

Abandoned Well Plugging Program Informational Briefing

Presentation to the House Standing Committee on Energy, Utilities and Telecommunications

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DISCLAIMER

*The views expressed herein
are solely those of the
presenter and not those of the
Kansas Corporation
Commission.*

History

- Abandoned Well Plugging and Site Remediation (Legacy)
 - Created by the Legislature in 1996
 - Funds used to plug wells drilled prior to July 1, 1996 and clean up historical oil and gas production related contamination sites.
 - Historical Sources of Funding
 - SGF
 - State Water Plan
 - Conservation Fee Fund
 - Federal Royalty Mineral Trust Fund (1/2 of KS royalty)
 - Current Sources of Funding
 - Conservation Fee Fund
 - Federal Royalty Mineral Trust Fund (1/2 of KS royalty)
 - Transfer from Well Plugging Assurance Fund

History

- Well Plugging Assurance Fund (Assurance)
 - 2001 Legislature established the Assurance Fund
 - Funds used to plug wells drilled on or after July 1, 1996
 - Source of income is tied to the licensing process, approximately \$500,000 in income annually. The \$500,000 is comprised of:
 - 6% cash equivalent to bonding or other financial assurance during licensure or renewal: \$450 - \$2,700, or
 - \$100

Contracting Process

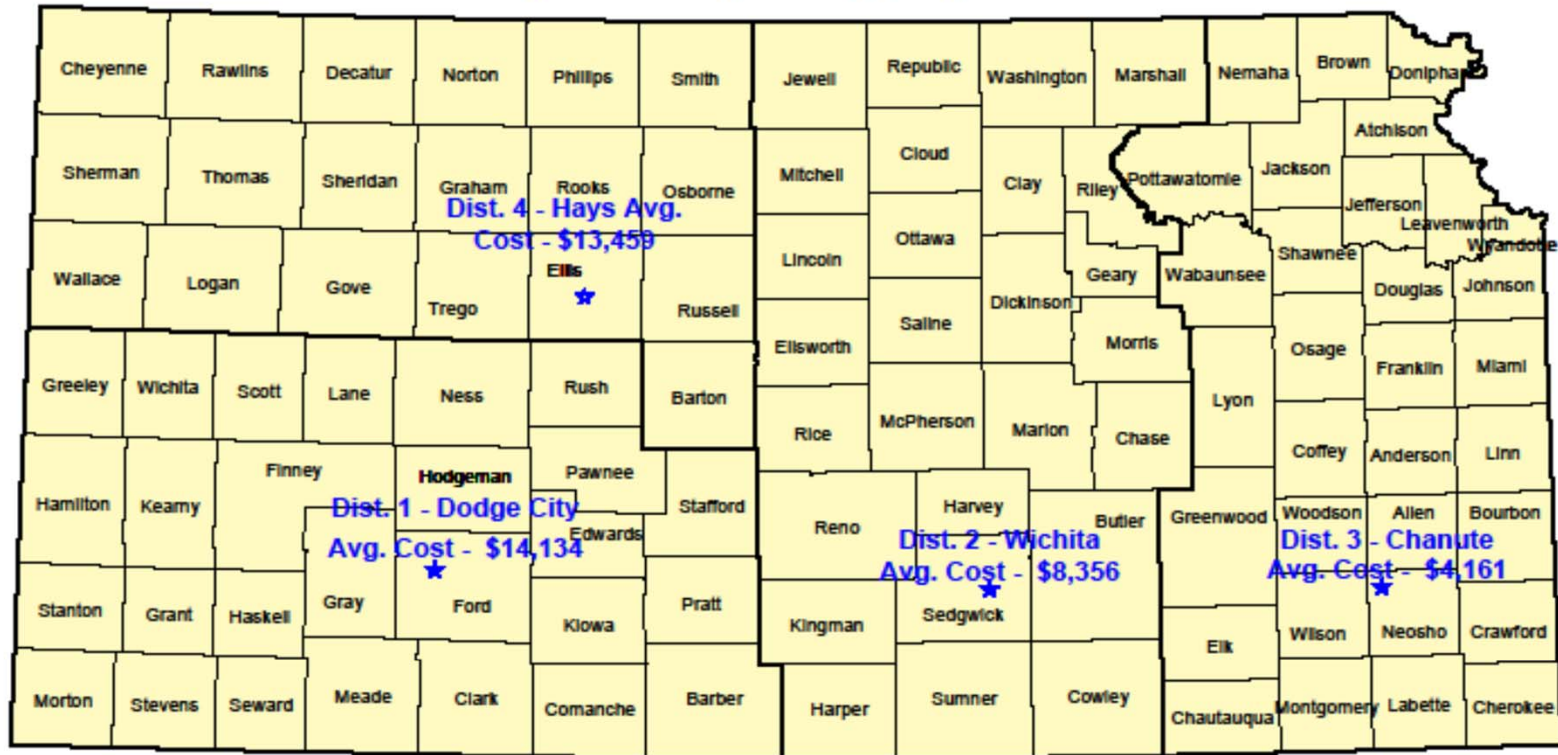
- Divided Plugging Projects by Price
 - Under \$30,000
 - 3-5 year contracts
 - Not well or project specific
 - May vary based on depth or geographic area
 - Start with low bid
 - Over \$30,000
 - Individual project RFP
 - Open to any qualified bidder
 - Bids reviewed based on technical ability first, then costs

