

Abandoned Well Plugging Update

Joint Legislative Budget Committee

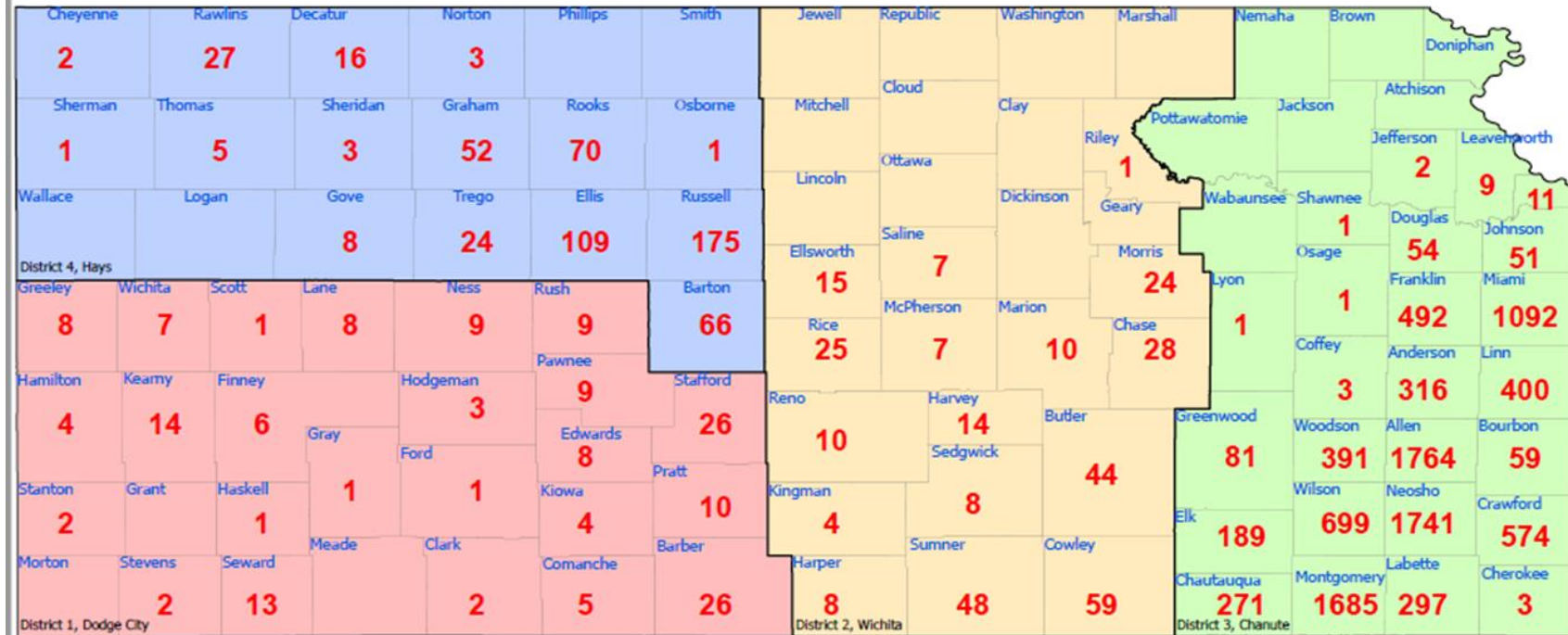
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State Plugging Program

KCC Fee-Fund Projects Wells Plugged Since 1996



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State-Wide Total of Wells Plugged: 11,240 Wells Plugged in District 1: 179 Wells Plugged in District 2: 312 Wells Plugged in District 3: 10,187 Wells Plugged in District 4: 562

