

Proposed

State of Kansas
Kansas Corporation Commission

Notice of Hearing on Proposed Administrative Regulations

Notice Dated: January 22, 2015

A public hearing will be conducted on Thursday, April 16, 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 Lane R. Palmatcer at 316-337-6200.

Summaries of the proposed regulations and their economic impact follow. Statements indicating that a regulation will "have no economic impact" are intended to indicate that no economic impact on the Kansas Corporation Commission, other state agencies, state employees, or the general public has been identified.

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. 82-3-100. Applicability; exception. The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

K.A.R. 82-3-106. Surface casing and cement. The proposed amendment clarifies references to incorporated documents, and it clarifies the requirements for cementing the casing in wells. The proposed amendment requires a well to be drilled 2 ¼" wider than the casing to be used, to ensure sufficient cement is installed to protect usable water and to allow remedial cementing if needed. The 2 ¼" requirement already exists in Eastern Kansas and is expanded statewide. The proposed amendment requires installation of casing centralizers, which ensure cement is evenly distributed around the casing to protect usable water. The proposed amendment requires an operator, upon reaching total depth in wells not located in Eastern Kansas, to keep the rig on the well until casing has been installed or the well has been plugged. Requiring centralizers for new wells and broadening the 2 ¼" requirement beyond Eastern Kansas will have an economic

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impact on an operator drilling a well, but the impact is outweighed by the private and public interest in ensuring wells are properly cemented to prevent pollution of usable groundwater.

K.A.R. 82-3-109. Well spacing orders and basic proration orders. The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

K.A.R. 82-3-203. Production allowable. The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

K.A.R. 82-3-208. Venting or flaring of casinghead gas. The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

K.A.R. 82-3-209. Flaring of sour gas. The proposed amendment clarifies notice requirements for applications and hearings. It will have no economic impact.

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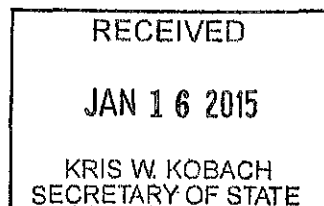
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K.A.R. 82-3-100. ~~General rules and regulations~~ Applicability; exception. (a) ~~General rules and regulations~~ This article shall be statewide in application apply throughout Kansas unless otherwise specifically stated limited. Special orders shall may be issued ~~when required, and by~~ the commission. These special orders shall prevail over general rules and any conflicting regulations if a conflict occurs.

(b) An exception to the requirements of any regulation in this article may be granted by the commission, after considering whether the exception will prevent waste, protect correlative rights, and prevent pollution. ~~Any interested party may file an application for exception.~~ Each party requesting an exception shall file an original and four copies of the application shall be filed with the conservation division. The application for exception shall be set for hearing by the commission. The applicant shall publish notice of the application pursuant to K.A.R. 82-3-135a and notice of any hearing pursuant to K.A.R. 82-3-135. (Authorized by and implementing K.S.A. ~~1984~~ 2014 Supp. 55-152, K.S.A. 55-604, K.S.A. 55-704; effective T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended April 23, 1990; amended P-_____.)



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K.A.R. 82-3-106. ~~Cementing in Surface casing; penalty and cement.~~ (a) ~~Beginning of drilling operations. Drilling shall not begin until the operator has received the approved notice of intent to drill from the conservation division, pursuant to K.A.R. 82-3-103. The notice of intent to drill shall indicate the amount of surface casing that shall be set. Each operator shall set and cement surface casing pursuant to this regulation and the instructions on the notice of intent to drill approved pursuant to K.A.R. 82-3-103 before drilling to any depth to test for or produce oil or gas.~~

(b) ~~Depth. The depth of required surface casing shall be determined in the following manner:~~

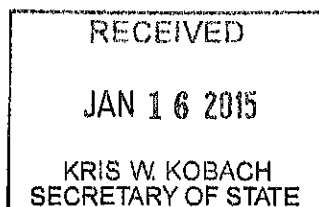
(1) ~~The operator shall set a minimum of 50 feet of steel surface casing in the well, except as otherwise provided by paragraph (b)(2).~~

(2) ~~Table I, which establishes minimum surface casing requirements as incorporated by reference in commission order dated August 1, 1991, docket no. 34,780-C (C-1825), shall be used to determine the required depth of the surface casing and the cementing requirements for the protection of fresh and usable water. Upon submission of additional information, adjustments to the required depth of the surface casing may be made by the commission. These adjustments shall be indicated on the approved notice of intent to drill.~~

