in a manner
protective of the environment and human health.
(d) (1) The commission shall require every operator of a class II
injection disposal well to submit quarterly reports on such operator's daily
injection volume amounts for each class II injection disposal well. Such
quarterly reports shall be submitted to the commission within 30 days after
the quarter ending in March, June, September and December of each year
on a form approved by the commission and certified to be true and correct.
Such quarterly reports shall provide the operators' daily injection volume
amounts for each class II injection disposal well operated by the operator.
(2) Upon submission of a quarterly report to the commission, the
operator shall remit to the commission a fee in an amount of $.01 per 100
barrels of total saltwater or other waste fluid injected in each class II
injection disposal well during the reporting period. All fees collected
pursuant to this subsection shall be remitted to the injection well induced
seismicity fund pursuant to section 2, and amendments thereto.
(3) If any such operator fails to submit a quarterly injection volume
amount report or fails to remit the required fee with such report, the
commission shall suspend the operator's license issued under K.S.A. 55-
155, and amendments thereto.
(e) The state corporation commission shall compile and maintain with
an easily identifiable link on the commission's website homepage a public
data repository of information on class II injection disposal wells in this
state that includes, but is not limited to:
(1) Locations of proposed wells and links to the current application
dockets of proposed wells;
(2) locations of operating and abandoned wells;
(3) class II injection disposal well data on each well that is operating
and each abandoned well that includes, but is not limited to:
(A) Operator contact information;
(B) water quality test results;
(C) the daily injection volume limit of such well;
(D) the actual amount of saltwater or other waste fluids injected on a
per day basis; and
(E) any complaints that have been filed against or fines that have
been imposed upon the well operator.
(f) The commission may promulgate rules and regulations to enforce
the provisions of this section.
(g) As used in K.S.A. 55-151 and sections 1, 2 and 3, and
amendments thereto:
(1) "Class II injection disposal well" means a well that is used to
inject saltwater or other waste fluids that are brought to the surface in
connection with oil or natural gas production.

(2) "Induced seismicity" means an earthquake event that is recorded
by the national seismic network and attributable to a class II injection
disposal well.

New Sec. 2. (a) There is hereby created in the state treasury the
injection well induced seismicity fund. The commission shall remit all
moneys received from the class II injection disposal well application fees
collected pursuant to K.S.A. 55-151(b), and amendments thereto, and the
injection volume fees collected pursuant to section 1(c), and amendments
thereto, to the state treasurer in accordance with the provisions of K.S.A.
75-4215, and amendments thereto. Upon each such remittance, the state
treasurer shall deposit the entire amount in the state treasury to the credit
of the injection well induced seismicity fund. All expenditures from the
injection well induced seismicity fund shall be made in accordance with
appropriation acts upon warrants of the director of accounts and reports
issued pursuant to vouchers approved by the commission or the
commission's designee.

(b) Expenditures from the injection well induced seismicity fund may
be expended for the following purposes:

(1) Reimbursing Kansas citizens who suffer damages from induced
seismicity events;

(2) providing funding for the commission to administer, monitor and
enforce the administrative provisions relating to class II injection disposal
wells in K.S.A. 55-151(b) and section 1, and amendments thereto; and

(3) providing operational moneys for the citizens' injection well board
created pursuant to section 3, and amendments thereto.

(c) The commission shall promulgate rules and regulations that allow
Kansas citizens, entities, counties, cities and townships to apply for funds
from the injection well induced seismicity fund for damages caused by an
induced seismicity event. Such rules and regulations shall presume
damages caused by an earthquake were caused by an induced seismicity
event, unless proven otherwise.

New Sec. 3. (a) There is hereby established a citizens' injection well
board, which shall consist of five members appointed by the governor.
Subject to the provisions of K.S.A. 75-4315c, and amendments thereto, the
governor shall appoint one member from each congressional district and
the remainder from the state at-large. The members of the board shall serve
for a term of four years. No more than three members shall be from the
same political party. All vacancies in office of members so appointed shall
be filled by appointment by the governor for the unexpired term of the
member creating the vacancy. The citizens' injection well board shall
protect the interests of Kansas citizens, businesses, counties, cities and
townships in any proceedings before the state corporation commission concerning class II injection disposal wells.

(b) The board shall organize annually from its membership by the election of a chairperson and shall adopt such rules of procedure as the board deems necessary for conducting its business.

(c) The board shall hold such meetings as in its judgment may be necessary for the performance of its powers, duties and functions. Appointive members of the board shall receive compensation, subsistence allowances, mileage and other expenses for attending meetings of the board as provided by K.S.A. 75-3223, and amendments thereto.