State Plugging Program Pre-merger*

- Abandoned Well Plugging and Site Remediation Fund (Pre 7/1/1995 wells)
 - \$400,000 Conservation Fee Fund
 - \$400,000 State Water Plan Fund
 - \$400,000 SGF
 - 1/2 of Kansas' royalty from production on Federal lands in Kansas
- 2015 to merger timeframe
 - \$400,000 in Conservation Fee Fun
 - 1/2 of Kansas' royalty from production on Federal lands in Kansas
 - \$500,000 transfer from Well Plugging Assurance Fund
- Well Plugging Assurance Fund (Post 7/1/1995 wells)
 - Funds derived from licensing process - approximately \$500,000 in income annually comprised of:
 - 6% cash equivalent to bonding or other financial assurance during licensure or renewal: \$450 - \$2,700, or
 - \$100

*Both funds collected interest and could recover salvage from plugged wells/sites.

State Plugging Program Post-merger

- Current funding sources post-merger
 - License-related sources
 - ½ of Kansas' royalty from production on Federal lands in Kansas
 - Interest and salvage – Purple Wave
 - Total for FY23 \$1.1 million
- Current Balance \$6.2M

Annual Activity

- Programmatic and Process Changes
 - Outreach and Contractual Changes
- COVID Rebound
- Outreach and Contractual Changes – again
 - 23 plugging contractors available statewide



Fiscal Year	Plugging Cost	Number of Wells Plugged	Average Cost Per Well
1996	Creation of Abandoned Well Plugging & Site Remediation Fund (KSA 55-192 & KSA 55-193)		
1997	\$ 1,473,600.00	414	\$ 3,559.42
1998	\$ 1,368,095.00	579	\$ 2,362.86
1999	\$ 1,230,115.00	491	\$ 2,505.33
2000	\$ 1,527,026.00	545	\$ 2,801.88
2001	\$ 1,920,205.00	581	\$ 3,305.00
2002	\$ 1,701,922.00	753	\$ 2,260.19
2003	\$ 2,185,962.00	696	\$ 3,140.75
2004	\$ 1,904,984.00	656	\$ 2,903.94
2005	\$ 2,164,038.00	659	\$ 3,283.82
2006	\$ 1,988,240.00	560	\$ 3,550.43
2007	\$ 2,397,795.00	612	\$ 3,917.97
2008	\$ 2,816,197.00	577	\$ 4,880.76
2009	\$ 1,996,839.00	522	\$ 3,825.36
2010	\$ 1,445,889.00	325	\$ 4,448.89
2011	\$ 1,574,833.00	355	\$ 4,436.15
2012	\$ 1,347,141.00	316	\$ 4,263.10
2013	\$ 1,635,070.00	381	\$ 4,291.52
2014	\$ 2,018,043.00	375	\$ 5,381.45
2015	\$ 1,210,802.00	257	\$ 4,711.29
2016	\$ 1,192,755.00	310	\$ 3,847.60
2017	\$ 842,454.00	127	\$ 6,633.50
2018	\$ 374,907.03	103	\$ 3,639.87
2019	\$ 755,942.62	137	\$ 5,517.83
2020	\$ 556,245.91	161	\$ 3,454.94
2021	\$ 2,305,921.59	342	\$ 6,742.46
2022	\$ 1,980,824.39	281	\$ 7,049.20
2023	\$ 591,446.90	93	\$ 6,359.64

Federal Plugging Program

Federal law allocates \$58.6 million to plug thousands of orphan oil, gas wells in Kansas

