

1 ENERGY AND ENVIRONMENT CABINET

2 Department for Energy Development and Independence

3 Division of Oil and Gas Conservation

4 (New Administrative Regulation)

5 805 KAR 1:200. Administrative fees and general information associated with oil and gas permits

6 RELATES TO: KRS 353.550, 353.739

7 STATUTORY AUTHORITY: KRS 353.540, 353.745

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 353.745 authorizes the

9 Division of Oil and Gas Conservation to charge a fee to provide funds to meet the requirements

10 of KRS 353.735 to KRS 353.747. This administrative regulation provides general information

11 concerning the timeframes associated with the submittal of directional and inclination surveys

12 and establishes the fee and details to whom the fee applies and the appropriate time for submittal.

13 Section 1. Directional and Inclination Surveys. The operator of a well drilled in an active

14 mining area or through a workable coal bed that is not in an active mining area shall submit the

15 results of the directional or inclination survey required by KRS 353.739(1) within thirty (30)

16 days from the drilling of the well.

17 Section 2. Fee Submittal. (1) Each application for an oil or gas permit shall be

18 accompanied by a fee of fifty (50) dollars for each application for an oil or gas permit in addition

19 to any other fee required for such applications.

20 (2) All fees required shall accompany the application for wells proposed to be drilled

21 pursuant to the provisions of KRS 353.735 to KRS 353.747 in the form of a personal check,

1 cashier's check or money order payable to the Kentucky State Treasurer. No permit application
2 shall be processed unless the application fee has been paid.

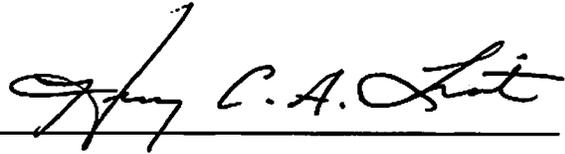
3 (3) All such fees shall be for the sole use of the Division of Oil and Gas Conservation in
4 the administration of its programs and shall be in addition to money appropriated by the General
5 Assembly for the use of the cabinet.

805 KAR 1:200 approved for filing.

Pages (1-2)

6-12-09

Date



Henry C. A. List

Henry C. A. List, Deputy Secretary
Signing for
Leonard K. Peters, Secretary
Energy and Environment Cabinet

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on July 21, 2009 at 10:00 A.M. (Eastern Time) at Conference Room D-16 of the Department for Natural Resources at #2 Hudson Hollow, Frankfort, Kentucky. Individuals interested in being heard at this hearing shall notify this agency in writing July 14, 2009, five workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be cancelled. This hearing is open to the public. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted until July 31, 2009. Send written notification of intent to attend the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Kim Collings, Director
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REGULATORY IMPACT ANALYSIS
AND TIERING STATEMENT

Administrative Regulation No.: 805 KAR 1:200

Contact Person: Kim Collings, Director

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation provides general information concerning the timeframes associated with the submittal of directional and inclination surveys and establishes the fee and details to whom the fee applies and the appropriate time for submittal.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the exact amount for the fee authorized by KRS 353.745 and also gives a timeframe in which impacted entities are to submit the results of their directional and inclination surveys.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 353.745 authorizes the division to establish a fee to cover the cost associated with the review of the applicable permit.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: KRS 353.745 authorizes the development of a fee to cover the costs associated with the review of the permit application. However, it did not determine an exact amount. This administrative regulation sets the amount at \$50 per permit application.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: NA

(b) The necessity of the amendment to this administrative regulation: NA

(c) How the amendment conforms to the content of the authorizing statutes: NA

(d) How the amendment will assist in the effective administration of the statutes: NA

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: The amendment will affect those entities that drill wells through a workable coal bed. The division currently has approximately 1800 operators that could be affected.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: This amendment will require the impacted entities to submit a \$50 fee per permit application as well as submitting the results of any directional or inclination survey within 30 days from the completion of the survey.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): This cost will vary depending on the number of wells per entity. There is a \$50 application fee associated with this amendment.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The permitting fee will partly fund the addition of additional staff to review the permits that are submitted. This will benefit the entities listed above by receiving a timely permit review.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: Implementation of this administrative regulation will result in the additional cost of a new employee to review the permits covered by HB 452 from the 2009 legislative session. The associate cost with the new employee will be \$59,584 for an entry level.

(b) On a continuing basis: The cost associated with this new employee will be \$59,584 initially with additional annual increments on a yearly basis.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The permitting fee will apply towards funding the program. However, the \$50 fee will not cover the entire costs of the new program requirements. The remainder of the cost will be covered by General Fund dollars.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: This regulation does establish a new fee of \$50 per permit application. This will be used to help cover the cost of the new requirements.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: This administrative regulation does establish a new \$50 fee per permit application as authorized in KRS 353.745.

(9) TIERING: Is tiering applied? (Explain why or why not) No. The same process and procedures are required by entities that drill a well through a workable coal bed.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

Admin. Regulation No. 805 KAR 1:200 Contact Person: Kim Collings, Director

1. Does this administrative regulation relate to any program, service, or requirements of a state or local government (including cities, counties, fire departments, or school districts)?

Yes X No

If yes, complete questions 2-4.

2. What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? This amendment will impact the Division of Oil and Gas Conservation.

3. Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 353.540, 353.745

4. Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? Based on a 5 year average of drilling permits issued, this regulation will generate approximately \$95,000 a year in revenue for the Division of Oil & Gas Conservation.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? Based on a 5 year average of drilling permits issued, this regulation will generate approximately \$95,000 a year in revenue for the Division of Oil & Gas Conservation.

(c) How much will it cost to administer this program for the first year?
This regulation will cost the Division of Oil & Gas Conservation \$59,584 for the employment of a permit reviewer.

(d) How much will it cost to administer this program for subsequent years?
This regulation will cost the Division of Oil & Gas Conservation \$59,584 for the employment of a permit reviewer.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation: