

**ADOPTED REGULATION OF THE
DIVISION OF MINERALS OF THE
COMMISSION ON MINERAL RESOURCES**

LCB File No. R052-25

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

AUTHORITY: §§ 1-10, NRS 522.040.

A REGULATION relating to natural resources; adopting by reference certain specifications and standards relating to the drilling, casing and cementing of wells; eliminating the requirement that certain applications be accompanied by a location plat which satisfies certain criteria; specifying the period of time by which certain sample cuttings and splits of cores must be submitted to the Bureau of Mines and Geology of the State of Nevada for the approval of a drilling permit; revising certain duties of an operator of an oil or gas well; eliminating certain limitations on the use of gas from an oil well; revising requirements for the filing of certain surveys and reports; eliminating unnecessary definitions; and providing other matters properly relating thereto.

Legislative Counsel's Digest:

Existing law: (1) requires the Division of Minerals of the Commission on Mineral Resources to adopt regulations to effectuate the purposes of existing law, governing oil and gas; and (2) authorizes the Division to require certain persons to make and file reports, well logs and directional surveys relating to oil and gas wells. Existing law also authorizes the Division to require the drilling, casing and plugging of wells in such a manner as to prevent: (1) certain escapes of oil or gas; (2) certain water intrusions; (3) pollution of fresh water supplies; and (4) blowouts, cavings, seepages and fires. (NRS 522.040)

Section 1 of this regulation adopts by reference certain American Petroleum Institute specifications and standards relating to the drilling, casing and cementing of wells.

Existing regulations require a person to apply to and obtain a permit from the Division before any well is spudded in or drilled for oil or gas. Existing regulations require the application to be made on certain forms and accompanied by the required fee and a location plat prepared by a land surveyor licensed in Nevada. (NAC 522.210, 522.495) **Sections 2 and 7** of this regulation eliminate the requirement that an application be accompanied by a location plat that satisfies certain criteria.

Existing regulations require, as a condition for the approval of a drilling permit, certain sample cuttings and a split of any core taken to be submitted to the Bureau of Mines and Geology of the State of Nevada as soon as the drilling of a well is complete. (NAC 522.215) **Section 3** of this regulation requires the cuttings and any sample taken to be submitted to the Bureau not later than 90 days after the date on which the drilling of the well is complete.

Existing regulations impose certain duties on an operator of an oil or gas well. (NAC 522.232) **Section 4** of this regulation: (1) updates the editions of certain specifications prescribed by the American Petroleum Institute which must be met by casings; (2) eliminates a requirement that an operator of an oil or gas well must notify the Division if any casing or casing material has been previously used in a hydraulic fracturing operation or in any other oil or gas well; and (3) revises the address of an Internet website at which an operator may obtain information on the types of spills which must be reported to the Division of Minerals and the Division of Environmental Protection of the State Department of Conservation and Natural Resources.

Section 5 of this regulation changes the edition of the specifications prescribed by the American Petroleum Institute which must be met by well control and wellhead assemblies used in an oil or gas well.

Existing regulations limit the use of gas from an oil well to certain enumerated purposes. (NAC 522.345.) **Section 6** of this regulation eliminates such limitations.

Existing regulations require a Form 5, well completion report, to be filed for all wells drilled in this State within 30 days after drilling operations are complete. Existing regulations also provide that, if production will not begin within 30 days after drilling operations are completed: (1) Form 5 is not required to include information regarding the production of the well; and (2) an additional Form 5 must be filed with the Division within 30 days after production begins at the well that includes information regarding the production of the well. Finally, existing regulations require two copies of all logging surveys run in a wellbore by an operator to be filed with the Division. (NAC 522.510) **Section 8** of this regulation: (1) provides that, if production will not begin within 30 days after drilling operations are completed, information regarding the location of the well included on Form 5 must be reviewed and certified by a professional land surveyor who is licensed in this State; and (2) authorizes a single electronic copy, in lieu of two paper copies, of the logging surveys to be filed with the Division.

Existing regulations require: (1) a report of the production and sales of all oil, gas and water to be filed in quadruplicate with the Division on or before the last day of the month following the month for which the report is made; and (2) two copies of the report to be filed with the State Treasurer with the remittance of the production tax. (NAC 522.515) **Section 9** of this regulation: (1) requires the filing with the Division of an electronic or paper copy; and (2) eliminates the requirement that two copies of the report be filed with the State Treasurer.

