

LCB File No. R165-99

PROPOSED REGULATION OF THE DIVISION OF MINERALS OF THE COMMISSION ON MINERAL RESOURCES

It is the desire of the Commission to implement a "Nevada Oil Exploration and Production Incentive Program" effective January 1, 2000. A description of the program which was included in the legal publication announcing a public workshop planned for October 25, 1999 is as follows:

NEVADA OIL EXPLORATION AND PRODUCTION INCENTIVE PROGRAM

Effective August 2, 1999, the amount of the administrative fee that a producer of oil or natural gas must pay is 10 cents (100 mills) per barrel of oil or per 50,000 cubic feet of natural gas, as appropriate.

In support of the industry's efforts to discover and produce new oil and gas reserves, the Commission on Mineral Resources proposes to reduce the administrative fee to one half of a cent (5 mills) commencing January 1, 2000 for all new production. New production is defined as production from new wells or existing wells completed in new intervals as determined by the Commission on Mineral Resources. Any qualifying well will receive a reduced administrative fee for one full year. Upon completion of a qualifying well, the producer will submit a Form 5, Well Completion Report." The put on production date as reported on Form 5 will be the effective date for the reduced fee. The Nevada Oil Exploration and Production Incentive Program will be evaluated on an annual basis for continuation, modification or termination.

Chapter 522 of NAC is hereby amended by adding the following provision:

The amount of the administrative fee that a producer or purchaser of oil or natural gas must pay on new production pursuant to subsection 2 of NRS 522.150 is on half cent (5 mills) per barrel of oil or per 50,000 cubic feet of natural gas, as appropriate. New production is defined as production from new wells or existing wells completed in new intervals as determined by the Commission on Mineral Resources. Any qualifying well will receive a reduced administrative fee for one full year. Upon completion of a qualifying well, the producer will submit a Form 5, "Well Completion Report." The put on production date as reported on Form 5 will be the effective date for the reduced fee.