

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

LCB FILE NO. T006-20A

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Brief description of action Temporary regulation change of chapter 522 of Nevada Administrative Code (Oil and Gas). This temporary regulation change reduces the monthly administrative fee, pursuant to NAC 522.342, paid by Nevada oil and gas producers from 15 cents to 5 cents per barrel of oil or per 50,000 cubic feet of natural gas. The temporary regulation contains no other changes and pursuant to NRS 233B.063(3), the temporary regulation will expire on November 1, 2021.

Authority citation other than 233B NRS 522.040 and NRS 522.150

Notice date October 1, 2020

Hearing date November 16, 2020

Date of Adoption by Agency

November 16, 2020

TEMPORARY REGULATION OF THE
COMMISSION ON MINERAL RESOURCES
NEVADA ADMINISTRATIVE CODE
CHAPTER 522 - OIL AND GAS

ADOPTED NOVEMBER 16, 2020

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

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GENERAL PROVISIONS

NAC 522.010 Definitions. ([NRS 522.040](#)) As used in this chapter, unless the context otherwise requires, the words and terms defined in [NRS 522.021](#) to [522.0395](#), inclusive, and [NAC 522.018](#) to [522.170](#), inclusive, have the meanings ascribed to them in those sections.

[Div. of Mineral Res., § 106, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.018 “Administrator” defined. ([NRS 522.040](#)) “Administrator” means the Administrator of the Division.

(Added to NAC by Dep't of Minerals, eff. 7-22-87) — (Substituted in revision for NAC 522.083)

NAC 522.020 “Atmospheric pressure” defined. ([NRS 522.040](#)) “Atmospheric pressure” means the pressure or weight of air at sea level, equivalent to 14.73 pounds per square inch.

[Div. of Mineral Res., § 108, eff. 12-20-79]

NAC 522.025 “Barometric pressure” defined. ([NRS 522.040](#)) “Barometric pressure” means the pressure or weight of air determined by the use of a barometer at a given point.

[Div. of Mineral Res., § 109, eff. 12-20-79]

NAC 522.030 “Barrel” defined. ([NRS 522.040](#)) “Barrel” means 42 U.S. gallons, measured at standard conditions of pressure and temperature.

[Div. of Mineral Res., § 110, eff. 12-20-79]

NAC 522.035 “Blowout” defined. ([NRS 522.040](#)) “Blowout” means an uncontrolled escape of drilling fluid, water, oil or gas from a well.

[Div. of Mineral Res., § 111, eff. 12-20-79]

NAC 522.040 “Blowout preventer” defined. ([NRS 522.040](#)) “Blowout preventer” means a control attached to the wellhead which is equipped with gates, rams or other packoff which can be closed around the drill pipe or cable tools and which completely closes the top of the casing.

[Div. of Mineral Res., § 112, eff. 12-20-79]

NAC 522.045 “Bottom hole pressure” defined. ([NRS 522.040](#)) “Bottom hole pressure” means the pressure in pounds per square inch under conditions existing at or near the producing horizon.

[Div. of Mineral Res., § 113, eff. 12-20-79]

NAC 522.050 “Casing pressure” defined. ([NRS 522.040](#)) “Casing pressure” means the pressure between the casing and tubing when the casing and tubing are packed off at the top of the well.

[Div. of Mineral Res., § 114, eff. 12-20-79]

NAC 522.055 “Casinghead gas” defined. ([NRS 522.040](#)) “Casinghead gas” means any gas, vapor, or both, indigenous to an oil stratum and produced from the stratum with oil.

[Div. of Mineral Res., § 115, eff. 12-20-79]

NAC 522.060 “Condensate” defined. ([NRS 522.040](#)) “Condensate” means the liquid recovered at the surface from condensation by reduced pressure or temperature of gaseous petroleum hydrocarbons in the reservoir.

[Div. of Mineral Res., § 116, eff. 12-20-79]

NAC 522.065 “Cubic foot of gas” defined. ([NRS 522.040](#)) “Cubic foot of gas” means the volume of gas contained in one cubic foot of space at standard conditions.

[Div. of Mineral Res., § 117, eff. 12-20-79]

NAC 522.070 “Day” defined. ([NRS 522.040](#)) “Day” means 24 consecutive hours from 7 a.m. to the following 7 a.m.

[Div. of Mineral Res., § 118, eff. 12-20-79]

NAC 522.075 “Developed area” and “developed unit” defined. ([NRS 522.040](#))

1. “Developed area” or “developed unit” means an area or unit having a completed well which is capable of producing oil or gas in profitable quantities.

2. If the Division finds that any part of a unit is nonproductive, the developed area of the unit includes only that part which is productive.

[Div. of Mineral Res., § 119, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

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

(Added to NAC by Dep't of Minerals, eff. 7-22-87) — (Substituted in revision for NAC 522.073)

NAC 522.080 “Drilling fluid” defined. (NRS 522.040) “Drilling fluid” means any fluid commonly used in the petroleum industry for the purpose of drilling and removing cuttings from a well.

[Div. of Mineral Res., § 120, eff. 12-20-79]

NAC 522.085 “Exploratory well” defined. (NRS 522.040)

1. “Exploratory well” means a well drilled in an unproven area.

2. The term includes a well drilled into unproven formations.

[Div. of Mineral Res., § 121, eff. 12-20-79]

NAC 522.090 “Gas to oil ratio” defined. (NRS 522.040) “Gas to oil ratio” means the ratio of production of gas in standard cubic feet to oil in barrels produced concurrently.

[Div. of Mineral Res., § 122, eff. 12-20-79]

NAC 522.095 “Gas repressuring” defined. (NRS 522.040) “Gas repressuring” means introduction of any gas into a pool in order to replenish, replace or increase the reservoir energy.

[Div. of Mineral Res., § 123, eff. 12-20-79]

NAC 522.100 “Gas well” defined. (NRS 522.040, 522.119) “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.

[Div. of Mineral Res., § 124, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Comm'n on Mineral Resources by R011-14, 10-24-2014)

NAC 522.105 “Mud-laden fluid” defined. (NRS 522.040) “Mud-laden fluid” means any approved mixture of fluids and clay or other material commonly used in the petroleum industry for drilling, abandonment or emergency conditions which will effectively prevent migration of fluids within the well bore.

[Div. of Mineral Res., § 125, eff. 12-20-79]

NAC 522.110 “Multiple completion” defined. (NRS 522.040) “Multiple completion” means the completion of any well so as to permit the production from more than one pool, with the production from each pool completely segregated from the production of other pools.

[Div. of Mineral Res., § 126, eff. 12-20-79]

NAC 522.115 “Oil well” defined. (NRS 522.040, 522.119) “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.

[Div. of Mineral Res., § 127, eff. 12-20-79] — (NAC A by Comm'n on Mineral Resources by R011-14, 10-24-2014)

NAC 522.120 “Operator” defined. (NRS 522.040) “Operator” means a person, acting for himself or herself or as an agent for others, designated to the Division as the one who has the primary responsibility for complying with the Division's regulations.

[Div. of Mineral Res., § 128, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.125 “Potential” defined. (NRS 522.040) “Potential” means the daily ability of a well to produce oil or gas as determined by a test approved or witnessed by the Division or its authorized representative.

[Div. of Mineral Res., § 129, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.130 “Pressure maintenance” defined. (NRS 522.040) “Pressure maintenance” means any practice which tends to preserve all or part of the original reservoir pressure.

[Div. of Mineral Res., § 130, eff. 12-20-79]

NAC 522.135 “Proven oil or gas land” defined. (NRS 522.040) “Proven oil or gas land” means an area which has been shown by development or geological information to be such that any additional wells drilled in the area are reasonably sure to be productive of oil, gas, or both.
[Div. of Mineral Res., § 131, eff. 12-20-79]

NAC 522.140 “Seismic hole” defined. (NRS 522.040) “Seismic hole” means a drilled hole which is intended for geophysical survey purposes only.
[Div. of Mineral Res., § 132, eff. 12-20-79]

NAC 522.145 “Separator” defined. (NRS 522.040) “Separator” means an apparatus for separating oil, gas and water at the surface as they are produced from a well.
[Div. of Mineral Res., § 133, eff. 12-20-79]

NAC 522.150 “Shut-in pressure” defined. (NRS 522.040) “Shut-in pressure” means the gauge pressure noted at the wellhead when the well is completely shut in.
[Div. of Mineral Res., § 134, eff. 12-20-79]

NAC 522.155 “Standard conditions” defined. (NRS 522.040) “Standard conditions” means temperature at 60 degrees Fahrenheit and absolute pressure of 14.73 pounds per square inch.
[Div. of Mineral Res., § 135, eff. 12-20-79]

NAC 522.160 “Storage” defined. (NRS 522.040) “Storage” means the confinement of produced gas, oil, or both, in tanks, reservoirs or containers.
[Div. of Mineral Res., § 136, eff. 12-20-79]

NAC 522.165 “Survey” defined. (NRS 522.040) “Survey” means all electrical, directional and other tests made for the purposes of obtaining information.
[Div. of Mineral Res., § 137, eff. 12-20-79]

NAC 522.170 “Well log” defined. (NRS 522.040)
1. “Well log” means a written record progressively describing the strata, water, oil or gas encountered in drilling a well, with additional information on volumes, pressure, rate of fill-up, water depths, caving strata, casing record and other data usually recorded in the normal procedure of drilling.
2. The term includes all logs run by the operator.
[Div. of Mineral Res., § 138, eff. 12-20-79]

NAC 522.175 Applicability of chapter. (NRS 522.040)
1. The provisions of this chapter apply in all areas of the state unless otherwise stated in a special provision of NAC.
2. Special provisions of NAC will be adopted when required and will take precedence over general provisions if in conflict with them.
[Div. of Mineral Res., §§ 100 & 101, eff. 12-20-79]

NAC 522.185 Protection of fresh water. (NRS 522.040)
1. Fresh water must be protected from pollution, whether in drilling, plugging or producing oil or gas, or in disposing of salt water already produced.
2. Oil or gas wells and wells drilled for exploratory purposes are governed by the provisions of this chapter which pertain to the drilling, safety, casing, production, abandoning and plugging of wells. All operations must be carried on so as to prevent pollution of any stream or other watercourse of this state, or of any subsurface water, as the result of the escape, release or injection of oil, gas or salt water from any well.
[Div. of Mineral Res., § 200 subsecs. 1 & 2, eff. 12-20-79]

NAC 522.190 Arrangements relating to conservation of oil and gas. (NRS 522.040) The Division may enter into arrangements with agencies of the State and the Federal Government, with committees representing private enterprise and with other persons for special projects, services and studies relating to conservation of oil and gas.
[Div. of Mineral Res., § 103, eff. 12-20-79] — (NAC A by Dep’t of Minerals, 7-22-87)

NAC 522.195 Tentative approval of request or plan. (NRS 522.040) If the Division gives tentative approval of 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.

