2018-06-18 14:25:08
Kansas Corporation Commission
/s/ Lynn M. Retz

THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

In the matter of a general investigation to propose regulatory amendments to K.A.R. 82-3-206 and K.A.R. 82-3-307.	)))))	Docket No: 18-CONS-3282-CINV CONSERVATION DIVISION License No. N/A

STATUS UPDATE & MOTION TO CLOSE DOCKET

The Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) files this *Status Update*.

1. On January 23, 2018, Staff filed a *Motion to Open Docket and Authorize Submission of Proposed Amendments for Approval Pursuant to the Rules and Regulations Filing Act*, regarding K.A.R. 82-3-206 and K.A.R. 82-3-307.

2. On February 8, 2018, the Commission granted Staff's motion, further directing Staff to utilize this docket as the formal repository to continually update the Commission and the public as to the current status of this regulatory amendment proceeding.

3. On February 8, 2018, Staff submitted regulations for review with the Department of Administration as required by the Rules and Regulations Filing Act. The Department of Administration completed its review and provided Staff with a single-stamped copy of the regulations on February 9, 2018.

4. On February 9, 2018, Staff submitted the single-stamped regulations for review with the Office of the Attorney General, Legal Opinions and Governmental Counsel Division as required by the Rules and Regulations Filing Act. The Office of the Attorney General completed its review on February 21, 2018, and provided Staff with a double-stamped copy of the regulations on February 26, 2018.

5. On March 14, 2018, Staff submitted to the Secretary of State a request for publication in the Kansas Register of a notice of hearing. Publication occurred on March 22, 2018, noticing a public hearing to occur on May 24, 2018.

6. On April 24, 2018, the Joint Committee on Administrative Rules and Regulations ("JCARR") reviewed the proposed regulations. On April 30, 2018, the JCARR sent a letter providing comments on the proposed regulations.

7. On May 24, 2018, the Commission adopted the proposed regulations upon a certified roll call vote, without change to the proposed regulations. Six individuals attended the hearing, in addition to Commission employees. Four individuals submitted written comments. Also on May 24, 2018, Staff submitted to the Secretary of State a request for publication of the adopted regulations in the Kansas Register. Publication occurred on May 31, 2018. Per statute, the adopted regulations became effective June 15, 2018.[1]

8. Staff attaches the following documents: Staff's response to the April 24, 2018, JCARR letter;[2] a list of attendees from the May 24, 2018, public hearing;[3] all written comments filed in this matter;[4] a record of the roll call vote;[5] and a copy of the May 31, 2018, publication from the pertinent pages of the Kansas Register.[6]

WHEREFORE, Staff submits this *Status Update* and moves that this docket be closed.

Respectfully submitted,

Jon Myers

Jonathan R. Myers, #25975
Litigation Counsel, Kansas Corporation Commission
266 N. Main, Suite 220, Wichita, Kansas 67202
Phone: 316-337-6200; Fax: 316-337-6211

---

[1] *See* K.S.A. 77-426.
[2] Exhibit A.
[3] Exhibit B.
[4] Exhibit C.
[5] Exhibit D.
[6] Exhibit E.

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF SEDGWICK)

Jonathan R. Myers, of lawful age, being duly sworn upon his oath deposes and states that he is Litigation Counsel for the State Corporation Commission of the State of Kansas; that he has read and is familiar with the foregoing *Status Update and Motion to Close Docket,* and attests that the statements therein are true to the best of his knowledge, information and belief.

Jon Myers

Jonathan R. Myers, S. Ct. #25975
Litigation Counsel
State Corporation Commission
of the State of Kansas

SUBSCRIBED AND SWORN to before me this 18 day of June, 2018.

Paula J Murray

Notary Public

My Appointment Expires: 3/07/19

PAULA J. MURRAY
NOTARY PUBLIC
STATE OF KANSAS
My Appt. Exp. 3/07/19

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
266 N. MAIN ST., STE. 220
WICHITA, KS 67202-1513

PHONE: 316-337-6200
FAX: 316-337-6211
http://kcc.ks.gov/

GOVERNOR JEFF COLYER, M.D.
SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

May 22, 2018

Raney L. Gilliland
Director, Kansas Legislative Research Department
Room 68-West
State Capitol Building
300 SW 10th Avenue
Topeka, KS 66612-1504

Re: Request for Information

Dear Mr. Gilliland,

Please find the information below requested in your April 30, 2018 letter on behalf of the Joint Committee on Rules and Regulations regarding proposed changes to K.A.R. 82-3-206 and K.A.R. 82-3-307.

Fee Justification

Generally speaking, the revenue provided to the Conservation Fee Fund (CFF) decreases annually because oil and natural gas are finite resources; however, Fiscal Years 2014 and 2015 saw production increases associated with the high oil price and increased number of horizontal wells drilled in Kansas primarily associated with the Mississippi Lime Play. From 2012 to 2014, the Conservation Division issued an annual average of 264 horizontal intents-to-drill. Beginning in 2015 horizontal well permitting and the associated increase in production began to dissipate. For 2015, 2016, and 2017, the Conservation Division issued an annual average of 32 intents-to-drill for horizontal wells. The lack of horizontal activity and the struggling oil and gas market resulted in decreases to actual revenue of 14.1 % in Fiscal Year 2016 and 11.6% in Fiscal Year 2017. Based on in-house production projections using a weighted moving average, staff believed the decline in production revenues would balance out around a 6% decline over the coming Fiscal Years. Given that information, staff calculated the amount of increase contained in the proposed mill regulations necessary to generate the revenue required to meet the approved $8.89 million budget.

Fee Sweeps and Other Legislation

Although the letter referenced that the Committee recognized the fee sweep that impacted the CFF balance, it is important to put the impact of the sweep in context by noting timing of the sweep and the passage HB 2231 as Amended by the Senate Committee. The fee sweep occurred in July 2015, the beginning of Fiscal Year 2016. As noted above, this timeframe was contemporaneous with a 14.1% reduction in production revenue and followed by a further 11.6%

reduction in production revenue in Fiscal Year 2017. The second observation relates to the passage of HB 2231 in the 2015 Legislative Session. In short, a portion of this bill amended the funding mechanism for plugging legacy-abandoned wells by removing Water Plan funds from the funding structure and doubling, from $400,000 annually to $800,000 annually, the amount of money transferred from the CFF to the Abandoned Well Plugging Fund. The sweep and amended funding structure for plugging abandoned wells, when considered in the context of the dramatic production revenue declines of Fiscal Year 2016 and Fiscal 2017, help provide context to the current shortfall situation.

Month-to-Month Balance Sheets

The requested balance sheets are attached. Please note there are several instances with swings in either direction for revenue from production, which can be explained by the provisions of K.S.A. 79-4226. The provisions in part govern mineral severance tax refund time limitations. Refunds may be granted up to three years from the date the tax return is filed. This means the amount of production taxed is correctable for up to three years and the amount of revenue credited to the CFF may have been in error. After the fee sweep, these corrections are more noticeable as they sometimes show up on the balance sheets as negative revenue.

Expenditures

The Conservation Division plans to keep monthly expenditures flat at FY 2017 levels. This equals approximately $646,465 per month through Fiscal Year 2020.

Sincerely,

Ryan A. Hoffman
Director, Conservation Division
Kansas Corporation Commission

Encl.

