GENERAL ASSEMBLY
COMMONWEALTH OF KENTUCKY

2016 REGULAR SESSION

SENATE BILL NO. 188

THURSDAY, MARCH 3, 2016

The following bill was reported to the House from the Senate and ordered to be printed.

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ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY K. Adler

1 AN ACT relating to oil and gas well sites.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 353.510 is amended to read as follows:

4 As used in KRS 353.500 to 353.720, unless the context otherwise requires:

5 (1) "Department" means the Department for Natural Resources;

6 (2) "Commissioner" means the commissioner of the Department for Natural Resources;

7 (3) "Director" means the director of the Division of Oil and Gas as provided in KRS
8 353.530;

9 (4) "Commission" means the Kentucky Oil and Gas Conservation Commission as
10 provided in KRS 353.565;

11 (5) "Person" means any natural person, corporation, association, partnership, receiver,
12 governmental agency subject to KRS 353.500 to 353.720, trustee, so-called
13 common-law or statutory trust, guardian, executor, administrator, or fiduciary of
14 any kind, federal agency, state agency, city, commission, political subdivision of the
15 Commonwealth, or any interstate body;

16 (6) "Correlative rights" means the reasonable opportunity of each person entitled
17 thereto to recover and receive or receive, without waste, the oil and gas in and under
18 or produced from a tract or tracts in which the person owns or controls an interest,
19 or proceeds thereof;

20 (7) "Oil" means natural crude oil or petroleum and other hydrocarbons, regardless of
21 gravity, which are produced at the well in liquid form by ordinary production
22 methods and which are not the result of condensation of gas after it leaves the
23 underground reservoir;

24 (8) "Gas" means all natural gas, including casinghead gas, and all other hydrocarbons
25 not defined in subsection (7) of this section as oil;

26 (9) "Pool" means:

27 (a) An underground reservoir containing a common accumulation of oil or gas or

1 both; or
2 (b) An area established by the commission as a pool.
3 Each productive zone of a general structure which is completely separated from any
4 other zone in the structure, or which for the purpose of KRS 353.500 to 353.720
5 may be so declared by the department, is covered by the word "pool";
6 (10) "Field" means the general area which is underlaid or appears to be underlaid by at
7 least one (1) pool; and "field" includes the underground reservoir containing oil or
8 gas or both. The words "field" and "pool" mean the same thing when only one (1)
9 underground reservoir is involved; however, "field," unlike "pool," may relate to
10 two (2) or more pools;
11 (11) "Just and equitable share of production" means, as to each person, an amount of oil
12 or gas or both substantially equal to the amount of recoverable oil and gas in that
13 part of a pool underlying his tract or tracts;
14 (12) "Abandoned," when used in connection with a well or hole, means a well or hole
15 which has never been used, or which, in the opinion of the department, will no
16 longer be used for the production of oil or gas or for the injection or disposal of
17 fluid therein;
18 (13) "Workable bed" means:
19 (a) A coal bed actually being operated commercially;
20 (b) A coal bed that the department decides can be operated commercially and the
21 operation of which can reasonably be expected to commence within not more
22 than ten (10) years; or
23 (c) A coal bed which, from outcrop indications or other definite evidence, proves
24 to the satisfaction of the commissioner to be workable, and which, when
25 operated, will require protection if wells are drilled through it;
26 (14) "Well" means a borehole:
27 (a) Drilled or proposed to be drilled for the purpose of producing gas or oil;