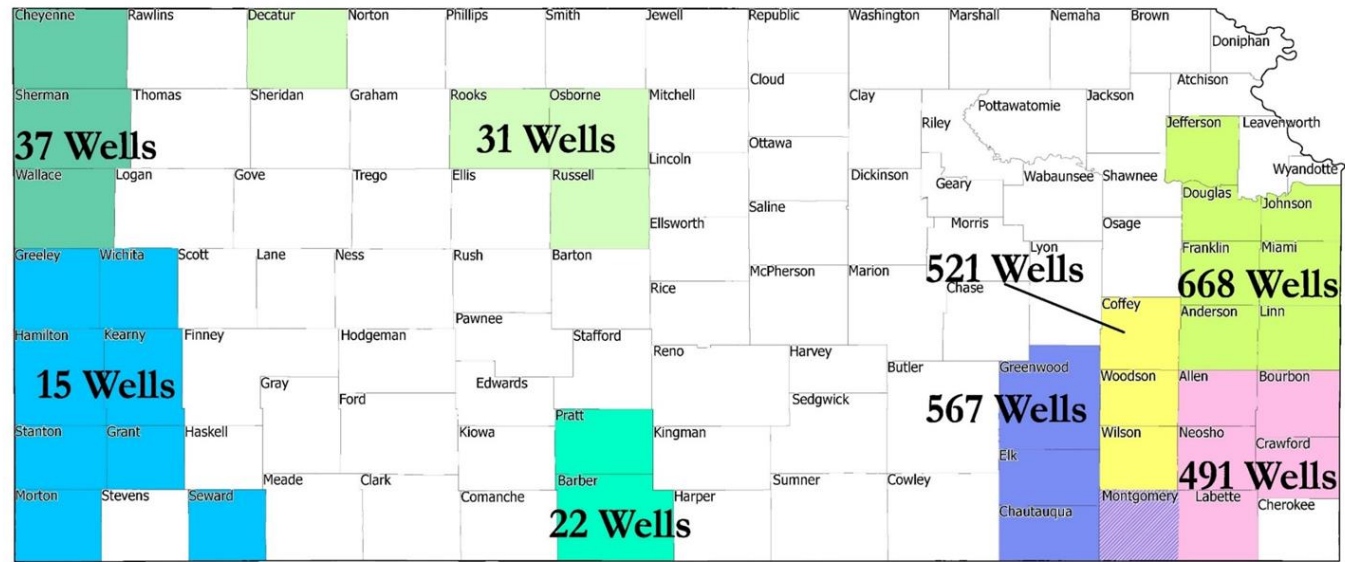
BY: TIM CARPENTER - FEBRUARY 3, 2022 2:28 PM



U.S. Rep. Sharice Davids, a Democrat, said the federal infrastructure law earmarked \$58.6 million to plug more than 5,400 abandoned oil and gas wells in Kansas. (Tim Carpenter/Kansas Reflector)

Federal Plugging Program

- KCC applied for and received \$25M Large Initial Grant
- Put eight projects out for bid statewide – awarded six projects
- Turnkey concept

