

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

LCB File No. R102-06

October 10, 2006

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

AUTHORITY: §§1-41, NRS 522.040.

A REGULATION relating to oil and gas; establishing guidelines for the completion of an oil or gas well; revising the provisions governing the drilling of oil and gas; and providing other matters properly relating thereto.

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

1. Except as otherwise provided in subsection 2, “completion” means that:

(a) Production casing has been run in a well; or

(b) A well has been plugged in accordance with the provisions of this chapter.

2. If a well requires extensive testing, “completion” means that the drilling rig has been released or total depth has been reached, whichever occurs later.

Sec. 2. NAC 522.010 is hereby amended to read as follows:

522.010 As used in this chapter, unless the context otherwise requires, the words and terms defined in NRS ~~[522.020]~~ *522.021 to 522.0395, inclusive*, and NAC 522.018 to 522.170, inclusive, *and section 1 of this regulation* have the meanings ascribed to them in those sections.

Sec. 3. NAC 522.170 is hereby amended to read as follows:

522.170 1. “Well log” means a written *or electronic* 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, casing strata, casing record and other data usually recorded in the normal procedure of drilling.

2. The term includes all logs run by the operator.

Sec. 4. NAC 522.210 is hereby amended to read as follows:

522.210 1. Before any well is spudded in or drilled for oil or gas, *an* 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.~~

~~—3. If the well is to be drilled on state or private land, Form 3 or 3a, properly completed, must accompany the application.]~~ *an Application for Permit to Drill an Oil or Gas Well. The*

following information must be submitted with the Application:

(a) A location plat prepared by a land surveyor licensed in Nevada;

(b) A completed Oil and Gas Organization Report;

(c) The required fee;

(d) A financial guarantee provided in accordance with NAC 522.230; and

(e) A comprehensive drilling program which includes:

(1) A description of the kind of casing and drilling rig to be used;

(2) A description of the mud program, water supply, pad layout, blowout prevention equipment diagram, testing program and equipment for the prevention of a blowout;

(3) Any directional drilling information; and

(4) Any other information deemed necessary and requested by the Division.

3. The approved permit, conditions of approval to the permit and the minimum blowout prevention equipment requirements must be posted at the well site and read by all company personnel associated with the subject well.

Sec. 5. NAC 522.215 is hereby amended to read as follows:

522.215 ~~[The taking of cuttings and the filing thereof is a condition for approval of the drilling permit, and this condition will be stated on the permit.]~~

1. A minimum of two 15-milliliter sets of cuttings per sampling interval is required. The sampling interval must be 30 feet or less for surface casing depth and 10 feet or less for deeper drilling. A split of any core taken is required. Samples must be cleaned, dried and placed in sample envelopes ~~[, and the]~~ in closed boxes approximately 3 by 5 by 20 to 24 inches. The cuttings and a split of any core must be submitted to the Bureau of Mines and Geology ~~[as soon as the drilling of the well is complete.]~~ of the State of Nevada within 30 days after taking the samples.

2. The Bureau shall remove ~~[a]~~ one 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 Bureau shall establish procedures for collection, storage and public inspection and testing.

3. The Administrator ~~[of the Division]~~ must be notified by the Bureau of any sample envelopes containing less than 5 milliliters of cuttings.

Sec. 6. NAC 522.225 is hereby amended to read as follows:

522.225 If the person to whom a permit was originally issued disposes of all his operating interest in the well, he must submit ~~[a written statement]~~ *an Oil, Gas, and Geothermal Notice of Change of Owner* 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]~~ *provide a financial guarantee* as required in NAC 522.230. The ~~[surety]~~ *financial guarantee* may be released or cancelled by the transferor upon approval of the transfer by the Division.

Sec. 7. NAC 522.230 is hereby amended to read as follows:

522.230 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 ~~[:]~~ *provide a financial guarantee in one of the following manners:*

(a) Obtain a *surety* 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]~~ *\$25,000* 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]~~ *\$25,000* covering all wells being drilled or to be drilled in Nevada by one owner . ~~[; or]~~ *All interest earned on the deposit accrues to the Division.*

(c) Deposit with the Division a savings certificate , ~~[or]~~ time certificate of deposit *or letter of credit* issued by a bank or savings or loan association *authorized to do business* 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]~~ *\$25,000* 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~~ 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 *surety* bond required by this section must be issued by a corporate surety *or financial institution* authorized to do business in Nevada and must be approved and accepted by the Division before deemed valid.

4. Any *surety* bond, savings certificate, ~~or~~ time certificate of deposit *or letter of credit* 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.