1 (b) Through which gas or oil is being produced; or
2 (c) Drilled or proposed to be drilled for the purpose of injecting any water, gas, or
3 other fluid therein or into which any water, gas, or other fluid is being
4 injected;
5 (15) "Shallow well" means any well drilled and completed at a depth of six thousand
6 (6,000) feet or less except, in the case of any well drilled and completed east of
7 longitude line 84 degrees 30'; shallow well means any well drilled and completed at
8 a depth of six thousand (6,000) feet or above the base of the lowest member of the
9 Devonian Brown Shale, whichever is the deeper in depth;
10 (16) "Deep well" means any well drilled and completed below the depth of six thousand
11 (6,000) feet or, in case of a well located east of longitude line 84 degree 30', a well
12 drilled and completed at a depth below six thousand (6,000) feet or below the base
13 of the lowest member of the Devonian Brown Shale, whichever is deeper;
14 (17) "Operator" means:
15 (a) For a deep well, any owner of the right to develop, operate, and produce oil
16 and gas from a pool and to appropriate the oil and gas produced therefrom,
17 either for himself or for himself and others. In the event that there is no oil and
18 gas lease in existence with respect to the tract in question, the owner of the oil
19 and gas rights therein shall be considered as ***the royalty***[~~theroyalty~~] owner to
20 the extent of the prevailing royalty in the oil and gas in that portion of the pool
21 underlying the tract owned by the owner, and as operator as to the remaining
22 interest in such oil and gas. In the event the oil is owned separately from the
23 gas, the owner of the right to develop, operate, and produce the substance
24 being produced or sought to be produced from the pool shall be considered as
25 "operator" as to such pool; and
26 (b) For a shallow well, any owner of the right to develop, operate, and produce oil
27 and gas from a pool and to appropriate the oil and gas therefrom, either for

1 himself or herself, or for himself or herself and others. If there is no oil and
2 gas lease in existence with respect to the tract in question, the owner of the oil
3 and gas rights therein shall be considered as operator to the extent of seven-
4 eighths (7/8) of the oil and gas in that portion of the pool underlying the tract
5 owned by the owner, and as a royalty owner as to the one-eighth (1/8) interest
6 in the oil and gas. If the oil is owned separately from the gas, the owner of the
7 right to develop, operate, and produce the substance being produced or sought
8 to be produced from the pool shall be considered as operator as to the pool;
9 (18) "Royalty owner" means any owner of oil and gas in place, or oil and gas rights, to
10 the extent that the owner is not an operator as defined in subsection (17) of this
11 section;
12 (19) "Drilling unit" generally means the maximum area in a pool which may be drained
13 efficiently by one (1) well so as to produce the reasonable maximum oil or gas
14 reasonably recoverable in the area. Where the regulatory authority has provided
15 rules for the establishment of a drilling unit and an operator, proceeding within the
16 framework of the rules so prescribed, has taken the action necessary to have a
17 specified area established for production from a well, the area shall be a drilling
18 unit;
19 (20) "Underground source of drinking water" means those subsurface waters identified
20 as in regulations promulgated by the department which shall be consistent with the
21 definition of underground source of drinking water in regulations promulgated by
22 the Environmental Protection Agency pursuant to the Safe Drinking Water Act, 42
23 U.S.C. secs. 300(f) et seq.;
24 (21) "Underground injection" means the subsurface emplacement of fluids by well
25 injection but does not include the underground injection of natural gas for purposes
26 of storage;
27 (22) "Endangerment of underground sources of drinking water" means underground

1 injection which may result in the presence in underground water, which supplies or
2 can reasonably be expected to supply any public water system, of any contaminant
3 and if the presence of the contaminant may result in the system's not complying
4 with any national primary drinking water regulation or may otherwise adversely
5 affect the health of persons;
6 (23) "Class II well" means wells which inject fluids:
7 (a) Which are brought to the surface in connection with conventional oil or
8 natural gas production and may be commingled with waste waters from gas
9 plants which are an integral part of production operations, unless those waters
10 are classified as a hazardous waste at the time of injection;
11 (b) For enhanced recovery of oil or natural gas; and
12 (c) For storage of hydrocarbons which are liquid at standard temperature and
13 pressure;
14 (24) "Fluid" means any material or substance which flows or moves whether in a
15 semisolid, liquid, sludge, gas, or any other form or state;
16 (25) "Horizontal well" means a well, the wellbore of which is initially drilled on a
17 vertical or directional plane and which is curved to become horizontal or nearly
18 horizontal, in order to parallel a particular geological formation and which may
19 include multiple horizontal or stacked laterals;
20 (26) "Vertical well" means a well, the wellbore of which is drilled on a vertical or
21 directional plane into a formation and is not turned or curved horizontally to allow
22 the wellbore additional access to the oil and gas reserves in the formation;
23 (27) "Prevailing royalty" means the royalty rate or percentage that the commission
24 determines is the royalty most commonly applicable with regard to the tract or unit
25 in the issue. The royalty rate set by the commission shall not be less than one-eighth
26 (1/8) or twelve and one-half percent (12.5%);
27 (28) "Best management practices" means demonstrated practices intended to control site