(A) ~~Operators who drill wells in areas referenced in commission order dated June 29, 1994, docket no. 133,891-C, may set surface casing at the minimum depth set forth in that docket.~~

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(B) ~~An exception to the requirements set forth in table I, as incorporated by reference in commission order dated August 1, 1991, docket no. 34,780-C (C-1825), may be granted by the director.~~

(3) ~~The failure to install surface casing shall be punishable by a \$5000 penalty, and any well not in compliance with the requirements of this regulation shall be shut in until compliance is achieved. Each operator shall set and cement surface casing in compliance with the following, which are hereby adopted by reference:~~

(1) Table I and appendix A, as incorporated in the commission order dated August 1, 1991, docket no. 34,780-C (C-1825); and

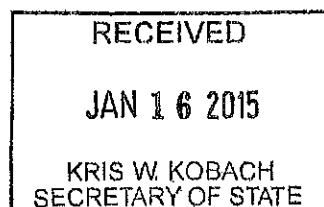
(2) appendix B, as incorporated in the commission order dated June 29, 1994, docket no. 133,891-C (C-20,079).

(c) ~~Cementing and time requirements. Protection of fresh and usable water shall be accomplished by one of the two following alternatives.~~

(1) Alternate I: cementing shall be performed as follows:

(A) A single string of surface casing shall be set from surface to the depth specified in the documents adopted in subsection (b).

(B) The surface casing shall be cemented continuously from the bottom of the surface casing string to the surface with a portland cement blend. The surface casing shall be set and cemented below all fresh and usable water strata, according to the requirements established pursuant to subsection (b). An operator shall not drill to any depth to test for oil or gas without having set and cemented a continuous string of surface casing.



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(2) ~~Alternate II. Surface casing shall be set and cemented in the following manner:~~
cementing, which includes a primary surface casing string and additional surface casing, shall be performed as follows:

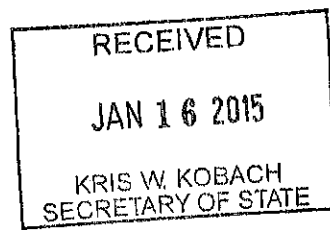
(A) The first string of primary surface casing string shall be set ~~through to a depth at~~
least 20 feet below all unconsolidated material plus 20 feet into the underlying formation.

(B) The primary surface casing shall be cemented from the bottom of the primary surface casing string to the surface with a portland cement blend. ~~An operator shall not drill to any depth to test for oil or gas without having set and cemented this string of casing.~~

~~(B)-(i) (C)~~ All additional surface casing ~~which is strings~~ next to the borehole shall be set and cemented by circulating cement to the surface from a point at least 50 feet below the base of the lowest known fresh and usable water, according to the requirements established pursuant to subsection (b) from the depth specified in the documents adopted in subsection (b) to the surface. Cementing shall be completed with a portland cement blend except as provided by paragraph (d)(3).

~~(ii)(i)~~ The operator shall notify the appropriate district office prior to the before cementing of the additional casing. If a time period is specified by table I, as incorporated by reference in commission order dated August 1, 1991, docket no. 34,780 C (C-1825), the additional cementing shall be completed within the time period specified.

(ii) If a time period is not specified in table I, referred to in paragraph (b) (2), The additional cementing shall be completed within a time period sufficient to allow compliance with K.A.R. 82-3-106(e). Extensions of the time period within which the additional cementing must be completed may be granted by the director. Requests for



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~~these extensions shall be made in writing and shall state the reason for extension. Requests shall be submitted to the director within 120 days after the spudding of the well spud date unless otherwise provided in the documents adopted in subsection (b).~~

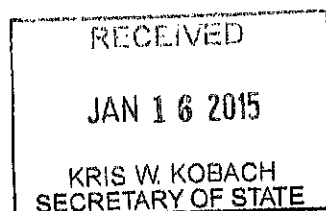
(iii) ~~A backside squeeze, which is the uncontrolled placement of cement in the annular space between the surface casing and production casing from the surface down, shall be prohibited unless permitted only upon a request to by the appropriate district office. Requests shall be granted only upon the approval of with consideration of the cement evaluation method to be utilized and submitted as verification of cement placement. "Backside squeeze" shall mean the uncontrolled placement of cement from the surface into the annular space between the primary surface casing and the additional casing.~~

(d) ~~Methods and materials to be used in setting and cementing of surface casing.~~

