

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

**LCB File No. R056-15**

Effective December 21, 2015

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

AUTHORITY: §1, NRS 522.050, as amended by section 1.5 of Senate Bill No. 44, chapter 36, Statutes of Nevada 2015, at page 173.

A REGULATION relating to natural resources; establishing fees for drilling and operating an oil or gas well; and providing other matters properly relating thereto.

**Legislative Counsel’s Digest:**

Existing law requires the Commission on Mineral Resources to prescribe by regulation fees for a permit to drill and operate an oil or gas well and for a request to change the terms of an existing permit. The limit for: (1) a permit to drill and operate an oil or gas well that is not intended to be hydraulically fractured is \$2,000; (2) a permit to drill and operate an oil or gas well that is intended to be hydraulically fractured is \$5,000; and (3) for a request to change the terms of an existing permit to drill and operate an oil or gas well is \$400. (NRS 522.050, as amended by section 1.5 of Senate Bill No. 44, chapter 36, Statutes of Nevada 2015, at page 173) This regulation establishes such fees.

**Section 1.** NAC 522.212 is hereby amended to read as follows:

522.212 ~~{The amount of the fee that a}~~

*1. A person desiring to drill ~~{a well in search of}~~ and operate an oil or gas well must pay ~~{pursuant to subsection 1 of NRS 522.050 for a permit is \$200.}~~ 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.*

**THE NEVADA DIVISION OF MINERALS  
OF THE COMMISSION ON MINERAL RESOURCES**

**INFORMATIONAL STATEMENT**

**SUBMITTED IN COMPLIANCE WITH NRS 233B.066 UPON AMENDMENT OF  
REGULATIONS FOR OIL AND GAS WELL DRILLING REVISING PROVISIONS  
GOVERNING PERMITTING, OPERATING AND PLUGGING OF WELLS FOR THE  
EXTRACTION OF OIL AND GAS RESOURCES IN CHAPTERS 522 OF THE  
NEVADA ADMINISTRATIVE CODE**

**R056-15**

**November 6, 2015**

The need for the adopted regulation is to increase fees for drilling oil and gas wells that will cover the cost of the permitting and compliance program at the Division of Minerals. Senate Bill 390 of the 2013 session mandated that the Division of Minerals develop regulations for oil and gas exploration and development where the use of hydraulic fracturing was intended. The Division of Minerals and Division of Environmental Protection promulgated regulations in 2014 which were approved by the Commission on Mineral Resources on August 27, 2014. New standards for drilling, casing and operating oil and gas wells were included in these regulations. At that time, the statutory limit for an oil and gas drilling permit was \$200, far below the Division's actual cost of evaluating a permit to drill. The new 2014 regulations for hydraulic fracturing require Division staff to witness certain tests in the drilling of a well to be hydraulically fractured, in order to ensure bore hole integrity and protection of groundwater resources. These field inspection require significant staff travel when a well is being drilled. Senate Bill 44 of the 2015 session raised the statutory cap for the drilling of oil and gas wells.

This adopted regulation is needed to increase fees to cover the cost of the permitting and inspection program, and was enabled by Senate Bill 44 of the 2015 session.

NDOM prepared an initial draft regulation which was submitted to the Legislative Council Bureau for legal review in July, 2015 and returned with edits on September 11, 2015. The original draft was presented to the Commission on Mineral Resources (CMR) at the quarterly public meeting on August 27, 2015. At that meeting, the CMR directed the Division to proceed with rule-making after legal review was complete. On September 14, 2015, the Division issued the Notice of Public Workshop to be held October 2, 2015 in Carson City. The notice was sent to all interested persons on the agency established mailing list, was posted on the NDOM internet web page and at public buildings throughout the state. The notice was also sent to all oil and gas producers in Nevada. A public workshop for regulation changes R081-15 and R056-15 was held on October 2, 2015 at the legislative building in Carson City. The period for submitting written comment on the draft was extended at the workshops to October 30, 2015.

At the workshop, the regulated industry did provide comments on proposed regulations R056-15. One regulated industry comment was that it was not practical to charge different amounts for varying depths of wells, as the geological target determines the final depth of a well. The Division agreed with this comment and changed the fee for a conventional well to a flat \$1000 regardless of total depth. Another regulated industry comment was that the fee for a well to be hydraulically fractured was expensive at \$3500 to \$4500. The Division believes that the fee accurately reflects the cost of Division work involved in evaluating permit applications and inspecting these wells during drilling. The third regulated industry comment was made by several of Nevada's existing oil operators, which was opposition to an administrative fee increase from \$0.15 to \$0.20 per barrel of oil produced, which funds the Division's ongoing oil

and gas compliance program. Operators suggested delaying any increase in the administrative fee until oil prices recovered. The Division agreed with this comment and changed the administrative fee back to the existing \$0.15 per barrel

The audio recording of these sessions and the written comments are available for review in the NDOM Carson City Office during regular business hours. The sign-in sheets for the attendees of the workshops are attached to this informational statement, together with the names of the persons submitting written comment.

As provided in NRS § 233B.061 (3), a public hearing was conducted by the CMR on November 5, 2015 in Reno. After considering the proposed regulation, the CMR adopted the revised text of the regulation dated September 11, 2015. The final adopted regulation is filed on this date with the Legislative Counsel.

A document entitled *Response to Summary of Comments on the proposed regulation of the Nevada Division of Minerals of the Commission on Mineral Resources*, and consisting of 2 pages, was prepared by the agency and is attached to this Informational Statement in compliance with NRS 233B.066(1)(b),(e).

The long-term adverse impacts to the regulated industry are an increase in the permit fee for drilling a conventional oil or gas well from \$200 to \$1000, a new fee for drilling a well to be hydraulically fractured of between \$3500 to \$4500, and a new fee for evaluating the change to the terms of a permit of \$300. Given the cost of drilling and completing an oil well, these application-to-drill fees are not significant in overall costs. The Division collected \$34,961 in permitting and administrative fees for oil drilling and production in 2014. Based on current oil and gas drilling and production levels (which are very low), the Division estimates the adopted regulations will result in \$79,173 in total annual permit and administrative fees collected in 2016.

These new fees are intended to cover the cost of the permitting and compliance program, and will allow the Division to increase resources if oil and gas drilling and production ramps up in the future. The Division operates its oil, gas and geothermal regulatory program together, which funds 1.20 FTE permitting and field inspectors, travel, office overhead and state allocations. This program oversees all large borehole, deep drilling activities in the State. Nevada has approximately 120 active oil wells and 430 active geothermal wells, and all must be inspected on a minimum 3-year cycle.

The estimated cost to the agency for enforcement of this regulation is expected to be minimal.

The proposed regulation does not duplicate or overlap other state regulations. Federal law does not require the proposed regulation changes. The proposed regulation may be more stringent than federal law for wells drilled on public lands administered by the United States Department of the Interior, Bureau of Land Management.