Conservation Fee Fund, Fund 2130

Description	Activity ID	Account	July	August	September	October	November	December	January	February	March	April	May	June	Year to Date Revenue
Revenues Received															
Assessment, Oil Proportion 02014, (net SGF)*	503	420100	338,101.56	320,851.81	284,761.76	337,739.42	323,142.08	349,260.68	325,147.23	325,772.63	359,170.08	238,754.39	366,646.10	365,761.95	3,935,109.69
Assessment, Natural Gas 02015, (net SGF)*	504	420100	336,481.04	322,308.13	311,710.47	327,062.60	295,254.26	307,485.50	367,997.46	308,428.49	333,988.52	222,054.79	325,255.71	378,170.63	3,836,197.60
Plugging of Wells (Owner or Operator)	505	420100	21,267.93	31,157.75	19,094.60	28,613.62	31,005.29	22,975.48	24,889.74	4,459.31	24,749.60	23,995.57	20,720.21	19,744.19	272,673.29
Injection and Disposal Wells	506	420100	9,550.00	13,600.00	14,200.00	10,300.00	10,150.00	7,400.00	11,000.00	6,900.00	11,950.00	6,150.00	10,400.00	12,500.00	124,100.00
Ks Surface Owners Notification Act	550	420100		120.00		60.00	150.00	60.00	90.00	60.00	180.00	30.00	90.00	30.00	870.00
Land Spreading Permits	551	420100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	250.00	250.00
Total Source 420100			**705,400.53**	**688,037.69**	**629,766.83**	**703,775.64**	**659,701.63**	**687,181.66**	**729,124.43**	**645,620.43**	**730,038.20**	**490,984.75**	**723,112.02**	**776,456.77**	**8,169,200.58**
Copy Issuance & Faxing	520	420400	760.25	181.75	169.28	55.80	349.31	360.60	0.00	102.50	85.50	39.50	529.56	1,497.07	4,131.12
Total Source 420400			**760.25**	**181.75**	**169.28**	**55.80**	**349.31**	**360.60**	**0.00**	**102.50**	**85.50**	**39.50**	**529.56**	**1,497.07**	**4,131.12**
Operator License, Renewal	510	421110	14,500.00	21,900.00	12,000.00	18,800.00	13,000.00	12,600.00	10,100.00	5,000.00	8,800.00	4,300.00	4,100.00	90,428.94	215,528.94
Operator License, New	511	421110	900.00	1,800.00	1,100.00	1,500.00	1,300.00	1,200.00	1,600.00	500.00	2,300.00	900.00	1,700.00	1,100.00	15,900.00
Rig License, Renewal	512	421110	1,300.00	2,275.00	800.00	2,775.00	1,125.00	1,350.00	1,350.00	925.00	1,475.00	775.00	1,050.00	9,602.19	24,802.19
Rig License, New	513	421110	175.00	800.00	150.00	775.00	275.00	275.00	250.00	100.00	425.00	125.00	200.00	325.00	3,875.00
Residence License, Renewal	514	421110	50.00	250.00	75.00	250.00	250.00	200.00	275.00	150.00	75.00	200.00	225.00	150.00	2,150.00
Residence License, New	515	421110		50.00	25.00	75.00		75.00	25.00		150.00	25.00	25.00	25.00	475.00
Rig License, Duplicate	516	421110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 421110			**16,925.00**	**27,075.00**	**14,150.00**	**24,175.00**	**15,950.00**	**15,700.00**	**13,600.00**	**6,675.00**	**13,225.00**	**6,325.00**	**7,300.00**	**101,631.13**	**262,731.13**
KSONA	550	421120										60.00	0.00		60.00
Total Source 421120												**60.00**	**0.00**		**60.00**
Financial Assurance	507	421190	0.00	0.00	0.00	0.00	1,300.00	0.00	0.00	-1,300.00	0.00	-100.00	0.00	0.00	-100.00
Total Source 421190			**0.00**	**0.00**	**0.00**	**0.00**	**1,300.00**	**0.00**	**0.00**	**-1,300.00**	**0.00**	**-100.00**	**0.00**	**0.00**	**-100.00**
Subscriptions for Commission Reports	521	422200	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 422200			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Sale of Usable Equipment	523	422600	0.00	0.00	0.00	0.00	12,000.00	0.00	4,000.00	0.00	0.00	0.00	0.00	0.00	16,000.00
Total Source 422600			**0.00**	**0.00**	**0.00**	**0.00**	**12,000.00**	**0.00**	**4,000.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**16,000.00**
Fine, Penalties & Forfeitures - Administrative	535	454090	7,800.00	6,083.37	16,900.00	10,750.00	3,650.00	1,300.00	2,250.00	5,050.00	16,800.00	5,944.00	13,000.00	16,844.00	106,371.37
Fine, Penalties & Forfeitures	536	454090	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 454090			**7,800.00**	**6,083.37**	**16,900.00**	**10,750.00**	**3,650.00**	**1,300.00**	**2,250.00**	**5,050.00**	**16,800.00**	**5,944.00**	**13,000.00**	**16,844.00**	**106,371.37**
Other Miscellaneous Revenue	999	459090	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	173.48	0.00	0.00	173.48
Total Source 459090			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**173.48**	**0.00**	**0.00**	**173.48**
Assessments, Reimbursable (Hearings)	502	462110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 462110			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Recovery Prior FY Expenditures	991	469010	57.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	57.62
Total Source 469010			**57.62**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**57.62**
UIC													-100.00		-100.00
Total 006733		006733											**-100.00**		**-100.00**
Total Gross Receipts			**730,943.40**	**721,377.81**	**660,986.11**	**738,756.44**	**692,950.94**	**704,542.26**	**748,974.43**	**656,147.93**	**760,148.70**	**503,426.73**	**743,841.58**	**896,428.97**	**8,558,525.30**
Less Transfers Out:															
		766020		0.00											0.00
		766020	0.00												0.00
Fund 2143 Abandoned Oil Gas Well		766020	100,000.00	0.00	0.00	100,000.00	0.00	0.00	100,000.00	0.00	0.00	100,000.00	0.00	0.00	400,000.00
Total Transfers Out			**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**400,000.00**
Total Net Receipts			**630,943.40**	**721,377.81**	**660,986.11**	**638,756.44**	**692,950.94**	**704,542.26**	**648,974.43**	**656,147.93**	**760,148.70**	**403,426.73**	**743,841.58**	**896,428.97**	**8,158,525.30**
Period Cash Balances															
Beginning Cash			$ 6,585,478.52	$ 6,616,900.59	$ 6,486,770.53	$ 6,587,140.79	$ 6,594,067.82	$ 6,670,553.12	$ 6,814,653.93	$ 6,706,635.49	$ 6,804,738.49	$ 6,916,077.98	$ 6,677,362.77	$ 6,953,005.48	$ 6,585,478.52
Plus: Net Receipts			630,943.40	721,377.81	660,986.11	638,756.44	692,950.94	704,542.26	648,974.43	656,147.93	760,148.70	403,426.73	743,841.58	896,428.97	8,158,525.30
Less: Cash Disbursements			599,521.33	851,507.87	560,615.85	631,829.41	616,465.64	560,441.45	756,992.87	558,044.93	648,809.21	642,141.94	468,198.87	498,632.93	7,393,202.30
Ending Cash			**$ 6,616,900.59**	**$ 6,486,770.53**	**$ 6,587,140.79**	**$ 6,594,067.82**	**$ 6,670,553.12**	**$ 6,814,653.93**	**$ 6,706,635.49**	**$ 6,804,738.49**	**$ 6,916,077.98**	**$ 6,677,362.77**	**$ 6,953,005.48**	**$ 7,350,801.52**	**$ 7,350,801.52**
Less: Encumbrances			703,461.30	754,533.42	759,120.08	668,038.66	485,963.21	453,830.75	375,365.75	281,951.68	244,564.23	182,617.75	102,616.97	184,615.47	184,615.47
Unencumbered Cash Balance			**$ 5,913,439.29**	**$ 5,732,237.11**	**$ 5,828,020.71**	**$ 5,926,029.16**	**$ 6,184,589.91**	**$ 6,360,823.18**	**$ 6,331,269.74**	**$ 6,522,786.81**	**$ 6,671,513.75**	**$ 6,494,745.02**	**$ 6,850,388.51**	**$ 7,166,186.05**	**$ 7,166,186.05**

*10% of revenues collected, up to $100,000, deposited in SGF

Exhibit A
Page 3 of 7

Conservation Fee Fund, Fund 2130

Description	Activity ID	Account	July	August	September	October	November	December	January	February	March	April	May	June	Year to Date Revenue
Revenues Received															
Assessment, Oil Proportion 02014, (net SGF)*	503	420100	365,931.04	329,733.07	430,627.44	306,795.87	354,936.57	304,968.47	427,124.92	349,277.96	390,312.52	328,850.59	295,588.79	328,471.46	4,212,618.70
Assessment, Natural Gas 02015, (net SGF)*	504	420100	364,463.63	290,112.50	306,394.14	549,702.63	341,953.47	354,406.29	295,239.47	254,497.89	169,937.55	253,570.13	297,972.28	310,484.54	3,788,734.52
Plugging of Wells, 02011 (Owner or Operator)	505	420100	28,228.26	18,066.23	21,494.65	4,961.18	20,426.84	33,145.46	21,700.14	23,753.20	30,292.26	30,614.09	23,856.22	23,786.95	280,325.48
Injection and Disposal Wells, 02013	506	420100	10,250.00	9,100.00	14,150.00	8,300.00	10,550.00	9,650.00	7,900.00	8,750.00	10,050.00	11,000.00	12,755.00	13,300.00	125,755.00
Ks Surface Owners Notification Act	550	420100		30.00		60.00	330.00	120.00	150.00	120.00	150.00	90.00	180.00	60.00	1,290.00
Land Spreading Permits	551	420100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 420100			**768,872.93**	**647,041.80**	**772,666.23**	**869,819.68**	**728,196.88**	**702,290.22**	**752,114.53**	**636,399.05**	**600,742.33**	**624,124.81**	**630,352.29**	**676,102.95**	**8,408,723.70**
Copy Issuance & Faxing	520	420400	15.75	0.00	0.00	454.40	55.04	17.50	342.19	20.00	0.00	0.00	1,907.82	1,057.49	3,870.19
Total Source 420400			**15.75**	**0.00**	**0.00**	**454.40**	**55.04**	**17.50**	**342.19**	**20.00**	**0.00**	**0.00**	**1,907.82**	**1,057.49**	**3,870.19**
Operator License, Renewal	510	421110	2,600.00	1,300.00	2,100.00	1,900.00	7,677.45	4,782.86	9,106.32	900.00	2,500.00	1,300.00	75,485.06	110,200.00	219,851.69
Operator License, New	511	421110	1,600.00	1,400.00	1,600.00	700.00	1,900.00	1,100.00	1,400.00	900.00	1,500.00	1,100.00	2,300.00	2,700.00	18,200.00
Rig License, Renewal	512	421110	900.00	475.00	1,475.00	1,600.00	1,635.57	443.78	2,214.04	850.00	1,225.00	675.00	5,890.34	10,370.00	27,753.73
Rig License, New	513	421110	250.00	375.00	325.00	175.00	350.00	400.00	325.00	125.00	350.00	200.00	575.00	825.00	4,275.00
Residence License, Renewal	514	421110	125.00	125.00	250.00	200.00	225.00	200.00	275.00	175.00	150.00	200.00	125.00	150.00	2,200.00
Residence License, New	515	421110		25.00	50.00	50.00	75.00	25.00	0.00		25.00	25.00	0.00	25.00	300.00
Rig License, Duplicate	516	421110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 421110			**5,475.00**	**3,700.00**	**5,800.00**	**4,625.00**	**11,863.02**	**6,951.64**	**13,320.36**	**2,950.00**	**5,750.00**	**3,500.00**	**84,375.40**	**124,270.00**	**272,580.42**
KSONA	550	421120										0.00	0.00		0.00
Total Source 421120												**0.00**	**0.00**		**0.00**
Financial Assurance	507	421190	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 421190			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Manufactured Products	364	422110		-582.87	582.87										0.00
Total Source 422110				**-582.87**	**582.87**										**0.00**
Subscriptions for Commission Reports	521	422200	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 422200			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Salvaged Materials					15,337.45										15,337.45
Total Source 422500					**15,337.45**										**15,337.45**
Sale of Usable Equipment	523	422600	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	152.50	0.00	0.00	152.50
Total Source 422600			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**152.50**	**0.00**	**0.00**	**152.50**
	535	454090	1,300.00	0.00	-1,400.00	0.00	300.00	-200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fine, Penalties & Forfeitures	536	454090	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 454090			**1,300.00**	**0.00**	**-1,400.00**	**0.00**	**300.00**	**-200.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Other Miscellaneous Revenue	999	459090	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 459090			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Assessments, Reimbursable (Hearings)	502	462110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 462110			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Recovery Prior FY Expenditures	991	469010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	493.85	493.85
Total Source 469010			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**493.85**	**493.85**
UIC													0.00		0.00
Total 006733		**006733**											**0.00**		**0.00**
		766020													
Total Gross Receipts			**775,663.68**	**650,158.93**	**792,986.55**	**874,899.08**	**740,414.94**	**709,059.36**	**765,777.08**	**639,369.05**	**606,492.33**	**627,777.31**	**716,635.51**	**801,924.29**	**8,701,158.11**
Less Transfers Out:															
		766020		0.00											0.00
		766020	0.00												0.00
Fund 2143 Abandoned Oil Gas Well		766020	100,000.00	0.00	0.00	100,000.00	0.00	0.00	100,000.00	0.00	0.00	100,000.00	0.00	0.00	400,000.00
Total Transfers Out			**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**400,000.00**
Total Net Receipts			**675,663.68**	**650,158.93**	**792,986.55**	**774,899.08**	**740,414.94**	**709,059.36**	**665,777.08**	**639,369.05**	**606,492.33**	**527,777.31**	**716,635.51**	**801,924.29**	**8,301,158.11**
Period Cash Balances															
Beginning Cash			7,350,801.52	7,287,360.87	7,238,326.56	7,427,011.67	7,640,885.41	7,821,729.65	7,967,638.23	7,753,266.51	7,762,564.81	7,880,069.99	7,740,357.89	7,747,191.85	7,350,801.52
Plus: Net Receipts			$ 675,663.68	$ 650,158.93	$ 792,986.55	$ 774,899.08	$ 740,414.94	$ 709,059.36	$ 665,777.08	$ 639,369.05	$ 606,492.33	$ 527,777.31	$ 716,635.51	$ 801,924.29	$ 8,301,158.11
Disbursements			$ 739,104.33	$ 699,193.24	$ 604,301.44	$ 561,025.34	$ 559,570.70	$ 563,150.78	$ 880,148.80	$ 630,070.75	$ 488,987.15	$ 667,489.41	$ 709,801.55	$ 459,088.53	$ 7,561,932.02
Ending Cash			**$ 7,287,360.87**	**$ 7,238,326.56**	**$ 7,427,011.67**	**$ 7,640,885.41**	**$ 7,821,729.65**	**$ 7,967,638.23**	**$ 7,753,266.51**	**$ 7,762,564.81**	**$ 7,880,069.99**	**$ 7,740,357.89**	**$ 7,747,191.85**	**$ 8,090,027.61**	**$ 8,090,027.61**
Less: Encumbrances			818,873.66	730,511.11	684,430.73	578,293.40	526,195.30	491,782.62	364,867.59	378,550.71	346,671.29	333,813.23	302,496.46	322,046.93	322,046.93
Unencumbered Cash Balance			**$ 6,468,487.21**	**$ 6,507,815.45**	**$ 6,742,580.94**	**$ 7,062,592.01**	**$ 7,295,534.35**	**$ 7,475,855.61**	**$ 7,388,398.92**	**$ 7,384,014.10**	**$ 7,533,398.70**	**$ 7,406,544.66**	**$ 7,444,695.39**	**$ 7,767,980.68**	**$ 7,767,980.68**