(1) ~~In setting surface casing, the surface hole diameter shall be sufficiently larger than the surface casing to permit circulation of the cement. The operator shall use a drill bit that is at least two and one-quarter inches larger in diameter than the surface casing, when measured from the outside of the casing.~~

(2) ~~The annular space between the surface casing and the borehole shall be filled with a portland cement blend. The cement shall be and maintained at surface level.~~

(3) ~~If cement does not circulate, the operator shall notify the appropriate district office immediately and perform remedial cementing sufficient to prevent fluid migration. If the surface casing is perforated, the operator shall pressure-test the surface casing according to district office specifications to ensure mechanical integrity.~~



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(4) The use of any material other than a portland cement blend shall be prohibited ~~except for the alternative cementing materials as defined by commission order dated August 1, 1991, docket no. 34,780 C (C 1825), which is incorporated by reference.~~

(4) (5) The cemented casing string shall stand and further operations shall not begin until the cement has been in place for at least eight hours and has reached a compressive strength of 300 pounds per square inch. ~~This requirement may be modified by specific order of the commission.~~

(6) The operator shall install centralizers as follows:

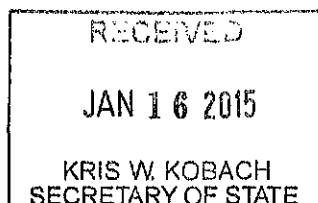
(A) If the surface casing is 300 feet or less, a centralizer shall be installed at the top of the shoe joint.

(B) If the surface casing is more than 300 feet, a centralizer shall be installed at approximately 300 feet and at every fourth joint of casing to the bottom of the surface casing.

(7) When total depth has been reached during drilling operations, the operator or contractor shall not move the rig off of the well until the required casing has been run or the well has been plugged. All wells that are subject to the documents adopted in paragraph (b)(2) shall be exempt from the requirements in this paragraph.

(e) Affidavit.

(1) Each operator shall file a sworn affidavit with the conservation division setting out the type, amount, and method of cementing used on all casing strings in a wellbore. The affidavit shall be filed within 120 days of the spud date of the well, or as otherwise required by K.A.R. 82-3-130(b), on the form provided by the commission.



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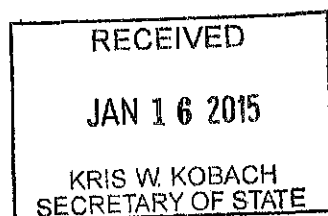
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(2) — ~~Legible documentation of the cementing operations across fresh and usable water strata shall be attached to the affidavit. The documentation may consist of invoices, job logs, job descriptions, or other similar service company reports.~~

(3) — ~~Falsification of documentation or the failure to complete alternate II cementing shall be punishable by a \$5000 penalty, and any~~ Each operator of a well not in compliance with requirements of this regulation shall be shut-in shut the well in until compliance is achieved.

(f) Upon written, timely request by an operator, the director may provide an exception to any of the requirements of this regulation. In considering a request for an exception, the director may require the operator to provide financial assurance sufficient to cover the plugging costs for the well. Each request shall demonstrate that fresh and usable water will be protected by the proposed exception. (Authorized by K.S.A. ~~1993~~ 2014 Supp. 55-152; implementing K.S.A. ~~1993 Supp. 55-151~~, K.S.A. 2014 Supp. 55-152, K.S.A. 55-159, K.S.A. 55-162, 55-164; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1984; amended, T-85-1, Jan. 13, 1984; amended, T-85-51, Dec. 19, 1984; amended May 1, 1985; amended May 1, 1986; amended, T-87-46, Dec. 19, 1986; amended May 1, 1987; amended May 1, 1988; amended May 8, 1989; amended April 23, 1990; amended Feb. 24, 1992; amended March 20, 1995; amended P-_____.)



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K.A.R. 82-3-109. ~~Application for Well spacing, orders and basic proration orders; evidence;~~
~~hearing.~~ (a) ~~Contents.~~ Any interested party may file an application for, ~~or an application for~~
~~amendments to,~~ a new or amended well spacing order or basic proration order. The Each
application shall include the following:

(1) If the application is for amendment, a description of ~~the nature of the~~ amendment
sought;

(2) the well location; and depth; and the common source of supply ~~from which a well~~
~~or wells in the subject acreage are producing;~~

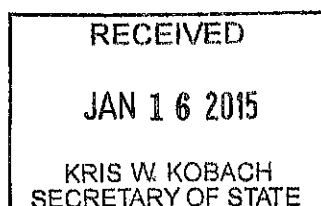
(3) a description of the acreage ~~subject to the application,~~ with an affirmation that all
of the acreage is reasonably expected to be productive from the ~~subject~~ common source of
supply;

