

INTERIM JOINT COMMITTEE ON NATURAL RESOURCES AND ENERGY

Minutes of the 5th Meeting of the 2019 Interim

October 1, 2019

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Natural Resources and Energy was held on Tuesday, October 1, 2019, at 3:00 PM, in Room 154 of the Capitol Annex. Representative Jim Gooch Jr., Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Brandon Smith, Co-Chair; Representative Jim Gooch Jr., Co-Chair; Senators C.B. Embry Jr., John Schickel, Reginald Thomas, Johnny Ray Turner, Robin L. Webb, and Phillip Wheeler; Representatives Charles Booker, Adam Bowling, R. Travis Brenda, Randy Bridges, Chris Fugate, Derek Lewis, Suzanne Miles, Josie Raymond, Cherlynn Stevenson, and Rob Wiederstein.

Guests: Charles Snavely, Secretary, Energy and Environment Cabinet (EEC); and Dennis Hatfield, Director, Division of Oil and Gas, EEC.

LRC Staff: Stefan Kasacavage, Janine Coy-Geeslin, Tanya Monsanto, and Susan Spoonamore.

Update on the Implementation of 2019 HB 199 Relating to the Cleanup of Orphan Wells and Abandoned Storage Tanks

Dennis Hatfield stated since 1990, the Division of Oil and Gas (DOG) has operated a well plugging program for orphaned wells that prioritized well closures based on their environmental and safety impact. DOG had limited funding and created a state bid program.

Charles Snavely stated 2019 HB 199 created the Kentucky Abandoned Storage Tank and Orphan Well Reclamation Program (KASTOW) and authorized the use of existing EEC funds for cleanup.

Mr. Hatfield estimated the financial liability for plugging of orphan wells is approximately \$72 million and the financial liability to remove and cleanup abandoned storage tanks is unknown. KASTOW will require reauthorization of funding through the biennial budget process and will need a minimum of \$1.5 million a year.

The degradation of abandoned storage tanks results in leaks of crude oil, bottom sludge, and produced brine water from the site. The leaks cause contamination of soil and water. The abandoned sites reduce property values, limit the use of the land, and impact agriculture.

KASTOW is to be completed in two phases. The first phase involves cleanup of 10 pilot project sites to develop site scope templates for varying tank facility layouts and to gain experience in procedures. The second phase involves grouping cleanups by region.

Mr. Hatfield described the process of tank site reclamation and provided a brief overview of the 10 pilot site projects. The focus of the first year was the cleanup of abandoned storage tanks, and there are plans to expand the orphan well cleanup in the second year if funding is provided in the biennial budget.

In response to a question from Representative Miles, Secretary Snively stated the funding for the projects came from the Equipment Revolving Loan Program within the Division of Conservation. Mr. Hatfield stated the sites are considered abandoned, because there is no identified responsible party. There is a provision for cost-recovery if a responsible party is identified. 2015 SB 186 specified the scope of work for reclamation, but no funding mechanism was provided.

In response to a question from Senator Wheeler, Secretary Snively stated there are many abandoned storage tanks that predate oil and gas well drilling regulations. The oil and gas rights were leased by individuals with mineral rights and not large land holding companies. The oil and gas rights were not severed in the same way as coal rights.

Representative Gooch stated there is a difference in opinion regarding the unmined mineral tax in western Kentucky. The small landowners have mineral rights, but the land may never be mined.

There being no further business, the meeting was adjourned.