

1 ENERGY AND ENVIRONMENT CABINET
2 Department for Energy Development and Independence
3 Division of Oil and Gas Conservation
4 (Amendment)
5 805 KAR 1:070. Plugging wells; coal-bearing strata.

6 RELATES TO: KRS 353.110, 353.120, 353.550

7 STATUTORY AUTHORITY: KRS [~~13A.100,~~] 353.560

8 NECESSITY, FUNCTION, AND CONFORMITY: KRS 353.560 requires the department
9 to regulate the plugging of all wells. This administrative regulation identifies the minimum
10 acceptable requirement to plug, or temporarily abandon wells, drilled through coal-bearing strata.

11 Section 1. (1) Unless written permission shall be obtained from the department, no operator
12 or owner shall permit any well drilled for oil, gas, salt water disposal or any other purpose in
13 connection with the production of oil and gas, to remain unplugged after such well is no longer
14 used for the purpose for which it was drilled or converted. However, nothing herein shall prevent
15 the department, upon application and for good cause shown, from issuing a temporary
16 abandonment permit, for a period not exceeding two (2) years, to an operator to leave a well
17 unplugged, and nothing herein shall alter the provisions of KRS 353.170 relative to utilizing a well
18 for the purpose of introducing air, gas, water or other liquid pressure into or upon the producing
19 strata for the purpose of recovering oil and gas. The permission for temporary abandonment may
20 be renewed at the end of the two (2) year period by reapplication. All wells on which a temporary

1 abandonment permit has been issued shall be cased and capped in such a manner as to protect all
2 potential oil and [~~and/or~~] gas zones and coal beds and vented in such a manner so as to prevent the
3 accumulation of gas in the bore hole.

4 (2) Pursuant to KRS 353.739, the Division of Oil and Gas Conservation shall order a well
5 to be plugged and abandoned if:

6 (a) The well's permit conditions cannot be satisfied by remediation; or

7 (b) The operator is not able to meet the ordered remediation.

8 (3) If a well is ordered plugged and abandoned pursuant to KRS 353.739 then a temporary
9 abandonment permit shall not be granted.

10 Section 2. Prior to abandonment of a well drilled through a workable coal bed the well
11 operator shall notify, by registered mail, the owner or owners of record and lessee [~~lessee(s)~~] of
12 record and operators of the coal bed [~~bed(s)~~] and the proper oil and gas inspector of the intention to
13 plug and abandon the well. The notice shall give the permit number of the well and its location,
14 and fix the time at which the work of plugging and filling will be commenced, the time not to be
15 less than five (5) days after the day on which the notice is received, or in due course should be
16 received, by the department. The department shall prescribe the form of notice to be used. A
17 representative or representatives of the coal operator or owner and of the department may be
18 present at the plugging and filling of the well. Whether or not such representatives appear, the well
19 operator may proceed, at the time fixed, to plug and fill the well. When the plugging and filling
20 have been completed, an affidavit setting forth the time and manner in which the well was plugged
21 shall be made in triplicate by two (2) experienced men who participated in the work. The affidavit
22 shall be made on forms furnished by the department. One (1) copy of the affidavit shall be retained

1 by the well operator, one (1) mailed to each coal operator and each owner, and one (1) to the
2 department.

3 Section 3. When any well drilled through a workable coal bed is abandoned, it shall be at
4 that time plugged to a point forty (40) feet below the lowest workable coal bed, in the following
5 manner: The hole shall be filled with mud, clay or other nonporous material from the bottom to a
6 point twenty (20) feet above the top of the lowest oil, gas, or water-bearing strata, or a permanent
7 bridge shall be anchored thirty (30) feet below its lowest oil, gas, or water-bearing strata, and from
8 this bridge it shall be filled with mud, clay or other nonporous material to a point twenty (20) feet
9 above the strata, at which point there shall be placed a plug of cement or other suitable material
10 that will completely seal the hole. Between this sealing plug and a point twenty (20) feet above the
11 next higher oil, gas, or water-bearing strata, the hole shall be treated in a like manner and at that
12 point there shall be placed another suitable plug, that will completely seal the hole. In a like
13 manner the hole shall be filled and plugged or bridged, filled and plugged, with reference to each
14 of its oil, gas or water-bearing strata. Whenever such strata are not widely separated and are free
15 from water, they may be grouped and treated as a single productive stratum. After plugging all
16 strata, a final plug shall be anchored approximately ten (10) feet below the bottom of the largest
17 casing in the well and from that point to the surface the well shall be filled with mud, clay or other
18 nonporous material.

19 Section 4. If any of the strata in the well have been shot, creating cavities that cannot
20 readily be filled in the manner described in Section 3 of this administrative regulation, the well
21 operator shall follow either of the following methods:

22 (1) If the stratum that has been shot is the lowest one in the well there shall be placed, at the
23 nearest suitable point but not less than twenty (20) feet above the stratum, a plug of cement or other

1 suitable material that will completely seal the hole; but if the shooting has been done above one (1)
2 or more oil or gas-bearing strata in the well, plugging in the manner specified shall be done at the
3 nearest suitable point, but not less than twenty (20) feet below and above the stratum shot.

4 (2) When the cavity is in the lowest oil or gas-bearing stratum in the well, a liner shall be
5 placed which shall extend from below the stratum to a suitable point, but not less than twenty (20)
6 feet above the stratum in which the shooting has been done; but if the shooting has been done
7 above one (1) or more oil or gas-bearing strata in the well, the liner shall be so placed that it will
8 extend not less than twenty (20) feet above or less than twenty (20) feet below the stratum in which
9 shooting has been done. After the liner is placed, it shall be compactly filled with cement, clay or
10 other nonporous sealing material.