(4) the proposed well location restriction and ~~proposed~~ provisions for any exceptions
thereto;

(5) the proposed configuration of ~~producing~~ units for purposes of acreage attribution
purposes;

(6) ~~the name and address of each operator or lessee of record in the subject acreage,~~
~~and a certificate of mailing indicating the date service of a copy of the application was made to~~
~~each;~~

~~(7) the name and address of each owner of record of the minerals in unleased acreage~~
~~within the subject acreage, and a certificate of mailing indicating the date service of a copy of the~~
~~application was made to each;~~



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~~(8) — the name and address, as shown by the applicant's books and records, of each person owning the royalty or leasehold interest in the subject acreage and operated by the applicant, or on which the applicant has a lease or an interest in the lease, and a certificate of mailing indicating the date service of a copy of the application was made to each a list of the persons provided notice pursuant to K.A.R. 82-3-135a and the date that notice was provided;~~

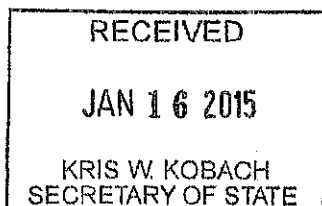
~~(9) (7) if a the factors proposed to be used in any proration formula is sought, the specific factors proposed to be utilized in the allocation of production;~~

~~(10) (8) the applicant's license number; and~~

~~(11) (9) such any other relevant information which may be required by the commission.~~

(b) ~~Evidence. Applicants~~ Each applicant for a well spacing order or basic proration order or for amendments adding or deleting acreage in an existing well spacing order or basic proration order shall ~~file with the application~~ submit the following evidence ~~in support of with~~ the application:

- (1) A net sand isopachus map of the subject common source of supply;
- (2) a geological structure map of the subject common source of supply;
- (3) to the extent practicable, a ~~cross-section~~ cross section of logs representative of wells in the acreage affected by the application;
- (4) data from any available drill stem test data;
- (5) an economic analysis, including a reservoir or drainage study ~~which supports the specific pattern sought in the application; and~~
- (6) any other relevant information ~~which may be required by the commission.~~



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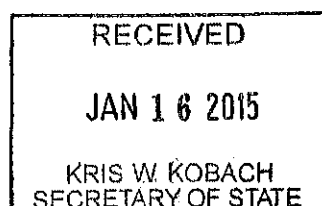
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(c) ~~Notice.~~ Each applicant shall file an original and four copies of the application shall be filed with the conservation division. The application shall be set for hearing by the commission. The applicant shall publish notice of the application pursuant to K.A.R. 82-3-135a and notice of any hearing pursuant to K.A.R. 82-3-135.

(d) ~~Drilling prohibited.~~ Once notice of the hearing has been provided, any ~~Except as otherwise specified in this subsection, the drilling of any wells within an area sought to be spaced or prorated under the provisions of this regulation and before commission approval of the well spacing proposal subject to an application for spacing or proration shall be prohibited unless the intended until the commission has issued a final order on the application. However, any operator may drill a well during the pendency of the application if the well location conforms to the most restrictive location provisions sought in the pending application or applications. An exception to this requirement may be granted after notice and hearing.~~ (Authorized by K.S.A. 1989-Supp. 55-604, K.S.A. 55-704; implementing K.S.A. 1989-Supp. 55-603, 55-605, 55-706, K.S.A. 55-703a, K.S.A. 55-704; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended, T-85-51, Dec. 19, 1984; amended May 1, 1985; amended May 1, 1987; amended May 1, 1988; amended May 8, 1989; amended April 23, 1990; amended P-

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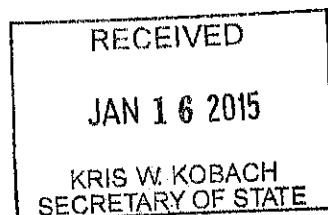
K.A.R. 82-3-203. ~~State and pool Production allowable and proration.~~ (a) ~~Well allowables for nonprorated pools. Allowables~~ An allowable shall be assigned ~~on an individual well basis to each well in a nonprorated pool.~~ The allowable ~~for each well in nonprorated pools~~ shall be set by the following ~~depth~~ schedule and shall take effect ~~from~~ on the date of first production:

<u>Depth of Producing Interval</u>	<u>Daily Production Allowable</u>
<u>Found Between</u>	<u>bbls/well/day (barrels per well per day)</u>
0-4000'	100
4001-6000'	200
Below 6000'	300

