

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

LCB File No. R081-15

Effective December 21, 2015

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

AUTHORITY: §§1-15, NRS 522.040.

A REGULATION relating to natural resources; revising the form that must be used to report the plugging of certain holes or wells to the Division of Minerals of the Commission on Mineral Resources; authorizing an extension of the expiration date of a permit to drill an oil or gas well; revising the requirements for obtaining approval to drill and complete a disposal well; requiring the permanent plugging of certain wells; eliminating the fee for applying for a permit to drill, deepen or plug back any oil or gas well; requiring certain forms to be used to apply for certain approvals; eliminating the authority for an operator of a series of exploratory wells to apply to keep the wells confidential; making various other changes relating to oil and gas wells; and providing other matters properly relating thereto.

Legislative Counsel’s Digest:

Existing law: (1) requires the Division of Minerals of the Commission on Mineral Resources to adopt regulations to effectuate the purposes of chapter 522 of NRS; and (2) authorizes the Division to require certain persons to file reports, logs and surveys relating to oil and gas wells. (NRS 522.040) This regulation makes a number of changes to regulations relating to the drilling and operation of oil and gas wells.

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

Section 2 of this regulation eliminates outdated language from provisions relating to the tentative approval of certain requests or plans.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

522.220 ~~{Unless}~~

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

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

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

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

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

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

(a) Electronic data processing; and

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

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

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

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

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

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

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

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

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

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

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

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

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

2. The Administrator may, for good cause, grant ~~an additional 6 months~~ *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.

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

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

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

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

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

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

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

~~—*(See agency for forms.)}~~

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

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

2. The location plat required by this section must be of convenient size, and must have the location of the proposed well within a 40-acre legal subdivision by an accurate course and distance tie to an established corner of a section or quarter section. The plat must contain a full description of the corner to which the tie is made, together with all markings thereon. Ties to offset section or quarter corners on township lines must also show the nearest corner of the adjoining township together with the offset distance. Lots within a lotted section must be shown and designated. The plat must indicate the method used in obtaining all bearings and must show the declination used for compass bearings and the source of the bearing if an angle is turned from

a line of known bearing. The person who prepares the plat must note on the plat whether solar or polaris observations have been used.

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

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

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

~~†*(See agency for form.)~~

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

522.505 1. Form 4 must be used to:

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

(1) A change of *drilling* plans.

(2) A test of water shutoff.

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

(4) A shooting, acidizing or fracture treating.

(5) A pulling or altering of casing.

(6) An intention to abandon a well.

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

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

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

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

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

↪ 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) ~~if~~ *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 ~~if~~, *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.

Sec. 13. NAC 522.510 is hereby amended to read as follows:

522.510 1. Form 5, the well completion report, must be filed for all wells drilled in Nevada ~~if~~ *within 30 days after drilling operations are completed.* In the case of a dry hole, this report may accompany Form 4. ~~In the case of a well placed in commercial production,~~ *If production will not begin within 30 days after drilling operations are completed:*

(a) The 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 ~~the well is placed in production. Only one Form 5 is required for each well. A second Form 5 is not required upon the abandonment of any producing well.~~ 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.

Sec. 14. NAC 522.540 is hereby amended to read as follows:

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

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

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

TEXT OF REPEALED SECTIONS

522.450 Water wells.

1. If a well or exploratory hole which is to be plugged may safely be used as a fresh-water well, and the landowner wishes so to use it, the well need not be filled above the required sealing plug set below the fresh-water stratum. Written authority for use of the well or hole as a water well must be secured from the landowner on Form 10 and filed with and approved by the Division. Authority from the landowner must also include the assumption of full responsibility by the landowner for the final plugging of the well.

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

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

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

**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**

R081-15

November 6, 2015

The need for the adopted regulation is to update the oil and gas regulations to be consistent with current industry and regulatory practices, to clarify provisions within the regulations and eliminate obsolete language. Except for the addition of hydraulic fracturing regulations promulgated in 2014, Nevada's oil and gas code had not been reviewed and updated since 2000. The proposed changes provide for clarification pertaining to approvals for deepening, modifying and plugging wells, changes in the activity status of a well, and documentation required for well completion reports. The changes also clarify when a non-producing well must be permanently plugged and abandoned. In addition, this update repeals regulations that allowed for an oil exploration well to be converted to a water well, which is clearly covered in regulations of the State Engineer and should not be in the oil and gas code.

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 Workshops 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 29, 2015.

At the workshop, the regulated industry did provide comments on proposed regulations R081-15. The comments requested clarification on the use of various forms, the length of extensions to plug wells and make public well logs and the number of sets of well cuttings required to be collected during the drilling of a well. Clarifications to the regulatory language were added to address these comments. 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 approved an advisory recommendation that the Division adopt the regulation. The Division then 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*, dated November 6, 2015 and consisting of 3 pages, was prepared by the agency and is attached to this Informational Statement in compliance with NRS 233B.066(1)(b),(e).

Adverse economic effects on the regulated industry from these adopted regulations are minimal. The Agency does believe there are beneficial effects for industry and the public by clarifying when wells that are no longer producing must be plugged and abandoned.

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.

Proposed regulation R081-15 does not increase fees.