

State of Kansas
Kansas Corporation Commission

Notice of Hearing on Proposed Administrative Regulations

Notice Dated: June 18, 2015

A public hearing will be conducted on Thursday, September 17, 2015, at 10:00 a.m. at the Kansas Corporation Commission, 266 N. Main, Suite 220, Wichita, Kansas, to consider the adoption of proposed rules and regulations of the Kansas Corporation Commission, on a permanent basis.

This 60-day notice of the public hearing constitutes a public comment period for the purpose of receiving written public comments on the proposed rules and regulations. All interested parties may submit written comments prior to the hearing to the Kansas Corporation Commission, Conservation Division, Legal Department, at 266 N. Main, Suite 220, Wichita, Kansas, 67202, or by email to oilandgasregcomments@kcc.ks.gov. All interested parties will be given a reasonable opportunity to present their views orally regarding the adaptation of the proposed regulations during the public hearing.

Any individual with a disability may request an accommodation in order to participate in the public hearing and may request the proposed regulations and economic impact statements in an accessible format. Requests for accommodation to participate in the hearing should be made at least 10 days in advance of the hearing by contacting Jonathan R. Myers at 316-337-6200.

Summaries of the proposed regulations and their economic impact follow. Copies of the proposed regulations and the Economic Impact Statement for the proposed regulations can be viewed by contacting the Kansas Corporation Commission, Conservation Division, Legal Department, and are available at <http://kcc.ks.gov>.

K.A.R. 82-3-304. Tests of gas wells. The proposed amendment makes three main changes, along with some smaller changes: 1) it lengthens the amount of time operators have to submit initial 24-hour shut-in pressure tests on new gas wells; 2) it increases the amount of gas a well must be capable of producing before triggering certain annual testing requirements; and 3) it eliminates the need for operators to file annual exemptions for gas wells incapable of producing enough gas to trigger the annual testing requirements, which in turn eliminates the need for an annual shut-in pressure test. The annual testing requirements were historically used to set production allowables and to gather field-wide data. Production at most gas wells, however, is low enough that the tests typically have no effect on the minimum production allowable provided for by regulation at each well, and the shut-in pressures are low enough that the data gathered no longer has much value. In addition, low field pressures coupled with the nature of the tests increasingly causes lingering negative effects on production. The principle economic impact of this amended regulation will be the savings associated with operators no longer needing to file annual exemption forms with the Commission, and no longer needing to conduct annual shut-in pressure tests to obtain the exemptions.

82-3-304. Tests of gas wells; ~~penalty.~~ (a) ~~Initial certified tests test.~~

(1) ~~Initial certified tests run on gas wells to determine the standard daily allowable as a percentage of the well's actual open flow potential shall be conducted in conformance with K.A.R. 82-3-303 or special orders of the commission. These tests shall be completed and filed by the well operator with the commission within 60 days of the first gas sales. The well operator shall conduct the tests under the supervision of the conservation division, and a representative of the commission may be present to witness these tests. A test of any individual well may be required by the commission at any time. Each operator shall conduct a multipoint back-pressure test and a one-point stabilized flow test, as specified in K.A.R. 82-3-303, on each gas well producing at least 250 mcf per day. The tests shall be conducted within 30 days of the first gas sales. The test results shall be filed with the commission within 60 days of the first gas sales.~~

(2) ~~The operator of any gas wells producing a minimum allowable of 250 mcf or less of gas per day in non-prorated fields shall not be required to perform an initial certified test in conformance with K.A.R. 82-3-303. Each operator of a minimum allowable gas well shall perform an initial test consisting of a 24 hour shut in pressure test within 30 days of the first gas sales. The operator of the well shall report the results of the shut in pressure test to the commission on a prescribed form within 30 days of the test date. Each operator shall conduct a 24-hour shut-in pressure test on each gas well producing less than 250 mcf per day. Each test shall be conducted within 120 days of the first gas sales. The test results shall be filed with the commission within 150 days of the first gas sales.~~

(3) ~~In prorated fields, all gas produced into a pipeline shall be counted against the allowable.~~

~~(b) Test witnessing; notification. Tests may be witnessed by a representative of any producer, purchaser, or transporter in the gas field from which the well produces. Any producer, purchaser, or transporter may request notification of the time the tests will commence from the operator of the well on which a test is to be run.~~

~~(c) Annual testing test.~~

~~(1) — An annual test shall be run, in accordance with these regulations, on all gas wells not covered by a proration order or special order, unless these wells are exempt pursuant to subsection (d) below. The test shall be effective during the following year. The test shall become effective the first day of the month following receipt of test results by the conservation division. Before April 1 of each calendar year, each operator shall conduct a one-point stabilized flow test on each gas well producing at least 500 mcf per day. The test results shall be filed with the commission before May 1 of each calendar year.~~