Exhibit A
Page 4 of 7

Conservation Fee Fund, Fund 2130

Description	Activity ID	Account	July	August	September	October	November	December	January	February	March	April	May	June	Year to Date Revenue
Revenues Received			0	-		-	-	-	-						
Assessment, Oil Proportion 02014, (net SGF)*	503	420100	380,723.78	348,781.40	305,267.79	622,194.45	371,476.48	918,668.48	443,993.18	12,000.99	396,674.92	349,624.38	368,270.40	342,277.39	4,859,953.64
Assessment, Natural Gas 02015, (net SGF)*	504	420100	316,469.49	302,329.39	271,485.42	302,764.08	687,766.97	707,772.80	288,549.61	301,895.30	417,266.54	319,803.44	316,410.23	302,891.00	4,535,404.27
Plugging of Wells, 02011 (Owner or Operator)	505	420100	30,941.56	15,085.80	26,321.92	20,294.27	22,535.16	26,751.11	22,189.43	17,641.17	30,149.61	23,700.92	20,623.97	15,803.32	272,038.24
Injection and Disposal Wells, 02013	506	420100	9,350.00	5,500.00	14,750.00	10,300.00	8,700.00	14,000.00	6,950.00	6,700.00	11,700.00	10,150.00	10,900.00	7,150.00	116,150.00
Ks Surface Owners Notification Act	550	420100		0.00	30.00	240.00	150.00	60.00	60.00	30.00	1,350.00	300.00	90.00	90.00	2,400.00
Land Spreading Permits	551	420100								0.00	0.00	0.00	0.00	0.00	0.00
Total Source 420100			**737,484.83**	**671,696.59**	**617,855.13**	**955,792.80**	**1,090,628.61**	**1,667,252.39**	**761,742.22**	**338,267.46**	**857,141.07**	**703,578.74**	**716,294.60**	**668,211.71**	**9,785,946.15**
Copy Issuance & Faxing	520	420400	84.62		202.06	191.00	138.75	25.25	33.95	190.75	374.50	450.80	147.90	205.95	2,045.53
Total Source 420400			**84.62**		**202.06**	**191.00**	**138.75**	**25.25**	**33.95**	**190.75**	**374.50**	**450.80**	**147.90**	**205.95**	**2,045.53**
					0.00										
Operator License, Renewal	510	421110	7,450.00	1,200.00	20,950.00	2,200.00	400.00	16,200.00	1,700.00	14,910.00	36,275.00	41,200.01	12,100.00	66,700.00	221,285.01
Operator License, New	511	421110	1,000.00	1,300.00	1,500.00	900.00	700.00	1,200.00	600.00	1,000.00	1,200.00	625.00	900.00	1,200.00	12,125.00
Rig License, Renewal	512	421110	1,655.00	600.00	2,325.00	2,725.00	375.00	2,025.00	875.00	1,650.00	3,425.00	3,025.00	1,525.00	7,425.00	27,630.00
Rig License, New	513	421110	225.00	125.00	325.00	250.00	300.00	375.00	225.00	125.00	350.00	125.00	250.00	125.00	2,800.00
Residence License, Renewal	514	421110	100.00	225.00	250.00	325.00	75.00	250.00	175.00	150.00	175.00	275.00	75.00	100.00	2,175.00
Residence License, New	515	421110	50.00	0.00	50.00	50.00	0.00	50.00	0.00	25.00	0.00	50.00	25.00	0.00	300.00
Rig License, Duplicate	516	421110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 421110			**10,480.00**	**3,450.00**	**25,400.00**	**6,450.00**	**1,850.00**	**20,100.00**	**3,575.00**	**17,860.00**	**41,425.00**	**45,300.01**	**14,875.00**	**75,550.00**	**266,315.01**
								0.00							
Subtotal	550	421120	**0.00**	**0.00**	**0.00**	**962,433.80**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	0.00	0.00		962,433.80
Total Source 421120												**0.00**	**0.00**	**0.00**	**962,433.80**
Financial Assurance	507	421190	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 421190			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
			0.00	**0.00**	**0.00**		**0.00**								
Manufactured Products	364	422110		0.00	0.00										0.00
Total Source 422110				**0.00**	**0.00**										**0.00**
			0.00	0.00	0.00	0.00	0.00	0.00	0.00						
Subscriptions for Commission Reports	521	422200	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 422200			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
			0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**						
Salvaged Materials															0.00
Total Source 422500					**0.00**										**0.00**
						0.00	0.00								
Sale of Usable Equipment	523	422600	0.00	1,200.00	0.00	0.00	6,240.00	0.00	0.00	7,600.00	0.00	4,800.00	0.00	0.00	19,840.00
Total Source 422600			**0.00**	**1,200.00**	**0.00**	**0.00**	**6,240.00**	**0.00**	**0.00**	**7,600.00**	**0.00**	**4,800.00**	**0.00**	**0.00**	**19,840.00**
	535	454090	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fine, Penalties & Forfeitures	536	454090	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 454090			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Other Miscellaneous Revenue	999	459090	0.00	0.00	0.00	0.00	0.00	30.00	0.00	0.00	0.00	30.00	0.00	0.00	60.00
Total Source 459090			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**30.00**	**0.00**	**0.00**	**0.00**	**30.00**	**0.00**	**0.00**	**60.00**
							0.00								
Assessments, Reimbursable (Hearings)	502	462110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 462110			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Source 469010			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
UIC													0.00		0.00
Total 006733		**006733**											**0.00**		**0.00**
			0.00												
		766020													
Total Gross Receipts			**748,049.45**	**676,346.59**	**643,457.19**	**962,433.80**	**1,098,857.36**	**1,687,407.64**	**765,351.17**	**363,918.21**	**898,940.57**	**754,159.55**	**731,317.50**	**743,967.66**	**10,074,206.69**
Less Transfers Out:															
		766020		0.00											0.00
		766020	0.00						0.00						0.00
Fund 2143 Abandoned Oil Gas Well		766020	100,000.00	0.00	0.00	100,000.00	0.00	0.00	100,000.00	0.00	0.00	100,000.00	0.00	0.00	400,000.00
Total Transfers Out			**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**100,000.00**	**0.00**	**0.00**	**400,000.00**
			0	0	0	0	0	0							
Total Net Receipts			**648,049.45**	**676,346.59**	**643,457.19**	**862,433.80**	**1,098,857.36**	**1,687,407.64**	**665,351.17**	**363,918.21**	**898,940.57**	**654,159.55**	**731,317.50**	**743,967.66**	**9,674,206.69**
			0.00	0.00	0.00	0.00	0.00	0.00							
Period Cash Balances															
Beginning Cash			8,090,027.61	7,964,710.80	7,847,619.01	7,799,754.28	8,041,386.79	8,615,242.61	9,628,564.17	9,579,504.19	9,358,214.05	9,657,798.06	9,656,274.57	9,730,913.06	8,090,027.61
Plus: Net Receipts			$ 648,049.45	$ 676,346.59	$ 643,457.19	$ 862,433.80	$ 1,098,857.36	$ 1,687,407.64	$ 665,351.17	$ 363,918.21	$ 898,940.57	$ 654,159.55	$ 731,317.50	$ 743,967.66	$ 9,674,206.69
Disbursements			$ 773,366.26	$ 793,438.38	$ 691,321.92	$ 620,801.29	$ 525,001.54	$ 674,086.08	$ 714,411.15	$ 585,208.35	$ 599,356.56	$ 655,683.04	$ 656,679.01	$ 390,020.15	$ 7,679,373.73
Ending Cash			**$ 7,964,710.80**	**$ 7,847,619.01**	**$ 7,799,754.28**	**$ 8,041,386.79**	**$ 8,615,242.61**	**$ 9,628,564.17**	**$ 9,579,504.19**	**$ 9,358,214.05**	**$ 9,657,798.06**	**$ 9,656,274.57**	**$ 9,730,913.06**	**$ 10,084,860.57**	**$ 10,084,860.57**
Less: Encumbrances			693,041.78	929,141.52	750,096.00	656,930.00	687,060.69	647,139.65	569,001.27	533,395.20	488,871.10	339,178.92	211,437.16	289,196.84	289,196.84
Unencumbered Cash Balance			**$ 7,271,669.02**	**$ 6,918,477.49**	**$ 7,049,658.28**	**$ 7,384,456.79**	**$ 7,928,181.92**	**$ 8,981,424.52**	**$ 9,010,502.92**	**$ 8,824,818.85**	**$ 9,168,926.96**	**$ 9,317,095.65**	**$ 9,519,475.90**	**$ 9,795,663.73**	**$ 9,795,663.73**