1 runoff and pollution of surface water and groundwater to prevent or reduce the
2 pollution of waters of the Commonwealth;
3 (29) "Abandoned storage tank facility" means any aboveground storage tank or
4 interconnected grouping of tanks that is no longer being actively used and
5 maintained in conjunction with the production and storage of crude oil or produced
6 water;
7 (30) "Spill prevention, control, and countermeasure structures" means containment
8 structures constructed around a storage facility to contain facility discharges;
9 (31) "Landowner" means any person who owns real property where an abandoned
10 storage tank facility is currently located;
11 (32) "Chemical Abstracts Service" means the division of the American Chemical Society
12 that is the globally recognized authority for information on chemical substances;
13 (33) "Chemical abstracts service number" means the unique identification number
14 assigned to a chemical by the Chemical Abstracts Service;
15 (34) "Chemical" means any element, chemical compound, or mixture of elements or
16 compounds that has its own specific name or identity, such as a chemical abstracts
17 service number;
18 (35) "Chemical disclosure registry" means the chemical registry known as FracFocus
19 developed by the Groundwater Protection Council and the Interstate Oil and Gas
20 Compact Commission. If that registry becomes permanently inoperable, the
21 chemical disclosure registry shall mean another publicly accessible Web site that is
22 designated by the commissioner;
23 (36) "Division" means the Kentucky Division of Oil and Gas;
24 (37) "Emergency spill or discharge" means an uncontrolled release, spill, or discharge
25 associated with an oil or gas well or production facility that has an immediate
26 adverse impact to public health, safety, or the environment as declared by the
27 secretary of the cabinet;

1 (38) "Health professional" means a physician, physician assistant, nurse practitioner,
2 registered nurse, or emergency medical technician licensed by the Commonwealth
3 of Kentucky;
4 (39) "High-volume horizontal fracturing treatment" means the stimulated treatment of a
5 horizontal well by the pressurized application of more than eighty thousand
6 (80,000) gallons of water, chemical, and proppant, combined for any stage of the
7 treatment or three hundred twenty thousand (320,000) gallons in the aggregate for
8 the treatment used to initiate or propagate fractures in a geological formation for the
9 purpose of enhancing the extraction or production of oil or natural gas;
10 (40) "Proppant" means sand or any natural or man-made material that is used in a
11 hydraulic fracturing treatment to prop open the artificially created or enhanced
12 fractures once the treatment is completed;
13 (41) "Total water volume" means the total quantity of water from all sources used in a
14 high-volume hydraulic fracturing treatment;
15 (42) "Trade secret" means information concerning the volume of a chemical or relative
16 concentration of chemicals used in a hydraulic fracturing treatment that:
17 (a) Is known only to the hydraulic fracturing treatment's owners, employees,
18 former employees, or persons under contractual obligation to hold the
19 information in confidence;
20 (b) Has been perfected and appropriated by the exercise of individual ingenuity
21 which gives the hydraulic fracturing treatment's owner an opportunity to retain
22 or obtain an advantage over competitors who do not know the information;
23 and
24 (c) Is not required to be disclosed or otherwise made available to the public under
25 any federal or state law or administrative regulation;~~[and]~~
26 (43) "Cabinet" means the Energy and Environment Cabinet***; and***
27 ***(44) "Stratigraphic test well" means an exploratory borehole drilled for the sole***

1 ***purpose of acquiring subsurface geological and structure test data***.

