

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

LCB File No. R081-15

September 11, 2015

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

AUTHORITY: §§1-15, NRS 522.040.

A REGULATION relating to natural resources; revising the form that must be used to report the plugging of certain holes or wells to the Division of Minerals of the Commission on Mineral Resources; authorizing an extension of the expiration date of a permit to drill an oil or gas well; revising the requirements for obtaining approval to drill and complete a disposal well; requiring the permanent plugging of certain wells; eliminating the fee for applying for a permit to drill, deepen or plug back any oil or gas well; requiring certain forms to be used to apply for certain approvals; eliminating the authority for an operator of a series of exploratory wells to apply to keep the wells confidential; making various other changes relating to oil and gas wells; 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 chapter 522 of NRS; and (2) authorizes the Division to require certain persons to file reports, logs and surveys relating to oil and gas wells. (NRS 522.040) This regulation makes a number of changes to regulations relating to the drilling and operation of oil and gas wells.

Sections 1 and 7 of this regulation revise the form that must be used to report to the Division the plugging of certain holes or wells.

Section 2 of this regulation eliminates outdated language from provisions relating to the tentative approval of certain requests or plan.

Existing regulations provide that a permit to drill or deepen a well for oil or gas expires 24 months after the date of issue unless operations have commenced and the operator is proceeding with due diligence. (NAC 522.220) **Section 3** of this regulation authorizes the Division to grant an extension to this deadline.

Existing regulations require that any person who wants to disposal of salt water, brackish water or other water unfit for domestic use or for livestock, irrigation or other use through the use of a disposal well be approved by the Administrator of the Division. (NAC 522.380) **Section**

5 of this regulation adds a requirement that a person also obtain a permit from the State Department of Conservation and Natural Resources that authorizes the person to inject fluids through a well.

Existing regulations require a well in which production casing has been run but which has not been operated for 1 year, and each well in which no production casing has been run and for which drilling operations have ceased for 30 days, to be immediately plugged. (NAC 522.430) **Section 6** of this regulation adds a requirement that such a well also be permanently plugged. Existing regulation also authorize the Administrator to grant a 6-month extension to the immediate plugging of the well for good cause. (NAC 522.430) **Section 6** authorizes the Administrator to grant such an extension for not more than 1 year.

Section 10 of this regulation eliminates the \$50 fee for an application for a permit to drill, deepen or plug back any oil or gas well.

Section 12 of this regulation requires a person use a particular form to notify the Division and request its approval of or for: (1) an intention to deepen or plug back a well that has been drilled; (2) an extension of the deadline prescribed in subsection 1 of NAC 522.220; (3) an intention to change the location of a well for which a permit to drill and operate has been issued but on which drilling has not yet begun; (4) an intention to begin major maintenance or cleaning of a well; (5) an intention to change the activity status of a well; (6) a change in the name of a well; (7) a change in the owner or operator of a well; and (8) any other proposed activity for which the Division conducts an extensive review.

Section 13 of this regulation revises the requirements for filing a well completion report.

Section 14 of this regulation eliminates the authority for an operator who plans to drill a series of exploratory wells within a given region or area to apply to the Division to have the records for all his or her exploratory wells kept confidential.

Section 15 of this regulation repeals certain forms that are used to make reports to the Division. **Sections 4, 8 and 9** of this regulation make conforming changes.

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

Form 12 must be used to provide the record of plugging a hole or well that is required pursuant to NAC 522.465.

Sec. 2. NAC 522.195 is hereby amended to read as follows:

522.195 If the Division gives tentative approval of ~~{an oral or telegraphed}~~ a request or plan, the person requesting the approval must promptly submit the request or plan in writing on the proper form for final approval and confirmation by the Division.

Sec. 3. NAC 522.220 is hereby amended to read as follows:

522.220 ~~{Unless}~~

1. Except as otherwise provided in subsection 2, unless operations have been commenced and the operator is proceeding with due diligence, a permit to drill or deepen a well for oil or gas expires 24 months after the date of issue.

2. The Division may grant an extension of the deadline prescribed in subsection 1.

Sec. 4. NAC 522.250 is hereby amended to read as follows:

522.250 1. Each well which is being drilled or is capable of producing must be identified by a sign posted on the derrick or not more than 100 feet from the well.