Fiscal Year 2016 Fund Overview
Period Ending: June 30, 2016

Conservation Fee Fund, Fund 2130

Description	Activity ID	Account	July	August	September	October	November	December	January	February	March	April	May	June	Year to Date Revenue
Revenues Received															
Assessment, Oil Proportion 02014, (net SGF)*	503	420100	349,134.52	437,922.69	282,904.42	292,913.44	321,684.98	308,417.10	318,487.35	258,884.52	374,562.29	287,766.85	797,656.05	274,205.87	4,304,540.08
Assessment, Natural Gas 02015, (net SGF)*	504	420100	304,366.82	300,736.36	289,811.42	287,256.45	291,420.18	523,064.88	300,260.73	33,413.45	457,323.81	407,810.77	224,497.96	420,352.86	3,840,315.69
Plugging of Wells, 02011 (Owner or Operator)	505	420100	12,234.75	14,872.84	14,639.80	15,567.68	17,531.78	14,006.72	19,500.15	12,840.03	10,446.08	17,598.91	11,204.91	11,930.65	172,374.30
Injection and Disposal Wells, 02013	506	420100	7,700.00	9,600.00	5,150.00	8,050.00	5,450.00	4,000.00	5,150.00	3,300.00	5,850.00	6,750.00	6,550.00	5,850.00	73,400.00
Ks Surface Owners Notification Act	550	420100	0.00	30.00	30.00	90.00	180.00	0.00	120.00	60.00	0.00	60.00	150.00	180.00	900.00
Land Spreading Permits	551	420100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 420100			**673,436.09**	**763,161.89**	**592,535.64**	**603,877.57**	**636,266.94**	**849,488.70**	**643,518.23**	**308,498.00**	**848,182.18**	**719,986.53**	**1,040,058.92**	**712,519.38**	**8,391,530.07**
Copy Issuance & Faxing	520	420400	0.00	0.00	103.95	0.00	305.50	0.00	95.50	309.20	29.75	187.25	0.00	13.25	1,044.40
Total Source 420400			**0.00**	**0.00**	**103.95**	**0.00**	**305.50**	**0.00**	**95.50**	**309.20**	**29.75**	**187.25**	**0.00**	**13.25**	**1,044.40**
Operator License, Renewal	510	421110	14,800.00	10,600.00	20,100.00	12,500.00	18,500.00	900.00	33,500.00	18,900.00	15,400.00	15,100.00	20,675.00	32,000.00	212,975.00
Operator License, New	511	421110	900.00	600.00	700.00	1,254.00	700.00	1,000.00	1,000.00	900.00	900.00	700.00	900.00	900.00	10,454.00
Rig License, Renewal	512	421110	1,725.00	1,700.00	2,825.00	2,975.00	1,325.00	575.00	2,400.00	2,300.00	1,550.00	1,500.00	1,950.00	3,750.00	24,575.00
Rig License, New	513	421110	75.00	75.00	50.00	325.00	125.00	300.00	100.00	25.00	325.00	225.00	100.00	100.00	1,825.00
Residence License, Renewal	514	421110	175.00	275.00	225.00	250.00	200.00	300.00	225.00	100.00	250.00	250.00	150.00	175.00	2,575.00
Residence License, New	515	421110	25.00	25.00	50.00	75.00	0.00	50.00	100.00	75.00	100.00	50.00	25.00	25.00	600.00
Rig License, Duplicate	516	421110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 421110			**17,700.00**	**13,275.00**	**23,950.00**	**17,379.00**	**20,850.00**	**3,125.00**	**37,325.00**	**22,300.00**	**18,525.00**	**17,825.00**	**23,800.00**	**36,950.00**	**253,004.00**
Financial Assurance	507	421190	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 421190			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Manufactured Products	364	422110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 422110			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Subscriptions for Commission Reports	521	422200	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 422200			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Salvaged Materials			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 422500			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Sale of Usable Equipment	523	422600	0.00	2,500.00	1,550.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,050.00
Total Source 422600			**0.00**	**2,500.00**	**1,550.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**4,050.00**
Fine, Penalties & Forfeitures Adm	535	454090	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fine, Penalties & Forfeitures	536	454090	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 454090			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Other Miscellaneous Revenue	999	459090	0.00	0.00	0.00	0.00	0.00	60.00	0.00	0.00	0.00	0.00	0.00	30.00	90.00
Total Source 459090			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**60.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**30.00**	**90.00**
Assessments, Reimbursable (Hearings)	502	462110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 462110			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Source 469010	991	469010	0.00	112.98	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	112.98
UIC		**006736**													
Total			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Total Gross Receipts			**691,136.09**	**779,049.87**	**618,139.59**	**621,256.57**	**657,422.44**	**852,673.70**	**680,938.73**	**331,107.20**	**866,736.93**	**737,998.78**	**1,063,858.92**	**749,512.63**	**8,649,831.45**
Transfer in GL Correction		**766010**									**8,640.33**				
006735 Correction GL	**006735**	**766010**									**2,764.73**				
Total Transfers in:			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**11,405.06**	**0.00**	**0.00**	**0.00**	**11,405.06**
Less Transfers Out:															
		766020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SGF Sweep		766020	3,000,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,000,000.00
Fund 2143 Abandoned Oil Gas Well		766020	200,000.00	0.00	0.00	200,000.00	0.00	0.00	200,000.00	0.00	0.00	200,000.00	0.00	0.00	800,000.00
Total Transfers Out			**3,200,000.00**	**0.00**	**0.00**	**200,000.00**	**0.00**	**0.00**	**200,000.00**	**0.00**	**0.00**	**200,000.00**	**0.00**	**0.00**	**3,800,000.00**
Total Net Receipts			**-2,508,863.91**	**779,049.87**	**618,139.59**	**421,256.57**	**657,422.44**	**852,673.70**	**480,938.73**	**331,107.20**	**878,141.99**	**537,998.78**	**1,063,858.92**	**749,512.63**	**4,861,236.51**
Period Cash Balances															
Beginning Cash			10,084,860.57	6,677,203.81	6,846,310.16	6,969,203.46	6,793,043.32	6,826,706.21	6,900,024.48	6,710,590.12	6,458,193.01	6,514,068.81	6,617,993.08	6,980,807.01	10,084,860.57
Plus: Net Receipts			$ (2,508,863.91)	$ 779,049.87	$ 618,139.59	$ 421,256.57	$ 657,422.44	$ 852,673.70	$ 480,938.73	$ 331,107.20	$ 878,141.99	$ 537,998.78	$ 1,063,858.92	$ 749,512.63	$ 4,861,236.51
Disbursements			$ 898,792.85	$ 609,943.52	$ 495,246.29	$ 597,416.71	$ 623,759.55	$ 779,355.43	$ 670,373.09	$ 583,504.31	$ 822,266.19	$ 434,074.51	$ 701,044.99	$ 578,061.85	$ 7,793,839.29
Ending Cash			**$ 6,677,203.81**	**$ 6,846,310.16**	**$ 6,969,203.46**	**$ 6,793,043.32**	**$ 6,826,706.21**	**$ 6,900,024.48**	**$ 6,710,590.12**	**$ 6,458,193.01**	**$ 6,514,068.81**	**$ 6,617,993.08**	**$ 6,980,807.01**	**$ 7,152,257.79**	**$ 7,152,257.79**
Less: Encumbrances			722,442.37	895,118.48	833,616.39	791,769.17	619,378.28	752,764.39	667,923.51	622,775.37	449,912.12	366,963.99	239,468.24	217,483.58	217,483.58
Unencumbered Cash Balance			**$ 5,954,761.44**	**$ 5,951,191.68**	**$ 6,135,587.07**	**$ 6,001,274.15**	**$ 6,207,327.93**	**$ 6,147,260.09**	**$ 6,042,666.61**	**$ 5,835,417.64**	**$ 6,064,156.69**	**$ 6,251,029.09**	**$ 6,741,338.77**	**$ 6,934,774.21**	**$ 6,934,774.21**

Exhibit A
Page 6 of 7

Fiscal Year 2017 Fund Overview
Period Ending: June 30, 2017

Conservation Fee Fund, Fund 2130

Description	Activity ID	Account	July	August	September	October	November	December
Revenues Received								
Assessment, Oil Proportion 02014, (net SGF)*	503	420100	299,528.96	-238,378.91	229,632.56	759,447.88	274,254.14	282,801.67
Assessment, Natural Gas 02015, (net SGF)*	504	420100	248,064.14	288,759.64	221,590.14	513,069.82	405,425.40	386,389.99
Plugging of Wells, 02011 (Owner or Operator)	505	420100	12,295.84	13,190.88	14,143.02	19,544.98	14,065.72	13,723.12
Injection and Disposal Wells, 02013	506	420100	3,300.00	5,250.00	5,500.00	5,650.00	3,950.00	6,900.00
Ks Surface Owners Notification Act	550	420100	90.00	150.00			300.00	150.00
Land Spreading Permits	551	420100						
Total Source 420100			563,278.94	68,971.61	470,865.72	1,297,712.68	697,995.26	689,964.78
Copy Issuance & Faxing	520	420400	482.60	47.88		80.00	29.20	14.25
Total Source 420400			482.60	47.88	0.00	80.00	29.20	14.25
Operator License, Renewal	510	421110	20,900.00	19,600.00	14,000.00	2,600.00	19,500.00	17,000.00
Operator License, New	511	421110	1,400.00	1,000.00	1,200.00	600.00	900.00	700.00
Rig License, Renewal	512	421110	2,375.00	1,875.00	1,400.00	1,375.00	2,050.00	1,800.00
Rig License, New	513	421110	50.00	150.00	125.00	125.00	200.00	
Residence License, Renewal	514	421110	100.00	275.00	175.00	275.00	225.00	425.00
Residence License, New	515	421110	125.00		100.00	250.00	75.00	125.00
Rig License, Duplicate	516	421110						
Total Source 421110			24,950.00	22,900.00	17,000.00	5,225.00	22,950.00	20,050.00
Financial Assurance	507	421190						
Total Source 421190			0.00	0.00	0.00	0.00	0.00	0.00
Manufactured Products	364	422110						
Total Source 422110			0.00	0.00	0.00	0.00	0.00	0.00
Subscriptions for Commission Reports	521	422200						
Total Source 422200			0.00	0.00	0.00	0.00	0.00	0.00
Salvaged Materials								
Total Source 422500			0.00	0.00	0.00	0.00	0.00	0.00
Sale of Usable Equipment	523	422600	4,960.00			30,400.00		
Total Source 422600			4,960.00	0.00	0.00	30,400.00	0.00	0.00
Fine, Penalties & Forfeitures Adm	535	454090						
Fine, Penalties & Forfeitures	536	454090						
Total Source 454090			0.00	0.00	0.00	0.00	0.00	0.00
Other Miscellaneous Revenue	999	459090						
Total Source 459090			0.00	0.00	0.00	0.00	0.00	0.00
Assessments, Reimbursable (Hearings)	502	462110						
Total Source 462110			0.00	0.00	0.00	0.00	0.00	0.00
Total Source 469010	991	469010	0.00	161.10	0.00	0.00	0.00	0.00
UIC		006736						
Total			0.00	0.00	0.00	0.00	0.00	0.00
Total Gross Receipts			593,671.54	92,080.59	487,865.72	1,333,417.68	720,974.46	710,029.03
Transfer In GL Correction		766010						
006735 Correction GL	006735	766010						
Total Transfers In:			0.00	0.00	0.00	0.00	0.00	0.00
Less Transfers Out:								
		766020						
		766020						
Fund 2143 Abandoned Oil Gas Well		766020	-200,000.00			-200,000.00		
Total Transfers Out			-200,000.00	0.00	0.00	-200,000.00	0.00	0.00
Total Net Receipts			393,671.54	92,080.59	487,865.72	1,133,417.68	720,974.46	710,029.03
Period Cash Balances								
Beginning Cash			7,152,257.79	6,694,720.91	6,172,360.01	6,186,887.08	6,758,294.14	6,707,030.11
Plus: Net Receipts			$ 393,671.54	$ 92,080.59	$ 487,865.72	$ 1,133,417.68	$ 720,974.46	$ 710,029.03
Disbursements			$ 851,208.42	$ 614,441.49	$ 473,338.65	$ 562,010.62	$ 772,238.49	$ 666,906.57
Ending Cash			$ 6,694,720.91	$ 6,172,360.01	$ 6,186,887.08	$ 6,758,294.14	$ 6,707,030.11	$ 6,750,152.57
Less: Encumbrances			630,587.90	884,352.65	904,044.64	871,386.60	674,636.21	1,125,247.77
Unencumbered Cash Balance			$ 6,064,133.01	$ 5,288,007.36	$ 5,282,842.44	$ 5,886,907.54	$ 6,032,393.90	$ 5,624,904.80

