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Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Laura Kelly, Governor

Before the Standing Senate Committee on Utilities
January 18, 2024
548-S, 1:30 a.m.

Informational Briefing on Abandoned Wells
By

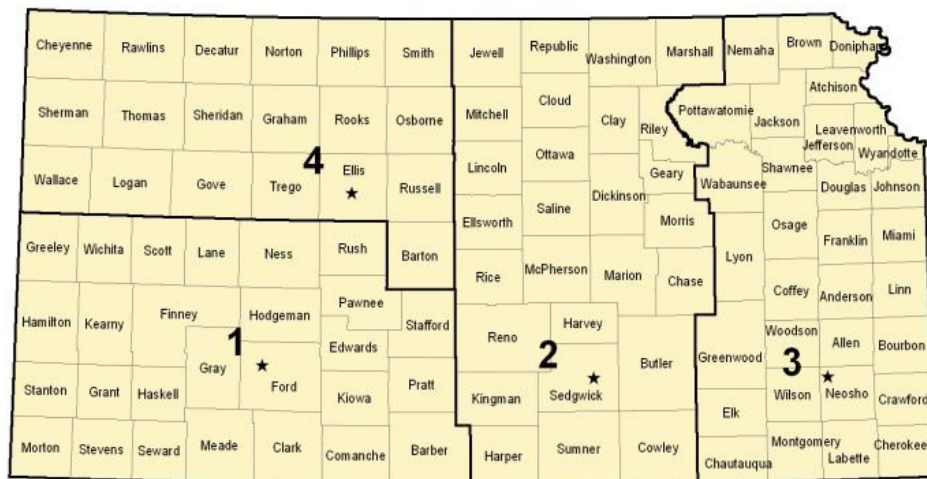
Ryan A. Hoffman, Director, Conservation Division, Kansas Corporation Commission

Chair Fagg, Vice Chair Petersen, and Ranking Minority Member Francisco, thank you for the opportunity to speak with you today regarding abandoned wells and the efforts of the KCC to address the issue.

State Program

1. Background

- a. Statutory plugging program created by the Kansas Legislature in 1996
- b. Two Separate Funds
 - i. Legacy – wells drilled prior to July 1, 1996
 - 1. Funding sources:
 - a. SGF
 - b. Water Plan
 - c. Conservation Fee Fund
 - d. Salvage, and
 - e. 1/2 of Kansas' Federal Mineral Royalty
 - ii. Assurance – wells drilled after July 1, 1996
 - 1. Funding Source:
 - a. Fees associated with operator licensure and salvage
 - c. More than 10,000 wells were plugged statewide under this structure



2. Current Program

- a. House Bill 2022 (2021) and House Bill 2591 (2022) combined the funds into one with the licensure, salvage, and royalty payments as the funding sources
- b. Abandoned Well and Site Remediation Fund unencumbered balance as of 01/04/2024 was \$5,703,375.36

Fiscal Year 2023			
<i>State Abandoned Well Plugging</i>			
Well Plugging			
	Wells Encumbered for Plugging	Wells Plugged	Expenditures
District #1	0	0	\$0.00
District #2	5	5	\$101,077.80
District #3	88	88	\$1,123,197.35
District #4	0	0	\$0.00
Statewide	93	93	\$1,224,275.15
Other Than Plugging			
		Wells Worked	Expenditures
District #3	KSA55-180b	48	\$12,277.59
District #1,#2, & #4	Sole Source	6	\$4,204.75
Statewide		54	\$16,482.34
COMBINED TOTAL AMOUNT			\$1,240,757.49

Fiscal Year	Number of Wells Plugged
2003	696
2004	656
2005	659
2006	560
2007	612
2008	577
2009	522
2010	325
2011	355
2012	316
2013	381
2014	375
2015	257
2016	310
2017	127
2018	103
2019	137
2020	161
2021	342
2022	281
2023	93