(b) ~~Oil wells not meeting the provisions of K.A.R. 82-3-207 shall have their oil allowables determined under the provisions of that section.~~

(c) ~~Exception. An allowable may be assigned and acreage may be attributed to a given nonprorated well at variance to the allowable assigned and acreage attributed to a well of similar depth as set out in subsection (a). The applicant for such an exception shall file a verified application that shows:~~ Any interested party may file an application for an exception to this regulation with the conservation division. The application shall include the following:

- (1) ~~The exact~~ location of the well and the acreage attributed to the well;
- (2) ~~the~~ allowable requested;
- (3) ~~the~~ geological name of the producing formation;
- (4) ~~the~~ top and bottom depths of the producing formation;
- (5) ~~the names and addresses of each operator or lessee of record and each unleased mineral owner within a 1/2 mile radius of the subject well, and an affidavit indicating the date that~~



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~~service of a copy of the application was made to each~~ a list of the persons provided notice
pursuant to K.A.R. 82-3-135a and the date that notice was provided; and

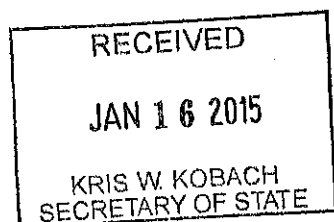
(6) any other relevant information that the commission may require.

~~(d) Any interested party may file an application for an exception to the well allowable~~
~~provisions of this regulation.~~

~~(1) An original and four copies of the application shall be filed with the conservation~~
~~division.~~

~~(2) The application shall be set for hearing by the commission.~~

(3) (c) The applicant shall publish notice of the application pursuant to K.A.R. 82-3-
135a and notice of any hearing pursuant to K.A.R. 82-3-135. (Authorized by and K.S.A. 1993
Supp. 55-604; implementing K.S.A. 1993 Supp. 55-605; 55-604; effective, T-83-44, Dec. 8,
1982; effective May 1, 1983; amended May 1, 1984; amended, T-85-51, Dec. 19, 1984; amended
May 1, 1985; amended May 1, 1986; amended May 1, 1987; amended May 8, 1989; amended
April 23, 1990; amended June 6, 1994; amended P-_____.)



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K.A.R. 82-3-208. Venting or flaring of casinghead gas. (a) ~~Exception to hearing requirement.~~
~~Without a hearing,~~ The venting or flaring of non-sour casinghead gas, ~~other than sour casinghead~~
gas, may be permitted by the commission director if the requirements of this subsection are met.
The operator shall ~~file~~ files an affidavit with the conservation division. ~~The affidavit shall be~~
~~submitted on a form supplied by the commission and shall state~~ that states all of the following:

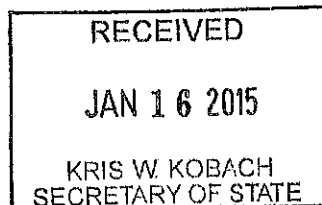
(1) The well has produces 25 mcfd or less of casinghead gas available for sale as
established by a state supervised test.

(2) The casinghead gas volume is uneconomic to market ~~because a pipeline~~
~~connection is not feasible, or the price received would not allow reasonable recovery of the~~
~~investment required to market the gas and the direct expense attributable to marketing~~ due to
pipeline or marketing expenses.

(3) The operator has made a diligent effort to obtain a market for the gas, ~~and the~~
~~volume of casinghead gas produced from this well will not economically justify a pipeline~~
~~connection.~~

(b) ~~Notice; hearing.~~ If the total volume produced and available for sale from a well is
~~in excess of well produces more than~~ 25 mcfd, the venting or flaring of a specified amount of
casinghead gas may be permitted only by the commission upon application and after notice and
hearing. ~~In making such a determination, the following shall be considered by the commission~~
order after consideration of the following:

- (1) The availability of a market or of pipeline facilities;
- (2) the probable recoverable gas reserves;
- (3) the necessity for maintenance of reservoir gas pressure to maximize the



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recoverability of oil reserves from the formation;

- (4) the feasibility of reinjecting the gas;
- (5) a reasonable testing period;
- (6) any anticipated change in the gas-to-oil ratio;
- (7) the applicant's compliance with the department's applicable air quality

regulations; and

(8) any other relevant fact or circumstance ~~demonstrating the reasonableness of the~~ request.

