

HOUSE BILL No. 2320

By Committee on Agriculture and Natural Resources

2-11

1 AN ACT concerning oil and gas; relating to unit operations; amending
2 K.S.A. 55-1305 and repealing the existing section.

3
4 *Be it enacted by the Legislature of the State of Kansas:*

5 Section 1. K.S.A. 55-1305 is hereby amended to read as follows: 55-
6 1305. The order providing for the unitization and unit operation of a pool
7 or a part thereof shall be upon terms and conditions that are just and
8 reasonable and shall prescribe a plan for unit operations that shall
9 include:

10 (a) A legal description in terms of surface area of the pool or a part
11 thereof to be so operated, termed "the unit area";

12 (b) a statement of the nature of the operations contemplated;

13 (c) an allocation to the separately owned tracts in the unit area of all
14 the oil and gas that is produced from the unit area and is saved, being the
15 production that is not used in the conduct of operations on the unit area or
16 not unavoidably lost. The allocation shall be in accord with the
17 agreement, if any, of all interest owners. If there is no such agreement as
18 to the allocation, the commission shall determine the relative value of the
19 separately owned tracts in the unit area, exclusive of physical equipment,
20 for development of oil and gas by unit operations, and the production
21 allocated to each tract shall be the proportion that the value of each tract
22 so determined bears to the total value of all tracts in the unit area;

23 (d) a provision for the credits and charges to be made in the
24 adjustment among the working interest owners in the unit area for their
25 respective investments in wells, tanks, pumps, machinery, materials and
26 equipment contributed to the unit operations;

27 (e) a provision providing how the costs of unit operations, including
28 capital investments, shall be determined and charged to the separately
29 owned tracts and how such costs shall be paid, including a provision
30 providing when, how and by whom the unit production allocated to a
31 working interest owner who does not pay the share of the cost of unit
32 operations charged to such owner, or to the interest of such owner, may
33 be sold and the proceeds applied to the payment of such costs;

34 (f) a provision whereby a nonoperating working interest owner shall
35 be furnished, but not more often than once a month, reasonably detailed
36 information regarding the nature and amount of the various items of costs

1 and expenses, including capital investments, chargeable against the
2 interest of the nonoperating working interest owners;

3 (g) a provision for carrying any nonoperating working interest
4 owner on a limited, carried or net-profits basis, payable out of production,
5 upon terms and conditions determined by the commission to be just and
6 reasonable, or otherwise financing any nonoperating working interest
7 owner who elects to be carried or otherwise financed or who does not
8 meet the owner's financial obligations with the unit and a provision for
9 establishing a reasonable rate of interest and a penalty on all unpaid
10 expenses, in amounts established by rules and regulations adopted by the
11 commission, not to exceed:

12 (1) One hundred percent of the unpaid portion of the owner's share
13 of the cost of aboveground surface equipment beyond the wellhead
14 connection, including, but not limited to, stock tanks, separators, treaters,
15 pumping equipment and piping, plus 100% of the unpaid portion of the
16 owner's share of the cost of operation of the unit, all subject to the rate of
17 interest established;

18 (2) ~~three~~two hundred percent of the unpaid portion of the owner's
19 share of the costs and expenses of drilling wells in the unitized area,
20 including staking, well site preparation, rigging up, or drilling, and
21 reworking, deepening or plugging back, testing and completing wells;
22 and

23 (3) three hundred percent of the unpaid portion of the owner's share
24 of the costs and expenses of underground pipeline systems, expenses for
25 injected substances and any other nonrecoupable expenses incurred. All
26 interest and penalties prescribed under this subsection shall be paid from
27 the nonpaying interest owner's share of production;

28 (h) a provision for the supervision and conduct of the unit
29 operations, including the selection, removal or substitution of an operator
30 from among the working interest owners to conduct the unit operations;

31 (i) a provision for a voting procedure for the decision of matters to
32 be decided by the working interest owners in respect to which each
33 working interest owner shall have a vote with a value corresponding to
34 the percentage of the costs of unit operations chargeable against the
35 interest of such owner;

36 (j) the time when the unit operations shall commence and the
37 manner in which, and the circumstances under which, the unit operations
38 shall terminate and for the settlement of accounts upon such termination;

39 (k) a provision specifying the particular records the unit operator
40 shall keep and the detailed accounting procedure that the unit operator
41 shall follow. A plan of unitization shall not be considered fair and
42 reasonable if it contains a provision for operating charges which include
43 any part of district or central office expense other than reasonable

1 overhead charges; and

2 (l) such additional provisions that are found to be appropriate for
3 carrying on the unit operations and for the protection of correlative rights.

4 No order of the commission providing for unit operations upon a
5 finding pursuant to subsection (a)(1) of K.S.A. 55-1304, and amendments
6 thereto, shall become effective unless and until the plan for unit
7 operations prescribed by the commission has been approved in writing by
8 those persons who, under the commission's order, will be required to pay
9 at least 63% of the costs of the unit operation, and also by the owners of
10 at least 63% of the production or proceeds thereof that will be credited to
11 royalties, excluding overriding royalties or other like interests which are
12 carved out of the leasehold estate, and the commission has made a
13 finding, either in the order providing for unit operations or in a
14 supplemental order, that the plan for unit operations has been so
15 approved. No order of the commission providing for unit operations upon
16 a finding pursuant to subsection (a)(2) of K.S.A. 55-1304, and
17 amendments thereto, shall become effective unless and until the plan for
18 unit operations prescribed by the commission has been approved in
19 writing by those persons who, under the commission's order, will be
20 required to pay at least 63% of the costs of the unit operation, and also by
21 the owners of at least 75% of the production or proceeds thereof that will
22 be credited to royalties, excluding overriding royalties or other like
23 interests which are carved out of the leasehold estate, and the commission
24 has made a finding, either in the order providing for unit operations or in
25 a supplemental order, that the plan for unit operations has been so
26 approved. If the plan for unit operations has not been so approved at the
27 time the order providing for unit operations is made, the commission
28 shall upon application and notice hold such supplemental hearings as may
29 be required to determine if and when the plan for unit operations has been
30 so approved. If the persons owning the required percentage of interest in
31 the unit area do not approve the plan for unit operations within a period
32 of six months from the date on which the order providing for unit
33 operations is made, such order shall cease to be of further force and effect
34 and shall be revoked by the commission, except that the commission may
35 extend the six-month period not to exceed 60 days for good cause shown.