Sec. 8. NAC 522.235 is hereby amended to read as follows:

522.235 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 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 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 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 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.]~~

Sec. 9. NAC 522.240 is hereby amended to read as follows:

522.240 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 may be made for the location of a well which is:*

(a) Within a federal unit;

(b) Drilled pursuant to a working interest agreement;

(c) Demonstrated by an operator to be held as an undivided interest in the areas affected;

or

(d) In an area subject to existing orders for drilling and spacing.

↪ An application for an exception made to the Division pursuant to this subsection must include documentation of its qualification for an exception.

3. An application for an exception *for reasons other than those set forth in subsection 2* 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-}~~ **4.** 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.

5. *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.*

Sec. 10. NAC 522.245 is hereby amended to read as follows:

522.245 If, before drilling a well, the person to whom the permit was originally issued desires to change the location, ~~{he}~~ *the person* must submit a letter so stating and another ~~{application}~~ *Application for Permit to Drill an Oil or Gas Well* 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.

Sec. 11. NAC 522.250 is hereby amended to read as follows:

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

2. The sign must be of durable construction. The lettering must be kept in legible condition and be large enough to be legible under normal conditions at a distance of 50 feet. The wells on

each lease or property must be numbered in nonrepetitive, logical and distinctive sequence. Each sign must show the number of the well, the name of the lease, which must be different and distinctive for each lease, the name of the lessee, owner or operator and the location by quarter section, township and range.

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

(a) Electronic data processing; and

(b) The forms ~~listed in NAC 522.480 to 522.530, inclusive, which must also show the name of the company, the number of the lease and the number of the well.~~ *required by the Division pursuant to this chapter.*

Sec. 12. NAC 522.255 is hereby amended to read as follows:

522.255 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 *drilling sumps which will be reclaimed with the drilling pad or to* burning pits which are used exclusively for the burning of the accumulated waste from the bottom of a tank.

Sec. 13. NAC 522.265 is hereby amended to read as follows:

522.265 Unless a special provision requires otherwise, the following applies to all wells drilled with rotary tools:

1. Suitable and safe surface casing must be used in all wells for proper anchorage. In all wells being drilled, surface and other protection casing must be run to sufficient depth to afford safe control of any pressures which might be encountered and must be sufficiently tested ~~[therefor.]~~ *for safety. Surface casing must be set to a minimum of 500 feet.* Surface casing must be set into an impervious formation and be cemented with sufficient cement to circulate to the top of the hole. If cement does not circulate, the annulus outside the casing must be cemented before drilling plug or initiating tests.

2. On all strings of casing below surface pipe, sufficient cement must be used to fill the annular volume behind the casing for a minimum distance of 500 feet above the bottom of the casing. A cement plug or shoe must not be drilled until a minimum compressive strength of 300 pounds per square inch at bottom hole conditions has been attained according to the manufacturer's tables of cement strength for the particular cement mix being used.

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

Sec. 14. NAC 522.270 is hereby amended to read as follows:

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

1. Before drilling begins, adequate slush pits must be constructed.
2. Surface casing must be set in the same manner as described in NAC 522.265. Surface casing must be tested by bailing or pressure test to ensure a shutoff before drilling proceeds below the casing point.

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

Sec. 15. NAC 522.280 is hereby amended to read as follows:

522.280 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.~~ *an Oil and Gas Sundry Notice and Report on Wells.*

Sec. 16. NAC 522.343 is hereby amended to read as follows:

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

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

must pay the administrative fee required by NRS 522.150 for further production from the well in the amount prescribed in NAC 522.342.

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

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

Sec. 17. NAC 522.345 is hereby amended to read as follows:

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

- (a) Light or fuel;
- (b) Efficient manufacture of chemicals;
- (c) Reinjection to increase the ultimate recovery of hydrocarbons or for storage;
- (d) The extraction of liquid hydrocarbons from the gas if the gas is not wasted; or
- (e) The artificial lifting of oil from a pool if all gas returned to the surface is then used

without waste.

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

- (a) When required for safety;
- (b) When required for initial testing of a well; or
- (c) To lift oil artificially from a pool in cases of operational necessity if the escape is

permitted for no more than 5 days within any 30-day period.

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

~~[Form 7-]~~ *an Oil and Gas Producer’s Monthly Report.*

Sec. 18. NAC 522.380 is hereby amended to read as follows:

522.380 1. The underground disposal of salt water, brackish water or other water unfit for domestic use or for livestock, irrigation or other use is permitted only upon approval of the Administrator ~~and~~ *and in compliance with the provisions of chapter 445A of NAC.*

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

3. The application to dispose of 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 ~~and~~ *and the landowner and any lease information.*

Sec. 19. NAC 522.400 is hereby amended to read as follows:

522.400 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 ~~H~~ *and the landowner and any lease information.*

Sec. 20. NAC 522.410 is hereby amended to read as follows:

522.410 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. *All injection wells must be in compliance with the provisions of chapter 445A of NAC.*

Sec. 21. NAC 522.415 is hereby amended to read as follows:

522.415 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]~~ *an Oil and Gas Producer's Monthly Report and an Oil and Gas Report of Subsurface Injections* showing all produced and injected volumes and other data required by the Division.