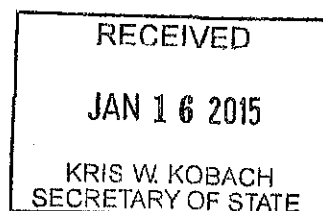
(c) ~~Application.~~ Any interested party may file an application to vent or flare a total ~~volume of casinghead gas in excess of more than~~ 25 mcf/d from a well of casinghead gas. The ~~original and four copies of the~~ Each applicant shall file an application shall be filed with the conservation division. ~~The application shall be set for hearing by the commission.~~ The applicant shall publish notice of the application pursuant to K.A.R. 82-3-135a and notice of any hearing pursuant to K.A.R. 82-3-135.

(d) ~~Form and contents.~~ The Each application shall include the following:

(1) ~~The name and address of each operator or lessee of record within a 1/2-mile radius of the subject well, and a certificate of mailing indicating the date on which service of a copy of the application was made to each operator or lessee;~~

(2) ~~the name and address of each owner of record of the minerals in unleased acreage within a 1/2-mile radius of the subject well, and a certificate of mailing indicating the date on which service of a copy of the application was made to each owner of record; and~~

(3) ~~the name and address, as shown by the applicant's books and records, of each~~



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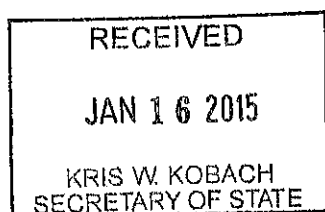
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~~person owning the royalty or leasehold interest in the acreage upon which the well is located, and a certificate of mailing indicating the date on which service of a copy of the application was made to each person. a list of the persons provided notice pursuant to K.A.R. 82-3-135a and the date that notice was provided.~~

(e) ~~Gas measurement; continuing jurisdiction.~~ The volume of gas vented or flared under this regulation shall be metered, ~~measured, or monitored,~~ and the charts or records shall be retained for at least two years. This information shall be reported to the commission semiannually or as designated by the commission. ~~The continuing jurisdiction with authority to terminate the venting or flaring of gas when necessary shall lie with the commission.~~

(f) ~~Protection of persons and property.~~ All gas vented venting or flared flaring under this regulation shall be done in a manner designed to prevent damage to property and injury to persons who are reasonably expected to be in the vicinity for work, pleasure, or business.

(Authorized by K.S.A. 2003-Supp. 55-604, K.S.A. 55-704; implementing ~~K.S.A. 2003-Supp. 55-102, K.S.A. 2003-Supp. 55-604, K.S.A. 55-605, K.S.A. 55-702, and K.S.A. 55-704;~~ effective May 1, 1984; amended May 1, 1986; amended April 23, 1990; amended Jan. 14, 2005; amended P-_____.)



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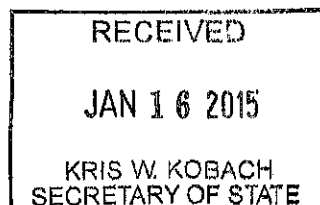
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K.A.R. 82-3-209. Flaring of sour gas. (a) ~~The flaring of Sour casing head casinghead gas may be flared only if permitted by the commission. In making such a determination order, with consideration of the following factors shall be considered by the commission:~~

- (1) The availability of a market or of pipeline facilities;
- (2) probable recoverable gas reserves;
- (3) the necessity for maintenance of gas pressure in the formation ~~to protect the nonwasteful production of oil;~~
- (4) the feasibility of reinjection of sour gas;
- (5) any anticipated change in the ~~gas/oil~~ gas-oil ratio;
- (6) the hydrogen sulfide content of the gas;
- (7) the feasibility of desulfurization of the gas;
- (8) the proposed flaring facility;
- (9) the applicant's compliance with the department's air quality regulations in ~~K.A.R. 28-19-6 et seq.~~; and
- (10) any other relevant ~~fact or circumstance having bearing on the reasonableness of the request.~~

(b) ~~Any interested party may file an application for the flaring of sour casing head gas from a well. Each applicant shall file an original and four copies of the application shall be filed with the conservation division. The application shall be set for hearing by the commission. The applicant shall publish notice of the application pursuant to K.A.R. 82-3-135a and any hearing pursuant to K.A.R. 82-3-135.~~

- (c) ~~The~~ Each application shall include the following:



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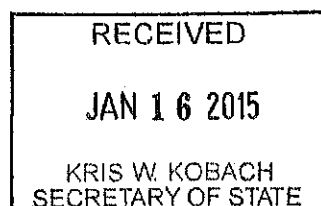
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(1) ~~The name and address of each operator or lessee of record within a one half mile radius of the subject well, and a certificate of mailing indicating the date service of a copy of the application was made to each;~~

(2) ~~the name and address of each owner of record of the minerals in unleased acreage within a one half mile radius of the subject well, and a certificate of mailing indicating the date service of a copy of the application was made to each;~~

(3) ~~the name and address, as shown by the applicant's books and records, of each person owning the royalty or leasehold interest in the acreage upon which the well is located, and a certificate of mailing indicating the date service of a copy of the application was made to each~~
a list of the persons provided notice pursuant to K.A.R. 82-3-135a and the date that notice was provided.

