PROPOSED REGULATION OF THE DIVISION OF MINERALS

OF THE COMMISSION ON MINERAL RESOURCES

LCB File No. R011-14

February 25, 2014

EXPLANATION – Matter in ***italics*** is new; matter in brackets **[~~omitted material~~]** is material to be omitted.

AUTHORITY: §§1-16 and 19, NRS 522.040 and 522.119; §17, NRS 522.040 and 522.150; §18, NRS 534A.090.

A REGULATION relating to natural resources; providing for the regulation of hydraulic fracturing in this State; revising provisions governing the operation of wells for the extraction of oil, gas and geothermal resources; and providing other matters properly relating thereto.

Section 1. Chapter 522 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 13, inclusive, of this regulation.

Sec. 2. ***"Area of review" means the area of land located within a radius of 1 mile of a proposed wellbore or surface projection that is proposed for hydraulic fracturing.***

Sec. 3. ***"Available water source" means a water source for which the person who owns, holds or has the right of use to the water source has consented to the sampling and testing of the water source and to making the results of the sampling and testing available to the public, including, without limitation, publication of the results on the Internet website maintained by the Division.***

Sec. 4. ***"Division of Environmental Protection" means the Division of Environmental Protection of the State Department of Conservation and Natural Resources.***

Sec. 5. ***"Hydraulic fracturing" has the meaning ascribed to it in paragraph (b) of subsection 3 of NRS 522.119.***

Sec. 6. *"Water source" means a water well or spring that is regulated by the Division of Water Resources of the State Department of Conservation and Natural Resources.*

Sec. 7. *The provisions of sections 2 to 11, inclusive, of this regulation, apply for each oil or gas well for which the operator intends to engage in hydraulic fracturing.*

Sec. 8. *1. An operator shall collect an initial baseline sample and subsequent monitoring samples from each available water source, not to exceed four available water sources, located within an area of review. If more than four available water sources are located within an area of review, the operator shall select the four available water sources for sampling based on:*

(a) The proximity of the available water sources to the proposed oil or gas well. Available water sources closest to the proposed oil or gas well are preferred.

(b) The orientation of the sampling locations. To the extent that the direction of the flow of groundwater is known or can reasonably be inferred, sample locations from both down-gradient and up-gradient locations are preferred over cross-gradient locations. If the direction of the flow of groundwater is unknown, sampling locations must be chosen in a radial pattern from the proposed oil or gas well.

(c) The depth of the available water sources. The sampling of the deepest of the available water sources is preferred.

(d) The condition of the available water sources. An operator is not required to sample an available water source if the Administrator determines that the available water source is improperly maintained or nonoperational, or has physical characteristics which would prevent the safe collection of a representative sample or which would require specialized sampling equipment.

2. An operator may, before a well is spudded or drilled for oil or gas, request an exception from the requirements of this section by filing a sundry notice (Form 4) with the Administrator. The Administrator may grant the request for an exception if the Administrator finds that:

(a) No available water sources are located within the area of review;

(b) The only available water sources are unsuitable pursuant to paragraph (d) of subsection 1. An operator seeking an exception on the grounds set forth in this paragraph shall provide to the Administrator documentation of the conditions of each available water source which is deemed unsuitable; or

(c) Each owner of an available water source suitable for testing located within the area of review has refused to grant the operator access to the available water source for sampling and additionally finds that the operator has made a reasonable and good faith effort to obtain the consent of the owner to conduct the sampling. An operator seeking an exception on the grounds set forth in this paragraph shall provide to the Administrator documentation of the efforts of the operator to obtain the consent of each owner of an available water source.

3. Except as otherwise provided in subsections 2 and 4, an operator shall collect from each available water source for which the operator is required to collect samples pursuant to this section:

(a) An initial sample during the 12-month period immediately preceding the commencement of hydraulic fracturing at an oil or gas well.

(b) A first subsequent sample, collected not earlier than 6 months but not later than 12 months after the commencement of hydraulic fracturing.

(c) A second subsequent sample, collected not earlier than 60 months but not later than 72 months after the commencement of hydraulic fracturing.

➥ If a well that has been drilled produces hydrocarbons for a period of less than 60 months and the well is subsequently abandoned, the operator shall collect each second subsequent sample at the time the well is plugged. An operator is not required to collect second subsequent samples if a well that is drilled is abandoned without having produced hydrocarbons.