Description	January	February	March	April	May	June	Year to Date Revenue
Revenues Received							
Assessment, Oil Proportion 02014, (net SGF)*	223,091.60	-94,743.58	233,237.23	303,045.70	267,317.69	269,435.56	2,808,670.50
Assessment, Natural Gas 02015, (net SGF)*	240,590.27	-187,396.57	253,934.89	222,563.01	278,513.12	221,989.33	3,093,493.18
Plugging of Wells, 02011 (Owner or Operator)	14,763.44	15,469.87	15,710.62	11,473.18	18,695.56	7,069.11	170,145.34
Injection and Disposal Wells, 02013	4,550.00	2,800.00	5,000.00	3,750.00	5,150.00	4,750.00	56,550.00
Ks Surface Owners Notification Act	30.00	150.00	480.00		150.00		1,500.00
Land Spreading Permits							0.00
Total Source 420100	483,025.31	-263,720.28	508,362.74	540,831.89	569,826.37	503,244.00	6,130,359.02
Copy Issuance & Faxing		14.25	386.00	48.75	5.50		1,108.43
Total Source 420400	0.00	14.25	386.00	48.75	5.50	0.00	1,108.43
Operator License, Renewal	4,200.00	20,400.00	20,625.00	8,400.00	13,325.00	42,100.00	202,650.00
Operator License, New	300.00	500.00	1,000.00	400.00	1,425.00	900.00	10,325.00
Rig License, Renewal	825.00	1,900.00	2,500.00	750.00	1,775.00	4,400.00	23,025.00
Rig License, New	225.00	50.00	175.00	100.00	75.00	1,025.00	2,300.00
Residence License, Renewal	225.00	425.00	300.00	150.00	275.00	150.00	3,000.00
Residence License, New	75.00	75.00	150.00		50.00	25.00	1,050.00
Rig License, Duplicate							0.00
Total Source 421110	5,850.00	23,350.00	24,750.00	9,800.00	16,925.00	48,600.00	242,350.00
Financial Assurance							0.00
Total Source 421190	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Manufactured Products							0.00
Total Source 422110	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subscriptions for Commission Reports							0.00
Total Source 422200	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Salvaged Materials							0.00
Total Source 422500	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of Usable Equipment				17,080.00			52,440.00
Total Source 422600	0.00	0.00	0.00	17,080.00	0.00	0.00	52,440.00
Fine, Penalties & Forfeitures Adm							0.00
Fine, Penalties & Forfeitures							0.00
Total Source 454090	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Miscellaneous Revenue							0.00
Total Source 459090	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Assessments, Reimbursable (Hearings)							0.00
Total Source 462110	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Source 469010	0.00	0.00	0.00	0.00	0.00	0.00	161.10
UIC							0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Gross Receipts	488,875.31	-240,356.03	533,498.74	567,760.64	586,756.87	551,844.00	6,426,418.55
Transfer In GL Correction							0.00
006735 Correction GL							0.00
Total Transfers In:	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less Transfers Out:							
							0.00
							0.00
Fund 2143 Abandoned Oil Gas Well	-200,000.00			-200,000.00			-800,000.00
Total Transfers Out	-200,000.00	0.00	0.00	-200,000.00	0.00	0.00	-800,000.00
Total Net Receipts	288,875.31	-240,356.03	533,498.74	367,760.64	586,756.87	551,844.00	5,626,418.55
Period Cash Balances							
Beginning Cash	6,750,152.57	6,466,666.37	5,662,728.22	5,655,803.85	5,494,827.64	5,340,580.36	7,152,257.79
Plus: Net Receipts	$ 288,875.31	$ (240,356.03)	$ 533,498.74	$ 367,760.64	$ 586,756.87	$ 551,844.00	$ 5,626,418.55
Disbursements	$ 572,361.51	$ 563,582.12	$ 540,423.11	$ 528,736.85	$ 741,004.15	$ 871,325.01	$ 7,757,576.99
Ending Cash	$ 6,466,666.37	$ 5,662,728.22	$ 5,655,803.85	$ 5,494,827.64	$ 5,340,580.36	$ 5,021,099.35	$ 5,021,099.35
Less: Encumbrances	1,092,561.10	960,211.26	828,969.01	784,784.62	1,027,978.15	804,564.99	804,564.99
Unencumbered Cash Balance	$ 5,374,105.27	$ 4,702,516.96	$ 4,826,834.84	$ 4,710,043.02	$ 4,312,602.21	$ 4,216,534.36	$ 4,216,534.36

PUBLIC HEARING
May 24, 2018
10:00 a.m.
Kansas Corporation Commission
1500 SW Arrowhead Rd.
Topeka, Kansas 66604

Regarding K.A.R. 82-3-206 and 82-3-307.

SIGN IN SHEET

NAME	COMPANY	ADDRESS, CITY, STATE, ZIP
See attached sign in - Dated May 24, 2018		

STATE OF KANSAS

CORPORATION COMMISSION
1500 SW ARROWHEAD ROAD
TOPEKA, KS 66604-4027

PHONE: 785-271-3100
FAX: 785-271-3354
http://kcc.ks.gov/

GOVERNOR JEFF COLYER, M.D.
SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

ATTENDEES OF COMMISSION MEETING

HELD ON 24 May, 2018

NAME	ORGANIZATION
LARRY WILKINS	WESTAR
John Cassidy	TMTA
Andy Fry	TMTA
Ed Cross	KIOGA
Ken White	KIOGA
David Bleakley	EKOGA

MEMBERS OF THE PUBLIC ARE NOT PERMITTED TO ADDRESS COMMISSIONERS IN OPEN MEETING

STATE OF KANSAS

CORPORATION COMMISSION
CONSERVATION DIVISION
266 N. MAIN ST., STE. 220
WICHITA, KS 67202-1513

PHONE: 316-337-6200
FAX: 316-337-6211
http://kcc.ks.gov/

GOVERNOR JEFF COLYER, M.D.
SHARI FEIST ALBRECHT, CHAIR | JAY SCOTT EMLER, COMMISSIONER | DWIGHT D. KEEN, COMMISSIONER

May 24, 2018

Good morning. As the Chair indicated, my name is Ryan A. Hoffman and I am the Director of the Conservation Division for the Kansas Corporation Commission. This morning I am going to provide information on two proposed regulatory amendments to increase the mills assessed on the production of oil and natural gas. First, I will briefly discuss the need for increases. Then, I will provide information on the Commission's process for developing these proposed regulations. Finally, I will provide a description of each amended regulation. Following the presentation, you will be able to offer your public comments to the Commission.

Before we get underway, I will point out that this public hearing was properly noticed in the March 22, 2018 Kansas Register in accordance with the Rules and Regulations Filing Act.

While working the two-year budgeting process, Commission staff determined the recent decline in production and resulting decreased revenue would result in a negative balance in the Conservation Fee Fund (CFF) during Fiscal Year 2020. There were several factors that led to the pending budgetary shortfall, the decrease in production associated with depressed commodity prices, legislative transfers out of the CFF, and legislation that amended the funding structure for plugging abandoned wells.

Beginning in Fiscal Year 2016, $3 million was transferred from the CFF to the State General Fund. Concurrently, the 2015 Legislature passed HB 2231 as Amended by the Senate Committee which in part, changed the funding mechanism for plugging legacy abandoned wells. The legislation removed Water Plan funds the funding structure and doubled, from $400,000 annually to $800,000 annually, the amount of money transferred from the CFF to the Abandoned Well Plugging Fund. At the time of the transfer and statutory amendment to the Abandoned Well Plugging Fund, it seemed as though these actions may be absorbable due to the recent increases in production associated with high oil prices and horizontal drilling that occurred from calendar year 2012 through 2014; however, actual revenues from production declined by 14.1 % in Fiscal Year 2016 and 11.6% in Fiscal Year 2017. The sweep and amended funding structure for plugging abandoned wells, when considered in the context of the dramatic production revenue declines of Fiscal Year 2016 and Fiscal 2017, help provide context to the current shortfall situation.

In order to avoid a negative balance in the CFF, Staff determined it was necessary to increase the mills on the production of oil and natural gas. This determination was based on several assumptions, primarily that oil and gas production would continue to decline by 6% each year and spending from the CFF would remain essentially flat at FY 2017 levels until FY 2020. Staff called a special Oil and Gas Advisory Committee (Advisory) meeting on November 1, 2017 to discuss this potential change to the regulations and receive feedback from its membership. During the discussion Advisory members made requests for more information from staff and requested follow-up meetings be scheduled to discuss potential alternative mill increases and time to explore other viable plans of action. At a follow-up meeting, Staff requested feedback regarding six different mill scenarios. The scenarios evaluated different production decline rates and mill increases based on the various production declines. The scenarios also included an option with a 2% spending decrease. The Kansas Independent Oil and Gas Association and the Eastern Kansas Oil and Gas Association (Industry) provided a joint recommendation that is attached to my written comments. Staff held a teleconference to gather any final recommendations from the Advisory prior to this public hearing. The Advisory recommended they recognized the need for the increase, with the Industry representatives expressing concerns over the amount of increase and concerns regarding future legislative sweeps if the CFF balance grew so large as to be a target.

K.A.R. 82-3-206. Oil conservation assessment. The proposed amendment makes only one substantive change, increasing the mill charged against each barrel of crude oil marketed or used from 91.00 to 144.00. There are also a few technical changes, which do not substantively affect the meaning of the regulation.

K.A.R. 82-3-307. Gas conservation assessment. The proposed amendment makes only one substantive change, increasing the mill charged against each 1,000 cubic feet of gas sold or marketed from 12.90 to 20.50. There are also a few technical changes, which do not substantively affect the meaning of the regulation.