(d) ~~When required by the commission,~~ All sour gas flared under this regulation shall be metered and analyzed for its hydrogen sulfide content. ~~Such~~ This information shall be reported to the commission ~~semi-annually~~ semiannually or as designated by the commission. ~~The flaring of sour gas may be terminated by the commission when necessary.~~ (Authorized by K.S.A. 1989 Supp. 55-604, K.S.A. 55-704; implementing K.S.A. 55-102, K.S.A. 1989 Supp. 55-604, K.S.A. 55-702, K.S.A. 1989 Supp. 55-703, K.S.A. 55-704, ~~K.S.A. 1989 Supp. 55-706;~~ effective May 1, 1987; amended April 23, 1990; amended P-_____.)



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**STATEMENT OF ECONOMIC IMPACT
AND ENVIRONMENTAL BENEFIT**

**K.A.R. 82-3-100, K.A.R. 82-3-106, K.A.R. 82-3-109,
K.A.R. 82-3-203, K.A.R. 82-3-208, and K.A.R. 82-3-209**

Amended K.A.R. 82-3-100, -109, -203, -208, and -209.

The proposed amended regulations clarify the difference between the notice requirements for an application and the notice requirements for a hearing. The previous language in the regulations cites only to the hearing notice under K.A.R. 82-3-135, potentially creating confusion for applications that are granted administratively without a hearing because K.A.R. 82-3-135a is the proper notice regulation. The proposed amendments solve this issue by citing K.A.R. 82-3-135a for notice of applications and K.A.R. 82-3-135 for notice of hearings.

The notice changes are essentially clarifications and not substantial changes because the Commission routinely requires applicants to comply with K.A.R. 82-3-135a. The notice requirements for hearings and applications are similar because they both require publication in the official county newspaper and the Wichita Eagle, but only K.A.R. 82-3-135a specifically requires a copy of the application to be served on offset operators and mineral owners. However, the Commission has required an applicant to serve a copy of the application on offset interests under the general language of K.A.R. 82-3-135(c)(3), which requires: "any additional notice required by any rule, regulation or statute which applies to the hearing or is necessary to provide due process to any person whose property may be affected by the hearing."

Federal law does not mandate this proposed regulation. The Commission does not anticipate an economic impact to any party, because the amendment will match similar notice requirements in other regulations and current agency policy for these regulations. While discussing these regulatory changes internally and with the Oil and Gas Advisory Committee, the Commission staff considered the alternative of making no change to the regulations, but rejected that in favor of clarified regulations to eliminate confusion. The proposed amendments to these regulations will not result in an environmental impact, because they only affect notice requirements.

Amended K.A.R. 82-3-106.

1. Sufficient Annulus for Cement.

The proposed amendment requires an oil or gas well to be drilled 2 ¼" wider than the casing to be installed. The 2 ¼" requirement already exists in Eastern Kansas, and this amendment will expand the requirement to statewide applicability. There are two reasons for this change. First, the 2 ¼" requirement ensures a well's casing will have at least one inch of cement on all sides prevent corrosion of the casing, prevent leaks in the wellbore, and protect usable water. Second, the 2 ¼" requirement ensures that in the event cement cannot be circulated in the well during installation, tubular goods can be inserted to perform remedial cementing. Insertion of tubular goods for remedial cementing requires one inch of room outside the casing, and the additional quarter-inch represents room needed due to a collar at the top of each joint of casing.

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The Commission believes that most wells are currently drilled and completed in a manner that complies with this requirement, and this will reduce the economic impact from this change. The Kansas Independent Oil and Gas Association reached out to three well-respected reservoir engineers who have practiced in Kansas collectively for several decades. These engineers participated in discussions and the regulation development process and were instrumental in assisting the Commission Staff with understanding the amount of cement needed and developing the recommendation for 2 ¼" inches of annulus between the casing and borehole, in conjunction with a petroleum engineer and several licensed petroleum geologists employed by the agency.

