

# Kansas Administrative Regulations Economic Impact Statement (EIS)

Kansas Corporation Commission  
Agency

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Agency Contact

316-337-6218  
Contact Phone Number

New: 82-3-144  
K.A.R. Number(s)

☒ Permanent    ☐ Temporary

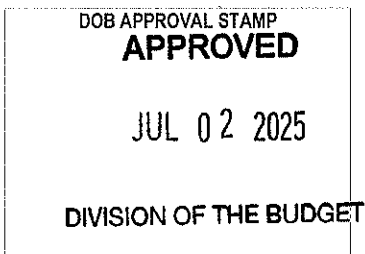
Is/Are the proposed rule(s) and regulation(s) mandated by the federal government as a requirement for participating in or implementing a federally subsidized or assisted program?

☐ Yes    If yes, continue to fill out the remaining form to be included with the regulation packet submitted in the review process to the Department of Administration and the Attorney General. Budget approval is not required; however, the Division of the Budget will require submission of a copy of the EIS at the end of the review process.

☒ No    If no, do the total annual implementation and compliance costs for the proposed rule(s) and regulation(s), calculated from the effective date of the rule(s) and regulation(s), exceed \$1.0 million or more in implementation and compliance costs that are reasonably expected to be incurred by or passed along to businesses, local governmental units and individuals as a result of the proposed rule and regulation over the initial five-year period following adoption of such rule(s) and regulation(s) (as calculated in Section III, F)?

☐ Yes    If "Yes," then the agency shall not adopt the rule(s) and regulation(s) until the rule(s) and regulation(s) has been ratified by the Legislature with a bill, unless the proposed rule(s) and regulation(s) are: 1) mandated by the federal government as a requirement for participating in or implementing a federally subsidized or assisted program, as described in K.S.A. 77-416(b)(1)(B), and amendments thereto; 2) temporary rule(s) and regulation(s) adopted pursuant to K.S.A. 77-722, and amendments thereto; or 3) rules and regulations adopted pursuant to K.S.A. 2-3710 (Kansas Agricultural Remediation Board). Continue to fill out the remaining EIS form to be included with the regulation packet in the review process to the Department of Administration and the Attorney General. The submitted EIS will be independently analyzed by the Division of the Budget for approval.

☒ No    If no, continue to fill out the remaining form to be included with the regulation packet submitted in the review process to the Department of Administration and the Attorney General. The submitted EIS will be analyzed by the Division of the Budget for approval.



## Section I

Analysis, brief description, and cost and benefit quantification of the proposed rule(s) and regulation(s). If the approach chosen by the Kansas agency to address the policy issue is different from that utilized by agencies of contiguous states or of the federal government, the economic impact statement shall include an explanation of why the Kansas agency's rule and regulation differs.

The proposed regulation provides the process persons must follow when seeking reimbursement from the Abandoned Oil and Gas Well Fund for plugging wells that have been abandoned for five or more years. K.S.A. 55-180(f)(1) directed the Kansas Corporation Commission (KCC) to promulgate a regulation for determining whether, how, and to what extent a request for reimbursement shall be granted. The proposed regulation will not cost individuals, businesses, or local governmental units any money, but will instead provide the process for persons who have plugged an abandoned well to be reimbursed for the plugging costs. Nebraska, Missouri, Oklahoma, Colorado, and the federal government do not appear to have similar programs that reimburse persons for plugging abandoned wells; consequently, an analysis of program differences is not possible.

## Section II

Explain whether the proposed rule and regulation is mandated by federal law as a requirement for participating in or implementing a federally subsidized or assisted program and whether the proposed rules and regulations exceed the requirements of applicable federal law.

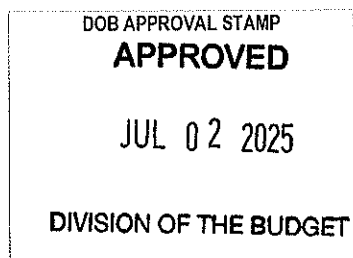
The proposed regulation is not mandated by federal law and does not exceed the requirements of federal law.