2 ➔Section 2. KRS 353.570 is amended to read as follows:

3 (1) No person shall drill or deepen a well, ***drill a stratigraphic test well,*** or reopen a
4 plugged well for the production of oil or gas or for the injection of water, gas or
5 other fluid into any oil or gas producing formation (except seismograph test holes)
6 after June 16, 1960, or drill or deepen a water supply well[~~, and geological or~~
7 ~~structure test holes~~] after June 16, 1966, until such person shall obtain a permit from
8 the department, except as provided in KRS 353.730.

9 (2) When any applicant for a permit as required by this section has complied with the
10 provisions of this chapter and all rules and regulations promulgated hereunder, the
11 department shall issue the permit.

12 (3) The department may authorize the commencement of the drilling, deepening or
13 reopening of any well prior to the issuance of a permit therefor; except if the
14 location of the well is known to be underlaid by a coal-bearing stratum and consent
15 of the owner, operator, and lessee of the coal-bearing stratum has not been granted.
16 Consent shall be implied, when the coal-bearing stratum is owned by the oil and gas
17 lessor or lessee, and the coal is not under lease to any third party.

18 ➔Section 3. KRS 353.590 is amended to read as follows:

19 (1) Any person seeking a permit required by KRS 353.570 shall submit to the
20 department a written application in a form prescribed by the department.

21 (2) Each application shall be accompanied by a specified fee as follows:

22 (a) The fee shall be three hundred dollars ($300) for each well to be drilled,
23 deepened, or reopened for any purpose relating to the production,
24 repressuring, or storage of oil or gas, and for each water supply well,
25 observation well, and geological or structure test hole.

26 (b) If the department receives delegation of authority for administration of the
27 underground injection control program under Section 1425 of the Safe

1 Drinking Water Act (Pub. L. 93-523 as amended), the department may, by
2 administrative regulation, establish a fee or schedule of fees in an amount not
3 to exceed fifty dollars ($50) per well, in addition to the fees imposed by
4 paragraph (a) of this subsection, upon each application to drill, deepen, or
5 reopen a well for any purpose relating to the production, repressuring, or
6 storage of oil or gas, and for each water supply well, observation well, and
7 geological or structure test hole. The fees or schedule of fees to be established
8 by administrative regulation shall not exceed an amount sufficient to recover
9 the costs incurred by the department in administering the Underground
10 Injection Control Program less any other state or federal funds which are made
11 available for this purpose.
12 (c) All money paid to the State Treasurer for fees required by paragraph (b) of
13 this subsection shall be for the sole use of the department in the administration
14 of the Underground Injection Control Program under Section 1425 of the Safe
15 Drinking Water Act (Pub. L. 93-523 as amended).
16 (3) Applications for each deep well shall be assessed a fee according to the following
17 schedules:
18 (a) For a vertical deep well:
19 1. With a total vertical depth of seven thousand (7,000) feet or less, the fee
20 shall be five hundred dollars ($500); and
21 2. With a total vertical depth greater than seven thousand (7,000) feet, the
22 fee shall be six hundred dollars ($600); and
23 (b) For a horizontal deep well:
24 1. With a total measured well depth of ten thousand (10,000) feet or less,
25 the fee shall be five thousand dollars ($5,000);
26 2. With a total measured well depth greater than ten thousand (10,000)
27 feet, the fee shall be six thousand dollars ($6,000); and