December 20, 2017

Mr. Ryan Hoffman
Director, Conservation Division
Kansas Corporation Commission
266 N. Main Suite 220
Wichita, KS 67202-1513

Dear Ryan:

As KIOGA and EKOGA representatives on the Oil and Gas Advisory Committee, we are writing in response to your notice to producers and operators identifying a need to increase funding for the Conservation Division of the KCC. We commend you and your staff for being forthright in providing us with your economic projections and your operating expenses. We realize that the Conservation Division is adjusting their operating expenses in light of the decline in revenue from the Conservation Fee Fund. We also recognize the need to raise Conservation Division funding to avoid potential funding shortfalls in FY 2019 and FY 2020. However, the increase in fees by approximately 60% on natural gas and oil is considered to be an extreme measure.

We have reviewed the Conservation Division staff budgetary assumptions and projections as well as several analogous projections from the industry for the proposed oil and gas mill levy changes. We appreciate your consideration of the assumptions and projections offered to you by the industry which considers the statewide decline in oil and gas production and its effect on the mill levies. We have also reviewed the handouts and e-mails sent to the Advisory Committee at its special meeting on November 1, 2017. After considering the information received from your staff and the industry's projections for oil and gas prices and anticipated general activity levels for the industry in 2018 thru 2020, attached you will find the industry's mill levy increase proposal and the following is our justification and reasoning.

In essence, the industry's justification and reasoning for our proposed mill levy increase is predicated on four major factors:

1. The price for oil seems to have currently stabilized and appears to be gradually increasing. The projected price for natural gas is more difficult to determine, however most analysts seem to project a slight increase in gas prices over the next three years. With higher prices, there will be increased activity that should stabilize production declines well below the declines originally proposed by the KCC. Our proposal contains a 2% decline projection for oil production and a 4% decline projection for gas production.
2. Other Income (licenses, renewal etc.) collected by the Conservation Division has actually increased from 2016 to 2017. However, we utilized a 2% decline

notwithstanding the possibility that this income could increase if higher prices result in increased near term activity.

3. The Conservation Division staff and industry both believe that the industry going forward will likely shrink in size regardless of oil and gas price trends. As a result, the probability exists that fewer wells will be drilled and that overall industry activity will be reduced. These probabilities should be anticipated in future budgets for the Conservation Division. Given this shared concern, it is most important in future years that the industry remains intimately involved in assisting the Conservation Division in its budgetary process.

4. Per the Conservation Division's assumptions in the handout provided at the special advisory meeting, the Conservation Division expenditures remain flat from FY2017 thru FY2020. Accordingly, the industry's revenue models have not factored in any expenditure declines for FY2019 and FY2020 for the Conservation Division. However, the industry believes that the Conservation Division should continue to find additional spending cuts to aid in reaching the necessary forecasted yearend balances.

5. Historically, natural gas has a steeper decline than oil. Also, natural gas prices vary significantly across the state, greater than oil prices. Prices can vary as much as $1.00 per MCF due to Btu content and pipeline economics. Therefore, such a large increase in the fee fund on natural gas could create a large penalty for small volume wells with low Btu contents and could be the tipping point for profitability for some gas wells. In addition, severance tax on natural gas is determined on gross receipts.

The industry utilizes a working group that consults annually with the Department of Revenue to provide its insights regarding the future price trends for oil and gas for ad valorem taxation purposes. We believe an analogous committee would be helpful to provide for industry input into annual budgetary issues effecting the Conservation Division. A Finance Subcommittee of the Oil and Gas Advisory Committee could be a proper format for such industry input.

We have appreciated this opportunity to review and comment on the Conservation Division's budgetary proposals -- most prominently including its proposals to raise fee fund revenues for FY2019 and FY2020. Low oil and gas prices for the past few years have adversely impacted the industry. Salary cuts and layoffs have been the norm for Kansas operators as they have struggled to reduce expenditures commensurate with their reduced revenues. In future years it will be important for the Conservation Division to continually review their own operations and in a similar fashion find ways to streamline their efforts and reduce expenditures. We appreciate the opportunity to assist the Conservation Division in attaining that goal.

Sincerely,

Jon M. Callen, KIOGA representative

David P. Bleakley, EKOGA representative

	Gas		Oil	
	New Mill Levy	Mill increase No. / Pct.	New Mill Levy	Mill increase No. / Pct.
4% gas decline 2% oil decline 2% other income decline	17.4	4.5/35.%	123	32/35%

INDUSTRY PROJECTED REVENUE

	FY2017 Actuals (7/1/16-6/30/17)	FY2018 Estimate (7/1/17-6/30/18)	FY2019 Estimate (7/1/18-6/30/19)	FY2020 Estimate (7/1/19-6/30/20)
	Assumes 50% of 1st yr & 100% from 2nd	Assume 4% gas / 2% oil Decline	Assume 4% gas / 2% oil Decline	Assume 4% gas / 2% oil Decline
	233,414,040	224,077,478	215,114,379	206,509,804
	37,054,110	36,313,028	35,586,767	34,875,032
		Current Mill Levy 12.9 Gas / 91 Oil	New Mill Levy 17.4 Gas / 122 Oil	New Mill Levy 17.4 Gas / 122 Oil
	$ 3,011,041	$ 2,890,599	$ 3,742,990	$ 3,593,271
	$ 3,371,924	$ 3,304,486	$ 4,377,172	$ 4,289,629
	$ 6,382,965	$ 6,195,085	$ 8,120,163	$ 7,882,900
Other Income		$ 525,000	$ 514,500	$ 504,210
TOTAL		**$ 6,720,085**	**$ 8,634,663**	**$ 8,387,110**

April 7, 2018
Re: Public comments on docket 18-CONS-3282-CINV

Description:
The Kansas Corporation Commission will consider proposed changes to rules and regulations regarding the mill charged for crude oil or petroleum and gas. The existing regulations assess a charge of 91.00 mills on each barrel of crude oil or petroleum marketed or used each month and a charge of 12.90 mills on each 1,000 cubic feet of gas sold or marketed each month. The proposed amendments would result in assessments of charges of 144.00 mills and 20.50 mills, respectively.

These are the parameters that were submitted:

Name: Vicky J Arnold
Address: 320 Hulett Street
City: Fort Scott
State: KS

Customer:
Opinion: Opposed

Im writing, again, to oppose the proposed rate increases. I know my opinion really doesnt matter as I have voiced my opinions in years past and ONLY once has the rates been denied or postponed. Our incomes dont go up but the energy rates go ip and get approved. Only wish I could just ask for a pay increase and it be granted. I feel like energy companies scam us no way for us to know their real costs vs what were charged and theres nithing ee can control. My rant is iver now....fir all the goid it will do.

Kansas Corporation Commission
Comments on docket 18-CONS-3282-CINV
20180407170103_11 - 108018

May 2, 2018
Re: Public comments on docket 18-CONS-3282-CINV

Description:
The Kansas Corporation Commission will consider proposed changes to rules and regulations regarding the mill charged for crude oil or petroleum and gas. The existing regulations assess a charge of 91.00 mills on each barrel of crude oil or petroleum marketed or used each month and a charge of 12.90 mills on each 1,000 cubic feet of gas sold or marketed each month. The proposed amendments would result in assessments of charges of 144.00 mills and 20.50 mills, respectively.

These are the parameters that were submitted:

Name: Donald L Robidoux
City: Hiawatha
State: KS
Zip Code: 66434

Customer:
Opinion: Opposed

NO MORE TAXES!!!! The taxes are already too high.

Kansas Corporation Commission
Comments on docket 18-CONS-3282-CINV
20180502171534_612 - 108201

Kansas Corporation Commission Hearing on Proposed Conservation Fee Fund Increase
May 24, 2018
Testimony of Kenneth S. White, President of White Exploration, Inc., Wichita Kansas
Chairman of the Kansas Independent Oil and Gas Association (KIOGA)

When we first started discussing a potential increase in the Conservation Fee Fund in November of 2017 we were given an assumption that oil sales and gas production would continue to decline 6% per year for multiple years

We were also given the assumption that for FY 2020 the Conservation Division would need $8.45 million per year, net of transfers and other revenues. That number was ultimately revised upward to $8.89 million with very little explanation.

Applying the 6% decline to gas left FY 2020 estimated gas production at 192,043,480 MCF. Applying the 6% annual decline to oil, left FY 2020 Oil Sales to 30,243,225 Bbls or 82,858 Barrels of oil per day.

The situation with natural gas is more difficult to figure due to extremely depressed natural gas prices and continued upward pressure on pipeline gathering fees so the 6% annual decline may be appropriate, however it is extremely possible that this decline will stabilize.

Representatives of KIOGA, EKOGA and other industry members associated with this discussion have argued that the KCC's insistence on using a 6% annual decline for oil production is not accurate. Our position has always been that as oil prices increase, we would see the decline curve for daily oil production in the state flatten out or even increase. The recently released data for January 2018 supports this opinion.

The attached graph titled "Kansas Monthly Oil Sales and CHS Kansas Common Posted Price" illustrates the relationship between the posted price for oil and the barrels of oil sold per month. The recently released sales number for January 2018 shows that oil sales for that month are actually 13.5% higher than January of 2017 and 19.6% higher than December 2017. With the figures on this graph, it is impossible to even imagine a 6% annual decline in oil sales, unless we experience a catastrophic drop in oil prices.

The attached graph titled "Oil Bbls Per Day, June 2016 – January 2018" further illustrates that the KCC's 6% decline for oil cannot be anticipated. . Neither of these graphs nor any numbers that I can put together illustrate that FY 2020 oil sales will only be 82,858 barrels of oil per day as projected by the KCC.

Instead of continually arguing about a percentage decline, I think both of these graphs illustrate that Kansas oil production appears to hover around 100,000 barrels per day, more or less, and this is what should be used in the formula to plan any needed increases in the Conservation Fee Fund. Prior to 2017, you have to go back to 2006 to find daily production below 100,000 barrels of oil per day and even in the lean years of the early 2000's we did not experience a sustained 6% annual decline. The large increase in oil sales for January 2018 up to 109,969 barrels of oil per day can be explained by increased oil prices, increased drilling, and starting up existing wells that had been unprofitable at the oil prices seen before the fall of 2017. This is what we predicted and we expect further increases in oil production this year. As I prepare this testimony, the CHS Posted Price for May is over $4.00 more than the price shown for April 2017 of $56.55. It would not surprise me at all if the oil sales for 2018 are significantly higher than 2017; an incline instead of a decline.

The following spreadsheets use the assumptions that natural gas production does decline at 6% per year. The illustration using oil at 100,000 barrels of oil per day shows that a 49.8% increase in the Mill Levy is adequate to cover the $8.89 million needed, and the Staff proposal of 58% is excessive

Oil @ 100,000 BPD, Gas w/6% Decline			Current Mill Levy	Staff Proposal 58% Increase	49.80% Increase
Oil	36,500,000	0.091	$ 3,321,500.00	$ 5,247,970.00	$ 4,975,607.00
Gas	202,713,568	0.0129	$ 2,615,005.03	$ 4,131,707.94	$ 3,917,277.53
			$ 5,936,505.03	$ 9,379,677.94	$ 8,892,884.53

If you increase the oil production up to 102,000 barrels of oil per day, the increase to the Mill Levy only needs to be 48.1%.