[Div. of Mineral Res., § 105, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

DRILLING

NAC 522.210 Application for permit to drill; approved permits available on Internet. (NRS 522.040, 522.119)

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, 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.

[Div. of Mineral Res., § 203, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Comm'n on Mineral Resources by R011-14, 10-24-2014)

NAC 522.212 Fees. (NRS 522.050)

1. A person desiring to drill and operate an oil or gas well must pay to the Division a fee as follows:

- (a) For a conventional well on public or private land, \$1,000.
- (b) For a hydraulic fracturing well on federally-owned land, \$3,500.
- (c) For a hydraulic fracturing well on private or state-owned land, \$4,500.

2. An application to reclassify a well from a conventional well for which a permit to drill or operate has been issued to a hydraulic fracturing well must be accompanied by a fee in an amount equal to the difference between the fee for a permit to drill or operate a conventional well and the fee for a permit to drill or operate a hydraulic fracturing well, according to the fee schedule prescribed in subsection 1.

3. An application to change the terms of a permit to drill or operate a conventional well or hydraulic fracturing well after the well has been drilled must be submitted on Form 4 and accompanied by a fee of:

- (a) For administrative changes, \$100; or
- (b) For all other changes, \$300.

4. As used in this section:

- (a) "Conventional well" means an oil or gas well that is not intended to be hydraulically fractured.
- (b) "Hydraulic fracturing well" means an oil or gas well that is intended to be hydraulically fractured.

(Added to NAC by Comm'n on Mineral Resources by R069-99, eff. 8-19-99; A by R056-15, 12-21-2015)

NAC 522.215 Cuttings: Requirements for permit; availability and use; notification of shortage. (NRS 522.040) 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 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.

[Div. of Mineral Res., § 204, eff. 12-20-79] — (NAC A by Dep't of Minerals, 9-16-92)

NAC 522.220 Time limit of permit; extension. (NRS 522.040)

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.

[Div. of Mineral Res., § 205, eff. 12-20-79] — (NAC A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.225 Transfer of permit. ([NRS 522.040](#)) If the person to whom a permit was originally issued disposes of all his or her operating interest in the well, he or she must submit a written statement to the Division setting forth that fact and requesting that the permit be transferred to the person who has acquired the well. The transferee must furnish a bond as required in [NAC 522.230](#). The surety may be released or cancelled by the transferor upon approval of the transfer by the Division.

[Div. of Mineral Res., § 208, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.230 Bonds and deposits. ([NRS 522.040](#))

1. To ensure that a well, upon abandonment, is plugged in accordance with the regulations of the Division and that the well is operated and repaired in a manner which does not cause waste, the Division may, except as otherwise provided in this section, require that the owner:

(a) Obtain a bond in favor of the State of Nevada in a sum of not less than \$10,000 for each well, or in a sum of not less than \$50,000 covering all wells being drilled or to be drilled in Nevada by one owner;

(b) Deposit money with the Division in a sum of not less than \$10,000 for each well or in a sum of not less than \$50,000 covering all wells being drilled or to be drilled in Nevada by one owner; or

(c) Deposit with the Division a savings certificate or time certificate of deposit issued by a bank or savings or loan association in Nevada and made payable to the State of Nevada, in a sum of not less than \$10,000 for each well or in a sum of not less than \$50,000 covering all wells being drilled or to be drilled in Nevada by one owner. All interest earned on the deposit accrues to the account of the owner of the well.

2. An owner of a well drilled on federal land who has previously deposited a bond with the Federal Government in a form and an amount equivalent to the form and amount approved by the Division, is not required to obtain a bond or make the deposit with the Division pursuant to this section for wells covered by the bond deposited with the Federal Government.

3. Any bond required by this section must be issued by a corporate surety authorized to do business in Nevada and must be approved and accepted by the Division before deemed valid.

4. Any bond, savings certificate or time certificate of deposit required by this section must remain in effect until the well has been properly abandoned and plugged or repaired in accordance with this chapter or until it is formally released by the Division.

[Div. of Mineral Res., § 209, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.232 Duties of operator. ([NRS 522.040](#), [522.119](#)) 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 Specification 5CT, "Specification for Casing and Tubing, Ninth 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 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.

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

8. 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. 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. 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.

È 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.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.234 Well control and safety; equipment for prevention of blowout. (NRS 522.040, 522.119)

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, Fourth 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.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.235 Location of wells. (NRS 522.040) In a proven oil and gas field the spacing of wells will be governed by special rules for each particular field, to be adopted by the Division after notice and hearing. In the absence of a special order of the Division establishing drilling units or authorizing different densities of wells or patterns of location for particular pools or parts of pools, the following requirements apply:

1. Each well drilled for oil with a projected depth of 5,000 feet or less must be located not less than 330 feet from the outside boundary of a government quarter-quarter section, or of a lot, tract or combination of lots or tracts substantially equivalent to a quarter-quarter section as shown by the most recent government survey. Unless the Administrator, in his or her discretion, determines otherwise, only one well may be issued a permit to produce oil from the same reservoir within the same quarter-quarter section.

2. Each well drilled for oil with a projected depth of greater than 5,000 feet must be located not less than 330 feet from the outside boundary of a government quarter section, or of a lot, tract or combination of lots or tracts substantially equivalent to a quarter section as shown by the most recent government survey. Unless the Administrator, in his or her discretion, determines otherwise, only one well may be issued a permit to produce oil from the same reservoir within the same quarter section.

3. Each well drilled for gas with a projected depth of 5,000 feet or less must be located not less than 660 feet from the outside boundary of a government quarter section, or of a lot, tract or combination of lots or tracts substantially equivalent to a quarter section as shown by the most recent government survey. Unless the Administrator, in his or her discretion, determines otherwise, only one well may be issued a permit to produce gas from the same reservoir within the same quarter section.

4. Each well drilled for gas with a projected depth of greater than 5,000 feet must be located not less than 990 feet from the outside boundary of a government section, or of a lot, tract or combination of lots or tracts substantially equivalent to a section as shown by the most recent government survey. Unless the Administrator, in his or her discretion, determines otherwise, only one well may be issued a permit to produce gas from the same reservoir within the same section.

5. The requirements of this section for the location of a well do not apply to:

- (a) Federal units.
- (b) Wells drilled pursuant to a working interest agreement.
- (c) Areas subject to existing orders for drilling and spacing.

6. The Administrator will determine the pattern for the location of wells which are adjacent to an area in which the spacing of wells is prescribed by the Division or under application for spacing, where there is sufficient evidence to indicate that the pool or reservoir for which the spacing of wells is or will be prescribed by the Division may extend beyond the boundary of the spacing order or application, and the uniformity of the pattern of spacing is necessary to ensure an orderly development of the pool.

7. As used in this section, the term “working interest agreement” means a written agreement entered into by the persons who are responsible for paying the cost of drilling one or more wells and that specifies the location of the well or wells.

[Div. of Mineral Res., § 201, eff. 12-20-79] — (NAC A by Dep’t of Minerals, 7-22-87; A by Div. of Minerals by R156-98, 12-18-98)

NAC 522.240 Exceptions to location of wells and well spacing orders. (NRS 522.040)

1. Upon proper application, the Administrator may approve an exception to [NAC 522.235](#) or to any order of the Division establishing the spacing of wells for a pool.

2. An application for an exception must state fully the reasons the exception is necessary or desirable and must be accompanied by a plat showing:

(a) The locations at which an oil or gas well could be drilled in compliance with [NAC 522.235](#) or the applicable order;

(b) The location at which the applicant requests permission to drill; and

(c) The locations at which oil or gas wells have been or could be drilled in accordance with [NAC 522.235](#) or the applicable order:

(1) In a quarter section, for any oil well, regardless of depth, or any gas well of 5,000 feet or less; or

(2) In a section, for any gas well greater than 5,000 feet, directly or diagonally adjoining the quarter section or section for which the proposed exception is sought.

3. An exception approved by the Administrator does not affect the rights of owners of directly or diagonally adjoining tracts to drill for oil or gas.

[Div. of Mineral Res., § 202, eff. 12-20-79] — (NAC A by Dep’t of Minerals, 7-22-87)

NAC 522.245 Change of location of well. (NRS 522.040) If, before drilling a well, the person to whom the permit was originally issued desires to change the location, he or she must submit a letter so stating and another application properly filled out showing the new location. No additional fee is payable if the location change is within the same quarter-quarter section, but drilling must not be started until the new location has been approved.

[Div. of Mineral Res., § 207, eff. 12-20-79]

NAC 522.250 Identification of wells. (NRS 522.040)

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 [522.535](#), inclusive, which must also show the name of the company, the number of the lease and the number of the well.

[Div. of Mineral Res., § 214, eff. 12-20-79] — (NAC A by Dep’t of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.255 Collecting pits. (NRS 522.040)

1. No operator who conducts oil or gas development and production may use unlined collecting pits for storage and evaporation of brines from the oil field. The Division may approve the use of impervious collecting pits in conjunction with approved operations for disposal of salt water.

2. The provisions of subsection 1 do not apply to burning pits which are used exclusively for the burning of the accumulated waste from the bottom of a tank.

[Div. of Mineral Res., § 200 subsec. 3, eff. 12-20-79] — (NAC A by Dep’t of Minerals, 7-22-87)

NAC 522.260 Strata sealed off from other strata. (NRS 522.040)

1. During the drilling of any oil or gas well, all strata bearing oil, gas or water above the producing horizon must be sealed or separated in order to prevent their contents from passing into other strata.

2. All fresh waters and waters of value or possible value for domestic, commercial or stock purposes must be confined to their respective strata and be adequately protected by methods approved by the Division. Precautions must be taken in drilling and abandoning wells to guard against any loss of any fresh water from

the strata in which it occurs, and the contamination of any fresh water by objectionable water or any oil or gas.