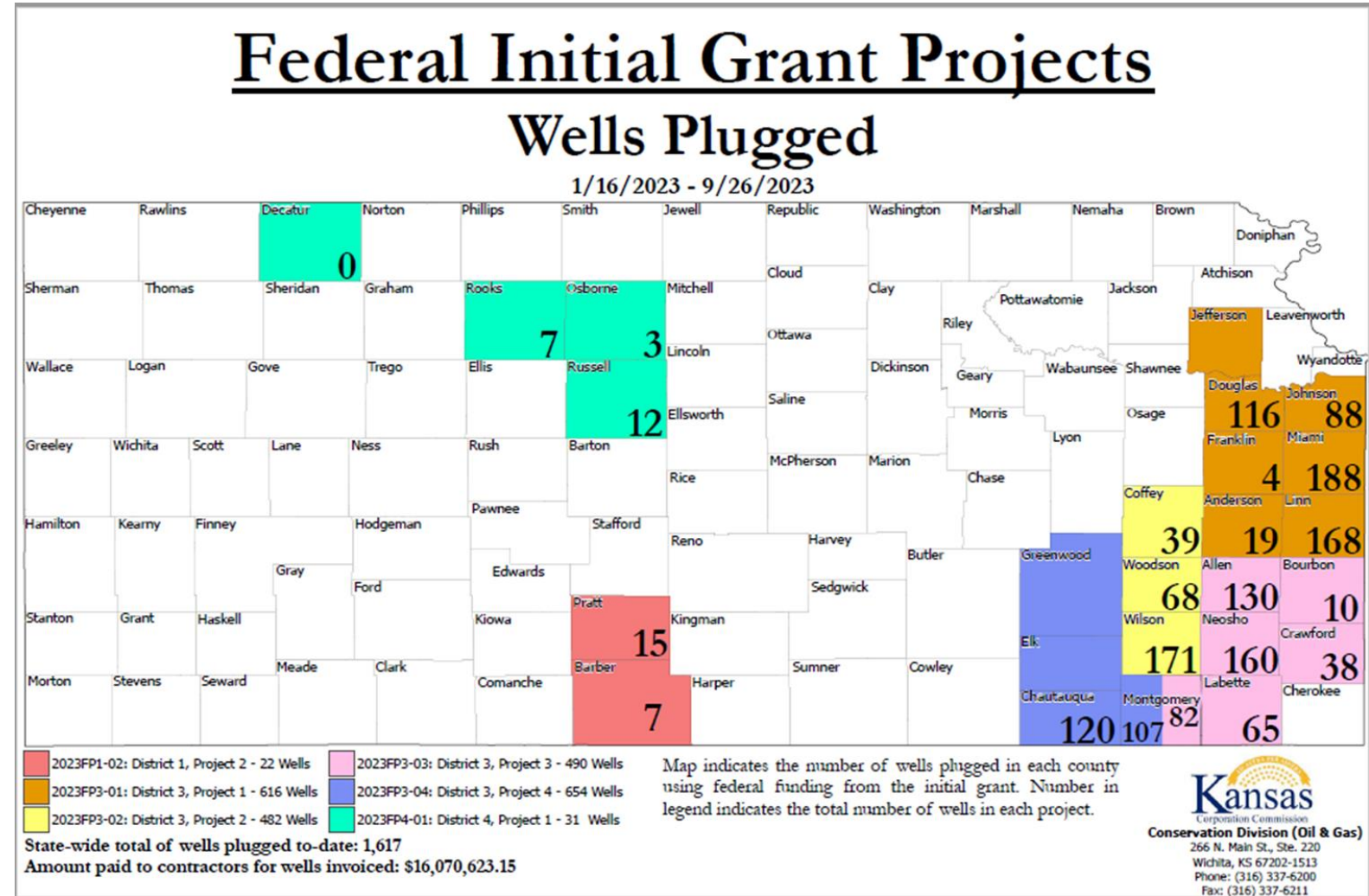


■ Project 1 - 15 Wells ■ Project 5 - 491 Wells
■ Project 2 - 22 Wells ■ Project 6 - 567 Wells
■ Project 3 - 668 Wells ■ Project 7 - 31 Wells
■ Project 4 - 521 Wells ■ Project 8 - 37 Wells

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Federal Plugging Program

- To date, 1,740 wells plugged for \$18,039,738.98
- Sale of salvage and remaining unencumbered balance allowed for 218 wells to be added to Initial Grant projects
- More than 2,500 wells will be plugged at the completion of the project



Federal Plugging Program

- What's Next?
 - Formula Grant Application due 12/31/2023
 - Phase 1: \$25M
 - Phase 2: \$8.6M
 - Performance Grants up to \$50M
 - Matching Grant – guidance in early 2024?
 - Up to \$30M during FY 2022 – 2031
 - Amount state certifies it will spend during FY – Avg. annual state plugging expense (2010 – 2019)
 - Regulatory Improvement Grant
 - Strengthening regulatory plugging standards and procedures
 - Reducing future orphaned well burdens
 - “financial assurance reform, alternative funding mechanisms for orphaned well programs, and reforms to programs relating to well transfer or temporary abandonment”
 - Have a 10-year lookback period so states can account for recent actions but...
 - 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
 - Up to \$20 M per state

Thank You.

