



**Kansas Senate
Ways & Means Committee
Testimony of Chris M. McGown
In Support of HB2022
February 11, 2021**

- I. Chairman Billinger & committee members; thank you for the opportunity to testify on behalf of the legislation advanced by the Kansas Corporation Commission
- II. I am the current president of the Eastern Kansas Oil & Gas Association – we represent over 200 members involved in the shallow oil & natural gas industry of Eastern Kansas. I am also an independent oil producer and provide contract drilling and oilfield service work.
- III. I am here today in support of the bills advanced by the Kansas Corporation Commission and encourage their passage by this committee and the entire legislature.
 - a. The bills advanced by the KCC are a significant step forward for industry operational clarity, certainty, and efficiency.
 - b. Industry is in favor of increased certainty and efficiency; given all the unknowns we deal with in drilling for an unseen target, we do not want regulatory uncertainty. Knowing who is responsible for plugging wells, and that the money earmarked for plugging is going to be used in that manner is a positive for all involved in our industry.
- IV. Our industry is unique – our operators fund our regulatory body: the KCC
 - a. The KCC collects fees from our operators to fund plugging abandoned wells.
 - i. Therefore, Kansas oil and gas producers directly or indirectly pay for every well plugged in our state.
 - b. In 2018, there were over 1100 wells plugged in Eastern Kansas. More than 90% of those were plugged by operators.
 - i. Operators are actively plugging wells on their own accord, they would like to see more of the earmarked money they have paid into the plugging funds to do the same.
- V. I commend the KCC for being proactive in working with the industry to address the remediation of abandoned wells;
 - a. The KCC has worked with industry service contractors address concerns of the bidding process and it has resulted in more contractor participation.
 - b. The passage of these bills will allow the encumbrance of additional funds that will allow additional wells to be plugged in a more timely and efficient manner –

more wells plugged faster and cheaper with industry money that's already earmarked for that purpose is a win for everyone.

- c. Changes to the bidding process will allow problematic wells to be addressed sooner for a lower cost.

- VI.** More accurately defining what an Abandoned Wells is and who is responsible provides needed regulatory certainty for owners / operators
 - a. Recent court cases have injected unnecessary uncertainty into everyone's decision making process
 - b. Uncertainty has reduced activity in Eastern Kansas – fewer wells were drilled in 2019 & 2020
 - i. Lower tax revenues from development activities – severance, conservation, sales, property
 - c. Failure to pass could result in reduced asset valuations and reduced liquidity for Eastern Kansas operators
 - d. Provides additional efficiency to plug abandoned and problematic wells through reimbursement to operators and landowners who are not liable to plug the well, but can be proactive to address the need to remediate abandoned wells not on the state's priority list – currently not available to industry stakeholders.

- VII.** The industry is supportive of the KCC to be proactive in addressing the issue of plugging wells. We encourage the committee and the legislature to pass the bills to enhance operational clarity, certainty, and efficiency.