3. The operator of any well must shut off and exclude all water from any oil- or gas-bearing stratum to the satisfaction of the Division.

[Div. of Mineral Res., § 212 eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.265 Casings and casing strings. ([NRS 522.040](#), [522.119](#)) Unless a special provision requires otherwise, the following applies to all oil and gas wells:

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

2. An operator shall install surface casing to a depth of not less than 500 feet below the surface of the ground. The annular space surrounding the surface 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. Except as otherwise provided in [NAC 522.726](#), each successive intermediate casing string or liner or production casing string or liner installed in a well below an existing casing string must overlap with the shoe of the existing casing string or liner, as applicable, by not less than 100 feet.

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

5. 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. The report must include, without limitation, the weight and volume of cementing materials used to cement the respective casing string and the pumping rates and pressures which are related to the cementing of the respective casing string.

6. If the Administrator determines that an operator must take remedial action to ensure compliance with [NAC 522.260](#), the operator shall complete such remedial action before the operator resumes drilling or conducts any testing pursuant to this section.

7. Except as otherwise provided by [NAC 522.726](#), before drilling the cement out of the bottom joints 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 bottom-hole pressure or 80 percent of the burst-pressure rating of the casing. 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 results 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 require the operator to submit a cement evaluation log evaluating the bonding integrity of the cement from the shoe of the surface casing string to the surface. The Administrator may require the submission of an initial cement evaluation log pursuant to this subsection 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.

È If the initial cement evaluation 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 evaluation log evaluating the bonding integrity of the cement occupying the annular space. An operator shall provide to the Division a copy of each cement evaluation 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, upon completion of cementing operations with respect to an intermediate casing string or production casing string, submit to the Division a cement evaluation log evaluating the bonding

integrity of the cement at the level of the respective casing string from the shoe of the casing string to the surface of the cement filling the annular space surrounding the casing string. If the initial cement evaluation 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 evaluation log evaluating the bonding integrity of the cement occupying the annular space. An operator shall provide to the Division a copy of each cement evaluation 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, to verify that the cement and the formation below the casing shoe can withstand the wellbore pressure which is required to safely drill to the next depth at which casing will be installed, conduct a formation integrity or leakoff test at the time the operator drills the cement out of the bottom joints 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 or leakoff test conducted pursuant to this subsection as soon as practicable after the conclusion of the test. If the results of the formation integrity or leakoff test indicate a poor cement bond at the casing shoe, 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 to ensure compliance with [NAC 522.260](#).

[Div. of Mineral Res., § 210, eff. 12-20-79] — (NAC A by Comm'n on Mineral Resources by R011-14, 10-24-2014)

NAC 522.275 Directional drilling. ([NRS 522.040](#))

1. Except for wells which are intentionally deviated, all wells must be drilled as nearly vertically as possible by normal, prudent and practical drilling operations. No interval in an oil well may be opened to the wellbore closer than 330 feet from the outer boundary of the lease on which the well is located, and no interval in a gas well may be opened to the well bore closer than 660 feet from the outer boundary of the lease on which the well is located.

2. Plans for directional drilling must be approved by the Division before the drilling is begun. Upon completion of the well, a complete directional survey of the well, including a plat obtained by methods used for surveying wells must be filed with the Division.

3. Deviation from the plan is permitted without the approval of the Division for short distances to straighten the hole, sidetrack junk or correct other mechanical difficulties.

[Div. of Mineral Res., § 213, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.280 Reentry. ([NRS 522.040](#)) If a hole is being reentered for any purpose, other than for repairs or a routine cleanout which does not change the producing interval, the operator must file with the Division a notice of intention on Form 4.

[Div. of Mineral Res., § 206, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

PRODUCTION PRACTICES

NAC 522.300 Classification of wells and pools. ([NRS 522.040](#)) The Division will determine whether a particular well or pool is a gas or oil well or gas or oil pool, classify and reclassify wells and name pools accordingly, determine the limits of any pool producing oil or gas, and redetermine those limits as necessary.

[Div. of Mineral Res., § 104, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.305 Ratio of gas to oil. ([NRS 522.040](#)) The Division will, after notice and hearing, impose a limit on any ratio of gas to oil for wells in a pool.

[Div. of Mineral Res., § 411, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.310 Equipment for measurement. ([NRS 522.040](#))

1. Adequate facilities must be provided for efficient measurement of the gas and oil produced for the purpose of obtaining gas to oil ratios on each well and reporting oil, gas and water production.

2. Wellhead equipment must be installed and maintained in good working condition so that static bottom hole pressures of flowing wells may be obtained at any time.

3. Valves must be installed on both casing and tubing so that surface pressures can be readily measured at any time.

[Div. of Mineral Res., § 400, eff. 12-20-79]

NAC 522.315 Multiple completion of wells. ([NRS 522.040](#)) No operator may permit multiple completion of a well without the approval of the Division. The Division may require adequate and complete separation, as determined by packer tests, of the various zones involved in the completions.

[Div. of Mineral Res., § 405, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.320 Production from different strata through same casing. ([NRS 522.040](#)) No operator may permit a well to produce either oil or gas from different strata through the same casing without first receiving written permission from the Division.

[Div. of Mineral Res., § 404, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.325 Production from several wells to common facilities. ([NRS 522.040](#)) Common facilities may be used to receive the production from any number of wells, if adequate tankage and measuring equipment are installed so that production from each well can be accurately determined at reasonable intervals. The method for the measurement of production from each lease must be acceptable to the Division.

[Div. of Mineral Res., § 412, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.330 Periodic tests required to commingle production. ([NRS 522.040](#)) The production from one pool may not be commingled on the surface with that from another pool except when the quantities from each source of production are determined by periodic well tests or other measurements.

[Div. of Mineral Res., § 406, eff. 12-20-79]

NAC 522.335 Initial testing of gas wells. ([NRS 522.040](#)) Each gas well must be tested initially by the multipoint back pressure method at a time prescribed by the Division.

[Div. of Mineral Res., § 408, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.340 Gas produced or sold must be metered. ([NRS 522.040](#))

1. All gas must be metered when produced or sold with an approved meter of sufficient capacity. Gas may be metered from a lease or from property which is a unit if it is shown that ratable taking can be maintained.

2. Meters are not required for gas produced and used on the lease for purposes of development and operation of the lease.

3. Bypasses must not be connected around meters for the purpose of improper taking of gas.

[Div. of Mineral Res., § 409, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.342 Administrative fee. ([NRS 522.040](#), [522.150](#))

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 ~~+\$~~ 5 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 during the preceding month.

(Added to NAC by Comm'n on Mineral Resources by R069-99, eff. 8-19-99; A by R011-14, 10-24-2014)

NAC 522.345 Utilization of gas. ([NRS 522.040](#))

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. The disposition of gas produced by each gas well must be reported each month on Form 7.

[Div. of Mineral Res., § 410, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.350 Open reservoirs. ([NRS 522.040](#)) Oil or the waste from an oil field may not be stored or retained in unlined pits in the ground or open receptacles without the approval of the Division.

[Div. of Mineral Res., § 407, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.355 Removal of rubbish and debris. ([NRS 522.040](#)) Any rubbish or debris which might

constitute a fire hazard must be removed to a distance of at least 100 feet from any well, tank or separator. Waste oil must be burned or disposed of in a manner approved by the Division of Environmental Protection of the State Department of Conservation and Natural Resources.

[Div. of Mineral Res., § 402, eff. 12-20-79]

NAC 522.360 Dikes and fire walls. ([NRS 522.040](#)) Dikes or fire walls are required around permanent tanks for the storage of oil located within the corporate limits of any city or town, where tanks for storage are less than 500 feet from any highway or inhabited dwelling, less than 1,000 feet from any school or church or are so located as to be deemed by the Division to be a hazard.

[Div. of Mineral Res., § 401, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.365 Report of fire, lightning strike, break or leak, or overflow. ([NRS 522.040](#))

1. Each operator of an oil or gas well, pipeline, receiving tank, tank for storage or receiving or receptacle for storage in which oil or gas is produced, received or stored, or through which oil or gas is piped or transported, shall notify the Division by letter, giving full details, of each:

- (a) Fire at a well, tank or receptacle or along a pipeline;
- (b) Lightning strike to a well, tank or receptacle or along a pipeline;
- (c) Break or leak; or
- (d) Overflow,

which results in a loss of more than 50 barrels of oil or 1,500,000 cubic feet of gas.

2. Each report required by this section must contain:

- (a) A description of the location of the incident by section, township and range, designating the property with sufficient particularity to permit the Division to determine the exact location of the incident;
- (b) Information setting forth the steps which have been taken or are being taken to remedy the situation reported; and

(c) Detailed information on the amount of oil or gas lost, destroyed or permitted to escape.

[Div. of Mineral Res., § 403, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

UNDERGROUND DISPOSAL OF WASTE FLUID BY INJECTION

NAC 522.380 Procedure for disposal of water. ([NRS 522.040](#))

1. 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 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 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.

[Div. of Mineral Res., § 600, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

ENHANCED RECOVERY AND PRESSURE MAINTENANCE

NAC 522.400 Permit for secondary recovery operations required. (NRS 522.040)

1. Any method for maintaining pressure or recovering additional oil or gas, other than a method consisting of primary recovery techniques, may be used only upon approval of the Administrator. Such approval may be obtained by an application filed in accordance with the provisions of [NAC 522.600 to 522.625](#), inclusive.

2. The application for a permit must contain:

(a) A plat showing the unit, lease or group of leases included within the proposed project, the location of the proposed intake well, and oil and gas wells, including abandoned wells, wells being drilled and dry holes, and the names of all operators of adjoining leases;

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

(c) The name, description and depth of the formation to be affected by injection;

(d) The logs of any existing intake wells or any information which is available;

(e) A description of the casing for the intake well or the proposed casing program, and the proposed method for testing casing before use of the input wells;

(f) A statement of the injection medium to be used, its sources and the estimated amounts to be injected daily;

(g) A tabulation showing recent ratios of gas to oil and the results of tests for the production of oil and water for each of the producing oil and gas wells in the project;

(h) A statement of the plan and rate of development of the area included within the project; and

(i) The names and addresses of the operator of the project.

[Div. of Mineral Res., § 500, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.405 Notification of injection operations. (NRS 522.040)

1. Upon beginning to inject any fluids into an injection well, the operator shall notify the Division of the date on which injection began.