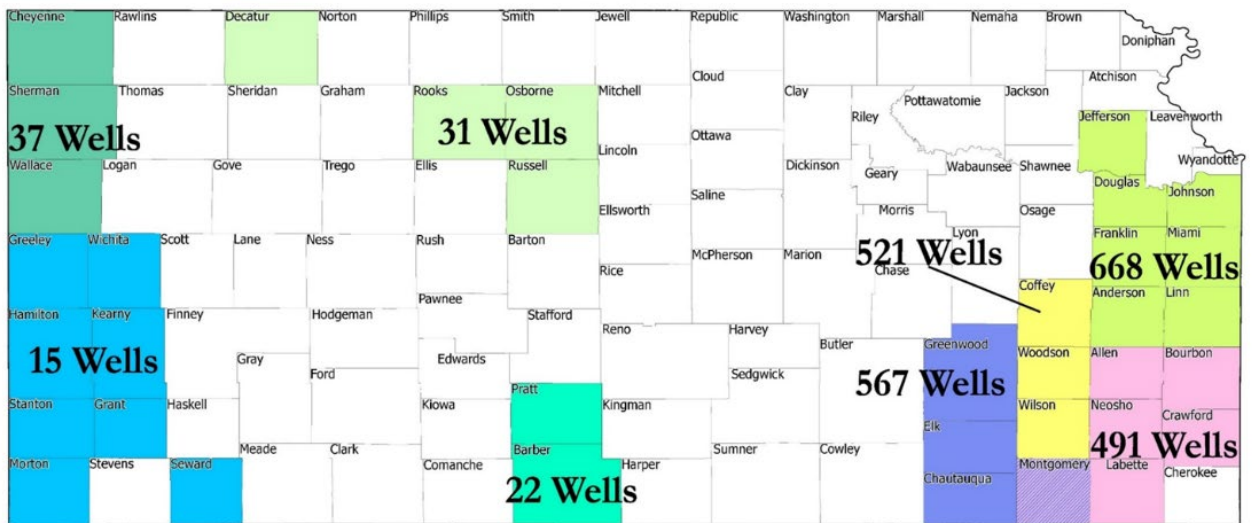
Cost per well						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
District #1	\$0.00	\$13,985.63	\$14,882.58	\$15,077.42	\$16,051.98	\$0.00
District #2	\$5,930.62	\$15,349.18	\$13,189.58	\$14,756.11	\$10,284.93	\$20,215.56
District #3	\$3,454.81	\$4,077.32	\$3,346.96	\$3,611.63	\$6,184.45	\$12,763.61
District #4	\$25,055.85	\$12,514.81	\$13,598.92	\$14,073.65	\$13,900.80	\$0.00
Statewide	\$3,800.78	\$5,517.83	\$5,887.20	\$6,742.46	\$7,049.20	\$13,164.25

- c. FY 2024: 67 wells scheduled, \$675,357.53 encumbered
 - i. 2 wells plugged for \$49,313.15
- d. New State Program Contract
 - i. Combining all four (4) district contracts into one (1) All State Plugging Contract for a two-year term
 - ii. Three contractor meetings statewide
 - 1. Meeting Attendees:
 - a. 58 individuals attendees
 - b. 35 contractor companies
 - 2. **23 contractors participating in state plugging program**
- e. New Website
- f. Purple Wave Salvage Auctions