1 3. Five hundred dollars ($500) for each additional lateral.
2 (4) For a horizontal deep well, each additional deep horizontal well located on the same
3 well pad shall be assessed the following fee:
4 (a) Three thousand dollars ($3,000) for a total measured well depth up to ten
5 thousand (10,000) feet; and
6 (b) Four thousand dollars ($4,000) for a total measured well depth greater than
7 ten thousand (10,000) feet.
8 (5) All money paid to the State Treasurer for licenses and fees required by KRS
9 353.500 to 353.720 shall be for the sole use of the department and shall be in
10 addition to any moneys appropriated by the General Assembly for the use of the
11 department.
12 (6) Each application shall be accompanied by a plat, which shows the location and
13 elevation of each well, prepared according to the administrative regulations
14 promulgated under KRS 353.500 to 353.720. The plat shall be certified as accurate
15 and correct by a professional land surveyor licensed in accordance with the
16 provisions of KRS Chapter 322.
17 (7) When any person submits to the Department for Natural Resources an application
18 for a permit to drill a well, or to reopen, deepen, or temporarily abandon any well
19 which is not covered by surety bond, the department shall, except as provided in
20 this section, require from the well operator the posting of a bond. Bonds for deep
21 wells are posted for the purpose of ensuring well plugging and reclamation of
22 disturbed areas. The bond for plugging shallow wells shall be posted in accordance
23 with the following schedule:
24 Well Depth ..... Bond Amount
25 0 to 500 feet $500.00
26 501 feet to 1,000 feet $1,000.00
27 1,001 feet to 1,500 feet $1,500.00

1,501 feet to 2,000 feet $2,000.00

2,001 feet to 2,500 feet $2,500.00

2,501 feet to 3,000 feet $3,000.00

3,001 feet to 3,500 feet $3,500.00

3,501 feet to 4,000 feet $4,000.00

4,001 feet to 4,500 feet $5,000.00

4,501 feet to 5,000 feet $6,000.00

5,001 feet to 5,500 feet $7,000.00

5,501 feet to 6,000 feet $8,000.00

(8) Plugging and reclamation bonds for vertical deep wells shall be twenty-five thousand dollars ($25,000). However, the commission may establish a higher bonding amount for vertical deep wells if the anticipated plugging and reclamation costs exceed the minimum bonding amounts established in this section.

(9) The minimum amount of plugging and reclamation bond for a horizontal deep well shall be forty thousand dollars ($40,000). However, the commission may establish a bond amount greater than forty thousand dollars ($40,000) if the anticipated plugging and reclamation costs exceed the minimum bond.

(10) (a) All bonds required to be posted under this section for plugging shallow wells shall:

1. Be made in favor of the Department for Natural Resources;

2. Be conditioned that the wells, upon abandonment, shall be plugged in accordance with the administrative regulations of the department and that all records required by the department be filed as specified; and

3. Remain in effect until the plugging of the well is approved by the department, or the bond is released by the department.

(b) All bonds required to be posted under this section for plugging deep wells shall:

1. Be made in favor of the Department for Natural Resources;
2. Be conditioned that the wells, upon abandonment, shall be plugged and the disturbed area reclaimed in accordance with the statutes and the administrative regulations of the department and that all records required by the department be filed as specified; and
3. Remain in effect until the plugging of the well and the reclamation of the disturbed area is approved by the department or the bond is released by the department.

(11) An operator may petition the department to amend the drilling depth and bond amount applicable to a particular well and shall not proceed to drill to a depth greater than that authorized by the department until the operator is so authorized, except pursuant to administrative regulations promulgated by the department.

(12) (a) Any qualified shallow well operator, in lieu of the individual bond, may file with the department a blanket bond according to the following tiered structure:

1. One (1) to twenty-five (25) wells require a ten thousand dollar ($10,000) bond;
2. Twenty-six (26) to one hundred (100) wells require a twenty-five thousand dollar ($25,000) bond;
3. One hundred one (101) to five hundred (500) wells require a fifty thousand dollar ($50,000) bond; and
4. Five hundred one (501) or more wells require a one hundred thousand dollar ($100,000) bond.