## Section III

Agency analysis specifically addressing the following:

- A. The extent to which the rule(s) and regulation(s) will enhance or restrict business activities and growth;

The proposed regulation will enhance business activities and growth. Persons that cause an abandoned well to be plugged will do so by using a KCC licensed oil and gas well plugging business or contractor. The reimbursement for plugging abandoned wells will therefore flow to plugging businesses and contractors in the State of Kansas. The proposed regulation will provide the process persons will use to obtain reimbursement, thereby enhancing the growth of the oil and gas well plugging industry in Kansas. The proposed regulation will not restrict business activities or growth in the State.



- B. The economic effect, including a detailed quantification of implementation and compliance costs, on the specific businesses, sectors, public utility ratepayers, individuals, and local governments that will be affected by the proposed rule(s) and regulation(s) and on the state economy as a whole;

The proposed regulation will have de minimis implementation and compliance costs on businesses, sectors, public utility ratepayers, individuals, and local governments. Only persons who choose to apply for reimbursement from the Abandoned Oil and Gas Well Fund will be affected by the proposed regulation. Additionally, the sole compliance cost of the proposed regulation is the time necessary to complete a plugging reimbursement application and a post-plugging certification of plugging completion. The plugging reimbursement application merely requires the applicant's name and contact information, surface owner's name and contact information, the location and name of the abandoned well, and the estimated total cost of plugging the well. Likewise, the post-plugging certification of completion only requires the applicant's name and contact information, the surface owner's name and contact information, the location and name of the well, all plugging invoices, and the requested reimbursement amount. Thus, the time necessary to fill out the plugging reimbursement application and post-plugging certification of completion will be minimal, and the cost will therefore be de minimis.

The actual plugging of abandoned wells must conform to previously promulgated plugging regulations. Consequently, the proposed regulation will have no impact on the cost of plugging wells. Similarly, previously promulgated regulations state that plugging contractors must be licensed by the KCC. As a result, the proposed regulation will have no impact on the cost of becoming a licensed plugging contractor.

The economic effect of the proposed regulation on the state economy as a whole will be beneficial. By following the processes in the proposed regulation, plugging contractors in the State of Kansas will be reimbursed from the Abandoned Oil and Gas Well Fund for plugging abandoned wells. Thus, the proposed regulation will indirectly help to enhance the well plugging industry in the state. Additionally, abandoned wells on private property may lower the value of that property; consequently, the proposed regulation will also help to indirectly raise property values in the state. Finally, if an abandoned well has been left unplugged on arable land, farmers must often farm around the well. By reducing the number of abandoned wells on arable land, the proposed regulation will indirectly increase the efficiency of farm operations in the state.

- C. Businesses that would be directly affected by the proposed rule(s) and regulation(s);

Only persons who fill out the plugging reimbursement application or post-plugging certification of completion would be directly affected by the proposed regulation. Thus, only businesses or contractors that engage in oil and gas well plugging in the State of Kansas would potentially be directly affected by the proposed regulation. Landowners and farmers who have abandoned wells plugged on their properties as a result of the proposed regulation may be indirectly affected by the proposed regulation.

- D. Benefits of the proposed rule(s) and regulation(s) compared to the costs;

The proposed regulation will provide the process for businesses and contractors to be reimbursed for plugging abandoned wells at a de minimis cost to those businesses and contractors. This will indirectly benefit landowners and farmers as it will result in more abandoned oil and gas wells being timely plugged in the State of Kansas. Consequently, the benefits will greatly outweigh any de minimis costs.

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- E. Measures taken by the agency to minimize the cost and impact of the proposed rule(s) and regulation(s) on business and economic development within the State of Kansas, local government, and individuals;

The information required in the plugging reimbursement application and post-plugging certification of completion is limited to only the essential information necessary to approve the application and provide the reimbursement. Additionally, both the plugging reimbursement application and post-plugging certification of completion will be provided as fillable pdfs that may be downloaded from the KCC website. As a result, the cost of the proposed regulation on business and economic development within the State of Kansas, local government, and individuals will be de minimis.