Federal Plugging Program

1. IIJA or BIL contains \$4.275 B to address orphaned well plugging
 - a. Initial Grants \$775 M
 - b. Formula Grants \$2 B
 - c. Performance Grants \$1.5 B
2. Distinctions between Federal and State lands
3. Federal Plugging Money uses:
 - a. Plug or remediate wells
 - b. Identify orphaned wells
 - c. Prioritize/rank orphaned wells
 - d. Publish information on website
 - e. Measure and track emissions and contamination
 - f. Remediate soil/habitat
 - g. Remove infrastructure
 - h. Environmental justice
4. Generally
 - a. Up to 10% of grants for administrative purposes – 349(c)(2)(B)
 - b. States can use their own definitions and procedures for plugging and remediation – 349(a)(5) and 349(c)(4)(B)
 - c. Secretary of Interior has limited discretion in administering the grants – 349 (c)(3)(B), (4)(C), and (5)(C)
 - d. **Davis-Bacon Act applies**
5. Performance Grants – Sec 349(c)(5)
 - a. Regulatory Improvement Grants
 - i. Strengthening regulatory plugging standards and procedures
 - ii. Reducing future orphaned well burdens
 1. “financial assurance reform, alternative funding mechanisms for orphaned well programs, and reforms to programs relating to well transfer or temporary abandonment”
 - b. Have a 10-year lookback period so states can account for recent actions but...
 - c. Also has a 10-year clawback period if the state enacts a law or regulation that would make it ineligible to apply the first time
 - d. Up to \$20 M per state
 - e. Matching Grant
 - i. Up to \$30 M during FY 2022 – 2031
 - ii. Avg. annual state plugging expense (2010 – 2019) – Amount state certifies it will spend during FY
 - f. 49-page draft guidance issued 1/12/2024 – comments due 2/2/2024

6. Initial Grants – two types
 - a. \$25 M Initial Grant – all states are eligible
 - i. Request for funding must be submitted within 180 days after enactment
(Friday 5/13/2022)
 - ii. State will “obligate” 90% of the funds within 90 days
 - iii. 10% of grant can be used for administrative costs
 - iv. Funds must be distributed to state within 30 days of request*
 - v. State must return “unobligated” funds one year after receipt*
 - vi. State must report to Secretary 15 months after receipt how the funds were used*
 - b. \$5 M Initial Grant
 - i. No timeframe for request or obligation requirement (9/30/2030)
 - ii. Not subject to the 10% administrative costs limitation
 - iii. Still subject to the bullets with an * above
 - c. KCC applied for and received the \$25 M Initial Grant
 - i. RFP for one contract containing eight separate plugging projects



- Project 1 - 15 Wells
- Project 2 - 22 Wells
- Project 3 - 668 Wells
- Project 4 - 521 Wells
- Project 5 - 491 Wells
- Project 6 - 567 Wells
- Project 7 - 31 Wells
- Project 8 - 37 Wells

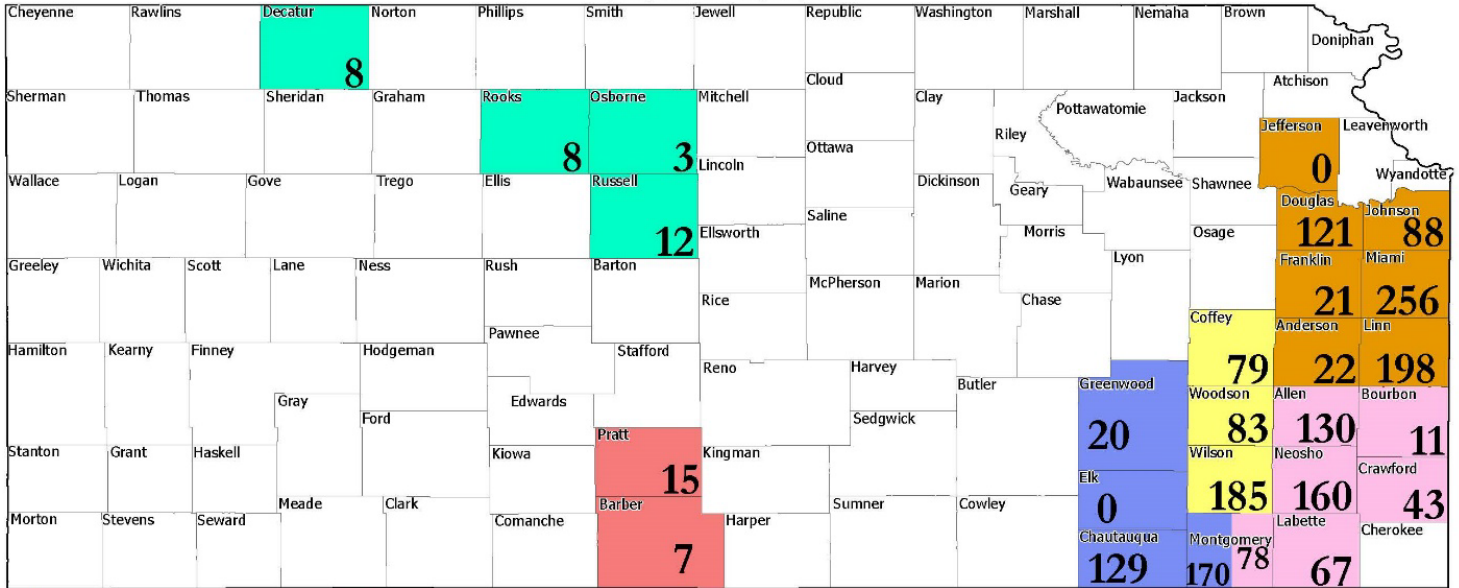
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- ii. Received bids on six projects and plugging began week of 01/16/2023