Prioritization and Statistics

- Wells are plugged according to threat level to groundwater, surface water, and public safety
 - Priority rankings by severity are 1A, 1B, 1C, and 2
- Wells Plugged Since Program Inception: 10,369
- Well Records in Abandoned Well Plugging Database: 5,639
- The number of abandoned well records requiring action is constantly changing due to projects being added and plugged

KCC Conservation Districts

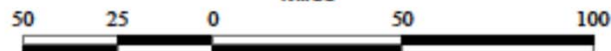
5yr Average Plugging Cost



- ★ District Field Offices
- Conservation Districts
- County



Miles



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Program Changes

- Most projects outside of District #3 fell in the under \$30,000 contract range
- Large projects in District #3 could span Fiscal Years requiring multiple contract extensions
- Long-term contracts caused issues with pricing for contractors in other Districts
- Frustration regarding qualified bidder process



Program Changes

- Historical System
 - Abandoned Well Plugging Supervisor in Central Wichita office
 - Three field staff located in Eastern Kansas reporting to Supervisor in Wichita
 - Abandoned well projects part of normal job duties for staff in Districts #1, #2, and #4

- Current System
 - Each District has an Abandoned Well Plugging Coordinator
 - Central Office now has an Account Manager to handle administrative duties, i.e., track fund balances, process contracts, review invoices, etc.
 - Well plugging priorities now set by Supervising Geologist for each District

Process Changes

- Staff Outreach
 - Meetings in District #4, #1, and #2 with contractors
 - Walked through the Qualified Bidder process
 - Listened to concerns over historic cost proposals and made changes to make forms align with practices in each District
 - Move to single RFP
 - Qualified bidders for five year terms
 - Number of qualified bidders increased in each District
 - Each well project regardless of cost is put out to all qualified bidders under task order process to submit cost proposals
 - Allows KCC to set timeframes
 - Manage projects per contractor
 - Transparency in bid process
 - Meeting in District #3 regarding current over \$30,000 qualified bidder process
 - 17 contractors attended – 2 have been awarded projects since
 - Move to task order process will happen in 2020

Legislative Proposals

- HB 2534
 - Plugging funds combined into one fund and eliminates date drilled distinction
 - Legacy fund sunsets June 30, 2020
 - Current combined balance: \$7,658,857.85
- HB 2536
 - Addresses ambiguities that have led to litigation and uncertainty regarding abandoned well plugging responsibility
 - Creates exclusive listing of responsible parties

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