

SESSION OF 2004

**CONFERENCE COMMITTEE REPORT BRIEF ON
HOUSE BILL NO. 2652**

As Agreed to March 30, 2004

Brief*

HB 2652 would amend existing law to change the definition of "pool" as it relates to the underground accumulation of oil and gas. The bill also would enact a new statute regarding procedures for establishing an oil or gas pool.

Under existing law, the definition of "pool" is "a single and separate natural reservoir." This bill would expand that definition to "one or more natural reservoirs" that are connected. The bill also would enact a new provision specifying that the amended definition of the term "pool" would not be considered a statement of legislative intent for the purpose of interpreting the definition as it existed prior to the amendment.

In addition, the bill would enact a new statute providing that if at least 90 percent of the working interest owners and all of the royalty interest owners approve a contract for the unit operation of a pool or part of a pool, then unit operation of that pool would become effective without application to or order by the KCC. Such approval would have to be in writing. Written notice of the unitization would have to be provided to those working interest owners who did not agree to the action. The bill also would provide for an appeal to the KCC by those working interest owners who did not approve the contract.

Conference Committee Action

In the Conference Committee, the House conferees agreed to the Senate amendments to the bill and the Conference Committee agreed to amend the bill to:

- provide that in order for unitization to occur, all royalty interest owners must agree to the action;

*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. The conference committee summary report may be accessed on the Internet at <http://www.kslegislature.org>

- require that working interest owners who do not agree to the contract would receive written notice of the unitization; and
- create a procedure by which working interest owners who do not agree with the unitization could appeal to the KCC in accordance with existing law.

Background

At the hearing before the House Committee on Utilities, HB 2652 was supported by representatives of the State Energy Resources Coordination Council, Kansas Corporation Commission, Kansas Independent Oil and Gas Association, and BP Corporation. No opponents of the bill presented testimony to the Committee.

The House Committee amended the bill to include a provision specifying that amendment of the definition of “pool” cannot be considered a statement of legislative intent regarding the definition of the term prior to enactment of this bill. The House Committee’s amendment was included because the Committee learned during its hearing that litigation regarding, among other things, an interpretation of the definition of “pool” in current law is pending in the Kansas Court of Appeals.

The Senate Committee on Utilities amended the bill to provide unit operations of a pool if there is agreement among at least 90 percent or more of the working interest owners. The subject matter of that amendment was addressed in HB 2907 which had been heard, but not acted upon by the House Utilities Committee at the time the Senate Committee took action on this bill.

The Division of the Budget’s fiscal notes on the introduced versions of both HB 2652 and HB 2907 bill state that enactment of those bills would not affect state expenditures or revenues.