2. Within 10 days after the injection of fluids is discontinued, the operator shall notify the Division of the date of discontinuation and the reasons therefor.

3. Before any intake well is plugged, the owner must give notice to the Division. The procedure prescribed in [NAC 522.445](#) for the plugging of oil and gas wells must be followed.

[Div. of Mineral Res., § 503, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.410 Casing for injection wells. (NRS 522.040) Wells used for injection of gas, air, water or fluids into the producing formation must be cased with safe and adequate casing, and the casing must be cemented to prevent leakage or damage to oil, gas or fresh water. All injections must be through tubing and below the packer unless another means is approved by the Administrator.

[Div. of Mineral Res., § 502, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.415 Records and reports. (NRS 522.040) Each operator shall keep accurate records showing the amount of oil produced, volumes of fluid or gas injected and injection pressure. Each operator shall file with the Division, on Forms 7 and 7A, a monthly report showing all produced and injected volumes and other data required by the Division.

[Div. of Mineral Res., § 504, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

ABANDONMENT AND PLUGGING**NAC 522.430 Temporary abandonment of well. (NRS 522.040)**

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 permanently plugged.

2. The Administrator may, for good cause, grant one or more extensions of not more than 1 year for the well to be plugged.

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

[Div. of Mineral Res., § 305, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.435 Notice of intention to abandon. (NRS 522.040)

1. Before beginning work for the abandonment of any well, including a well being drilled, an oil or gas well, water well or a dry hole, notice of intention to abandon must be filed with the Division and approval for the abandonment must be obtained from the Division.

2. The notice must:

- (a) Show the reason for abandonment;
- (b) Be accompanied by a detailed statement of the proposed work, including a description of the kind, location and size of plugs by depth, plans for mudding, cementing, shooting, testing and removing casing, and any other pertinent information; and
- (c) Be filed with the Division on Form 4 or, if the well is drilled on leases from the United States Government, filed by submitting to the Division two copies of the notice given to the State Director of the Bureau of Land Management of the Department of the Interior.

3. Oral permission obtained in advance does not relieve the operator of the necessity of filing written notice.

[Div. of Mineral Res., § 300, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.440 Responsibility for plugging. (NRS 522.040) The operator of any well which has been drilled for oil or gas, or any seismic, core or other exploratory hole, whether cased or uncased, is responsible for the plugging of the well or hole.

[Div. of Mineral Res., § 306, eff. 12-20-79]

NAC 522.445 Method of plugging. (NRS 522.040)

1. Each abandoned well or hole must be plugged by or on behalf of the owner, operator or producer who is in charge of the well and responsible for it.

2. Before any well is abandoned, it must be plugged in a manner which will permanently confine all oil, gas and water to the separate strata which originally contained them. Unless a different method and procedure is approved by the Division, upon application by the owner, operator or producer on Form 4, the method and procedure for plugging the well is as follows:

(a) The hole must be filled with mud-laden fluid and a permanent type of bridge plug must be placed at the top of each hydrocarbon-producing formation open to the wellbore, or a cement plug not less than 100 feet in length must be placed immediately above each hydrocarbon-producing formation open to the wellbore.

(b) A cement plug not less than 100 feet in length must be placed at approximately 50 feet below and 50 feet above the interface between brackish and fresh water.

(c) A 50-foot concrete plug must be placed at or near the surface of the ground in each hole.

(d) The interval between plugs must be filled with heavy mud-laden fluid which will effectively seal the formation to which it is applied.

(e) An uncased hole must be plugged with heavy mud up to the base of the surface string and a cement plug not less than 100 feet in length must be placed and centered as nearly as practicable at the base of the surface casing.

3. Before any hole drilled for seismic, core or other exploratory purpose is abandoned, the owner or driller must plug it so as to protect properly all water-bearing formations. The method and procedure for plugging an exploratory hole is as follows:

(a) The hole must be filled to the top with the original cuttings or gravel.

(b) If artesian flow is encountered, the hole must be filled with the original cuttings or gravel to 50 feet below the surface and plugged from 50 feet to the surface with concrete, to prevent the waste of water.

[Div. of Mineral Res., §§ 301 & 303, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.455 Restoration of surface and removal of debris. (NRS 522.040) The operator shall, as soon as weather and ground conditions permit, upon final abandonment and completion of the plugging of any well, clear the area around the well of all refuse, drain and fill all excavations, remove concrete bases, machinery and materials, and level the surface to leave the site as close to its condition when operations were commenced as practicable.

[Div. of Mineral Res., § 308, eff. 12-20-79]

NAC 522.460 Marker for abandoned well. (NRS 522.040)

1. Unless the owner of the surface land submits a request to the Division that an abandoned well not be marked, and the Administrator, in his or her discretion, grants the request, the location of the abandoned well must be shown by steel marker at least 4 inches in diameter and at least 10 feet long set in concrete and extending at least 4 feet above ground level.

2. The marker must bear the name of the operator and the name, number and description of the location of the well. This information must be bead-welded or stamped directly to the marker pipe. The top of the pipe must be closed with a cement plug, screw cap or welds.

[Div. of Mineral Res., § 302, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.465 Record of plugging. (NRS 522.040) Within 30 days after the plugging of a hole or

well, a record of the plugging must be submitted to the Division on Form 12.

[Div. of Mineral Res., § 307, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

REPORTS

NAC 522.480 Books and records. (NRS 522.040)

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 [522.535](#), inclusive.

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.

[Div. of Mineral Res., §§ 700 & 701, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.485 Forms required by chapter. (NRS 522.040) Where the provisions of this chapter require forms to be filed, the forms listed in [NAC 522.490](#) to [522.535](#), inclusive, may be filed.

[Div. of Mineral Res., § 702, eff. 12-20-79] — (NAC A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.490 Form 1: Organization report. (NRS 522.040)

1. Form 1 must be filed with the Division by each person before drilling a first well in Nevada. An amended form must be filed when there is a change in any of the facts shown on the form.

2. Drilling permits will not be issued until Form 1 is received.

[Div. of Mineral Res., § 703, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.495 Form 2: Application for permit to drill. (NRS 522.040)

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.

[Div. of Mineral Res., § 704 subsecs. 1 & 2, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.500 Forms 3 and 3a: Drilling bond. (NRS 522.040)

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.

[Div. of Mineral Res., § 705, eff. 12-20-79] — (NAC A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.505 Form 4: Sundry notices and reports on wells. (NRS 522.040)

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, other than an intention to shut-in a well for not more than 30 days.

(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.

È 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) which have been approved by the Division. The report required pursuant to this paragraph is for informational purposes only and is not a request for approval from the Division.

(c) Report the supplemental history of a well, including, without limitation, any activities not designated in paragraph (a) that are temporary and do not require a change in the terms of the permit. The report required pursuant to this paragraph is for informational purposes only and is not a request for approval from the Division.

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.

[Div. of Mineral Res., § 706, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.510 Form 5: Well completion report. (NRS 522.040)

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) Form 5 is not required to include information regarding the production of the well; and

(b) 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 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.

[Div. of Mineral Res., § 707, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

NAC 522.515 Form 7: Producer's monthly report. (NRS 522.040)

1. 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.

[Div. of Mineral Res., § 708, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.520 Form 7A: Report of subsurface injections. (NRS 522.040) The injection of fluid for secondary recovery, other pressure maintenance projects or water disposal must be reported on Form 7A to the Division not later than 15 days after the period of the report.

[Div. of Mineral Res., § 709, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.535 Form 12: Record of plugging hole or well. (NRS 522.040) Form 12 must be used to provide the record of plugging a hole or well that is required pursuant to [NAC 522.465](#).

(Added to NAC by Div. of Minerals by R081-15, eff. 12-21-2015)

NAC 522.540 Confidentiality of well records. (NRS 522.040) 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 1 year after drilling operations are completed unless the owner provides a written authorization for an earlier release.

(Added to NAC by Dep't of Minerals, eff. 7-22-87; A by Div. of Minerals by R081-15, 12-21-2015)

RULES OF PRACTICE BEFORE DIVISION**NAC 522.600 Application for hearing; petition for rehearing. (NRS 522.040)**

1. Any interested person who desires a hearing before the Division must file an application with the Division. The application must state the purpose or subject for which the hearing is sought and be submitted in triplicate.

2. A petition for rehearing must be filed in the same manner.

[Div. of Mineral Res., § 800, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.605 Docket number. (NRS 522.040) The Administrator will maintain a docket book, and all applications for hearings and all hearings called on the motion of the Division must be docketed and given a docket number. A file carrying the docket number will be maintained by the Division. Each application for a hearing and each original document or copy certified by the Division will be stamped with the docket number of the hearing and placed and kept in the file.

[Div. of Mineral Res., § 801, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-79)

NAC 522.610 Notice of hearing. (NRS 522.040)

1. Notice of a hearing must be sent by the Division to the applicant and all known interested parties at least 10 days before the date of hearing.

2. Upon request of a party to a hearing and for good cause shown, the hearing may be continued. A request to have the date of a hearing changed must be made to the Administrator at least 5 days before the date set for the hearing so that other parties can be advised. Requests may be granted or denied at the discretion of the Administrator.

3. If the matter set for hearing is determined by the Division to be of general interest throughout the State, a notice of the hearing must be published in a newspaper of general circulation in Reno, in Las Vegas, and in an oil trade journal at least 2 weeks before the hearing.

[Div. of Mineral Res., §§ 802 & 803, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.615 Depositions. (NRS 522.040) The deposition of a witness for use in a hearing before the Division may be taken in compliance with a stipulation between the parties concerned or with an order of the Administrator. If the deposition is to be taken by order of the Administrator, the parties concerned must be notified by certified mail at least 15 days before the date set for the deposition. The notice must set forth the name of the person to be questioned, the time and place of the deposition and the subject matter concerning which the person will be expected to testify.

[Div. of Mineral Res., § 809, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.620 Conduct of hearings. (NRS 522.040)

1. Hearings before the Division will be conducted informally. A record of testimony will be taken and preserved as a part of the permanent records of the Division.

2. The Division may require any protest to be reduced to writing and filed with the Division.

3. Before evidence is received:

(a) The Administrator will make a statement of matters officially noticed.

(b) The parties and the Division may offer preliminary materials, including pleadings necessary to present the issues to be heard, motions, rulings, notices, proof of publication and orders of the Division previously entered in the proceeding.

(c) The Administrator will rule on any pending motion.