- F. An estimate of the total annual implementation and compliance costs that are reasonably expected to be incurred by or passed along to businesses, local governments, or individuals. *Note: Do not account for any actual or estimated cost savings that may be realized. Implementation and compliance costs determined shall be those additional costs reasonably expected to be incurred and shall be separately identified for the affected businesses, local governmental units, and individuals.*

Costs to Affected Businesses – \$0

Costs to Local Governmental Units – \$0

Costs to Individuals – \$0

**Total Annual Costs – \$0**

(sum of above amounts)

Give a detailed statement of the data and methodology used in estimating the above cost estimate.

The methodology used to determine the \$0 cost estimate is based on the fact that the time spent filling out the plugging reimbursement application and post-plugging certification of completion should be minimal, and thus any costs will be de minimis.

- ☐ Yes      If the total implementation and compliance costs exceed \$1.0 million or more in implementation and compliance costs over the initial five-year period following adoption of such rule(s) and regulation(s) that are reasonably expected to be incurred by or passed along to businesses, local governmental units and individuals as a result of the proposed rule and regulation, did the agency hold a public hearing to find that the estimated costs have been accurately determined and are necessary for achieving legislative intent? If applicable, document when the public hearing was held, those in attendance, and any pertinent information from the hearing.
- ☐ No
- ☒ Not Applicable

Not applicable.

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Provide an estimate to any changes in aggregate state revenues and expenditures for the implementation of the proposed rule(s) and regulation(s), for both the current fiscal year and next fiscal year.

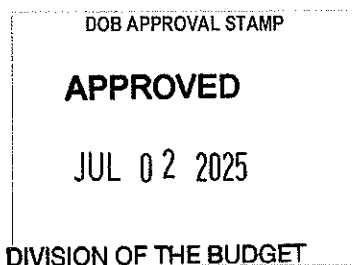
The proposed regulation will have no effect on state revenues. The proposed regulation will also have no direct effect on state expenditures as it merely provides the process for persons to obtain reimbursement from the Abandoned Oil and Gas Well Fund as authorized by K.S.A. 55-180(f)(1). The KCC estimates that under K.S.A. 55-180(f)(1), approximately \$3 million will be expended from the Fund for reimbursements. The KCC arrived at this estimate by noting that the Abandoned Oil and Gas Well Fund contains approximately \$4 million. The KCC estimates it will need to spend approximately \$1 million to plug and remediate high-priority abandoned wells that pose an immediate threat to public health or the environment. Consequently, \$3 million in the Abandoned Oil and Gas Well Fund will be expended on reimbursing persons under K.S.A. 55-180(f)(1).

Provide an estimate of any immediate or long-range economic impact of the proposed rule(s) and regulation(s) on any individual(s), small employers, and the general public. If no dollar estimate can be given for any individual(s), small employers, and the general public, give specific reasons why no estimate is possible.

The proposed regulation will not have any direct immediate or long-range economic impact on any individual(s), small employers, or the general public as the regulation only provides the process for persons to access reimbursements from the Abandoned Oil and Gas Well Fund. The regulation may have indirect impacts, though, as the KCC estimates that under K.S.A. 55-180(f)(1), oil and gas plugging businesses and contractors will obtain reimbursements totaling approximately \$3 million from the Abandoned Oil and Gas Well Fund. However, if funds from the Abandoned Oil and Gas Well Fund are spent more quickly than anticipated, then K.S.A. 55-168 requires that liabilities from the Abandoned Oil and Gas Well Fund be paid from the Conservation Fee Fund. The Conservation Fee Fund is funded through fees and assessments on oil and gas operators in the state. Thus, over the long-range, if the KCC must use funds from the Conservation Fee Fund to satisfy liabilities from the Abandoned Oil and Gas Well Fund, then oil and gas operators may face higher fees and assessments in order to maintain a positive balance in the Conservation Fee Fund.

- G. If the proposed rule(s) and regulation(s) increases or decreases revenues of cities, counties or school districts, or imposes functions or responsibilities on cities, counties or school districts that will increase expenditures or fiscal liability, describe how the state agency consulted with the League of Kansas Municipalities, Kansas Association of Counties, and/or the Kansas Association of School Boards.

The proposed regulation will have no impact on revenues for cities, counties or school districts. The proposed regulation will also not impose functions or responsibilities on cities, counties or school districts that will increase expenditures or fiscal liability.