Oil @ 102,000 BPD, Gas w/6% Decline			Current Mill Levy	Staff Proposal 58% Increase	48.10% Increase
Oil	37,230,000	0.091	$ 3,387,930.00	$ 5,352,929.40	$ 5,017,524.33
Gas	202,713,568	0.0129	$ 2,615,005.03	$ 4,131,707.94	$ 3,872,822.45
			$ 6,002,935.03	$ 9,484,637.34	$ 8,890,346.78

And if you increase oil production to 104,000 barrels of oil per day, a 47.5% increase in the Mill Levy will cover the $8.89 million

Oil @ 104,000 BPD, Gas w/6% Decline			Current Mill Levy	Staff Proposal 58% Increase	47.50% Increase
Oil	37,960,000	0.091	$ 3,454,360.00	$ 5,457,888.80	$ 5,095,181.00
Gas	202,713,568	0.0129	$ 2,615,005.03	$ 4,131,707.94	$ 3,857,132.42
			$ 6,069,365.03	$ 9,589,596.74	$ 8,952,313.42

So the bigger question is the $8.89 million that is projected to be needed. We have not been provided with near enough data to show how this number was calculated. From a personal standpoint and from other industry members that I have spoken with, we do not see our overhead and expenses rising at the rate the Conservation Division illustrates over the next few years. In other words, we still feel that the $8.89 million needed for FY 2020 can be reduced.

The next illustration shows that a 5% reduction in the money needed to $8.45 million at 100,000 barrels per day. That illustration shows that the increase in the Mill Levy can be increased 42.5% to cover that.

Expenses Redued 5% to $8.455 million				Staff Proposal	42.50%
Oil @ 100,000 BPD, Gas w/6% Decline			Current Mill Levy	58% Increase	Increase
Oil	36,500,000	0.091	$ 3,321,500.00	$ 5,247,970.00	$ 4,733,137.50
Gas	202,713,568	0.0129	$ 2,615,005.03	$ 4,131,707.94	$ 3,726,382.16
			$ 5,936,505.03	$ 9,379,677.94	$ 8,459,519.66

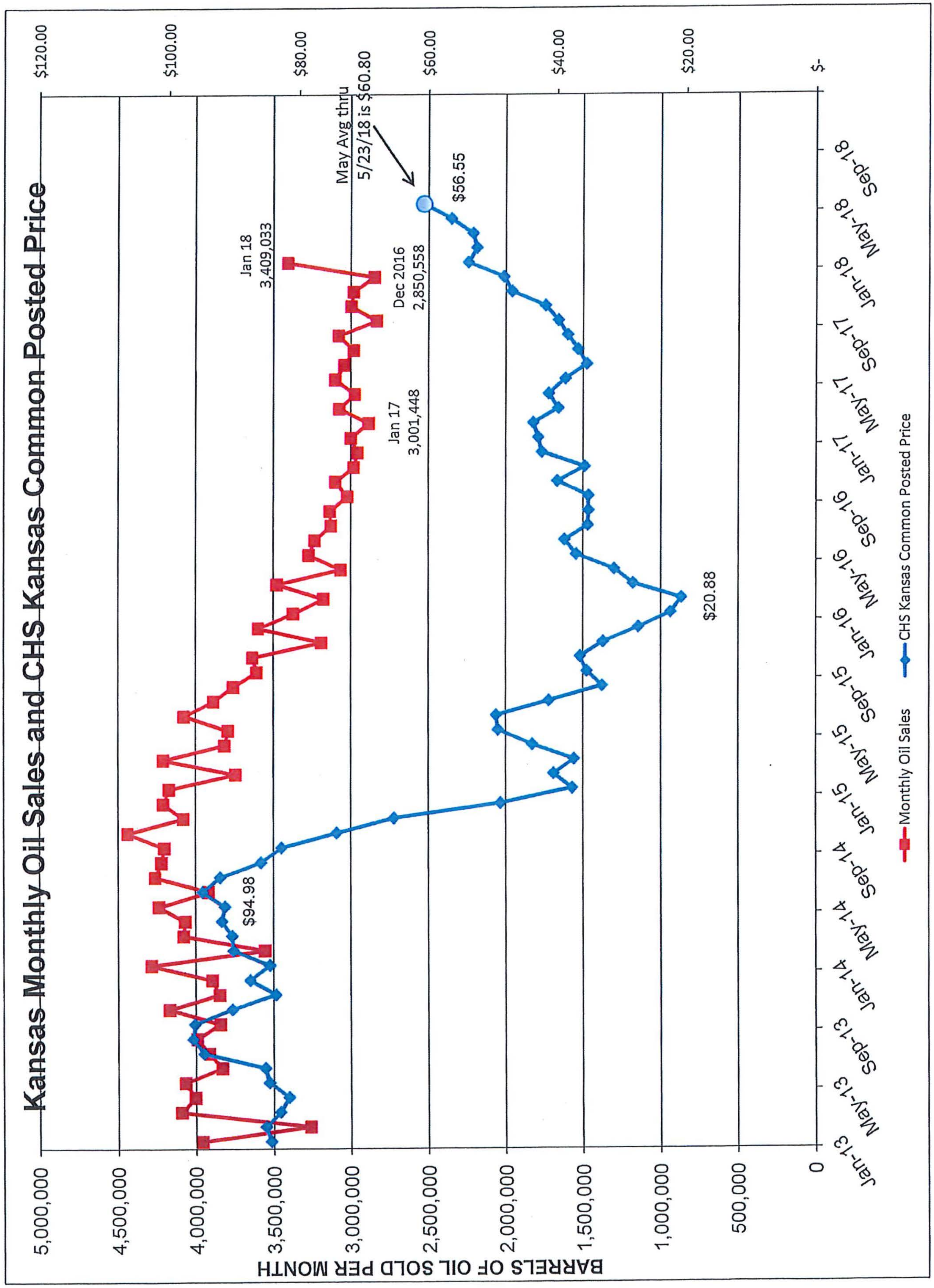
KIOGA and EKOGA originally submitted a proposal for a 35% increase and we feel that number is still attainable. The last illustration shows that if the Conservation Division can reduce expenses by only 10%, the 35% increase will supply the needed revenue

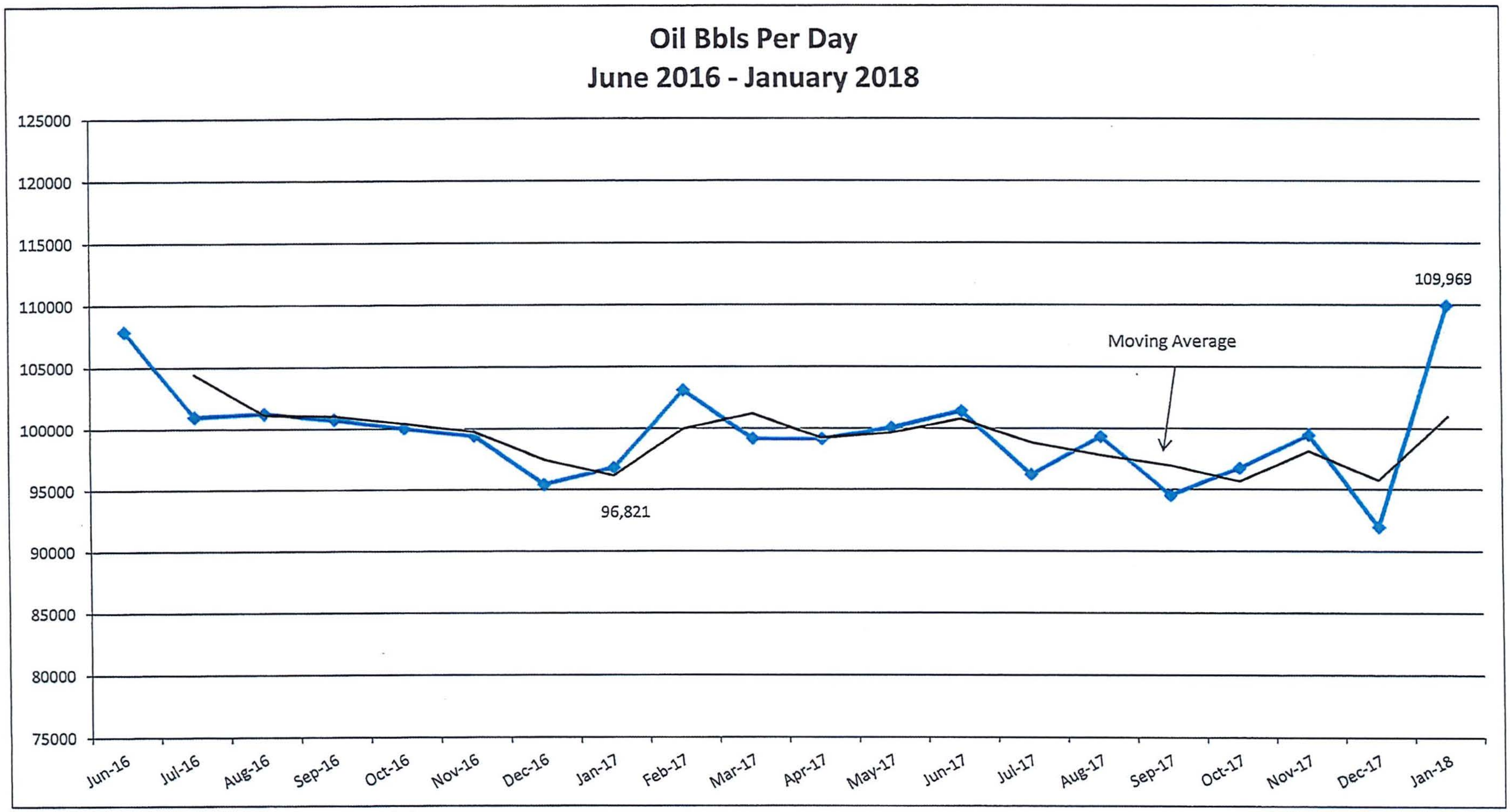
Expenses Redued 10% to $8.010 million				Staff Proposal	34.94%
Oil @ 100,000 BPD, Gas w/6% Decline			Current Mill Levy	58% Increase	Increase
Oil	36,500,000	0.091	$ 3,321,500.00	$ 5,247,970.00	$ 4,482,032.10
Gas	202,713,568	0.0129	$ 2,615,005.03	$ 4,131,707.94	$ 3,528,687.78
			$ 5,936,505.03	$ 9,379,677.94	$ 8,010,719.88

We could spend a considerable amount of time discussing whether or not the Conservation Division has done enough to cut their expenses, but we do not have enough detailed information to offer specific advice. Industry's opinion is that more can be done. We are excited to hear about improvements to KOLAR that could cut the Conservation Division's costs but we also feel that there are staffing issues that need to be addressed, and other cost saving measures that could be adopted. We have also had numerous discussions about the fees getting swept away by the state and we need to work together to insure that this does not happen again.