(d) The Administrator will receive any stipulation of fact or stipulated exhibit.

(e) The Administrator will dispose of any preliminary matters appropriate for disposition.

(f) The Administrator will accept statements of appearances.

4. A witness may be examined and cross-examined by not more than one representative of each party. The Administrator will designate the order of examination.

5. Before closing the hearing and upon the request of a party, the Administrator may permit presentation of briefs. The order of presenting briefs and the time by which they must be filed must be determined by the Administrator after he or she consults with the parties.

6. The party who institutes the proceeding may open and close the presentation of proof. The Administrator will open and close the proceeding instituted by the Division. An interested person must be heard immediately following the party with whom the interested person is allied in interest. The Administrator will designate the order of the presentation of proof.

[Div. of Mineral Res., §§ 804-806 & 808, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

NAC 522.625 Record of proceedings. ([NRS 522.040](#)) At all formal hearings, the record of the proceedings must be made by a reporter, or in the absence of a reporter, by a person designated by the Administrator. The cost of transcribing and reporting the hearing must be paid by the parties or by a party designated by the Administrator at the time of the hearing.

[Div. of Mineral Res., § 807, eff. 12-20-79] — (NAC A by Dep't of Minerals, 7-22-87)

HYDRAULIC FRACTURING

NAC 522.700 Definitions. ([NRS 522.040](#), [522.119](#)) As used in [NAC 522.700](#) to [522.730](#), inclusive, unless the context otherwise requires, the words and terms defined in [NAC 522.702](#) to [522.712](#), inclusive, have the meanings ascribed to them in those sections.

(Supplied in codification)

NAC 522.702 “Area of review” defined. ([NRS 522.040](#), [522.119](#)) “Area of review” means:

1. The area of land located within a radius of 1 mile of a proposed oil or gas well and any surface projection of any lateral component of the wellbore that is proposed for hydraulic fracturing; and

2. Any additional area of land prescribed by the Division or specified by an operator pursuant to subsection 3 of [NAC 522.724](#).

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.704 “Available water source” defined. ([NRS 522.040](#), [522.119](#)) “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.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.706 “Division of Environmental Protection” defined. ([NRS 522.040](#), [522.119](#)) “Division of Environmental Protection” means the Division of Environmental Protection of the State Department of Conservation and Natural Resources.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

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

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.710 “Sampling area” defined. ([NRS 522.040](#), [522.119](#)) “Sampling area” means the area of land located within a radius of 1 mile of a proposed oil or gas well and any surface projection of any lateral component of the wellbore that is proposed for hydraulic fracturing.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.712 “Water source” defined. ([NRS 522.040](#), [522.119](#)) “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.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.720 Applicability. ([NRS 522.040](#), [522.119](#)) Except as otherwise provided in [NAC 522.730](#), the provisions of [NAC 522.700](#) to [522.730](#), inclusive, apply for each oil or gas well for which the operator intends to engage in hydraulic fracturing.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.722 Baseline sampling and monitoring; exceptions. ([NRS 522.040](#), [522.119](#))

1. Except as otherwise provided in subsections 2 and 4, 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 the sampling area. If more than four available water sources are located within the sampling area, 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 relative to the available water sources. 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.

(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 nonstandard sampling equipment.

(e) The construction and use of the water source. If an operator constructs a temporary well within the sampling area to use as a water source for the purpose of supporting the drilling or operation of an oil or gas well, the operator must include the water source as an available water source for the purpose of sampling and monitoring pursuant to this section.

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 sampling area;

(b) The only available water sources are unsuitable pursuant to paragraph (d) of subsection 1; or

(c) Each owner of a water source that is suitable for testing and located within the sampling area has refused to grant the operator access to the 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.

È An operator seeking an exception on the grounds set forth in paragraph (b) shall provide to the Administrator documentation of the conditions of each available water source which is deemed unsuitable. An operator seeking an exception on the grounds set forth in paragraph (c) shall provide to the Administrator documentation of the efforts of the operator to obtain the consent of each owner of a 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. If a well that has been drilled produces hydrocarbons for a period of less than 6 months after the commencement of hydraulic fracturing and the well is subsequently plugged and abandoned, or if the well is plugged and abandoned without having produced hydrocarbons after the commencement of hydraulic fracturing, the operator shall collect each first subsequent sample at the time the well is plugged.

(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 plugged and 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 plugged and abandoned without having produced hydrocarbons.

4. For the purposes of satisfying the requirements for sampling available water sources pursuant to paragraphs (a) and (b) 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 (b) 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 not less than 14 days before the commencement of hydraulic fracturing.

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.

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 include, without limitation:

(a) The level of each analyzed constituent identified in the routine domestic water analysis of the State Public Health Laboratory of the University of Nevada School of Medicine.

(b) The levels of benzene, toluene, ethylbenzene and xylene.

(c) The levels of dissolved methane, ethane, propane and hydrogen sulfide gases within the sample.

8. If a dissolved methane concentration greater than 10 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 (^{13}C vs. ^{12}C) and hydrogen (^2H vs. ^1H) and an analysis of the origin (biogenic vs. thermogenic), 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 benzene, toluene, ethylbenzene, xylene or hydrogen sulfide in a concentration greater than the specified maximum contaminant level set forth in the primary and secondary standards for drinking water pursuant to [NAC 445A.453](#) and [445A.455](#).

(b) If the sample is a subsequent sample, any change in water chemistry indicative of a degradation in water quality.

10. 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 not later than 30 days after the operator receives the test results from a laboratory. The Division will, upon request, make the test results available to a member of the public for inspection at the office of the Division located in Carson City.

11. An operator shall include with the copy of the test results of a sample provided pursuant to subsection 10 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](#).

12. An operator shall not commence hydraulic fracturing at a well until the operator has complied with subsections 1, 2 and 4 to 11, inclusive, and paragraph (a) of subsection 3.

13. As used in this section, "public land survey" has the meaning ascribed to it in [NAC 534.185](#).

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.724 Application to drill; area of review. ([NRS 522.040](#), [522.119](#))

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

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

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

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

(d) A description of the location of each water source located within the area of review in the manner prescribed by subsection 11 of [NAC 522.722](#).

(e) Publicly 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.

(f) A map showing the location of each water source or perennial stream located within the area of review, the overall project area or lease holdings, the boundaries of the area of review, all known well locations, land ownership and applicable assessor parcel numbers.

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

(h) A plan for the management and disposal of all fluids to be used in the proposed hydraulic fracturing operation.

2. If an operator discovers inconsistencies with respect to publicly available and proprietary hydrologic or geologic information within an area of review that the operator reasonably believes to be relevant with respect to potential contamination from hydraulic fracturing, the operator shall disclose the inconsistencies to the Division.

3. The Division may prescribe or an operator may specify an area of review that includes an area of land in addition to that area of land located within a radius of 1 mile of a proposed oil or gas well and any surface projection of any lateral component of the wellbore that is proposed for hydraulic fracturing for the purposes of compliance with this section or the collection of additional data based on population density, residential locations, water source locations or for other good cause as the Division or an operator may deem reasonable.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.726 Additional requirements for oil and gas wells, including casings and casing strings. ([NRS 522.040](#), [522.119](#)) In addition to the requirements prescribed by [NAC 522.265](#), the operator of an oil or gas well shall:

1. Ensure that:

(a) The surface location of the well is at a lateral distance of not less than 300 feet from any known perennial water source, existing water well or existing permitted structure.

(b) The edge of the drilling pad is at a lateral distance of not less than 100 feet from any known perennial water source, existing water well or existing permitted structure.

È An owner or an operator may request and the Division may approve an exception to the requirements prescribed by this subsection.

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

3. For a production casing string, conduct a pressure test of the casing string in which the casing is pressurized to 3,000 pounds or more per square inch gauge (psig), not to exceed 80 percent of the burst-pressure rating of the casing, 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](#).

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.728 Duties of operator. ([NRS 522.040](#), [522.119](#))

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

(a) Not less than 14 days before the commencement of hydraulic fracturing:

(1) Provide written notice to each owner of real property and any operator of an oil, gas or geothermal well located within the area of review of the hydraulic fracturing operation.

(2) Provide written notice to the board of county commissioners in the county in which the oil or gas well is located.

(3) Submit to the Division an affidavit (Form 15) certifying 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 each relevant cement evaluation log as evidence of compliance with [NAC 522.260](#).

(4) 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.

(b) Maintain a record as to the manner in which each owner, operator and board of county commissioners was notified pursuant to subparagraphs (1) and (2) of paragraph (a), including, without limitation, the method of notification.

(c) Before the commencement of hydraulic fracturing:

(1) 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.

(2) Disclose to the Division each additive that the operator intends to use in the hydraulic fracturing fluid, including, without limitation, any additive that may be protected as a trade secret. The operator shall include with the identity of each additive the trade name and vendor of the additive and a brief description of the intended use or function of the additive.

2. The operator shall monitor and record all well head pressures, including each annular space pressure, during the hydraulic fracturing operation. The maximum hydraulic pressure to which a segment of casing is exposed must not exceed the burst-pressure 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 if any change in annular space pressure is observed which suggests communication with the hydraulic fracturing fluids. The operator shall provide the Division with a report documenting all recorded hydraulic fracturing pressures for each stage of the hydraulic fracturing operation not later than 15 days after the completion of each stage.

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 tanks or in the manner prescribed by the Division of Environmental Protection pursuant to [chapter 445A](#) of NRS and [chapter 445A](#) of NAC.

4. Except as otherwise provided in subsection 5 and not later than 60 days after the completion of a hydraulic fracturing operation, the operator shall report, at a minimum, to the Internet website www.fracfocus.org for inclusion in FracFocus, or its successor registry:

(a) The name of the operator, the well name and well number and the American Petroleum Institute well number.

(b) The date of the hydraulic fracturing treatment, the county in which the well is located, any public land surveys relevant to the location of the well and the global positioning system coordinates of the well.

(c) The true vertical depth of the well and the total volume of water used in the hydraulic fracturing treatment of the well or if the operator utilizes a base fluid other than water, the type and total volume of the base fluid used in the hydraulic fracturing treatment.

(d) The identity of each additive used in the hydraulic fracturing fluid, including, without limitation, the trade name and vendor of the additive and a brief description of the intended use or function of the additive.

(e) The identity of each chemical intentionally added to the base fluid.

(f) The maximum concentration, measured in percent by mass, of each chemical intentionally added to the base fluid.