36 An order providing for unit operations may be amended by the
37 commission in the same manner and subject to the same conditions as are
38 necessary or required for an original order providing for unit operations,
39 except that: (a) If such an amendment affects only the rights and interest
40 of the working interest owners, the approval of the amendment by the
41 royalty owners shall not be required; and (b) no such order of amendment
42 shall change the percentage for the allocation of oil and gas as established
43 for any separately owned tract by the original order, except with the

1 consent of all persons owning oil and gas rights in such tract; no such
2 order shall change the percentage for the allocation of cost as established
3 for any separately owned tract by the original order, except with the
4 consent of all working interest owners in such tract.

5 The commission by an order may provide for the unit operation of a
6 pool or a part thereof that embraces a unit area previously established
7 either by voluntary agreement or order of the commission. Such order, in
8 providing for the allocation of unit production, shall first treat the unit
9 area previously established as a single tract, and the part of the unit
10 production so allocated thereto shall then be allocated among the
11 separately owned tracts included in such previously established unit area
12 in the same proportions as those specified in the previous agreement or
13 order.

14 An order may provide for the unit operation of less than the whole of a
15 pool where the unit area is of such size and shape as may be reasonably
16 required for that purpose, and the conduct thereof will have no material
17 adverse effect upon other parts of the pool.

18 Sec. 2. K.S.A. 55-1305 is hereby repealed.

19 Sec. 3. This act shall take effect and be in force from and after its
20 publication in the statute book.

21

HOUSE BILL No. 2141

By Committee on Energy and Utilities

2-3

1 AN ACT concerning property; relating to instruments conveying interests
2 in wind or solar resources; amending K.S.A. 58-2272 and repealing
3 the existing section.
4

5 *Be it enacted by the Legislature of the State of Kansas:*

6 Section 1. K.S.A. 58-2272 is hereby amended to read as follows: 58-
7 2272. (a) Every instrument that conveys any estate or interest created by
8 any lease or easement involving wind *or solar* resources and technologies
9 to produce and generate electricity shall include:

10 ~~(a)~~ (1) A description of the real property subject to the easement and
11 a description of the real property benefitting from the wind *or solar* lease
12 or easement;

13 ~~(b)~~ (2) a description of the vertical and horizontal angles, expressed
14 in degrees, and distances from the site of the wind *or solar* power system
15 in which an obstruction to the wind *or solar power system* is prohibited or
16 limited;

17 ~~(c)~~ (3) all terms or conditions under which the lease or easement is
18 granted or may be terminated, except that if the instrument is recorded
19 under K.S.A. 58-2221, and amendments thereto, any compensation
20 received by the owner of the real property may be excluded; and

21 ~~(d)~~ (4) any other provisions necessary or desirable to execute the
22 instrument.

23 (b) *No interest in any resource located on a tract of land and solely*
24 *associated with the production or potential production of wind or solar-*
25 *generated energy on the tract of land may be severed from the surface*
26 *estate except that such rights may be leased for a definite term. Leasing*
27 *arrangements for development of wind or solar power systems may be*
28 *made only with the legally authorized owner of the surface estate*
29 *pursuant to the restrictions provided by this act or otherwise provided by*
30 *law.*

31 (c) *The provisions of this act shall not apply to any property owner*
32 *utilizing wind or solar energy power systems for domestic use only or to*
33 *any tract of land severed prior to July 1, 2011.*

34 Sec. 2. K.S.A. 58-2272 is hereby repealed.

35 Sec. 3. This act shall take effect and be in force from and after its
36 publication in the statute book.

37
38

HOUSE BILL No. 2181

By Committee on Energy and Utilities

2-7

1 AN ACT concerning utilities; relating to transmission lines and
2 easements.
3

4 *Be it enacted by the Legislature of the State of Kansas:*

5 Section 1. (a) Prior to the construction of any new high-voltage
6 electric transmission line in this state more than five miles from a
7 corporate city boundary, an electric utility shall obtain a right-of-way
8 easement of at least 200 feet in width for the entire length of the proposed
9 high-voltage electric transmission line.

10 (b) Expenses incurred by an electric utility in furtherance of this act
11 shall be deemed prudent except to the extent such costs are manifestly
12 and unquestionably unreasonable.

13 (c) The provisions of this act shall apply to the construction of new
14 high-voltage electric transmission lines begun after January 1, 2014.

15 (d) As used in this section:

16 (1) "Electric utility" means any public utility, as defined by K.S.A.
17 66-104, and amendments thereto, which owns, controls, operates or
18 manages any equipment, plant or generating machinery for the
19 production, transmission, delivery or furnishing of electricity or electric
20 power; and

21 (2) "high-voltage electric transmission line" means any line or
22 extension of a line which is at least five miles in length and which is used
23 for the bulk transfer of electrical power and energy with an operating
24 voltage of 300 kilovolts or higher.

25 Sec. 2. This act shall take effect and be in force from and after its
26 publication in the statute book.

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26 publication in the statute book.