(d) The state corporation commission shall provide such technical and clerical staff assistance as may be requested by the board.

(e) The board shall have and may exercise the following powers, duties and functions:

(1) Employ an attorney as a consumer counsel;

(2) guide the activities of the consumer counsel; and

(3) recommend legislation to the legislature, which in the board's judgment, would positively affect the interests of Kansas citizens with respect to class II injection disposal wells.

(f) The consumer counsel may do the following:

(1) Represent the interests of Kansas citizens, businesses, counties, cities and townships in any proceedings before the state corporation commission concerning class II injection disposal wells;

(2) function as an official intervenor in cases filed with the state corporation commission;

(3) initiate actions before the state corporation commission;

(4) represent Kansas citizens, businesses, counties, cities and townships that file formal injection well complaints with the state corporation commission;

(5) intervene in formal complaint cases; and

(6) make application for a rehearing or seek judicial review of any order or decision of the state corporation commission.

(g) All budgeting, purchasing and related management functions of the citizens' injection well board shall be administered under the direction and supervision of the board. All vouchers for expenditures from appropriations made for the use of the board shall be approved by the chairperson of the board or by a person or persons designated by the chairperson for such purpose. The budget of the board shall be financed in the same manner as the budget of the state corporation commission is financed pursuant to K.S.A. 66-1503, and amendments thereto.

Sec. 4. K.S.A. 2017 Supp. 55-151 is hereby amended to read as follows: 55-151. (a) Except as provided in subsection (b):

(l) Prior to the drilling of any well, every operator shall file an
application of intent to drill with the commission. Such application shall include such information as required by the commission, including the name and address of the surface owner, and shall be on a form prescribed by the commission. Such application shall also include non-binding preliminary estimates of the location of roads of ingress or egress, any tank battery and any pipeline or electrical line. The commission shall, upon receipt of such application, send a copy of such application to the named surface owner, as well as the contact information, including name, address, phone number, fax or email address, for a designated representative of the applicant. The commission need not send such information if the operator verifies that the application filed with the commission has been delivered to the surface owner.

(b)(2) No change in the use of a well shall be made without express approval of the commission. The state corporation commission shall have the authority to adopt rules and regulations to fix, charge and collect a fee for an application of intent to drill a well, except that such fee for an application of intent to drill a well shall not exceed $300. No drilling shall be commenced until the authorized agents of the commission have approved the application. The agent, in giving approval, shall determine that the proposed construction of the well will protect all usable waters. Such approval shall include the amount of pipe necessary to protect all usable water, plugging requirements upon abandonment and such other requirements deemed appropriate by the commission. The commission may refuse to process any application submitted pursuant to this section unless the applicant has been in compliance with all rules and regulations adopted pursuant to this act.

(e)(3) The commission shall make available to the secretary of the department of health and environment information related to all notifications of intents to drill. The commission shall make available to the clerk of any county in which a well will be drilled information related to the intent to drill for such well.

(b) Prior to the drilling of any class II injection disposal well:

(1) Every operator shall file an application of intent to drill a class II injection disposal well with the commission. Such application shall be on a form prescribed by the commission that shall include, but not be limited to: (A) Such information as required by the commission, including the name and address of the surface owner and the names and addresses of all landowners with land within one mile of the surface owner’s land; (B) non-binding preliminary estimates of the location of roads of ingress or egress, any tank battery and any pipeline or electrical line; (C) information regarding potential seismic concerns and a risk assessment of the potential for induced seismicity based on the proposed location, depth of the well and proposed daily injection volume; and (D) the name and
address of the entity that will conduct the required groundwater testing pursuant to section 1, and amendments thereto.

(2) Upon receipt of an application, the commission shall send:
   (A) To the named surface owner and all landowners with land within one mile of the proposed well: (i) A copy of such application; (ii) the contact information for a designated representative of the applicant, including the name, address, phone number and email address; (iii) the contact information for the commission; and (iv) information for the landowner regarding the hearing process and how a landowner can submit a letter of protest to the application that includes, but is not limited to, the time that such landowner has to submit a protest letter, the website link to the application docket that would allow the landowner to monitor the status of the application and hearing process, the anticipated date for a public hearing on the application and how to stay informed of any changes that are made to such application and hearing date; and
   (B) to the clerk of each governing body of any county, city or township within 15 miles of the proposed well: (i) A copy of such application; (ii) the contact information for a designated representative of the applicant, including the name, address, phone number and email address; (iii) the contact information for the commission; and (iv) information for the city, county or township regarding the hearing process and submission of protest letters.