(g) The Chemical Abstracts Service Registry Number for each chemical intentionally added to the base fluid, if applicable.

5. Proprietary information with respect to a trade secret does not constitute public information and is confidential. An operator may submit a request to the Division to protect from disclosure any information which, under generally accepted business practices, would be considered a trade secret or other confidential proprietary information of the business. The Administrator shall, after consulting with the operator, determine whether to protect the information from disclosure. If the Administrator determines to protect the information from disclosure, the protected information:

(a) Is confidential proprietary information of the operator.

(b) Is not a public record.

(c) Must be redacted by the Administrator from any report that is disclosed to the public.

(d) May only be disclosed or transmitted by the Division:

(1) To any officer, employee or authorized representative of this State or the United States:

(I) For the purposes of carrying out any duties pursuant to the provisions of this chapter or [chapter 522](#) of NRS; or

(II) If the information is relevant in any judicial proceeding or adversary administrative proceeding under this chapter or [chapter 522](#) of NRS or under the provisions of any federal law relating to oil or gas wells or hydraulic fracturing, and the information is admissible under the rules of evidence; or

(2) Upon receiving the consent of the operator.

Ê The disclosure of any proprietary information pursuant to this subsection must be made in a manner which preserves the status of the information as a trade secret.

6. The Division shall make available to the public for inspection any information, other than a trade secret or other proprietary information that is maintained confidentially pursuant to subsection 5, that is submitted by an operator pursuant to this section.

7. As used in this section, "trade secret" has the meaning ascribed to it in [NRS 600A.030](#).

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

NAC 522.730 Request to conduct hydraulic fracturing at oil or gas well drilled and spudded before October 24, 2014. ([NRS 522.040](#), [522.119](#))

1. Notwithstanding any provision of [NAC 522.700](#) to [522.730](#), inclusive, to the contrary, an operator of an oil or gas well that was drilled and spudded before October 24, 2014, may request approval from the Division to conduct a hydraulic fracturing operation at the oil or gas well by submitting a sundry notice (Form 4) to the Division. The sundry notice must include, without limitation:

(a) A cement evaluation log of the production casing string that has been conducted not less than 5 years before the submission of the sundry notice.

(b) A pressure test of the production casing string conducted in the manner prescribed by subsection 7 of [NAC 522.265](#).

(c) Any other information required by the Division.

2. The Division will, upon receipt of a request pursuant to subsection 1, evaluate each well design which is the subject of the request and approve or disapprove the request.

(Added to NAC by Comm'n on Mineral Resources by R011-14, eff. 10-24-2014)

**THE NEVADA DIVISION OF MINERALS
OF THE COMMISSION ON MINERAL RESOURCES
INFORMATIONAL STATEMENT
SUBMITTED IN COMPLIANCE WITH NRS 233B.066.
UPON ADOPTION OF TEMPORARY REGULATION FOR
OIL AND GAS
IN CHAPTER 522 OF
THE NEVADA ADMINISTRATIVE CODE**

December 17, 2020

1. A clear and concise explanation of the need for the adopted regulation.

The need for, and the purpose of, the proposed temporary amendment of regulation is to provide temporary economic relief to Nevada oil producers by reducing the administrative fee from 15 cents to 5 cents per barrel of oil or per 50,000 cubic feet of natural gas.

2. A description of how public comment was solicited, a summary of public response, and an explanation of how other interested persons may obtain a copy of the summary.

Copies of the proposed regulation, notice of workshop and the notice of intent to act upon the regulation were sent by U.S. mail and/or email to the five current oil producers in Nevada as well as any persons who had specifically requested such notice. These documents were also made available at the website of the Division of Minerals, the website of the Nevada Legislature, the Nevada Public Notice website of the Nevada Department of Administration, mailed to all county libraries in Nevada and posted at the following public locations:

Division of Minerals
400 W. King St. #106
Carson City, NV 89703

Division of Minerals
375 E. Warm Springs Rd. #205
Las Vegas, NV 89119

Legislative Counsel Building
401 S. Carson St.
Carson City, NV 89701

State Library and Archives
100 N. Stewart St.
Carson City, NV 89701

State Capitol Building
101 N. Carson St.
Carson City, NV 89701

A workshop was held by virtual meeting on October 27, 2020, and the minutes of that meeting, attached hereto as Appendix A, contain a summary of the discussion held regarding the proposed regulation. On October 1, 2020, the Administrator of the Division of Minerals issued a Notice of Intent to Act Upon a Regulation.

A document entitled *Responses to Summary of Comments on the proposed temporary regulations of the Nevada Division of Minerals of the Commission on Mineral Resources*

dated November 17, 2020 and consisting of one page, was prepared by the agency and is attached to this Information Statement as Appendix B, in compliance with NRS 233B.066(1)(b),(e). A copy of this document may also be obtained from the Division of Minerals, 400 W. King St. #106, Carson City, NV 89703, 775-684-7040, or email to ndom@minerals.nv.gov.

3. **The number of persons who:**
 - (a) **Attended the adoption hearing on November 16, 2020: 2**
 - (b) **Testified at the adoption hearing on November 16, 2020: 0**
 - (c) **Attended the public workshop on October 27, 2020: 1**
 - (d) **Testified at the public workshop on October 27, 2020: 1**
 - (e) **Submitted to the agency written comments: 0**
4. **A list of names and contact information, including telephone number, business, address, electronic mail address and name of entity or organization represented, for each person identified in #3 (b), (d) and (e) above, is attached as Appendix C.**
5. **A description of how comment was solicited from affected businesses, a summary of their response, and an explanation how other interested persons may obtain a copy of the summary.**

Comments were solicited from affected businesses in the same manner as they were solicited from the public. The summary is attached as Appendix B and can also be obtained as instructed in the response to #2.

6. **If the regulation was adopted without changing any part of the proposed regulation, a summary of the reasons for adopting the regulation without change.**

The regulation was adopted on November 16, 2020 as originally proposed and without any changes as no changes were requested.

7. **The estimated economic effect of the adopted regulations on the business which it is to regulate and on the public. These must be stated separately, and each case must include:**
 - (a) **Both adverse and beneficial effects; and**
 - (b) **Both immediate and long-term effects.**

(a) The proposed regulations would have no adverse effect on current oil producers. The beneficial effect would be a decreased financial cost for current oil producers. The proposed regulation change will have no effect on the public.

(b) The short and long-term effects of the change are reduced monthly costs through the term of the temporary regulation which expires on November 1, 2021. The proposed regulation change will have no effect on the public.

8. The estimated cost to the agency for the enforcement of the adopted regulation.

There is no additional cost to the agency for the enforcement of the adopted regulation.

9. A description of any regulations of other state or government agencies which the adopted regulation overlaps or duplicates and a statement explaining why the overlapping or duplication is necessary. If the regulation overlaps or duplicates a federal regulation, the name of the regulating federal agency.

The proposed regulation does not duplicate or overlap regulations of other state, local, or federal agencies.

10. If the regulation includes provisions that are more stringent than a federal regulation which regulates the same activity, a summary of such provisions.

The proposed regulation contains no provisions which are more stringent than current federal law.

11. If the regulation provides a new fee or increases an existing fee, the total annual amount the agency expects to collect and the manner in which the money will be used.

There is no new fee or fee increase, only a temporary fee decrease.

Respectfully submitted,



Michael Visher
Administrator, NDOM
December 17, 2020



STEVE SISOLAK
Governor

APPENDIX A

STATE OF NEVADA
COMMISSION ON MINERAL RESOURCES
DIVISION OF MINERALS
400 W. King Street, Suite 106
Carson City, Nevada 89703
(775) 684-7040 • Fax (775) 684-7052
<http://minerals.nv.gov/>



MICHAEL VISHER
Administrator

Las Vegas Office: 375 E. Warm Springs Rd. #205, Las Vegas, NV 89119
Phone: (702) 486-4343; Fax: (702) 486-4345

Commission on Mineral Resource
Oil Barrel Fee Workshop
Tuesday, October 27, 2020
10:00 A.M.

Minutes

Staff via Zoom Conference	Public via Zoom Conference
Mike Visher	Michael O'Neal, Grant Canyon Oil & Gas
Lowell Price	
Rob Ghiglieri	
Sherrie Nuckolls	
Courtney Brailo	
Art Henderson, Commissioner	

Mike Visher: Opened the workshop at 10:00 A.M. He thanked everyone for attending the workshop via Zoom conference and mentioned that this is an informal workshop to gather public comment on the proposed NAC 522.342 temporary change.

COMMENTS BY THE GENERAL PUBLIC

None

Mike Visher: Reviewed the proposed temporary change to the regulations of NAC 522.342.1 on page 12. The only change is the administrative fee for production of oil and gas and a reduction from 15 cents to 5 cents per barrel. As a temporary change it would take effect 35 days after the hearing is adopted. The hearing is scheduled for November 16th and will need a quorum of the Commission. If adopted, the temporary regulation change will be effective until November 1, 2021, giving operators approximately 11 months of reduced rates for the fee. The Commission decided on reducing the fee from \$0.15 to \$0.05 per barrel to lessen the financial burden on the oil industry but still be able to pay for well inspections and annual dues to the Interstate Oil and Gas Compact Commission. The actual financial savings to the industry will be dependent on the actual production reported during the effective term of the temporary regulation.

Michael O'Neal: We at Grant Canyon Oil and Gas appreciate this, this is very helpful. I want to try to understand the process. This (fee) is from the Division of Minerals which is the State Commission (of Mineral Resources). This is a fee that we pay, for well inspections, etc. How was this proposed, who proposed it, and how does it get from where it's at into law?

Mike Visher: There's a time period where agencies are not allowed to make permanent changes to regulations, and we're in that timeframe. From July of the year prior to a Legislative session until the end of the Legislative session, we're locked out from making any permanent changes to our regulations. But we can make either temporary

regulation changes or emergency regulation changes. Temporary regulation changes, by statute, expire November 1st of the following year unless it's indicated to be earlier than that. It's a bit of an expedited process that doesn't have to go to the Interim Legislative Commission for review and approval. It's adopted by our Commission and we have a special meeting set for November 16th for that hearing and that's where they would adopt the change. Then the statute states we have to wait 35 days before it becomes effective. That process takes the place of Interim Legislative Commission review. It can't be a permanent change and if we do want to make a permanent change we have to wait until after the legislative session. Again that would be something that would have to be proposed and recommended by the Commission on Mineral Resources for us to move forward to make any permanent changes. We would go through the same process with a public workshop and public hearing by our Commission. But for permanent change, those would also have to go to the Legislative Commission for review and if the Mining Oversight and Accountability Commission (MOAC) is a viable entity, it would have to be heard by the MOAC prior to the Interim Legislative Commission.

