



PIONEER
NATURAL RESOURCES COMPANY

**Written Testimony re: SB 576
Senate Utilities Committee
Submitted by Robert Dale Bankhead
on behalf of
Pioneer Natural Resources U.S.A., Inc.
March 9, 2006**

Mr. Chairman, Members of the Committee:

My name is Robert Dale Bankhead, and I am the Operations Engineering Manager for the Mid-Continent Division for Pioneer Natural Resources USA, Inc. Pioneer is one of the largest independent exploration and production oil and gas companies in North America and is a major natural gas producer in the Hugoton field in Southwest Kansas.

An essential part of Pioneer's operations includes the ownership and operation of a gas gathering system. The gas gathering system transports gas from the wellhead to the processing plant and interstate and intrastate pipelines.

Pioneer opposes SB 576.

The current law establishes a regulatory framework to assure that Kansas producers have the ability to connect their wells to a gas gathering system so they can get their gas to market. It appears the intent of SB 576 is to amend the current statutes so as to add a requirement that gas gathering companies in Kansas also provide open access transportation services to end use customers on their gas gathering systems.

Historically, Pioneer and other gas gathering companies and producers have attempted to accommodate and allow oil and gas lessors, right-of way easement providers and irrigation farmers to have access to natural gas supplies transported through their gas gathering systems. Given the maturity of the natural gas fields connected to the gathering systems, the necessity of operating gathering systems on vacuum and at very low pressures to accommodate producers with depleting gas reserves and the increasing problems with high concentrations of H₂S due to the depletion and age of the natural gas fields, it is simply no longer practical and it is contrary to public policy to pass legislation that promotes open access transportation services to end users on gas gathering systems that clearly, for the most part, are not in a position to provide reliable and safe service to end use customers.

In fact, this legislation is contrary to and goes against the recent trend of moving end use customers off of gas gathering systems that can no longer provide safe and reliable service, for the various reasons I just stated, over to systems that can provide safe and reliable pipeline quality natural gas.

This legislature should continue its efforts to promote programs such as rural natural gas cooperatives, where groups of natural gas users can combine efforts to construct their own pipeline systems to connect to suppliers of pipeline quality gas to replace the less reliable and increasingly unsafe natural gas transported through gas gathering systems. This legislature should not adopt legislation that requires gas gathering companies to connect end users to systems that are no longer able to provide safe and reliable service to those end-users.

Pioneer, like other operators in the Hugoton Field, is dealing with declining volumes in the field. This is attributed to the natural decline as reserves are depleted. As this field approaches depletion, gathering becomes a more critical operation. A system that was once used primarily for gathering gas (and secondarily for allowing lessors, right of way easement owners and irrigators to use gas off of the system), can no longer physically handle both functions. Pioneer certainly can't abandon the gathering function on its system.

In late 2004 and early 2005, Pioneer Natural Resources notified irrigators receiving gas from our gathering system that Pioneer would no longer be a gas supplier. Pioneer indicated to them that it no longer could provide reliable and in some cases safe service to these customers. Pioneer realizes that as the Hugoton Field nears depletion, it is absolutely essential to maintain the lowest possible pressures throughout the gathering system. These pressures are now at or below atmospheric pressure and it is no longer economical to provide service to end use customers.

Again, we would recommend that SB 576 either be reported adversely, or that the committee take no action on this legislation.

Thank you very much for permitting Pioneer to submit written testimony.

A handwritten signature in black ink, appearing to read 'RDBankhead', written in a cursive style.

Robert Dale Bankhead