(b) Any nonqualified shallow well operator, in lieu of an individual bond, may file with the department a blanket bond according to the following tiered structure:

1. One (1) to one hundred (100) wells require a fifty thousand dollar

1 ($50,000) bond; and
2 2. One hundred one (101) or more wells require a one hundred thousand
3 dollar ($100,000) bond.
4 (13) To qualify for a blanket bond for a shallow well under the tiered structure set forth
5 in subsection (12)(a) of this section, an operator shall:
6 (a) Have a blanket bond in place filed with the department prior to July 15, 2006,
7 and have no outstanding, unabated violations of KRS Chapter 353 or
8 regulations adopted pursuant thereto which have not been appealed;
9 (b) Demonstrate for a period of thirty-six (36) months prior to the request for
10 blanket bonding a record of compliance with the statutes and administrative
11 regulations of the division; or
12 (c) Provide proof of financial ability to plug and abandon wells covered by the
13 blanket bond.
14 (14) In addition to the requirements set forth in subsection (15) of this section, proof of
15 financial ability set forth in subsection (13)(c) of this section shall be established by
16 an audited financial statement that satisfies at least two (2) of the following ratios:
17 (a) A ratio of total liabilities to net worth less than two (2); or
18 (b) A ratio of the sum of net income plus depreciation, depletion, and
19 amortization to total liability greater than one-tenth (0.1); or
20 (c) A ratio of current assets to current liabilities greater than one and five-tenths
21 (1.5).
22 (15) If the operator is a corporate subsidiary, the operator further shall provide a
23 corporate guarantee in which the guarantor shall be the parent corporation of the
24 operator of the wells covered under the bond. The corporate guarantee shall
25 provide:
26 (a) That if the operator fails to perform with the proper plugging and
27 abandonment of any well covered by the blanket bond, the guarantor shall do

1 so or provide for alternate financial assurance; and
2 (b) The corporate guarantee shall remain in force unless the guarantor sends
3 notice of the cancellation by certified mail to the operator and to the
4 department. Cancellation shall not occur, however, during the one hundred
5 twenty (120) day period beginning on the first day that both the operator and
6 the department have received notice of cancellation, as evidenced by the
7 certified mail return receipts.
8 (16) An operator shall not be eligible for blanket bonding if the operator has:
9 (a) More than ten (10) violations of KRS Chapter 353 or the regulations adopted
10 pursuant thereto within the thirty-six (36) month period;
11 (b) Any outstanding, unabated violations of KRS Chapter 353 or the regulations
12 adopted pursuant thereto which have not been appealed;
13 (c) A forfeiture of a bond, whether an individual bond or portion of a blanket
14 bond, on any permit where the operator has not entered into an agreed order
15 with the department for the plugging and proper abandonment of the well or
16 wells on the forfeited permit or permits; or
17 (d) A permit or permits, upon which a bond or portion of a bond has been
18 forfeited and the proceeds from the forfeiture have been spent by the
19 department to plug or reclaim the permitted well or wells, unless the operator
20 has made restitution to the department for all costs associated with the
21 forfeiture, plugging, and proper abandonment.
22 (17) Any deep well operator, in lieu of an individual bond, may file with the department
23 a blanket bond according to the following:
24 (a) One (1) to ten (10) vertical deep wells require a two hundred thousand dollar
25 ($200,000) bond; and
26 (b) One (1) to ten (10) horizontal deep wells require a three hundred twenty
27 thousand dollar ($320,000) bond.