Michael O'Neal: Thank you, whose idea was this?

Mike Visher: It was our oil and gas commissioner, Art Henderson who requested we look into the impact that it might have and quantify the savings. Commissioner Henderson is on this Zoom call right now as well.

Michael O'Neal: Art Henderson?

Mike Visher: Yes.

Michael O'Neal: Art, I appreciate you, so you're with the State?

Art Henderson: Yes, I'm the Oil and Gas Commissioner and have been for the last 7 years.

Mike Visher: Michael, you may remember when we developed the hydraulic fracturing regulations; Art Henderson was integral to the development of those regulations. He's been working with us on many of the oil and gas issues related to the agency. The Division of Minerals has seven Commissioners that our agency reports to and each of those members represents a different facet of the minerals industry, Art represents oil and gas.

Michael O'Neal: Great, Art I appreciate it. This will be a segue to bring up this other topic but prior to bringing up the other topic, I'm sure you can understand that with today the oil prices are \$39.50 when I looked this morning. Our oil head price is anywhere between \$33.50 and \$29.50. We've worked with the BLM for royalty reduction rate which we were able to get on a temporary basis which has been very helpful. We have also worked with our refinery where oil prices below a certain cap the reduction rates change. They don't want to lose our production, they don't want us to shut in wells, because then they lose employees, those employees go work for the mines and they never get them back. When the price gets down below a certain threshold, they have agreed to take a certain reduction in pay. You guys can imagine that the oil and gas industry in Nevada is hard to begin with. We have to import our equipment, most of our lands are on federal lands, and to do anything is very complicated. Now we have Sagebrush Ecosystem Technical Team (SETT) which the State agreed to sign a memorandum of understanding with the BLM.

What I also wanted to bring up is the proposed legislation to increase the net proceeds of mines tax from 5% to 7.75% of the gross, not the net proceeds. The gross which will kill the industry, just flat out kill it. I know that that isn't what this is about this morning and I appreciate this but it's almost like we're going to give these guys some peanuts and then hit them really hard next year with this proposed legislation. I wanted to get your comments and make my comments on these. We plan to do everything we can to keep this from happening but with the shortfall and budgets that the state is facing this is something that they think will help but it's going to kill the industry.

Mike Visher: I agree Michael, I think both SJR1 and AJR1 were intended to be shots across the bow for the mining industry. They we're really looking at the gold mining industry to get their attention. Whereas AJR2 would increase the net proceeds cap in the Constitution from 5% to 12%. That was really put out as an olive branch to get talking and find a way to make something work. That language is fixed and that language changes the Constitution, but the actual amount gets set by legislation up to that cap. It enables them to increase the net proceeds from 5% to 12% but how they do that would be determined through legislation. Preliminary discussions have been looking at a tiered system where producers generating less than 10 or 20 million dollars gross would not be affected by the change and would be using the same formula as in place right now. Our Commission will be sending a letter as statutorily enabled to provide insight, make recommendations with regards to natural resource policy in the state. This is something that obviously is very concerning to our Commission and our agency. Anything that impacts the industry in a negative way hits us financially because we are reliant on mining claim fees to survive. We do not receive any general fund money. Between 76% and 80% of all of the revenue we receive comes from mining claim filings at the county level. Anything that negatively impacts the filing of mining claims hurts our agency. Right now AJR1 and SJR1

also remove the exemption from taxing of not just patent mining claims but unpatented mining claims. It leaves the door open for another way to tax those who have unpatented mining claims in the state as well. That would significantly impact exploration, as well as, production in this state. I do not think anybody really intends for that to happen but it's something we're going to have to be mindful of and watch out for.

If approved by the public, any changes to the Constitution and the impacts to net proceeds would not start until 2023. The vote by the public would be in 2022. They make changes to the Constitution but the Legislature will decide the details about how Net Proceeds actually moves forward. The Legislature will decide if certain industries are left unchanged or whether some are singled out and if so, how. Because it also impacts the geothermal industry as well since they also pay net proceeds. I think this is one of the unintended consequences by the Legislature.

There will be more opportunities for you and the rest of the industry to have your voices heard. I think it's really important that you drive home the relative size of the industry and the impacts. The Legislature is not looking to go hit the small companies; they're trying to go after those with the biggest and deepest pockets. The last thing that Nevada should be doing is penalizing the industries that were able to survive the pandemic relatively unscathed. Oil got hit because the oil prices were hit. That is one of the things that the Legislature really doesn't understand when they made the changes to the net proceeds and taxes. The operators do not get to set the price of product that they sell, so there's no means to pass along a tax increase to the consumer. All it does is affect your bottom line and your ability to survive. That's no different than most of the mining companies they produce a product, a commodity that they have no control over its price, it's set on a global or national market. Only those that are in a contract for deliverables have the ability to pass on any additional costs. I think there's a lot more discussion that need to be had in educating the Legislators. There will be more opportunities for that as we move forward. We want to ensure you that the Commission will be sending a letter to the Legislature and the Governor to lay out what these potential impacts are and why it's not good for the state, as well as, try to outline some of these key points with regards to the minerals industry in the state.

Michael O'Neal: I appreciate that, it was certainly helpful. I wasn't aware that it was possibly going up to 12% or 12.5% but anything that's connected to the gross can really hurt you. What's interesting is I know of companies that have struggled to pay their taxes. Not only are companies not paying their taxes, which probably happens in every state, but you're exactly right to not hit them when they're down. If they make it through the pandemic then get things back up and going again, that's what you want. You need that to generate revenue for the state. Will we be informed when the Legislature will want to hear from us, is that in February or when is that?

Mike Visser: The Legislature starts up again in February, there are bill draft requests that the legislators are all provided the opportunity to submit. Those could be changes to statute that can be related to a pet project or issue that they have, or something more far reaching. Each of those bill draft requests gets posted in the states Nevada Legislature Personalized Legislative tracking system (NELIS). You can sign up for that and follow along. If you Google NELIS and sign up you can actually track those bill draft requests that may have an impact on the oil industry. You can also do keyword searches. The problem is right now the bill draft requests only have a one sentence descriptor that is often extremely vague and you have no idea what it's really about. Anytime there's a change to it, or if it's scheduled for a meeting, NELIS will let you know. That's the easiest way because then you can see what's important to you for legislation that you want to follow along with and I would encourage you to do that. Beyond that if you'd like me to give you an update as things come in I'd be perfectly happy to do that.

Michael O'Neal: That would be great.

Mike Visser: Okay.

Michael O'Neal: Anything you can forward our way would be appreciated. You speak about these Legislators that they have things they try and hit people blindsided on and that's kind of what happened to us on SETT. I mentioned earlier working on federal lands in Nevada in our industry has been difficult. We've been doing it for 15 years you guys may or may not know. Some things work better than others but at the same time it seems to be getting tougher. The SETT which is the Sagebrush Ecosystem Technical Team (SETT) kind of blindsided us. We'd love to talk to the Governor about it. There are already so many stipulations in our leases where we're stymied for 6 months to do anything anyway and when we do something it could take 2 years to get a permit.

So we get a lease, we pay for the lease, we sign up and receive the lease stipulations and then we're slapped with this new SETT. To me, at first I thought it was a memorandum of understanding but it is law from my understanding. What they've done is adopted a mitigation type of debit and credit system that can work or has worked maybe for Wyoming or Colorado. Well, compare the oil and gas industry in Wyoming and Colorado to the industry in Nevada and use the same SETT regulations, that doesn't make sense at all. What I'm talking about is you got to get these

mitigation credits that could cost anywhere from \$1,000 up to \$4,000 per credit and yields your project uneconomic. I'm aware of a project in Nye County that was moving forward with a simple reentry of \$350,000 by the time SETT got finished they said all in is going to be \$400,000 so it's just uneconomic. Now with that being said, it's there and we have to deal with it. Anything that you guys can do to help the state understand.

This SETT has really hammered everybody wanting to either come into the state to do something or people that are already in the state it's making it extremely difficult and it's this bird. I'll give you a quick example, we're in Pine Valley where we've been for years and have put together some leases out there trying to get a project going. There's a real nice family that owns a ranch in part of our unit. A resident there has lived his entire life and has never seen any sage grouse. The method that was used to try and figure out where bird general habitats are or priority habitats are, doesn't work. We respect all types of birds but what doesn't make sense when we have a solar farm down in southern part of Nevada, I think it's called Crescent, (Dunes) it's killing hundreds of birds or the wind farms up by Ely in White Pine County, they're killing hundreds of birds, even eagles. Something's got to move on this one direction or another in order to help us because it's just continuing to make things a lot more difficult. I'm sorry to bring this up this morning but since I've got your attention I thought I'd let you know our thoughts on this SETT.

Mike Visser: The SETT is a complicated issue, there's a lot of agencies that are caught in the crosshairs on this one. They're doing the best they can with not a lot of information and trying to adapt as best they can. We do work with SETT and we have worked to educate them on the exploratory nature of minerals in the state. The colors you see on a map right now those are meant to be dynamic and can be changed. It's not an easy process, it's slow, it's cumbersome, I understand that. The stipulations with the leases make it very difficult to move forward but there is a waiver process. I do not know if you've tried that process at all with the BLM but there is a process where you can get a waiver to those stipulations. I'm not saying that you would be able to, but there is a pathway to do that and that was part of the changes that were made to the BLM regulations. It's being treated on a case by case basis so you kind of have to make it personal to get them to understand what the particular responses of your project are and what you're trying to achieve. I'd like to talk to you more about this and get into some of those particulars and see if there isn't something to do to assist. It may just be putting you in contact with the right person to have those discussions. The process is getting better but there are still a lot of assumptions that are that are not correct. We have to bring them up on a case by case basis while they adjust and adapt. Remember the whole thing was done to prevent a listing by the Fish and Wildlife Service. If the bird was listed then it impacts everything, not just on public lands, but on private land as well. That would have an even greater impact to the minerals industry in the state. The effort was try to do everything we can to limit a listing of the bird by Fish and Wildlife Service. This comes up for review again so the state has to be able to document and demonstrate that the current system with the conservation credit system is working. I think it is working to a degree, but I understand that not everyone is happy with it, and certainly there's an additional cost that was not anticipated when some of the operators initiated their development. Part of our job at the Division of Minerals is to try and educate the public and the Legislature on these impacts. The more information you provide to me, the more I can make sure it's relayed to the right agencies, either sister agencies or the Governor's office or the legislators. I'd appreciate the opportunity for us to have some additional conversations on these topics.