(3) The commission shall hold a public hearing upon each application to drill a class II injection disposal well. Prior to holding such public hearing, the commission shall allow any interested person to submit electronic or written protest letters to the well application docket. Letters of protest shall be accepted by the commission for no less than 90 days prior to the date of the public hearing. If any interested person requests to intervene as a participant to the proceeding in any such letter of protest submitted to the commission, admission as an intervenor shall be granted by the commission without any further requirements that would bar the landowner or entity from intervening.

(4) The state corporation commission shall fix, charge and collect a fee for an application of intent to drill a class II injection disposal well that shall be no less than $1,000. All such application fees collected pursuant to this subsection shall be remitted to the injection well induced seismicity fund pursuant to section 2, and amendments thereto.

(5) The commission shall not approve an application to drill a class II injection disposal well until the following conditions are met:
   (A) A public hearing has been conducted upon such application;
   (B) the letters of protest, testimony and all evidence presented during the hearing has been duly considered by the commission;
   (C) groundwater testing has been completed within one mile of the
proposed drilling site prior to the commencement of drilling operations;

(D) the commission has determined that the proposed construction of the well will protect all usable waters, including the amount of pipe necessary to protect all usable waters;

(E) the commission has determined that the proposed location is not within 10 miles of any known or suspected fault line; and

(F) an assessment of induced seismic risk has been conducted.

(6) No drilling of a class II injection disposal well shall be commenced until an application is approved by the commission and the approved application sets forth all plugging requirements upon abandonment, the water testing requirements pursuant to section 1, and amendments thereto, and such other requirements deemed appropriate by the commission.

(7) The commission shall make available to the secretary of the department of health and environment information related to notifications of intents to drill any class II injection disposal well.

(8) The commission may promulgate rules and regulations to administer the provisions of this subsection.

Sec. 5. K.S.A. 2017 Supp. 66-1503 is hereby amended to read as follows: 66-1503. (a) (1) The state corporation commission shall determine within 15 days after each quarter-year for each such quarter-year, the total amount of its expenditures during such period of time and the total amount of expenditures of the citizens' utility ratepayer board and the citizens' injection well board during such period of time. The total amount shall include the salaries of members and employees and all other lawful expenditures of the commission and the boards, including all expenditures in connection with investigations or appraisals made under the provisions of K.S.A. 66-1502, and amendments thereto, except that there shall not be included in such total amount of expenditures for the purpose of this section the expenditures during such period of time which are otherwise provided for by fees and assessments made under other existing laws for the regulation of motor carriers or for administering the oil proration and the oil and gas conservation laws.

(2) From the amount determined under paragraph (1) of this subsection, the commission shall deduct: (A) All amounts collected under K.S.A. 66-1502, and amendments thereto, during such period of time; and (B) the amounts of all fees collected during such period of time under the provisions of subsection (b)(1) of K.S.A. 66-1a01(b)(1), and amendments thereto.

(3) To the remainder after making the deductions under paragraph (2) of this subsection, the commission shall add such amount as in its judgment may be required to satisfy any deficiency in the prior assessment period's assessment and to provide for anticipated increases in necessary
expenditures for the current assessment period.

(b) The amount determined under subsection (a) shall be assessed by the commission against all public utilities and common carriers subject to the jurisdiction of the commission and shall not exceed, during any fiscal year, the greater of $100 or 0.2% of the respective utility's or common carrier's gross operating revenues derived from intrastate operation as reflected in the last annual report filed with the commission pursuant to K.S.A. 66-123, and amendments thereto, prior to the beginning of the commission's fiscal year or made available to the commission upon request. Such assessment shall be paid to the commission within 15 days after the notice of assessment has been mailed to such public utilities and common carriers, which notice of assessment shall constitute demand of payment thereof.

(c) The commission shall remit all moneys received by or for it for the assessment imposed under 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. Ten percent of each such deposit shall be credited to the state general fund and the balance shall be credited to the public service regulation fund.

Sec. 6. K.S.A. 2017 Supp. 76-326b is hereby amended to read as follows: 76-326b. The state corporation commission shall remit all moneys received by or for it from fees collected under K.S.A. 55-151(a), and amendments thereto, 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 geological survey fund. Because the operation of the state geological survey provides a direct benefit to the oil and gas industry of Kansas, expenditures from the geological survey fund shall be for the construction, renovation, reconstruction and maintenance of buildings and facilities for the geological survey and for the acquisition and replacement of equipment for the state geological survey. Expenditures from the geological survey fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the chancellor of the university of Kansas or by a person or persons designated by the chancellor.

Sec. 7. K.S.A. 2017 Supp. 55-151, 66-1503 and 76-326b are hereby repealed.

Sec. 8. This act shall take effect and be in force from and after its publication in the statute book.