4. For the purposes of satisfying the requirements for sampling available water sources pursuant to paragraphs (a) and (c) of subsection 3, an operator may rely on the test results of a previous sample from an available water source if:

(a) The previous sample was collected and tested during the respective period prescribed for sampling pursuant to paragraph (a) or (c) of subsection 3.

(b) The procedure for collecting and testing the sample, and the constituents for which the sample was tested, are substantially similar to those required by this section.

(c) The Administrator receives the test results in a timely manner.

5. The Administrator may require an operator to collect and test samples of an available water source in addition to the collection and testing protocol prescribed by this section if the Administrator finds that additional testing is warranted as the result of a change in the quality of the water which is identified during the collection and testing of a subsequent sample.

6. The testing of a water sample pursuant to this section must be conducted by a laboratory certified pursuant to NAC 445A.0552 to 445A.067, inclusive. Upon request, an operator shall provide his or her protocol for collection and testing to the Administrator.

7. The test results of initial and subsequent samples collected pursuant to this section must identify:

(a) The levels of total dissolved solids within the sample;

(b) The levels of dissolved gases within the sample, including, without limitation, methane, ethane and propane;

(c) The alkalinity of the sample, including, without limitation, levels of calcium bicarbonate and calcium carbonate;

(d) The major anions of bromide, chloride, fluoride and sulfate;

(e) The major cations of calcium, magnesium, potassium and sodium;

(f) Petroleum hydrocarbons; and

(g) Benzene, toluene, ethylbenzene and xylenes.

8. If free gas or a dissolved methane concentration greater than 1.0 milligrams per liter (mg/l) is detected in a sample of water collected pursuant to this section, an analysis of the gas composition, including, without limitation, an analysis of the stable isotope ratios of carbon (13C vs. 12C) and hydrogen (2H vs. 1H), must be performed on the sample using gas chromatography and mass spectrometry, as necessary.

9. An operator shall immediately notify the Administrator and the owner of an available water source if the test results of a sample collected pursuant to this section indicate:

(a) The presence of a thermogenic gas or a mixture of thermogenic and biogenic gas;

(b) That the concentration of methane gas has increased by more than 5.0 milligrams per liter (mg/l) between sampling periods; or

(c) The presence of methane gas in a concentration equal to or greater than 10 milligrams per liter (mg/l).

10. An operator shall immediately notify the Administrator if the test results of a sample collected pursuant to this section indicate the presence of petroleum hydrocarbons or benzene, toluene, ethylbenzene or xylenes.

11. An operator shall provide copies of the test results of each sample collected pursuant to this section to the Administrator and to the respective owner of the available water source as soon as practicable after the operator receives the test results from a laboratory.

12. An operator shall include with the copy of the test results of a sample provided pursuant to subsection 11 a description of the location of the available water source and any field observations recorded by the operator during the collection of the sample. The operator shall describe the location of the available water source by public land survey and the county assessor's parcel number and shall include the global positioning system coordinates of the available water source in the manner prescribed by subparagraph (2) of paragraph (b) of subsection 2 of NAC 534.340.

13. An operator shall provide to the Administrator the test results and information required pursuant to subsections 11 and 12 in an electronic format. Upon receiving such information, the Division will make the information available to the public on the Internet website maintained by the Division.

14. An operator shall not commence hydraulic fracturing at a well until the operator has complied with the provisions of this section.

15. As used in this section, "public land survey" has the meaning ascribed to it in NAC 534.185.

Sec. 9. *1. An operator must include with his or her application to drill an oil or gas well:*

(a) The permit number and the name of the owner of each available water source within the area of review which is on file with the Division of Water Resources of the State Department of Conservation and Natural Resources.

(b) The well depth and the diameter of the water well casing.

(c) The static water level below the surface of the ground and the rate of flow of the water, if any.

(d) The amount of the water-right appropriation, if applicable.

(e) A description of the location of each available water source located within the area of review as prescribed by subsection 12 of section 8 of this regulation.

(f) Publically available maps and cross-sections of the area of review which describe the surface and subsurface geology of the area of review, including, without limitation, the location of known or suspected faults.

(g) A map showing the location of each available water source located within the area of review, the overall project area or lease holdings, the boundaries of the area of review, land ownership and applicable assessor parcel numbers.