Michael O'Neal: Great, I would like to do that. Just real quick, when did the discretion fall to the BLM? I know what you're talking about as far as stipulations where it said that the BLM authorized officer could wave, but had to do it in conjunction with the Wildlife and Nevada Division of Environmental Protection. When did that law change and when it became just the discretion of the BLM?

Mike Visser: As I recall that started in spring of 2019 but then it got complicated because that Approved Resource Management Plan Amendment (ARMPA) was appealed there was litigation tied to that. The judge ruled and said, no you have to go back to what was in place before. But it didn't affect all of the ARMPA so I'll have to refresh my memory for you and look up that stuff again specifically. I know right now that the waiver to the stipulations component is in place, but it does require a coordinated effort to demonstrate the cases to why. That includes working with not just the BLM but with the Department of Wildlife to a degree as well. That is in place right now.

Michael O'Neal: So they do have to work with the Wildlife Division?

Mike Visser: The BLM is looking to get consensus as best they can, and part of that is to get Wildlife nodding in the same direction.

Michael O'Neal: I see. It is just the matter of something that doesn't happen every day at the BLM. Oil and gas is such a small industry and it becomes a whole reeducation process every time you go through something with them. We have learned to live with that and it's not that big of a problem. We certainly have a good relationship with the

BLM so I'm glad to hear that this is leaning where BLM can make the vote but they'd like to have verification by everybody. I'm sorry to get off the track but getting back we really appreciate the barrel tax reduction, that's going to help us tremendously, every little bit helps.

Mike Visher: That's good to hear, that was the intent. Giving 11 months of some relief and hopefully you can make the most of it.

Michael O'Neal: We have a couple of projects that we really want to get going. Lowell knows we want to put some gas in it at Bacon Flat and with the barrel tax going down, that's going to help.

Mike Visher: That's good to hear, I appreciate all the comments Michael. Art did you have anything you'd like to say?

Art Henderson: No. I really appreciate the feedback; we were very concerned about the oil industry in Nevada. We wanted to try to do something. As we mentioned, when we were in need a few years ago, because we were having a struggle at the Division, the members of the oil industry came to our support. Now we wanted to return that back and we're going to do everything we can to keep the oil industry a viable industry in Nevada. I look forward to seeing you, maybe you can come to the Legislature in person or however you're going to do it, we'd be happy to see you if you come.

Michael O'Neal: Keep me informed Art and I would be happy to come in person.

Art Henderson: Okay, that'll be great, the more that come the better chance we have to explain our situation.

Mike Visher: That concludes the workshop portion.

COMMENTS BY THE GENERAL PUBLIC

None

ADJOURNMENT

10:45 A.M.

Appendix B
Response to Summary of Comments on the proposed temporary regulation of
the Nevada Division of Minerals of the Commission on Mineral Resources,
dated November 17, 2020

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Introduction and Overview

Existing law authorizes the Division of Minerals of the Commission on Mineral Resources to adopt regulations relating to Chapter 522 Oil and Gas (NRS 522.040) and authorizing the Commission to, by regulation, establish the administrative fee required pursuant to subsection 2 of NRS 522.150.

The Commission on Mineral Resources (CMR), at their July 9, 2020 public meeting, directed the Division of Minerals (NDOM) to move forward with rulemaking to adopt temporary regulations reducing the administrative fee referenced in NAC 522.342 from 15 cents to 5 cents per barrel of oil produced. NDOM developed the initial draft regulation and submitted it to the Legislative Counsel Bureau.

Pursuant to NRS 233B, regulations adopted between August 1 of a even-numbered year and July 1 of the succeeding odd-numbered year are considered temporary regulations and expire by limitation on November 1st of the odd numbered year. The Legislative Counsel completed their review on July 29, 2020 and recommended proceeding with temporary regulation rulemaking.

On October 1, 2020, and as provided in NRS § 233B.0603, NDOM issued the Notice of Public Workshop to be held on October 27, 2020. The Notice was sent to all interested persons on the agency established mailing list and was posted on the NDOM internet web page. The Notice was also sent to all five current Nevada oil producers, each county library, the State Library and Archives, and the Legislative Building. At the workshop, full opportunity was provided all wishing to comment or submit written comments on the proposed rule. The deadline for submission of written comments was November 13, 2020. One verbal and no written comments were received. The following section includes the agency response.

Response to Comments

Comment: General comment in support of temporary regulation with no suggested changes.

Response: No changes were made.

Verbal comment was received from the following:

Michael O'Neal
President, Grant Canyon Oil and Gas LLC
717 17th St, Ste. 1400
Denver, CO 80202
(303) 297-2777
michael@onealrc.com

APPENDIX C

LIST OF COMMENTERS FOR TEMPORARY REGULATIONS NAC 522

Michael O'Neal
President, Grant Canyon Oil and Gas LLC
717 17th St, Ste. 1400
Denver, CO 80202
(303) 297-2777
michael@onealrc.com

Date comment received: October 27, 2020 (verbal comments at public workshop)

Form #2
Commission On Mineral Resources
Nevada Division Of Minerals
Small Business Impact Disclosure Process
Pursuant To 233b "Nevada Administrative Procedures Act"

The purpose of this Form is to provide a framework pursuant to NRS 233B.0608 for drafting and submitting a Small Business Impact Statement (SBIS) to the Nevada Division of Minerals (NDOM) and to determine whether a SBIS is required to be noticed and available at the public workshop. A SBIS must be completed and submitted to the Legislative Counsel Bureau for ALL adopted regulations.

Note: Small Business is defined as a "business conducted for profit which employs fewer than 150 full-time or part-time employees" (NRS 233B.0382).

To determine whether a SBIS must be noticed and available at the public workshop, answer the following questions:

1. Does this proposed regulation impose a direct and significant economic burden upon a small business? *(state yes or no. If no, please explain and submit the applicable documentation, which can also be addressed in #8 on the SBIS and simply referred to; and if yes, reference the attached SBIS)*

No. The proposed temporary regulation will lessen the financial burden on a small business. The proposed temporary regulation would reduce the administrative fee that a producer of oil must pay from 15 cents per barrel of oil to 5 cents per barrel of oil (NAC 522.342). Using 2019 data for oil production and fees paid, the total savings for the five current oil producers resulting from this fee reduction would be approximately \$26,687, see attached spreadsheet. Actual savings will depend on the amount of oil production that occurs during the time the temporary regulations are in effect, which will be 35 days after the adoption date through October 31, 2021.

2. Does this proposed regulation restrict the formation, operation or expansion of a small business? *(state yes or no. If no, please explain and submit the applicable documentation, which can also be addressed in #8 on the SBIS and simply referred to; and if yes, reference the attached SBIS)*

No. The proposed temporary regulation will not restrict the formation, operation or expansion of a small business.

If Yes to either of questions 1 & 2, a SBIS must be noticed and available at the public workshop.

Form #2
Small Business Impact Statement
(NRS 233B.0609)

1. Describe the manner in which comment was solicited from affected small businesses, a summary of the response from small businesses and an explanation of the manner in which other interested persons may obtain a copy of the summary. *(Attach copies of the comments received and copies of any workshop attendance sheets, noting which are identified as a small business.)*

Comment was not solicited as the proposed temporary regulation change only involves a decrease of the fee paid by oil producers from 15 cents to 5 cents per barrel of oil produced. There is no new burden on small business.

2. The manner in which the analysis was conducted (if an impact was determined).

Using 2019 operator submitted data for oil production and fees paid, the total savings for the five current oil producers resulting from this fee reduction would be approximately \$26,687, see attached spreadsheet.

3. The estimated economic effect of the proposed regulation on small businesses:

The proposed temporary regulation will lessen the financial burden on a small business. If oil production during the timeframe the temporary regulations were in effect was similar to that during 2019, operators may see a combined savings of nearly \$27,000. This amount will vary depending on actual production by the operators.

A. Both adverse and beneficial effects

There are no adverse effects. The beneficial effect is the immediate savings of 10 cents per barrel of oil produced and potential for increased oil production during this rate reduction time period.

B. Both direct and indirect effects

Direct effect to small businesses is a net increase on revenue from proceeds of oil sales which may be used elsewhere in the business (e.g. equipment, field maintenance, personnel). Indirect effects may include additional company expenditures in the local community and state.

4. A description of the methods that the agency considered to reduce the impact of the proposed regulation on small businesses and a statement regarding whether the agency actually used any of the methods. *(Include a discussion of any considerations of the methods listed below.)*

Not applicable as there is no impact on small businesses.

- A. Simplification of the proposed regulation

Not applicable.

- B. Establishment of different standards of compliance for a small business

Not applicable.

- C. Modification of fees or fines so that a small business is authorized to pay a lower fee or fine.

Not applicable.

5. The estimated cost to the agency for enforcement of the proposed regulation. *(Include a discussion of the methods used to estimate those costs)*

There is no change in the cost to the agency for the enforcement of the proposed regulation.

6. If this regulation provides for a new fee or increases an existing fee, the total annual amount the agency expects to collect and manner in which the money will be used.

Not applicable

7. If the proposed regulation includes provisions which duplicate or are more stringent than federal, state or local standards regulating the same activity, provide an explanation of why such duplicative or more stringent provisions are necessary.

Not applicable

8. The reasons for the conclusions regarding the impact of a regulation on small businesses.

The proposed temporary regulation will lessen the financial burden on a small business nor will it restrict the formation, operation or expansion of a small business. The proposed temporary regulation would reduce the administrative fee that a producer of oil must pay from 15 cents per barrel of oil to 5 cents per barrel of oil (NAC 522.342). Using 2019 data for oil production and fees paid, the total savings for the five current oil producers resulting from this fee reduction would be approximately \$26,687, see attached spreadsheet.

I certify that to the best of my knowledge or belief, a concerted effort was made to determine the impact of the proposed regulation on a small business and that the information contained in this statement was prepared properly and is accurate.


Administrator, NDOM

10/1/2020
Date