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# McGOWN

## DRILLING, INC.

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**Kansas House of Representatives  
Appropriations Committee  
Testimony of Chris M. McGown  
February 13, 2020**

- I. Chairman Waymaster & committee members; thank you for the opportunity to testify on behalf of the legislation advanced by the Kansas Corporation Commission – HB2534 & HB2536
  
- II. I am involved in nearly every facet of the Kansas oil and gas business –
  - a. McGown Drilling, Inc. - Oil producer and drilling contractor in Eastern Kansas;
  - b. Hurricane Services, Inc. – in charge of operations for Kansas’ largest oilfield service company with over 130 employees;
  - c. EKOGA – Current President of the Eastern Kansas Oil and Gas Association, an association of over 200 members involved in our industry in the Eastern 1/3 of Kansas; and
  - d. Member of the Kansas Bar Association – practice solely focused on oil and gas related issues
  
- III. I am here today in support of the bills advanced by the Kansas Corporation Commission and encourage their passage by this committee and the entire legislature.
  - a. The bills advanced by the KCC are a significant step forward for industry operational clarity, certainty, and efficiency.
  - b. Industry is in favor of increased certainty and efficiency; given all the unknowns we deal with in drilling for an unseen target, we do not want regulatory uncertainty. Knowing who is responsible for plugging wells, and the money earmarked for plugging is going to be used in that manner is a positive for all involved in our industry.
  
- IV. Our industry is unique – our operators fund our regulators, the KCC
  - a. This includes the funds used by the state to plug abandoned wells. Money collected through the fees assessed on oil and gas operators fund the money in the state’s Abandoned Well Plugging accounts at issue in HB2534;
    - i. In other words, Kansas oil and gas producers directly or indirectly pay for every well plugged in our state.
  - b. In 2018, there were over 1100 wells plugged in Eastern Kansas. More than 90% of those were plugged by operators.
    - i. Operators are actively plugging wells on their own accord, they would like to see more of the earmarked money they have paid into the plugging funds to do the same.
  
- V. I commend the KCC for being proactive in working with the industry to address the remediation of abandoned wells;

- a. The KCC has invited industry service contractors to meetings to discuss the bidding process to encourage more contractor participation
  - i. Industry has responded by additional service contractors being approved as preferred vendors –
    1. District 1 – 7 preferred vendors
    2. District 4 – 6 preferred vendors
    3. District 2 – bidding closed January 2020
    4. District 3 – bidding in 2020
- b. The passage of HB2534 will unencumber additional funds that will allow additional wells to be plugged in a more timely and efficient manner – more wells plugged faster and cheaper with industry money that's already earmarked for that purpose is a win for everyone.
- c. Changes to the bidding process will allow problematic wells to be addressed sooner for a lower cost.

**VI.** HB2536 provides needed regulatory certainty for owners / operators

- a. Recent court cases have injected unnecessary uncertainty into everyone's decision making process
- b. Uncertainty has reduced activity in Eastern Kansas – fewer wells were drilled in 2019
  - i. Lower tax revenues from development activities – severance, conservation, sales, property
- c. Failure to pass could result in reduced asset valuations and reduced liquidity for Eastern Kansas operators
- d. Provides additional efficiency to plug abandoned and problematic wells through reimbursement to operators and landowners who are not liable to plug the well, but can be proactive to address the need to fix the well – currently not available to industry stakeholders

**VII.** The industry is supportive of the KCC to be proactive in addressing the issue of plugging wells. We encourage the committee and the legislature to pass the bills to enhance operational clarity, certainty, and efficiency.