Sec. 22. NAC 522.430 is hereby amended to read as follows:

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

2. *An operator may file with the Division a request for an extension of the period of temporary abandonment of a well on an Oil and Gas Sundry Notice and Report on Wells.*

3. The Administrator may, for good cause, grant ~~[an additional 6 months for the well to be plugged,]~~ *extensions of the period of temporary abandonment of a well in increments of 6 months.*

Sec. 23. NAC 522.435 is hereby amended to read as follows:

522.435 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~~ *an Oil and Gas Sundry Notice and Report on Wells* or, if the well is drilled on leases from the United States Government, *be* filed by submitting to the Division ~~two copies~~ *a copy* 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.

Sec. 24. NAC 522.440 is hereby amended to read as follows:

522.440 The operator of any well which has been drilled for oil or gas ~~or~~ *and the operator of* any seismic, core or other exploratory hole ~~is~~ *permitted under the provisions of chapter 534 of NAC*, whether cased or uncased, is responsible for the plugging of the well or hole.

Sec. 25. NAC 522.445 is hereby amended to read as follows:

522.445 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.~~

~~—2.1~~ 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,}~~ *an Oil and Gas Sundry Notice and Report on Wells*, 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.}~~ **2.** 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.

Sec. 26. NAC 522.450 is hereby amended to read as follows:

522.450 1. If a well or exploratory hole which is to be plugged may safely be used as a ~~fresh-water~~ *water* well, and the landowner wishes so to use it, the well need not be filled above the required sealing plug set below the ~~fresh-water stratum. Written authority for use of~~ *water stratum. Assumption of responsibility for* the well or hole as a water well must be secured from the landowner on ~~Form 10~~ *a Water Well Completion Release* and filed with ~~and approved by~~ the Division. ~~Authority from the landowner must also include the~~ *The* assumption of full responsibility by the landowner ~~for~~ *includes* the final plugging of the well ~~and compliance with the provisions of chapter 534 of NAC. Written authority from the State Engineer to the landowner to use the well as a water well must be provided to the Division.~~

2. Approval by the ~~Division~~ *State Engineer* to convert the well to a ~~fresh-water~~ *water* well and ~~approval of~~ the plugging of the well to the base of the ~~fresh-water~~ *water* producing stratum *pursuant to the standards of this chapter and chapter 534 of NAC* releases and discharges the ~~principal and surety~~ *operator* from any liability under any bond given to assure that the well would be properly plugged and abandoned.

Sec. 27. NAC 522.465 is hereby amended to read as follows:

522.465 Within 30 days after the plugging of a hole or well, a record of the plugging must be submitted *by the operator* to the Division on ~~Form 4~~ *an Oil, Gas, and Geothermal Well Plugging Report.*

Sec. 28. NAC 522.480 is hereby amended to read as follows:

522.480 1. All producers, transporters, storers and handlers of crude petroleum oil and natural gas in Nevada shall keep, for at least 5 years, appropriate books and records covering their operations in Nevada to substantiate the reports required by NAC 522.480 to ~~522.530,~~ **522.525**, 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.

Sec. 29. NAC 522.485 is hereby amended to read as follows:

522.485 ~~{Where}~~ **All forms required pursuant to** the provisions of this chapter ~~{require forms to be filed, the forms listed in NAC 522.490 to 522.530, inclusive, or other approved machine accounting forms, may be filed. Applicable forms of the United States Geological Survey may be filed in place of Forms 4, 5 and 7A.*~~

~~—*(See agency for forms.)~~ **are available at the office of the Division or at the Internet address <http://www.minerals.state.nv.us>.**

Sec. 30. NAC 522.490 is hereby amended to read as follows:

522.490 1. ~~{Form 1}~~ **An Oil and Gas Organization Report** must be filed with the Division by each ~~{person}~~ **operator** before drilling a first well in Nevada. An amended ~~{form}~~ **Report** must be filed when there is a change in any of the facts shown on the ~~{form.}~~ **Report.**

2. Drilling permits will not be issued until ~~{Form 1}~~ **the Oil and Gas Organization Report** is received.

Sec. 31. NAC 522.495 is hereby amended to read as follows:

522.495 1. A person who desires to drill ~~[-deepen or plug back]~~ any oil or gas well must file ~~{Form 2,}~~ **an Application for Permit to Drill an Oil or Gas Well**, properly completed, with

the Division. A fee of ~~[\$50]~~ \$200 and a location plat must accompany the ~~[application for a permit to drill.]~~ *Application*. No additional fee or location plat is required to deepen or plug back a well which has been drilled.