2. The sign must be of durable construction. The lettering must be kept in legible condition and be large enough to be legible under normal conditions at a distance of 50 feet. The wells on each lease or property must be numbered in nonrepetitive, logical and distinctive sequence. Each sign must show the number of the well, the name of the lease, which must be different and distinctive for each lease, the name of the lessee, owner or operator and the location by quarter section, township and range.

3. The Division will assign to each well an identification number of the American Petroleum Institute when the drilling permit is approved. This number must be used for identification in:

(a) Electronic data processing; and

(b) The forms listed in NAC 522.480 to ~~522.530,~~ 522.520, inclusive, *and section 1 of this regulation*, which must also show the name of the company, the number of the lease and the number of the well.

Sec. 5. NAC 522.380 is hereby amended to read as follows:

522.380 1. ~~{The underground disposal}~~ *A person who wishes to dispose* of salt water, brackish water or other water unfit for domestic use or for livestock, irrigation or other use ~~is permitted only upon approval of~~ *with a disposal well must obtain:*

(a) Approval to drill and complete the disposal well from the Administrator ~~{}~~ *; and*

(b) A permit from the State Department of Conservation and Natural Resources pursuant to NRS 445A.300 to 445A.730, inclusive, that authorizes the person to inject fluids through a well.

2. Disposal wells must be cased and the casing cemented in such a manner that no damage is caused to fresh water, oil, gas or other minerals. All injection must be through tubing and below the packer unless another means is approved by the Administrator.

3. The application ~~{to dispose of}~~ *for approval to drill and complete a disposal well for* salt water, brackish water or other water unfit for domestic use or for livestock, irrigation or other use must be verified by the applicant and filed in duplicate with the Division. The application must include:

(a) A plat showing the location of each disposal well and the location of all oil and gas wells, including abandoned wells, wells being drilled and dry holes, and the names of lessees of record of land within one-half mile of the proposed disposal well;

(b) The formation and depths to which all wells are currently completed;

(c) The name, description and depth of the formation into which water is to be injected;

- (d) Logs of each disposal well, or a description of the typical stratigraphic level of the disposal formation in each disposal well;
- (e) A description of the casings in each disposal well of the proposed casing program, and the proposed method for testing the casings before use of each disposal well;
- (f) A statement specifying the source of water to be injected;
- (g) The estimated minimum and maximum amount of water to be injected daily;
- (h) The estimated minimum injection pressure; and
- (i) The names and addresses of the operator of the project.

Sec. 6. NAC 522.430 is hereby amended to read as follows:

522.430 1. Each well in which production casing has been run but which has not been operated for 1 year, and each well in which no production casing has been run and for which drilling operations have ceased for 30 days, must be immediately *and permanently* plugged.

2. The Administrator may, for good cause, grant ~~an additional 6 months~~ *an extension of not more than 1 year* for the well to be plugged.

3. A request for an extension must be submitted on Form 4.

Sec. 7. NAC 522.465 is hereby amended to read as follows:

522.465 Within 30 days after the plugging of a hole or well, a record of the plugging must be submitted to the Division on Form ~~4~~ *12*.

Sec. 8. NAC 522.480 is hereby amended to read as follows:

522.480 1. All producers, transporters, storers and handlers of crude petroleum oil and natural gas in Nevada shall keep, for at least 5 years, appropriate books and records covering their operations in Nevada to substantiate the reports required by NAC 522.480 to ~~522.530,~~ *522.520*, inclusive ~~1~~ *, and section 1 of this regulation.*

2. The Division may require additional reports, data or other information on the production, transportation, storage or handling of crude petroleum oil or natural gas in Nevada if it is necessary or desirable to prevent waste and conserve natural resources.

Sec. 9. NAC 522.485 is hereby amended to read as follows:

522.485 Where the provisions of this chapter require forms to be filed, the forms listed in NAC 522.490 to ~~{522.530,}~~ **522.520**, inclusive, ~~{for other approved machine accounting forms,}~~ **and section 1 of this regulation**, may be filed. ~~{Applicable forms of the United States Geological Survey may be filed in place of Forms 4, 5 and 7A.*~~
~~—*(See agency for forms.)}~~

Sec. 10. NAC 522.495 is hereby amended to read as follows:

522.495 1. A person who desires to drill ~~{, deepen or plug back}~~ any oil or gas well must file Form 2, properly completed, with the Division. ~~{A fee of \$50 and a location plat must accompany the application for a permit to drill. No additional fee or location plat is required to deepen or plug back a well which has been drilled.}~~

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. 11. NAC 522.500 is hereby amended to read as follows:

522.500 1. Form 3 , ~~†*~~ properly prepared, must accompany the bond required by NAC 522.230 for the drilling of a single well.