Section 10 of this regulation eliminates definitions that are repetitive of statutes applicable to the provisions of certain existing regulations relating to natural resources. (Chapter 522 of NAC)

Section 1. Chapter 522 of NAC is hereby amended by adding thereto a new section to read as follows:

1. The Division hereby adopts by reference API Specification 5CT, "Casing and Tubing," Eleventh Edition, which is available from the American Petroleum Institute at the Internet address <https://www.apiwebstore.org>, for the price of \$380.

2. The Division hereby adopts by reference API Specification 10A, "Cements and Materials for Well Cementing," Twenty-Fifth Edition, which is available from the American Petroleum Institute at the Internet address <https://www.apiwebstore.org>, for the price of \$217.

3. The Division hereby adopts by reference API Standard 53, "Well Control Equipment Systems for Drilling Wells," Fifth Edition, which is available from the American Petroleum Institute at the Internet address <https://www.apiwebstore.org>, for the price of \$215.

Sec. 2. NAC 522.210 is hereby amended to read as follows:

522.210 1. Before any well is spudded in or drilled for oil or gas, application must be made to and a permit obtained from the Division.

2. The application must be made on Form 2, properly completed and accompanied by Form 1 ~~and~~ *and* the required fee . ~~and a location plat prepared by a land surveyor licensed in Nevada.~~ Evidence of a federal bond for drilling on a federal lease must be included in the space provided on Form 2. The source and estimated volume of water required for drilling each well must be included with the application.

3. If the well is to be drilled on state or private land, Form 3 or 3a, properly completed, must accompany the application.

4. The Division will, upon the approval of an application for a permit to drill or a sundry notice (Form 4) for a permit to conduct a hydraulic fracturing operation, make a copy of the permit available on the Internet website maintained by the Division.

Sec. 3. NAC 522.215 is hereby amended to read as follows:

522.215 The taking of cuttings and the filing thereof is a condition for approval of the drilling permit, and this condition will be stated on the permit. A minimum of two 15-milliliter sets of cuttings per sampling interval must be cleaned, dried and placed in sample envelopes, and the cuttings and a split of any core submitted to the Bureau of Mines and Geology ~~as soon as~~ *not later than 90 days after the date on which* the drilling of the well is complete. The Bureau shall remove a 15-milliliter set and place the set in permanent storage. The rest of the cuttings must be made available for public inspection and testing at that time or, if the records concerning the well are to be kept confidential pursuant to NAC 522.540, upon the expiration of the period of confidentiality. Destructive tests may be performed on the cuttings made available for public inspection and testing. The Administrator of the Division must be notified by the Bureau of any sample envelopes containing less than 5 milliliters of cuttings.

Sec. 4. NAC 522.232 is hereby amended to read as follows:

522.232 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, hydraulic fracturing, reconditioning and completion.
2. Not less than 24 hours before a well is spudded for oil or gas, notify 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, notify 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 *API* Specification 5CT, ~~["Specification for Casing"]~~ "*Casing*" and ~~["Tubing, Ninth Edition,"]~~ "*Tubing, Eleventh Edition*," or by its successor organization, or as may be otherwise prescribed by the Administrator.

5. ~~["Notify the Division if any casing or casing material has been previously used in a hydraulic fracturing operation or in any other oil or gas well."] "~~

~~—6.]~~ Ensure that the cementing of each casing string meets the minimum specifications prescribed by the American Petroleum Institute in *API* Specification 10A, ~~["Specification for Cements"]~~ "*Cements*" and Materials for Well ~~["Cementing, Twenty-Fourth Edition,"]~~ "*Cementing, Twenty-Fifth Edition*," or by its successor organization, or as may be otherwise prescribed by the Administrator.

~~["7.]~~ 6. Store and contain all materials at the site of the well in a safe and orderly manner.

~~["8.]~~ 7. Manage spills or releases in the manner prescribed by the Division of Environmental Protection pursuant to chapter 445A of NRS and chapter 445A of NAC.

~~["9.]~~ 8. Except as otherwise provided in subsection 3 of NAC 522.728, contain all liquids that are returned to the surface and discharged from the wellbore in the manner prescribed by the Division of Environmental Protection pursuant to chapter 445A of NRS and chapter 445A of NAC. 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.

~~10.1~~ 9. If an unintentional mechanical failure of the well or an uncontrolled flow or spill from the well site occurs, immediately notify:

(a) The Division at the telephone number of the Division.

(b) The Division of Environmental Protection at the spill reporting hotline maintained on its Internet website.