(h) The source and estimated volume of water required for hydraulic fracturing in each well.

2. The Division may prescribe a larger area of review for the purposes of compliance with this section or the collection of additional data based on population density, residential locations, surface water locations or for other good cause as the Division may deem reasonable.

Sec. 10. *In addition to the requirements prescribed by NAC 522.265, the operator of an oil or gas well shall:*

1. For the intermediate casing string installed in the well directly below the surface casing string, install the intermediate casing string through the surface casing string from the installed depth of the intermediate casing string to the surface of the ground.

2. For a production casing string, conduct a pressure test of the casing string in which the casing is pressurized to 3,000 pounds per square inch gauge (psig) for a period of not less than 30 minutes. A pressure test must be conducted and the results of the test must be reported in the manner prescribed by subsection 7 of NAC 522.265.

Sec. 11. *1. An operator of an oil or gas well shall:*

(a) Not less than 14 days before the commencement of hydraulic fracturing, notify each owner or lessor of real property located within the area of interest of the hydraulic fracturing operation.

(b) Before the commencement of hydraulic fracturing, certify by affidavit that each strata is sealed and isolated with casing and cement in accordance with NAC 522.260. The affidavit must be signed by the operator or a competent person designated by the operator and must incorporate and include a copy of a cement bond log as evidence of compliance with NAC 522.260.

(c) Before the commencement of hydraulic fracturing, ensure that each chemical used in the hydraulic fracturing process is identified on the Internet website maintained by the Division as a chemical which is approved by the Division for hydraulic fracturing. An operator may request and the Division may approve the use of a chemical that is not identified as an approved chemical if the operator submits the request to the Division on a sundry notice (Form 4) not less than 30 days before the commencement of hydraulic fracturing.

(d) Not less than 14 days before the commencement of hydraulic fracturing, submit for approval by the Division a sundry notice (Form 4) and a report describing all specific aspects of the proposed hydraulic fracturing operation. The report must identify each stage of the hydraulic fracturing operation, the measured depth and true vertical depth below the surface of the ground for each stage, the duration of each stage, all intervals to be perforated in measured depth and true vertical depth below the surface of the ground, the number and diameter of perforations per foot and the estimated hydraulic pressures to be utilized.

2. The operator shall monitor and record all pressures, including annular pressures, during the hydraulic fracturing operation. The maximum hydraulic pressure to which a segment of casing is exposed must not exceed the burst rating of the casing, but the Division may require a lower maximum hydraulic pressure as the Division determines is necessary. The operator shall immediately stop the hydraulic fracturing process and notify the Division of any change in annular pressure of more than 10 percent. The operator shall provide the Division with all recorded hydraulic fracturing pressures immediately following the completion of each stage of the hydraulic fracturing operation.

3. The operator shall contain all liquids that are returned to the surface and discharged from the wellbore at the conclusion of each stage of the hydraulic fracturing operation. The operator shall contain the liquids in enclosed steel tanks or in accordance with the regulations prescribed by the Division of Environmental Protection pursuant to chapter 445A of NRS. The method and location for the permanent disposal of the liquids that are returned to the surface must be approved by the Division before the liquids are transported or removed from the well location.

4. The operator shall report the amount and type of each chemical that is used in the hydraulic fracturing operation at www.fracfocus.org for inclusion in FracFocus, or its successor registry, not later than 60 days after the completion of the hydraulic fracturing operation.

Sec. 12. *An operator of an oil or gas well shall:*

1. Maintain a copy of the approved drilling permit at the site of the well during the operation of the well, including, without limitation, during the stages of drilling and closing or plugging the well.

2. Not less than 24 hours before a well is spudded for oil or gas, provide notice to the Division by telephone or electronic mail.

3. Not less than 24 hours before installing or cementing casing, installing any equipment for the prevention of a blowout or conducting a formation integrity test, provide notice to the Division by telephone or electronic mail.

4. Ensure that the casing installed in the well meets the minimum specifications for casing prescribed by the American Petroleum Institute in Specification 5CT, "Specification for Casing and Tubing, Ninth Edition," or by its successor organization, or as may be otherwise prescribed by the Administrator.

5. Ensure that the cementing of each casing string meets the minimum specifications prescribed by the American Petroleum Institute in Specification 10A, "Specification for Cements and Materials for Well Cementing, Twenty-Fourth Edition," or by its successor organization, or as may be otherwise prescribed by the Administrator.