The Commission Staff believes that the 2 ¼" requirement conforms to a best practice in the industry in Kansas and should not constitute a substantial deviation from most operators' current practice. Thus, there should not be much of an economic impact on most operators. Further, 2¼" of annulus is already required in Eastern Kansas counties, and the Commission has not received complaints of an economic burden from this requirement. If an operator does not currently allow room in the borehole for 2 ¼" of cement to be installed, they may incur a slight additional cement cost from compliance with this requirement. This cost is far outweighed, however, by the cost of pollution to usable water that may otherwise result. If pollution results from insufficient cementing of a well's casing, substantial remedial costs will be borne by the operator, the affected landowner, or potentially the state. Due to the nature of remediation of groundwater, these costs could be large and could continue for many years. In addition, the cost of a small amount of additional cement is small when compared to the complete cost of drilling and completing an oil or gas well.

2. Casing Centralizers.

The proposed amendment requires installation of casing centralizers, which ensure cement is evenly distributed around the casing to protect usable water from contamination. Centralizers are installed on several joints of the tubing and have prongs which ensure the casing does not rest against any side of the borehole. If the casing is not installed in the center of the borehole, one side of the casing may have less cement between it and the formation. The lack of cement on one side of the casing could result in casing corrosion, leaks in the well, and potential contamination of groundwater.

The cost of centralizers is de minimus compared to the cost of drilling a well, and the Commission believes from discussions with the Oil and Gas Advisory Committee that centralizers are already used in most oil and gas wells as a good business practice. The cost of centralizers will be borne by the operator drilling a well, but the cost of centralizers is much smaller than the potential impact on groundwater, which could otherwise be borne by the operator, the affected landowner, or potentially the state.

3. Completion or Plugging of Well Required.

The proposed amendment requires an operator, upon reaching total depth in a well that is not in Eastern Kansas, to keep the rig on the well until the well has been either completed or plugged. Though uncommon, the Commission Staff has experienced operators reaching total depth in a well in western Kansas and leaving a raw borehole in an incomplete state, potentially resulting in

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waste and creating a risk of pollution until the well is completed or plugged. Once the rig has left the well and the area, Commission Staff has experienced delays in getting an operator or contractor back on the well. This proposed amendment should eliminate the problem by specifically requiring a well to be completed or plugged before the rig leaves the well.

This amendment results in basically no economic impact, because operators are already required to complete or plug a well once drilled. This change will simply ensure that completion or plugging is timely, so the well is not left in an incomplete state capable of causing pollution before it is plugged or completed. Any cost incurred through this requirement far outweighs the risk of waste or pollution from an operator or contractor leaving a well in an incomplete state for an extended time, which cost would be borne by the operator, the affected landowner, or potentially the state.

4. Environmental Benefit and Economic Impact.

The Commission believes the changes to this regulation will provide an environmental benefit without creating a substantial economic burden for agencies, industry, or the public. The environmental benefit is the protection of groundwater from contamination by any saltwater and hydrocarbons produced by oil and gas wells. The environmental impact of these regulations does not stem from any detailed studies about risks to the environment or public health, or about the costs and implementation. However, as mentioned above, the proposed amendment has been discussed with the Oil and Gas Advisory Committee with extensive input from three well-respected petroleum engineers that were invited to participate by the Kansas Independent Oil and Gas Association. The determination after this discussion is that 2 ¼" of cement is necessary between casing and the borehole to prevent corrosion of the casing and potential pollution.

The Commission anticipates the cost to an operator to be low compared to the cost of drilling and completing a well, and there should not be any annual costs associated with the changes for operators once the well is drilled and completed. There will not be any economic impact on any agency or the public, and there is no additional paperwork required by any of these changes. There are essentially no implementation costs for the Commission. Some operators may qualify as small employers, although the cost of drilling and completing a well are substantial. The cost to a small operator drilling a well should be basically the same as the cost to a large operator.

If the proposed regulation changes are not adopted, there is an increased risk that oil and gas wells could be drilled and completed in a manner that will not protect groundwater. If groundwater is contaminated and this is discovered by the Commission, the operator will be held accountable for monitoring and remediating any resulting contamination of fresh and usable water. However, if an individual operator is deceased or a corporate operator is no longer in existence, that substantial and continuing cost must be borne by either the affected landowner or the state. The cost of remediating polluted groundwater is substantial and could continue for many years.

Federal law does not mandate this proposed regulation. While discussing these regulatory changes internally and with the Oil and Gas Advisory Committee, the Commission considered and rejected the alternative of making no change to this regulation.