1 (18) A deposit in cash or a bank-issued irrevocable letter of credit may serve in lieu of
2 either of the individual well or blanket bonds.
3 (19) Individuals acquiring a single well for domestic use may post a combination bond
4 which shall consist of a cash bond in the amount of one thousand dollars ($1,000)
5 plus a lien on the property to cover future plugging costs. Only one (1) combination
6 bond may be posted by each individual.
7 (20) A certificate of deposit, the principal of which is pledged in lieu of a bond and
8 whose interest is payable to the party making the pledge, may serve for an
9 individual well bond. A certificate of deposit, the principal of which is pledged in
10 lieu of a bond and whose interest is payable to the party making the pledge, may
11 serve for a blanket bond, provided that the first five thousand dollars ($5,000) of the
12 blanket bond is posted with the department in cash.
13 (21) The bond or bonds referred to in this section shall be executed by the well operator
14 as principal and, if a surety bond, by a corporate surety authorized to do business in
15 the Commonwealth.
16 (22) A deposit in cash shall serve in lieu of either of the above bonds; all cash bonds
17 accepted by the department shall be deposited into an interest-bearing account, with
18 the interest thereon payable to the special agency account known as the oil and gas
19 well plugging fund, created in subsection (28) of this section, to be used in
20 accordance with the purposes described therein. All cash bonds being held by the
21 department on July 13, 1990, shall likewise be deposited in the interest-bearing
22 account, with the proceeds to be used for the purposes established for the oil and
23 gas well plugging fund.
24 (23) The bond amounts prescribed by subsection (7) of this section shall be applicable
25 only to permits issued upon and after July 15, 2006. All bonds posted for permits
26 issued prior to July 15, 2006, shall remain in full force and effect for the duration of
27 the permits.

1 (24) The blanket bond amounts prescribed by subsection (12) of this section shall be
2 effective upon and after July 15, 2006. Any operator having filed a blanket bond
3 with the department prior to July 15, 2006, may at its discretion increase the level of
4 the blanket bond incrementally by increasing the blanket bond by the amount of the
5 individual bond prescribed by subsection (12) of this section on any wells drilled
6 subsequent to July 15, 2006, until the blanket bond has reached the level prescribed
7 by subsection (12) of this section.
8 (25) A successor to the well operator shall post bond, pay a twenty-five dollar ($25) fee
9 per well to the department, and notify the department in writing in advance of
10 commencing use or operation of a well or wells. The successor shall assume the
11 obligations of this chapter as to a particular well or wells and relieve the original
12 permittee of responsibility under this chapter with respect to the well or wells. It
13 shall be the responsibility of the selling operator to require the successor operator to
14 post bond before use or operation is commenced by the successor and relief of
15 responsibility under this chapter is granted to the original permittee.
16 (26) If the requirements of this section with respect to proper plugging upon
17 abandonment and submission of all required records on all well or wells have not
18 been complied with within the time limits set by the department, by administrative
19 regulation, or by this chapter, the department shall cause a notice of noncompliance
20 to be served upon the operator by certified mail, addressed to the permanent address
21 shown on the application for a permit.
22 (a) The notice shall specify in what respects the operator has failed to comply
23 with this chapter or the administrative regulations of the department.
24 (b) If the operator has not reached an agreement with the department or has not
25 complied with the requirements set forth by it within forty-five (45) days after
26 mailing of the notice, the bond shall be forfeited to the department.
27 (27) A bond forfeited pursuant to the provisions of this chapter may be collected by an

1 attorney for the department or by the Attorney General, after notice from the
2 director of the Division of Oil and Gas.
3 (28) All sums received under this section or through the forfeiture of bonds shall be
4 placed in the State Treasury and credited to a special agency account to be
5 designated as the oil and gas well plugging fund, which shall be an interest-bearing
6 account with the interest thereon payable to the fund. This fund shall be available to
7 the department and shall be expended for the plugging of any abandoned wells
8 coming within the authority of the department pursuant to this chapter. The
9 plugging of any well pursuant to this subsection shall not be construed to relieve the
10 operator or any other person from civil or criminal liability which would exist
11 except for the plugging. Any unencumbered and any unexpended balance of this
12 fund remaining at the end of any fiscal year shall not lapse but shall be carried
13 forward for the purpose of the fund until expended or until appropriated by
14 subsequent legislative action.
15 (29) ***(a) Any permitted stratigraphic test well:***
16 ***1. Is subject to all requirements under KRS 353.590, 353.5901, 353.550,***
17 ***353.610, and subsections (1) and (4) of section 4 of this Act as if the***
18 ***stratigraphic test well were defined as a "well" in subsection (14) of***
19 ***Section 1 of this Act; and***
20 ***2. Shall be plugged within one hundred eighty (180) days of completion***
21 ***of drilling the well.***
22 ***(b) A stratigraphic test well shall be permitted as an oil and gas production well***
23 ***prior to:***
24 ***1. Producing oil or gas; or***
25 ***2. Deviating from true vertical.***
26 ***(c) Any stratigraphic test well converted to an oil or gas production well under***
27 ***paragraph (b) of this subsection shall be subject to the requirements of***