2. Form 3a , ~~†*~~ properly prepared, must accompany the bond required by NAC 522.230 for the drilling of more than one well.

~~†*(See agency for form.)†~~

Sec. 12. NAC 522.505 is hereby amended to read as follows:

522.505 1. Form 4 must be used to:

(a) Notify the Division and request its approval of ~~††~~ *or for:*

(1) A change of *drilling* plans.

(2) A test of water shutoff.

(3) A reentering or reopening of a plugged hole.

(4) A shooting, acidizing or fracture treating.

(5) A pulling or altering of casing.

(6) An intention to abandon a well.

(7) An intention to deepen or plug back a well that has been drilled.

(8) Extending the deadline prescribed in subsection 1 of NAC 522.220.

(9) An intention to change the location of a well for which a permit to drill and operate has been issued but on which drilling has not yet begun.

(10) An intention to begin major maintenance or cleaning of a well.

(11) An intention to change the activity status of a well.

(12) A change in the name of a well.

(13) A change in the owner or operator of a well.

(14) Any other proposed activity for which the Division conducts an extensive review.

➡ Permission in advance does not relieve the operator of the requirement to file the notice.

(b) Report progress or completion of the activities designated in paragraph (a).

(c) Report the supplemental history of a well.

2. The presence of a representative of the Division at the scene of any of the activities required to be reported on Form 4 or any approval of an activity of which the Division must be notified on Form 4 does not relieve the operator of the requirement to file the form or the notice. The Division may observe and report on these activities.

Sec. 13. 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. In the case of a dry hole, this report may accompany Form 4. In the case of a well placed in commercial production, Form 5 must be filed with the Division within 30 days after the ~~{well is placed in production. Only one Form 5 is required for each well.}~~ *drilling operations are completed.* A second Form 5 is ~~{not}~~ required upon the ~~{abandonment of any producing}~~ *commencement of production by a* well.

2. Two copies of all logging surveys run in the wellbore by the operator must be filed with the Division. The Division will file one of the sets 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. 14. NAC 522.540 is hereby amended to read as follows:

522.540 ~~{1-}~~ Records concerning a well will not be kept confidential by the Division unless the owner of the well requests confidentiality in writing or marks “confidential” on the logs of an exploratory well. Upon receiving such a request or log, the Division will keep the records confidential for 6 months after their receipt unless the owner provides a written authorization for an earlier release.

~~{2.— An operator who plans to drill a series of exploratory wells within a given region or area may apply to the Division to have the records for all his or her exploratory wells kept confidential. Such an application must specifically describe the area to be explored and the number and location of exploratory wells contemplated. Upon approval of the application, the Administrator will keep all records of the project confidential for 6 months after receipt of the record. The operator may amend the plan of the project with the written approval of the Administrator.}~~

Sec. 15. NAC 522.450, 522.525 and 522.530 are hereby repealed.

TEXT OF REPEALED SECTIONS

522.450 Water wells.

1. If a well or exploratory hole which is to be plugged may safely be used as a fresh-water well, and the landowner wishes so to use it, the well need not be filled above the required sealing plug set below the fresh-water stratum. Written authority for use of the well or hole as a water

well must be secured from the landowner on Form 10 and filed with and approved by the Division. Authority from the landowner must also include the assumption of full responsibility by the landowner for the final plugging of the well.

2. Approval by the Division to convert the well to a fresh-water well and approval of the plugging of the well to the base of the fresh-water producing stratum releases and discharges the principal and surety from any liability under any bond given to assure that the well would be properly plugged and abandoned.

522.525 Form 8A: Notice of change of owner. Any owner or part owner who is bound under a drilling bond and who conveys his or her interest to another shall file Form 8A, notice of change of owner, with the Division.

522.530 Form 10: Water well completion release. When the lessor wishes to complete a dry hole which is capable of producing water as a water well, Form 10 must be filed with the Division.