Federal Initial Grant Projects

Wells Plugged

1/16/2023 - 12/31/2023



- 2023FP1-02: District 1, Project 2 - 22 Wells
- 2023FP3-01: District 3, Project 1 - 814 Wells
- 2023FP3-02: District 3, Project 2 - 502 Wells
- 2023FP4-01: District 4, Project 1 - 31 Wells
- 2023FP3-03: District 3, Project 3 - 490 Wells
- 2023FP3-04: District 3, Project 4 - 654 Wells

Map indicates the number of wells plugged in each county using federal funding from the initial grant. Number in legend indicates the total number of wells in each project.

State-wide total of wells plugged to-date: 1,914
 Amount paid to contractors for wells invoiced: \$20,118,735.28



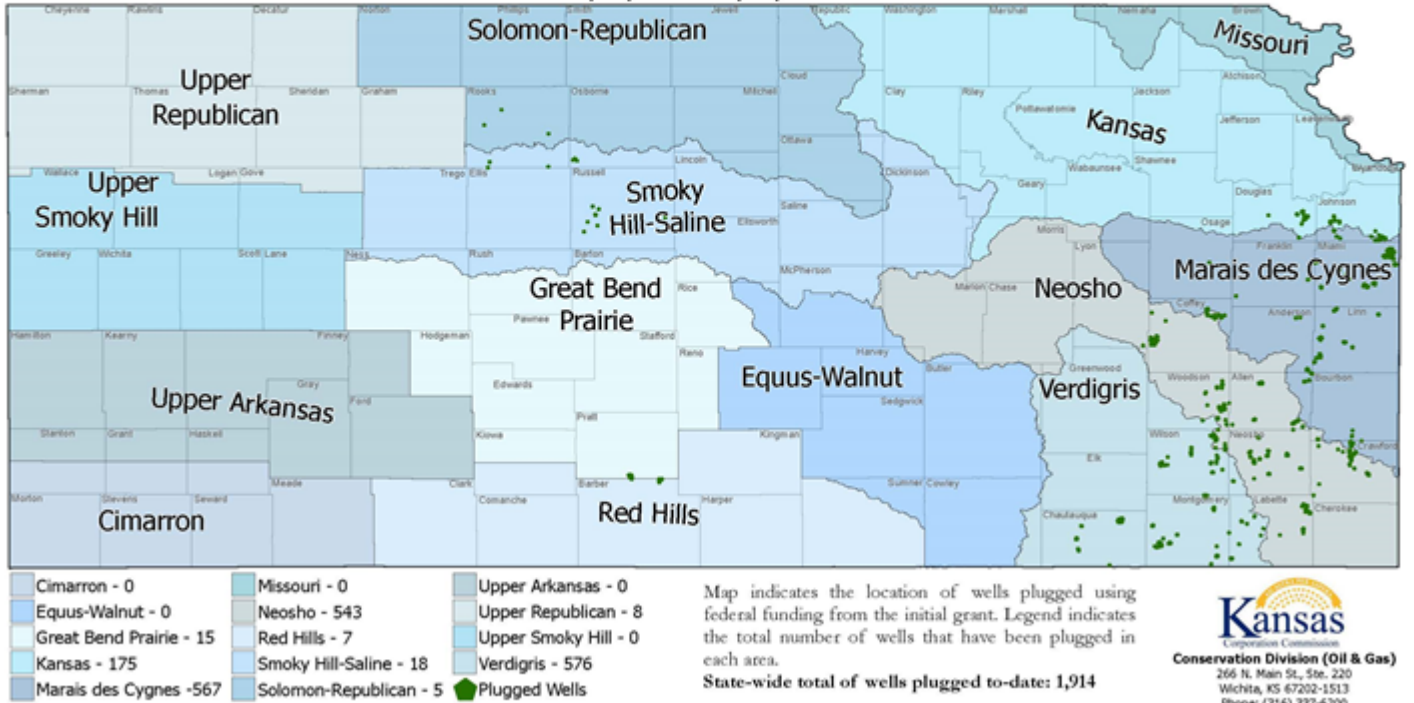
State of Kansas Abandoned Well Plugging • Federal Program • Federal Initial Grant	
Initial Funds Available TOTAL	\$25,000,000.00
Sold Salvage Profit TOTAL	\$624,638.00
INITIAL ESTIMATED AMOUNTS	
Initial Estimated TOTAL Wells	2,295
Adjustment Administrative Cost (software)	\$21,028.00
Initial Estimated TOTAL Projects Cost	\$24,862,078.74
ADDED WELLS FROM SALVAGE PROFIT	
Additional TOTAL Wells	218
Additional TOTAL Well Cost	\$2,199,000.00