1 ***subsections (1) to (3) of Section 4 of this Act***[~~Upon request by any person~~
2 ~~applying for a permit for a geological or structure test hole, the department~~
3 ~~shall keep the location and elevation of the hole confidential until the~~
4 ~~information is allowed to be released by the person obtaining the permit~~].
5 (30) For the purpose of this chapter, "water supply well" shall not include:
6 (a) Any well for a potable water supply for domestic use or for livestock; or
7 (b) Any water well used primarily for cooling purposes in an industrial process.
8 (31) Notwithstanding the provisions of KRS Chapter 353 or this section, no operator
9 shall be eligible to receive additional permits if that operator or any entity in which
10 it has an ownership interest has:
11 (a) Any outstanding, unabated violations of KRS Chapter 353 or the regulations
12 adopted pursuant thereto, which have not been appealed;
13 (b) A forfeiture of a bond, whether an individual bond or portion of a blanket
14 bond, on any permit where the operator has not entered into an agreed order
15 with the department for the plugging and proper abandonment of the well or
16 wells on the forfeited permit or permits; or
17 (c) A permit or permits upon which a bond or portion of a bond has been
18 forfeited, and the proceeds therefrom having been spent by the department to
19 plug or reclaim the permitted well, or wells, unless the operator has made
20 restitution to the department for all costs associated with the forfeiture,
21 plugging, and proper abandonment.
22 ➔Section 4. KRS 353.660 is amended to read as follows:
23 (1) Any person to whom a permit is issued pursuant to KRS 353.500 to 353.720 shall
24 file, within ninety (90) days after termination of operations conducted under the
25 permit, with the department for transmittal to the Kentucky Geological Survey on
26 forms to be furnished by the department the following information relating to the
27 well:

1 (a) A copy of the driller's log certified to be true and accurate;
2 (b) The depth and thickness of all water zones encountered and logged;
3 (c) The depth of all showings of oil or gas;
4 (d) The depth and thickness of all coal seams encountered; and
5 (e) A true copy of all electrical surveys and similar logs and surveys taken. If the
6 person to whom the permit is issued obtains a copy of the electrical survey or
7 similar log or survey in electronic form, the operator shall submit the electrical
8 survey or similar log in electronic form if requested by the department.
9 (2) Upon request by the department, any person to whom a permit is issued shall save
10 for the Kentucky Geological Survey samples of all cuttings from the well drilled or
11 deepened pursuant to the permit for a period of ninety (90) days after completion
12 thereof.
13 (3) Upon request by any person furnishing information under this section, the
14 information shall be kept confidential, for a period of one (1) year after the
15 information is furnished by such person.
16 (4) ***(a) Upon request by any person applying for a permit for a stratigraphic test***
17 ***well, the division shall grant a three (3) year period of confidentiality for all***
18 ***drilling records required by this section from the date of completion of***
19 ***drilling the well.***
20 ***(b) Well records, surveys, and logs conducted on stratigraphic wells which are***
21 ***subsequently granted an oil or gas production permit shall comply with the***
22 ***confidentiality requirements in subsection (3) of this section***[~~This section~~
23 ~~shall not apply to wells drilled or deepened as geological or structure test~~
24 ~~holes~~].

President of Senate

Speaker-House of Representatives

Attest: Chief Clerk of Senate

Approved Governor

Date