~~(2) — Each operator who fails to submit an annual gas well test shall shut in the well until the annual well test has been submitted.~~

~~(d) — Exemption from annual testing. If the well does not produce gas with more than 30 grains per 100 cubic feet of H₂S and, if applicable, the operator has submitted an open flow test in accordance with K.A.R. 82-3-303, the following shall be exempt from annual testing requirements:~~

~~(1) — Gas wells used for domestic purposes where gas is not sold;~~

~~(2) — gas wells that produce 250 mcf of gas or less per day;~~

~~(3) — water-prone gas wells equipped with a plunger lift;~~

~~(4) — gas wells used exclusively for secondary oil recovery; and~~

~~(5) — gas wells employing a vacuum to recover gas.~~

~~(e) — Request for exemption. Each operator shall request the exemption from annual testing each year on forms prescribed by the commission, shall perform a shut-in pressure test during each year, and shall furnish the results of the test to the commission with the request for exemption.~~

(c) Test witnessing. Each test shall be conducted under the supervision of the conservation division, which may have an employee witness any test. A test of any individual well may be required by the commission at any time.

~~(f)~~ (d) Coalbed natural gas exemption.

(1) Any operator of a well producing only coalbed natural gas may seek an exemption from ~~subsections~~ subsection (a) ~~and (e) or (b)~~ by filing an application for exemption with the conservation division stating that only coalbed natural gas is produced from the well and that ~~the~~ testing would be physically impossible or contrary to prudent practices ~~for the wells~~. No well shall be ~~deemed~~ exempt unless the application for exemption has been approved by the conservation division. ~~The conservation division's approval shall be deemed granted 30 days after the application has been filed, unless the conservation division has notified the applicant before the expiration of the 30-day time period that the application has been denied. Each notice of denial shall be in writing and shall include the procedure for the applicant to appeal the denial.~~

(2) If ~~this~~ the exemption is granted, the exemption shall continue in effect until the well no longer meets the criteria for exemption ~~under this subsection~~. The operator shall notify the conservation division immediately if the well begins producing oil or gas other than coalbed natural gas or if the well characteristics change so that testing becomes possible.

~~(g) — Responsibility for conducting test; confirmation of allowable. Each operator of a gas well shall be responsible for conducting all tests required to obtain an allowable for the well. Each operator shall submit one copy of the test required under subsection (c) to the conservation division and one copy to the purchaser to confirm the allowable as determined by these regulations or by special orders.~~

~~(h) — Illegal production. All gas produced and sold without the required test shall be considered illegal production.~~

~~(i) — Penalty. The failure to submit an annual gas well test shall be punishable by a \$500.00 penalty. (Authorized by K.S.A. 55-704; implementing K.S.A. 2014 Supp. 55-164 and K.S.A. 55-703; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1986; amended May 1, 1987; amended May 1, 1988; amended April 23, 1990; amended Aug. 29, 1997; amended Jan. 25, 2002; amended Jan. 14, 2005; amended June 1, 2007; amended P-
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ECONOMIC IMPACT STATEMENT

Amended K.A.R. 82-3-304.

The proposed amendment makes three major changes, along with some smaller changes: 1) it lengthens the amount of time operators have to submit initial 24-hour shut-in pressure tests on new gas wells; 2) it increases the amount of gas a well must be capable of producing before triggering certain annual testing requirements; and 3) it eliminates the need for operators to file annual exemptions for gas wells incapable of producing enough gas to trigger the annual testing requirements, which in turn eliminates the need for an annual shut-in pressure test.

The annual testing requirements were historically used to set production allowables and to gather field-wide data. Production at most gas wells, however, is low enough that the tests typically have no effect on the minimum production allowable provided by regulation at each well, and the shut-in pressures are low enough that the data gathered no longer has much value. In addition, low field pressures coupled with the nature of the tests often causes lingering negative effects on production.

The vast majority of gas wells currently qualify for exemption from annual testing requirements. The principle economic impact of this amended regulation will be the savings associated with operators no longer needing to file annual exemption forms with the Commission, and no longer needing to conduct annual shut-in pressure tests to obtain the exemptions. The total value of these savings is unknown, but substantial. Where the annual shut-in pressure test necessary to obtain the exemption currently results in negative effects on production, those negative effects will be eliminated. The total value of eliminating the negative effects on production is unknown, but will increase as gas pressures decline, and will fluctuate with natural gas prices. Eliminating the negative effects on production will result in increased royalty payouts, and will further the Commission's statutory task of preventing waste. Amendment of this regulation will allow for the reassignment of one Commission employee to other tasks.

Federal law does not mandate this proposed regulation. The Commission considered the alternative of making no change to the regulation, but rejected that in favor of eliminating historical paperwork-filing obligations of minimal continued utility.