NEW ESTIMATED TOTAL WITH ADDITIONAL WELLS	
Additional TOTAL Wells	2,513
Additional TOTAL Well Cost	\$25,336,423.28

Federal Initial Grant Projects

Wells Plugged per Regional Advisory Committee

1/16/2023 - 12/31/2023



Regional Advisory Committees (RAC)

Number of Wells Plugged

RAC	<i>D1 – P2</i>	<i>D3 – P1</i>	<i>D3 – P2</i>	<i>D3 – P3</i>	<i>D3 – P4</i>	<i>D4 – P1</i>	TOTAL
Upper Republican						8	8
Upper Smoky Hill							0
Upper Arkansas							0
Cimarron							0
Solomon - Republican						5	5
Smoky Hill - Saline						18	18
Great Bend Prairie	15						15
Red Hills	7						7
Kansas		175					175
Missouri							0
Marais de Cygnes		529	6	32			567
Equus - Walnut							0
Verdigris			146	111	319		576
Neosho		2	195	346			543
TOTAL	22	706	347	489	319	31	

7. Formula Grants

- a. Formula has three variables:
 - i. Number of “documented” abandoned wells;
 - ii. Cost to plug abandoned wells; and
 - iii. Job losses in the oil and gas sector
- b. State must file notice of intent to apply within 45 days
- c. 75 days after enactment, Secretary must publish amount state is eligible to receive
- d. Secretary must issue funds within 60 days of receiving a complete application
- e. Application period is open-ended (9/30/2030)
- f. Funds must be used within five years or returned
- g. Kansas’ Notice of Intent to Apply for Funding Submitted 12/2021
 - i. 5,477 “documented” abandoned wells
 - ii. Estimated plugging cost of \$35,765,916.69*
 - iii. 401 jobs lost (8.4%) Kansas Bureau of Labor Statistics data through June 2021
- h. Actual Formula Grant Award
 - i. \$33.6 M “awarded”
 - 1. \$8.6 M available in Phase 2?
 - ii. Could more money be available?
- i. DOI provided “Draft Guidance” on January 30, 2023
- j. KCC will provided written comments on Draft Guidance
- k. KCC applied for Formula Grant on December 29, 2023
 - i. BIL provides for funding within 60 days of a complete application
- l. Meetings with contractors began January 10, 2024 – two more in-person meetings January 16 and 18, 2024 and one last minute video conference will be held prior to submitting the RFP to Department of Administration for bidding
- m. Approximately 1,875 wells and 8-10 projects