↪ An operator may obtain information on the types of spills which must be reported pursuant to this subsection at the Internet website ~~http://ndep.nv.gov/BCA/spil_rpt.htm~~
<https://ndep.nv.gov>.

Sec. 5. NAC 522.234 is hereby amended to read as follows:

522.234 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 *API* Standard 53, ~~“Blowout Prevention”~~ *“Well Control Equipment Systems for Drilling Wells,” Fifth Edition*, 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 have a rating for pressure greater than 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 notify the Division not less than 24 hours before conducting a test pursuant to this subsection.

4. The operator shall submit to the Division the pressure data and supporting information for the equipment for the prevention of a blowout as soon as practicable after the conclusion of the test. The operator shall record the results of each test in the daily drilling log of the operator.

Sec. 6. NAC 522.345 is hereby amended to read as follows:

522.345 1. ~~{Gas from an oil well may be used for:~~

~~—(a) Light or fuel;~~

~~—(b) Efficient manufacture of chemicals;~~

~~—(c) Reinjection to increase the ultimate recovery of hydrocarbons or for storage;~~

~~—(d) The extraction of liquid hydrocarbons from the gas if the gas is not wasted; or~~

~~—(e) The artificial lifting of oil from a pool if all gas returned to the surface is then used without waste.~~

~~—2.}~~ No gas from a gas well may be permitted to escape into the air without the approval of the Division except:

(a) When required for safety;

(b) When required for initial testing of a well; or

(c) To lift oil artificially from a pool in cases of operational necessity if the escape is permitted for no more than 5 days within any 30-day period.

~~{3.}~~ **2.** The disposition of gas produced by each gas well must be reported each month on Form 7.

Sec. 7. NAC 522.495 is hereby amended to read as follows:

522.495 ~~{1.}~~ A person who desires to drill any oil or gas well must file Form 2, properly completed, with the Division.

~~{2.—The location plat required by this section must be of convenient size, and must have the location of the proposed well within a 40-acre legal subdivision by an accurate course and distance tie to an established corner of a section or quarter section. The plat must contain a full description of the corner to which the tie is made, together with all markings thereon. Ties to offset section or quarter corners on township lines must also show the nearest corner of the adjoining township together with the offset distance. Lots within a lotted section must be shown and designated. The plat must indicate the method used in obtaining all bearings and must show the declination used for compass bearings and the source of the bearing if an angle is turned from a line of known bearing. The person who prepares the plat must note on the plat whether solar or polaris observations have been used.}~~

Sec. 8. NAC 522.510 is hereby amended to read as follows:

522.510 1. Form 5, the well completion report, must be filed for all wells drilled in Nevada within 30 days after drilling operations are completed. In the case of a dry hole, this report may accompany Form 4. If production will not begin within 30 days after drilling operations are completed:

- (a) *Information regarding the location of the well included on Form 5 must be reviewed and certified by a professional land surveyor who is licensed pursuant to chapter 625 of NRS;*
- (b) Form 5 is not required to include information regarding the production of the well; and

~~[(b)]~~ (c) An additional Form 5 must be filed with the Division within 30 days after production begins at the well that includes information regarding the production of the well.

2. ~~[(Two)]~~ *Except as otherwise provided in this subsection, two paper* copies of all logging surveys run in the wellbore by the operator must be filed with the Division. *In lieu of filing two paper copies, a single electronic copy of the logging surveys may be filed with the Division.*

3. The Division will file ~~[(one)]~~ *a copy* of the ~~[(sets)]~~ *logging surveys* with the Bureau of Mines and Geology. The copy at the Bureau will be available for public inspection when the records are no longer confidential.

Sec. 9. NAC 522.515 is hereby amended to read as follows:

522.515 1. ~~[(A)]~~ *An electronic or paper copy of a* report of the production and sales of all oil, gas and water must be filed ~~[(in quadruplicate)]~~ with the Division on or before the last day of the month following the month for which the report is made. ~~[(Two copies of the report must be filed with the State Treasurer with the remittance of the production tax. One copy must be retained by the producer.)]~~

2. All wells on a production status or shut-in for any part of the month must be included in the monthly report.

Sec. 10. NAC 522.078 and 522.708 are hereby repealed.

TEXT OF REPEALED SECTIONS

522.078 “Division” defined. (NRS 522.040) “Division” means the Division of Minerals of the Commission on Mineral Resources.

522.708 “Hydraulic fracturing” defined. (NRS 522.040, 522.119) “Hydraulic fracturing” has the meaning ascribed to it in NRS 522.0275.