H. Describe how the agency consulted and solicited information from businesses, business associations, local governmental units, state agencies, or institutions and members of the public that may be affected by the proposed rule(s) and regulation(s) or may provide relevant information.

The KCC engaged in considerable consultation with businesses, state agencies, institutions, and members of the public that may be affected by the proposed regulation. K.S.A. 55-153 established the Oil and Gas Advisory Committee that meets quarterly to discuss the regulation of oil and gas activities in the State of Kansas. The Committee includes a member of the Kansas Petroleum Council, Kansas Independent Oil and Gas Association, Eastern Kansas Oil and Gas Association, a joint appointment from the Kansas Farm Bureau and Kansas Livestock Association (and the appointee must be an owner of a surface interest), a joint appointment from the Southwest Kansas Royalty Owners Association and Eastern Kansas Royalty Owners Association (and the appointee must be an owner of a mineral interest), a joint appointment by the presidents of each Groundwater Management District, Kansas Department of Health and Environment, Kansas Geological Survey, Kansas Water Office, Division of Water Resources of the Kansas Department of Agriculture, a member from the general public, and the Director of the Conservation Division of the KCC. The proposed regulation was discussed during several of the quarterly meetings in 2023 and 2024. The KCC also received written feedback on the proposed regulation from representatives of the Kansas Independent Oil and Gas Association. KCC Staff subsequently amended portions of the proposed regulation after reviewing the written feedback. Additionally, KCC Staff regularly attend the annual conventions of the Kansas Independent Oil and Gas Association and the Eastern Kansas Oil and Gas Association. During the 2023 and 2024 conventions for each organization, the KCC set up booths and discussed the proposed regulation with individuals who were attending the conventions.

#### Section IV

Does the Economic Impact Statement involve any environmental rule(s) and regulation(s)?

- ☒ Yes If yes, complete the remainder of Section IV.  
☐ No If no, skip the remainder of Section IV.

A. Describe the capital and annual costs of compliance with the proposed rule(s) and regulation(s), and the individuals or entities who would bear the costs.

The proposed regulation applies only to persons seeking reimbursement from the Abandoned Oil and Gas Well Fund for plugging abandoned wells. Thus, there is no capital or annual cost of compliance with the proposed regulation for any person that does not apply for reimbursement. For persons that do apply for reimbursement, the compliance cost of submitting the plugging reimbursement application and post-plugging certification of completion will be de minimis.

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- B. Describe the initial and annual costs of implementing and enforcing the proposed rule(s) and regulation(s), including the estimated amount of paperwork, and the state agencies, other governmental agencies, or other individuals who will bear the costs.

The KCC will be the sole state agency implementing and enforcing the proposed regulation. KCC Staff will only need to review the plugging reimbursement application and post-plugging certification of completion forms submitted by persons who plan to plug or have finished plugging abandoned wells. The time necessary to review the forms should be minimal, and therefore the estimated cost of implementing and enforcing the proposed regulation is de minimis.

- C. Describe the costs that would likely accrue if the proposed rule(s) and regulation(s) are not adopted, the individuals or entities who will bear the costs and who will be affected by the failure to adopt the rule(s) and regulation(s).

If the proposed regulation is not adopted, then persons who might cause abandoned wells in the state to be plugged would be unlikely to do so as they would not be able to obtain reimbursement from the Abandoned Oil and Gas Well Fund. As a result, many fewer abandoned wells in the State of Kansas would be timely plugged. Abandoned oil and gas wells have the potential to pollute fresh and usable waters, and to cause spills of fluid onto the lands around the wells. If fresh and usable water becomes polluted, then landowners and farmers may have difficulty accessing water for drinking or irrigation. Depending on the cause of a spill from an abandoned well, the landowner where the well is located, or any oil and gas operator with nearby operations, could be responsible for cleaning up the spill from the abandoned well. Thus, failure to adopt the proposed regulation would slow the timely plugging of abandoned wells, which may have detrimental impacts on landowners, farmers, and oil and gas operators throughout the state. The KCC, however, is unaware of any estimates for how much abandoned wells cost the State of Kansas annually.

- D. Provide a detailed statement of the data and methodology used in estimating the costs used.

There is no data available to estimate the costs of leaving abandoned wells in the State of Kansas unplugged.

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