6. Store and contain all materials at the site of the well in a safe and orderly manner.

7. Manage spills or releases in accordance with the regulations prescribed by the Division of Environmental Protection pursuant to chapter 445A of NRS.

8. Except as otherwise provided in subsection 3 of section 11 of this regulation, contain all liquids that are returned to the surface and discharged from the wellbore in accordance with the regulations prescribed by the Division of Environmental Protection pursuant to chapter 445A of NRS. A reserve pit for drilling liquids must not subsequently be used for the discharge of wellbore liquids during the testing of the well without the prior approval of the Administrator.

Sec. 13. *1. An operator shall take all precautions which are necessary to keep wells under control and operating safely at all times. Well control and wellhead assemblies used in an oil or gas well must meet the minimum specifications for assemblies prescribed by the American Petroleum Institute in Standard 53, "Blowout Prevention Equipment Systems for Drilling Wells," or by its successor organization, or as may be otherwise prescribed by the Administrator.*

2. Equipment for the prevention of a blowout which is capable of shutting in the well during operation must be installed on the surface casing and maintained in good operating condition at all times. The equipment must be composed of steel and have a rating for pressure of at least 3,000 pounds per square inch gauge (psig) or equal to the maximum anticipated pressure at the wellhead. The equipment must include casing outlet valves with adequate provisions for mud kill and bleed-off lines of appropriate size and working pressure.

3. An operator shall test the equipment for the prevention of a blowout under pressure immediately after installing the casing and the equipment at the wellhead. A representative of the Division must observe the test in person or otherwise approve the results of the test before

the operator drills the shoe out of the casing. An operator shall provide notice to the Division of not less than 24 hours before conducting a test pursuant to this subsection.

4. The operator shall submit to the Division the pressure curves for the equipment for the prevention of a blowout as soon as practicable after the conclusion of the test.

Sec. 14. NAC 522.100 is hereby amended to read as follows:

522.100 "Gas well" means a well which produces primarily natural gas or any well classified as a gas well by the Division. ***The term includes an exploratory well or a well that is otherwise drilled for exploratory purposes.***

Sec. 15. NAC 522.115 is hereby amended to read as follows:

522.115 "Oil well" means any well which is not a gas well and which is capable of producing oil or condensate. ***The term includes an exploratory well or a well that is otherwise drilled for exploratory purposes.***

Sec. 16. NAC 522.265 is hereby amended to read as follows:

522.265 Unless a special provision requires otherwise, the following applies to all ***oil and gas*** wells ~~[drilled with rotary tools:~~

~~1. Suitable and safe surface casing must be used in all wells for proper anchorage. In all wells being drilled, surface and other protection casing must be run to sufficient depth to afford safe control of any pressures which might be encountered and must be sufficiently tested therefor. Surface casing must be set into an impervious formation and be cemented with sufficient cement to circulate to the top of the hole. If cement does not circulate, the annulus outside the casing must be cemented before drilling plug or initiating tests.~~

~~2. On all strings of casing below surface pipe, sufficient cement must be used to fill the annular volume behind the casing for a minimum distance of 500 feet above the bottom of the~~

~~casing. A cement plug or shoe must not be drilled until a minimum compressive strength of 300 pounds per square inch at bottom hole conditions has been attained according to the manufacturer's tables of cement strength for the particular cement mix being used.~~

~~3. After cementing the surface casing, each well being drilled must be equipped with adequate blowout preventers. The use of blowout equipment must be in accordance with good established oil field practice. The control equipment must include casing outlet valves with adequate provisions for mudkill and bleed-off lines of proper size and working pressure. All equipment must be in good operating condition at all times.]~~ ***:***

1. An operator shall install conductor casing and cement the annular space surrounding the conductor casing to the surface with cement, cement grout or concrete grout.

2. An operator shall install the surface casing string to a depth of not less than 500 feet below the surface of the ground. The annular space surrounding the casing string must be cemented with sufficient cement to circulate to the top of the hole. If the cement does not circulate to the top of the hole, the operator shall:

(a) Measure the distance from the surface of the ground to the top of the cement and report the measurement to the Division.

(b) Take any remedial action that may be required by the Administrator to ensure compliance with NAC 522.260 before the operator resumes drilling or conducts any testing pursuant to this section.

3. For each intermediate casing string or production casing string installed in a well, the operator shall cement the annular space surrounding:

(a) An intermediate casing string to a depth of not less than 500 feet above the shoe of the casing string.

(b) A production casing string to a depth of not less than 500 feet above the shoe of the casing string or, if the casing string enters a known hydrocarbon-producing zone of interest, to a depth of not less than 500 feet above the zone of interest.

➥ The operator shall take any remedial action that may be required by the Administrator to ensure compliance with NAC 522.260 before the operator resumes drilling or conducts any testing pursuant to this section. The operator shall not drill the shoe out of an intermediate casing string or a production casing string until the operator attains a compressive strength of not less than 300 pounds per square inch (psi) at bottom hole conditions in accordance with the manufacturer's tables of cement strength for the particular cement mix being used by the operator.

4. Except as otherwise provided in section 10 of this regulation, each successive intermediate casing string or production casing string installed in a well below an existing casing string must overlap with the shoe of the existing casing string by not less than 100 feet.

5. Each intermediate liner or production liner installed in a well must overlap with the shoe of the casing string to which the liner is attached by not less than 100 feet.

6. As soon as practicable after an operator has completed the cementing of the surface casing string, an intermediate casing string or a production casing string, the operator shall submit to the Division a cementing evaluation report to ensure that the operator has complied with the cementing requirements prescribed by this section and, if applicable, section 10 of this regulation. The report must include, without limitation, the weight and volume of cementing materials used to cement the respective casing string, the pumping rate, and the pressure, rate and density curves which are related to the cementing of the respective casing string.

7. Except as otherwise provided by section 10 of this regulation, before drilling the shoe out of the surface casing string, an intermediate casing string or a production casing string, an operator shall conduct a pressure test of the respective casing string in which the casing is pressurized to 0.22 pounds per square inch gauge (psig) per foot of casing string length or 1,500 pounds per square inch gauge (psig), whichever is greater, not to exceed the maximum anticipated drilling pressure or 70 percent of the minimum internal yield. The casing string must be pressurized for a period of not less than 30 minutes. The operator shall submit to the Division the pressure test curve for the respective casing string as soon as practicable after the conclusion of the test. If the results of the test indicate a drop in pressure of 10 percent or more, the operator shall notify the Division of a failed pressure test and shall immediately cease operations at the well. In the event of a failed pressure test, an operator shall not resume operations at the well until the Administrator approves a remediation plan, the operator successfully implements the plan and the operator conducts a successful pressure test for the respective casing string. A subsequent pressure test resulting in a drop in pressure of less than 10 percent after 30 minutes or more shall be deemed to be proof satisfactory that the condition has been corrected.

8. The Administrator may, before an operator drills the shoe out of the surface casing string, require the operator to submit a cement bond log evaluating the bonding integrity of the cement at the level of the surface casing string from the bottom of the shoe of the casing string to the surface of the cement filling the annular space surrounding the casing string. The Administrator may require the submission of an initial cement bond log pursuant to this subsection only if:

(a) The Administrator determines that a significant amount of cement was lost during the cementing of the surface casing string; or

(b) The surface casing string fails a formation integrity test conducted pursuant to subsection 10.

➥ *If the initial cement bond log does not indicate sufficient bonding integrity of the cement occupying the annular space, the Administrator may require the operator to submit a subsequent cement bond log evaluating the bonding integrity of the cement occupying the annular space. An operator shall provide to the Division a copy of each cement bond log required pursuant to this subsection as soon as practicable after a copy of the cement bond log becomes available to the operator.*

9. An operator shall, before the operator drills the shoe out of an intermediate casing string or a production casing string, submit an initial cement bond log evaluating the bonding integrity of the cement at the level of the respective casing string from the bottom of the shoe of the casing string to the surface of the cement filling the annular space surrounding the casing string. If the initial cement bond log does not indicate sufficient bonding integrity of the cement occupying the annular space, the Administrator may require the operator to submit a subsequent cement bond log evaluating the bonding integrity of the cement occupying the annular space. An operator shall provide to the Division a copy of each cement bond log required pursuant to this subsection as soon as practicable after a copy of the cement bond log becomes available to the operator.

10. An operator shall conduct a formation integrity test at the time the operator drills the shoe out of the surface casing string, an intermediate casing string or a production casing

string. The operator shall submit to the Division the results of a formation integrity test conducted pursuant to this subsection as soon as practicable after the conclusion of the test.

Sec. 17. NAC 522.342 is hereby amended to read as follows:

522.342 ***1.*** The amount of the administrative fee that a producer or purchaser of oil or natural gas must pay pursuant to subsection 2 of NRS 522.150 is ~~[10]~~ ***20*** cents per barrel of oil or per 50,000 cubic feet of natural gas, as appropriate.

2. The administrative fee must be paid on or before the last day of each month and must be prorated to reflect the amount of oil or natural gas produced in that month.

Sec. 18. NAC 534A.270 is hereby amended to read as follows:

534A.270 1. ~~[All necessary]~~ ***An operator shall take all*** precautions ~~[must be taken]~~ ***which are necessary*** to keep wells under control and operating safely at all times. ***Well control and wellhead assemblies used in any geothermal well must meet the minimum specifications for assemblies prescribed by the American Petroleum Institute in Standard 53, "Blowout Prevention Equipment Systems for Drilling Wells," or by its successor organization, or as may be otherwise prescribed by the Administrator.***

2. Equipment for the prevention of a blowout, capable of shutting in the well during any operation, must be installed on the surface casing and maintained ~~[ready for use]~~ ***in good operating condition*** at all times. This equipment must be made of steel and have a rating for pressure ***of at least 3,000 pounds per square inch gauge (psig) or*** equal to the maximum anticipated pressure at the wellhead. Equipment for the prevention of a blowout is required on any well where temperatures may exceed 250°F.

3. ~~[Immediately after installation, the casing and]~~ ***An operator shall test the*** equipment for the prevention of a blowout ~~[must be tested]~~ under pressure. ~~[These tests must be witnessed by]~~

A representative of the Division *must observe the test in person or otherwise approve the results of the test* before the *operator drills the* guide shoe ~~[is drilled]~~ out of the casing. ~~[The Division must be given reasonable notice of any such test. If necessary, conductor pipe must be equipped with annular blowout equipment which is hydraulically activated from a remote control station.]~~ *An operator shall provide notice to the Division of not less than 24 hours before conducting a test pursuant to this subsection.*

4. The ~~[use of any equipment for the prevention of a blowout must be in accordance with established good practices of the oil field.]~~ *operator shall submit to the Division pressure curves for the equipment for the prevention of a blowout as soon as practicable after the conclusion of the test conducted pursuant to subsection 3.*

Sec. 19. NAC 522.270 and 522.343 are hereby repealed.

TEXT OF REPEALED SECTIONS

522.270 Wells drilled with cable tools. The following applies to all wells drilled with cable tools:

1. Before drilling begins, adequate slush pits must be constructed.

2. Surface casing must be set in the same manner as described in NAC 522.265. Surface casing must be tested by bailing or pressure test to ensure a shutoff before drilling proceeds below the casing point.

3. The use of blowout equipment must be in accordance with good established oil field practice. After cementing the surface casing, a well being drilled must be equipped with adequate blowout preventers. All equipment must be in good operating condition at all times.

522.343 Reduced administrative fee for new production. (NRS 522.040, 522.150)

1. Notwithstanding the provisions of NAC 522.342, the amount of the administrative fee that a producer or purchaser of oil or natural gas must pay pursuant to subsection 2 of NRS 522.150 for new production is one-half cent per barrel of oil or per 50,000 cubic feet of natural gas, as appropriate, and in accordance with the provisions of this section.

2. Upon the filing of Form 5, the well completion report, pursuant to NAC 522.510, the Division shall determine whether the production from the well that is the subject of the report qualifies as new production. If the Division determines that the production from the well qualifies as new production, the producer or purchaser is entitled to pay the administrative fee required by subsection 2 of NRS 522.150 for that new production at the reduced rate prescribed in subsection 1 for 12 consecutive calendar months, beginning on the put-on-production date reported in Form 5 for that well. At the end of the 12-month period, the producer or purchaser must pay the administrative fee required by NRS 522.150 for further production from the well in the amount prescribed in NAC 522.342.

3. A producer or purchaser may, pursuant to NRS 522.110, challenge a determination made by the Division pursuant to subsection 2.

4. As used in this section, “new production” means production from a new or existing well that is completed in a new interval, as determined by the Division.