11 Section 5. When a well has been filled and securely plugged to a point forty (40) feet below
12 the lowest workable coal bed, and in the judgment of the well operator, the coal operator and the
13 department a permanent outlet to the surface is required, the outlet shall be provided in the
14 following manner: A plug of cement or other suitable material shall be placed in the well at a
15 suitable point, not less than ten (10) feet below the lowest workable coal bed. In this plug and
16 passing through the center of it shall be securely fastened an open pipe, not less than two (2) inches
17 in diameter, which shall extend to the surface. At or above the surface the pipe shall be provided
18 with a device that will permit the free passage of gas and prevent obstruction. After the plug and
19 pipe are set, the hole shall be filled with cement to a point ten (10) feet above the lowest workable
20 coal bed. If there are additional overlying workable coal beds, they shall be treated similarly, if in
21 the judgment of the well operator, the coal operator and the department such treatment is
22 necessary. If the parties cannot agree, the decision of the department shall control.

1 Section 6. In this administrative regulation where mention is made of a "cement plug" or
2 "suitable plug" this is defined to mean hydraulic cement properly mixed with water only. Such a
3 plug shall fill not less than fifteen (15) feet of bore hole when placed.

4 Section 7. In Section 2 of this administrative regulation the word "time" shall be both the
5 hour and the day at which the work of plugging and filling will be commenced.

6 Section 8. When the well to be plugged may safely be used for a fresh water well, and such
7 utilization is desired by the landowner and is agreeable to the owner or operator of all coal-bearing
8 strata beneath the location of said well, the well need not be filled above the required sealing plug
9 set below fresh water; provided, that written authority for such use is secured from the landowner,
10 and coal owner or operator, and filed with the department.

11 Section 9. Within thirty (30) days after the plugging of any well has been accomplished, the
12 owner or operator thereof shall file a plugging report with the department setting forth in detail the
13 method used in plugging the well. Such report shall be made on a form provided by the
14 department.

15 Section 10. The operator shall have the option as to the method of placing cement in the
16 hole by:

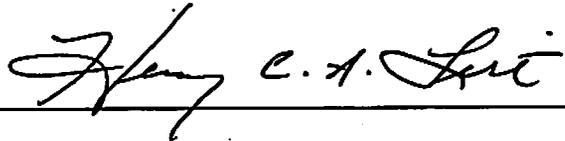
- 17 (1) Dump bailer;
- 18 (2) Pumping through tubing;
- 19 (3) Pump and plug; or
- 20 (4) Other method approved by the director.

21 Section 11. Care is to be taken to insure that when the hole is being filled with mud, clay,
22 or other nonporous material that the hole does not bridge and prohibit the filling of the entire hole
23 as required.

805 KAR 1:070 approved for filing.
Pages (1-5)

6/12-09

Date



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
Division of Oil and Gas Conservation
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Frankfort, KY 40601
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REGULATORY IMPACT ANALYSIS
AND TIERING STATEMENT

Administrative Regulation No.: 805 KAR 1:070
Contact Person: Kim Collings, Director

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation identifies the minimum acceptable requirement to plug, or temporarily abandon wells, drilled through coal-bearing strata.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to provide information on the plugging and abandonment of wells drilled into coal-bearing strata.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 353.560 authorizes the cabinet to regulate the drilling and plugging of all wells and the spacing of wells. This administrative regulation identifies the minimum acceptable requirement to plug, or temporarily abandon wells, drilled through coal-bearing strata.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation provides greater clarity on the procedures and requirements regarding the plugging and temporary abandonment of wells drilled through coal bearing strata.

(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: This amendment adds clarity to the administrative regulation in response to HB 452 from the 2009 legislative session. This amendment clarifies that a well shall be plugged and abandoned if the well is unable to be remediated.

(b) The necessity of the amendment to this administrative regulation: This amendment is necessary to provide clarity on the issuance of temporary abandonment permits and when a well is to be plugged and abandoned.

(c) How the amendment conforms to the content of the authorizing statutes: HB 452 required information regarding the location of wells drilled through workable coal beds be submitted to the Division of Oil and Gas Conservation. This amendment provides the necessary information to instruct those individuals who would be seeking a temporary abandonment permit and when they would be required to plug and abandon the well if a temporary permit is not issued.

(d) How the amendment will assist in the effective administration of the statutes: This amendment will assist in the administration of the statutes by providing the necessary detail to insure wells are abandoned and plugged when the appropriate conditions are present.

(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 those entities listed above to meet the plugging and abandonment criteria established in HB 452.

(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 how many wells are remediated compared to how many wells are plugged and abandoned.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (3): The entities will benefit by complying with the requirement of HB 452.

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

(a) Initially: There will be no costs to the agency associated with implementation.

(b) On a continuing basis: There will be no continuing costs to the agency.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: A new fee will be promulgated in a separate administrative regulation which will be packaged with this administrative regulation for promulgation. The new fee will be \$50 and was authorized by HB 452.

(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 not increase or establish any fees. However, a new fee will be promulgated in a separate administrative regulation which will be packaged with this administrative regulation for promulgation. The new fee will be \$50 and was authorized by HB 452.

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: This administrative regulation will not increase or establish any

fees. However, as stated above a new administrative regulation will establish a new fee that was authorized by the passage of HB 452.

(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 1:070 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 353.560 and KRS 353.739.

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? This amendment will not generate any additional revenue.

(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? This amendment will not generate any additional revenue.

(c) How much will it cost to administer this program for the first year? There are no additional costs associated with this amendment.

(d) How much will it cost to administer this program for subsequent years? There are no additional costs associated with this amendment.

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: