

## **805 KAR 1:050. Bonds; requirements, cancellation.**

RELATES TO: KRS 349.120, 353.590

STATUTORY AUTHORITY: KRS 349.115 353.540, 353.550

NECESSITY, FUNCTION, AND CONFORMITY: KRS 350.590 and 349.120 requires operators filing a permit application to provide proof of bonding and provides for methods of giving notice to operators and sureties of noncompliance. This administrative regulation establishes requirements for release, cancellation, and forfeiture of bonds.

Section 1. Bonds Required. As part of the permit or transfer application, the applicant shall post a bond in an amount required by KRS 353.590(7) for oil or gas production wells or KRS 349.120 for coalbed methane wells.

Section 2. Surety Bonds.

(1) An operator that chooses to post a surety bond to meet the requirements of Section 1 of this administrative regulation shall file with the division an Individual Surety Bond, OG-5 or a Blanket Surety Bond, OG-6.

(2) Cancellation of a Surety Bond. A blanket surety bond filed pursuant to KRS 353.590(12) for production wells or KRS 349.120(1) for coalbed methane wells may be cancelled by the surety.

(a) Cancellation shall be by a communication in writing to the division.

(b) Cancellation shall be effective only to relieve the surety from liability under the bond for wells with permits that have not been issued at the time of the receipt of the notice by the division.

(c) Liability under the bond for wells with permits that have been issued prior to the receipt by the division of the notice shall not be affected by the cancellation.

Section 3. Property Bonds. An operator that chooses to post a property bond to meet the requirements of Section 1 of this administrative regulation shall file with the division a completed and notarized Property Bond, Form OG-15 pursuant to KRS 353.590(17).

Section 4. Other Bonds. An operator that chooses to post any other bond available to meet the requirements of Section 1 of this administrative regulation shall file:

(1) Irrevocable Letter of Credit, Form OG-16;

(2) Verification of Certificate of Deposit, Form OG-20; or

(3) A completed and notarized Individual Cash Bond, Form OG-45 or Blanket Cash Bond, Form OG-46.

Section 5. Notice of Noncompliance.

(1) At any time the division causes a notice of noncompliance to be served upon an operator, a duplicate notice shall be provided to the surety. The notice shall be sent by certified mail to the addresses of record. If an operator fails to comply within the timeframe established in KRS 350.590(24), the bond shall be ordered forfeited as established in that section.

(2) For wells covered by a surety bond pursuant to Section 2 of this administrative regulation, the surety shall be afforded the opportunity to act on behalf of the operator within the time set forth in KRS 350.590(24) in regard to the proper plugging of the well or wells and submission of required records.

Section 6. Bond Release. A bond shall be released upon the proper plugging of the well and the filing with the division of all required records and fees or upon transfer of the well to a successor operator pursuant to KRS 353.590 for production wells or KRS 349.120 for coalbed methane wells. A bond shall not be released until a request has been made in writing by the operator or surety to the division.

Section 7. Material Incorporated by Reference.

(1) The following material is incorporated by reference:

- (a) "Individual Surety Bond", Form OG-5, June 2019;
- (b) "Blanket Surety Bond", Form OG-6, June 2019;
- (c) "Property Bond", Form OG-15, October 2019;
- (d) "Letter of Credit", Form OG-16, June 2019;
- (e) "Verification of Certificate of Deposit", Form OG-20, June 2019;
- (f) "Individual Cash Bond", Form OG-45, June 2019; and
- (g) "Blanket Cash Bond", Form OG-46, June 2019.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Division of Oil and Gas, 300 Sower Boulevard, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m., Eastern Prevailing Time.

(OAG-Rg-6; 1 Ky.R. 633; eff. 4-9-1975; 18 Ky.R. 189; eff. 9-25-1991; TAm eff. 8-9-2007; Crt eff. 6-27-2018; 46 Ky.R.665, 1491, 2053; eff. 2-3-2020.)