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

Sec. 32. NAC 522.500 is hereby amended to read as follows:

522.500 1. ~~[Form 3,*]~~ *The appropriate Oil and Gas Drilling Surety Bond form*, properly prepared, must accompany ~~[the]~~ *a surety* bond *submitted as the instrument of financial guarantee as* required by NAC 522.230 for the drilling of a single well.

2. ~~[Form 3a,*]~~ *An Oil and Gas Statewide Drilling Surety Bond form*, properly prepared, must accompany ~~[the]~~ *a surety* bond *submitted as the instrument of financial guarantee as* required by NAC 522.230 for the drilling of more than one well.

~~[(See agency for form.)]~~

Sec. 33. NAC 522.505 is hereby amended to read as follows:

522.505 1. ~~Form 4~~ *An Oil and Gas Sundry Notice and Report on Wells* must be used

to:

(a) Notify the Division and request its approval of:

(1) A change of plans ~~4~~, *including deepening or plugback.*

(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.

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

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

(c) Report the supplemental history of a well.

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

Sec. 34. NAC 522.510 is hereby amended to read as follows:

522.510 1. ~~Form 5, the well completion report,~~ *An Oil and Gas Well Completion Report* must be filed for all wells drilled in Nevada. ~~In the case of a dry hole, this report may accompany Form 4. In the case of a well placed in commercial production, Form 5~~ *The Oil and Gas Well Completion Report* must be filed with the Division within 30 days after *completion of*

the well . ~~[is placed in production.]~~ Only one ~~[Form 5]~~ *Oil and Gas Well Completion Report* is required for each well. ~~[A second Form 5 is not required upon the abandonment of any producing well.]~~ *The requirement of this subsection is met with respect to a dry hole that is immediately plugged if an Oil, Gas, and Geothermal Well Plugging Report is filed with the Division within 30 days after the dry hole is plugged.*

2. Two copies of all logging surveys run in the wellbore by the operator must be filed with the Division ~~[.]~~ *within 15 days after running the logs.* The Division will file one of the sets with the Bureau of Mines and Geology ~~[.]~~ *of the State of Nevada.* The copy at the Bureau will be available for public inspection when the records are no longer confidential.

3. In addition to the requirements of subsection 2, one copy of all logging surveys must be submitted to the Division in electronic form and in an open standard file format.

Sec. 35. NAC 522.515 is hereby amended to read as follows:

522.515 1. ~~[A report]~~ *An Oil and Gas Producer's Monthly 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]~~ *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.]~~ *The Report must include the remittance of the administrative fee required by NAC 522.342 or 522.343.*

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

Sec. 36. NAC 522.520 is hereby amended to read as follows:

522.520 The injection of fluid for secondary recovery, other pressure maintenance projects or water disposal must be reported *monthly* on ~~Form 7A~~ *an Oil and Gas Report of Subsurface Injections* to the Division not later than 15 days after the ~~period~~ *month* of the ~~report~~ *Report*.

Sec. 37. NAC 522.525 is hereby amended to read as follows:

522.525 Any owner or part owner who is bound under a drilling bond and who conveys his interest to another shall file ~~Form 8A, notice of change of owner,~~ *an Oil, Gas, and Geothermal Notice of Change of Owner* with the Division.

Sec. 38. NAC 522.540 is hereby amended to read as follows:

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

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

Sec. 39. NAC 522.600 is hereby amended to read as follows:

522.600 1. Any ~~interested person~~ *adversely affected party* who desires a hearing before the Division must file an ~~application~~ *Oil, Gas, and Geothermal Application for Hearing* with the Division. The ~~application~~ *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.

Sec. 40. NAC 522.625 is hereby amended to read as follows:

522.625 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.

Sec. 41. NAC 522.020, 522.025, 522.050, 522.055, 522.075, 522.095, 522.125, 522.150 and 522.530 are hereby repealed.

TEXT OF REPEALED SECTIONS

522.020 “Atmospheric pressure” defined. “Atmospheric pressure” means the pressure or weight of air at sea level, equivalent to 14.73 pounds per square inch.

522.025 “Barometric pressure” defined. “Barometric pressure” means the pressure or weight of air determined by the use of a barometer at a given point.

522.050 “Casing pressure” defined. “Casing pressure” means the pressure between the casing and tubing when the casing and tubing are packed off at the top of the well.

522.055 “Casinghead gas” defined. “Casinghead gas” means any gas, vapor, or both, indigenous to an oil stratum and produced from the stratum with oil.

522.075 “Developed area,” “developed unit” defined.

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.

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

522.125 “Potential” defined. “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.

522.150 “Shut-in pressure” defined. “Shut-in pressure” means the gauge pressure noted at the wellhead when the well is completely shut in.

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