The bottom line here, about six months after this discussion started, is that the KCC's projected 6% annual decline for oil sales, continuing for a prolonged period of time, cannot be supported by the production levels that we currently are experiencing.

I would especially like to thank the commission for allowing industry to have a voice in this discussion.


Kansas Monthly Oil Sales and CHS Kansas Common Posted Price
BARRELS OF OIL SOLD PER MONTH
5,000,000
4,500,000
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
$120.00
$100.00
$80.00
$60.80
$60.00
$40.00
$20.00
$-
Jan-13
May-13
Sep-13
Jan-14
May-14
Sep-14
Jan-15
May-15
Sep-15
Jan-16
May-16
Sep-16
Jan-17
May-17
Sep-17
Jan-18
May-18
Sep-18
$94.98
$20.88
Jan 17
3,001,448
Dec 2016
2,850,558
Jan 18
3,409,033
May Avg thru
5/23/18 is $60.80
$56.55
Monthly Oil Sales
CHS Kansas Common Posted Price



Oil Bbls Per Day
June 2016 - January 2018
125000
120000
115000
110000
105000
100000
95000
90000
85000
80000
75000
109,969
Moving Average
96,821
Jun-16
Jul-16
Aug-16
Sep-16
Oct-16
Nov-16
Dec-16
Jan-17
Feb-17
Mar-17
Apr-17
May-17
Jun-17
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18

KCC Hearing on the Mill levy increase for the Conservation Division May 24, 2018

David Bleakley, Regulatory Chairman for the Eastern Kansas Oil and Gas Association (EKOGA) and member of the KCC Oil and Gas Advisory Committee.

First of all I would Thank you for allowing the industry to be involved in this budgetary process this year and making our involvement permanent going forward in future years. We have been working with the PVD property tax Division for many years now giving industry's input and position on prices for both oil and natural gas and equipment values that we believe has been very beneficial to the process.

Concerns the Industry has about the increase in the CFF.
We agree that given the current budgetary shortfall for the KCC Conservation Division that and increase is needed. To what degree given the rising price of oil and what we see as a smaller if not flattening of the decline of the production of oil in the state.

1. 3 Million Dollar sweep of the CFF is a major concern. We would like to work with the KCC to either combine the plugging funds and cap those to minimize the potential risk in the future of being sweep again.

2. We want to make sure that the number given in the future is a solid number that we are working with to arrive at a budget to achieve that number. 1st $8.45 mill and later $8.89 mill.

3. Continue to find cost savings methods and ideas for the Conservation Division thru automation and other efficiencies working with the industry.

4. The industry short of another major oil or gas discovery is going to shrink and planning for this event will need to be taken into consideration.

Thank you for your time and the industry looks forward to working with the KCC Conservation Division annually on this budget process.

David Bleakley, Regulatory Chairman

Eastern Kansas Oil and Gas Association (EKOGA)

<u>**KANSAS CORPORATION COMMISSION**</u>

<u>**CERTIFICATE OF ADOPTION**</u>

I hereby certify that the State Corporation Commission of the State of Kansas, by unanimous roll call vote on May 24, 2018, adopted as amended regulations K.A.R. 82-3-206 and K.A.R. 82-3-307. Both of these regulations were adopted as permanent regulations.

K.A.R. 82-3-206 and K.A.R. 82-3-307 are hereby filed for adoption. The Economic Impact Statement, Notice of Public Hearing, Ryan Hoffman's Public Hearing Testimony, the comment from the Joint Committee on Administrative Rules and Regulations, and all additional comments to the regulations, are enclosed.

Roll Call Vote:

Chair Shari Feist Albrecht	yes
Commissioner Jay Scott Emler	yes
Commissioner Dwight D. Keen	yes

Lynn M. Retz

Lynn M. Retz
Secretary to the Commission

24 May 2018

Date

I CERTIFY THE ORIGINAL COPY IS ON FILE WITH The State Corporation Commission

MAY 24 2018

Kansas Register

Kris W. Kobach, Secretary of State

Vol. 37, No. 22 May 31, 2018 Pages 553-598

In this issue ... Page

Exhibit E
Page 1 of 2

desirable over purchasing and adding the responsibility of ongoing maintenance. In addition, this veto prevents an increase in the state's outstanding debt. The funds used for debt service of the bonds to purchase the facility were to be financed from the State Highway Fund. As a result of this veto, the State Highway Fund will have an additional $300,000 for highway projects.

Dated May 15, 2018.

Jeff Colyer, M.D.
Governor of Kansas

State of Kansas

Corporation Commission

Permanent Administrative Regulations

Article 3.—PRODUCTION AND CONSERVATION OF OIL AND GAS

82-3-206. Oil conservation assessment. In order to pay the conservation division expenses and administration costs not otherwise provided for, an oil conservation assessment shall be made as follows:

(a) A charge of 144.00 mills on each barrel of crude oil or petroleum marketed or used each month shall be assessed to each producer. The charge and assessment shall apply only to the first purchase of oil from the producer.

(b) Each month, the first purchaser of the production shall perform the following:

(1) Deduct the assessment per barrel of oil marketed or used from the lease before paying for production;

(2) remit the assessment in a single check to the conservation division when making regular oil payments; and

(3) account for the deductions on the regular payment statements to producers, royalty owners, and other interested persons. (Authorized by K.S.A. 2017 Supp. 55-152; implementing K.S.A. 2017 Supp. 55-176; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended May 1, 1986; amended April 23, 1990; amended Dec. 6, 1993; amended Nov. 15, 1996; amended June 1, 2001; amended Dec. 22, 2006; amended June 15, 2018.)

82-3-307. Gas conservation assessment. In order to pay the conservation division expenses and other costs in connection with the administration of the gas conservation regulations not otherwise provided for, an assessment shall be made as follows:

(a) A charge of 20.50 mills shall be assessed on each 1,000 cubic feet of gas sold or marketed each month. The assessment shall apply only to the first purchaser of gas.

(b) Each month, the first purchaser of the production shall perform the following:

(1) Before paying for the production, deduct an amount equal to the assessment for every 1,000 cubic feet of gas produced and removed from the lease;

(2) remit the amounts deducted, in a single check if the purchaser desires, to the conservation division when the purchaser makes regular gas payments for this period; and

(3) show all deductions on the regular payment statements to producers, royalty owners, and other interested persons.

(c) The assessment established by the commission shall not apply to gas that is being returned to the ground for repressuring purposes within the field, but shall apply to gas that is produced and removed from the lease and returned to the ground for storage purposes. (Authorized by K.S.A. 2017 Supp. 55-152; implementing K.S.A. 2017 Supp. 55-176; effective, T-83-44, Dec. 8, 1982; effective May 1, 1983; amended April 23, 1990; amended Aug. 19, 1991; amended Dec. 6, 1993; amended Nov. 15, 1996; amended June 1, 2001; amended Dec. 22, 2006; amended June 15, 2018.)

Lynn Retz
Secretary to the Commission

Doc. No. 046350

State of Kansas

Department of Agriculture

Permanent Administrative Regulations

Article 6.—CERTIFICATE OF FREE SALE

4-6-3. Certificate of free sale; fees. (a) Each person requesting a certificate of free sale shall pay a $25.00 fee for processing and a $3.00 fee for each duplicate certificate.

(b) No additional fee shall be charged if the certificate of free sale is sent by first-class U.S. mail to an address in the continental United States. The person requesting the certificate of free sale shall pay the actual costs for delivery of the certificate in any other manner or to any other address.

(c) Except as specified in subsection (d), all fees and costs shall be due upon issuance of the certificate of free sale.

(d) Issuance of a certificate of free sale may be refused by the secretary until payment of all fees and costs is received. (Authorized by and implementing K.S.A. 2017 Supp. 74-5,100; effective Jan. 1, 2009; amended June 15, 2018.)

Article 28.—FOOD SAFETY

4-28-5. Fees; food processing plant. Each food processing plant shall be licensed by the secretary.

(a) Each person operating or intending to operate a food processing plant shall submit an application on a form supplied by the department with one of the following pairs of application fees and license fees based on the size and type of the plant, as applicable:

(1) For each food processing plant that only stores food, one of the following fees:

(A) Less than 1,000 square feet: $150 application fee and $160 license fee;

(B) 1,000 square feet through 5,000 square feet: $200 application fee and $175 license fee;

(C) 5,001 square feet through 10,000 square feet: $250 application fee and $250 license fee;

(D) 10,001 square feet through 50,000 square feet: $300 application fee and $300 license fee; or

(E) more than 50,000 square feet: $350 application fee and $350 license fee; and

(2) for each food processing plant not specified in paragraph (a)(1), one of the following fees:

Exhibit E
Page 2 of 2

<u>CERTIFICATE OF SERVICE</u>

18-CONS-3282-CINV

I, the undersigned, certify that the true copy of the attached Status Update and Motion to Close Docket has been served to the following parties by means of first class mail and electronic service on <u>June 18, 2018</u>.

Tom Black
10166 Lake Road
Pratt, KS 67214

TIM BOESE
Equus Beds Groundwater Mgmt. Dist. #2
313 Spruce Street
Halstead, KS 67056

KENNY CARTER
ADV. COMM. MEM., SWKROA AND EKROA
PO BOX 295
FREDONIA, KS 66736
kennycarter@embarqmail.com

Mike Dealy
Kansas Geological Survey
4150 W. Monroe Street
Wichita, KS 67209-1261

MICHAEL DUENES, ASSISTANT GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
m.duenes@kcc.ks.gov

RYAN HOFFMAN, DIRECTOR OF CONSERVATION DIVISION
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 785-271-3354
r.hoffman@kcc.ks.gov

LAUREN WRIGHT, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
l.wright@kcc.ks.gov

DAVID BLEAKLEY, EKOGA REPRESENTATIVE
EASTERN KANSAS OIL AND GAS ASSOCIATION
PO BOX 678
TOPEKA, KS 66601-0678
dpbleakley@msn.com

JON CALLEN
KANSAS INDEPENDENT OIL AND GAS ASSOCIATION
125 N MARKET STE 1420
WICHITA, KS 67202

Mike Cochran
Kansas Department of Heath and Environment
1000 SW Jackson Street Suite 420
Topeka, KS 66612

OIL & GAS ADVISORY COMMITTEE MEMBER OR
LEGAL SECTION DIVISION OF WATER RESOURCES
KANSAS DEPARTMENT OF AGRICULTURE
900 SW JACKSON ROOM 456
TOPEKA, KS 66612

Kent Eckles
Kansas Petroleum Council
800 SW Jackson Street Suite 1005
Topeka, KS 66612

Diane Knowles
Kansas Water Office
900 SW Jackson Street Suite 404
Topeka, KS 66612

JONATHAN R. MYERS, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
Conservation Division
266 N. Main St. Ste. 220
WICHITA, KS 67202-1513
Fax: 316-337-6211
j.myers@kcc.ks.gov

/s/ Paula J. Murray
Paula J. Murray