

**STATE OF NEVADA
COMMISSION ON MINERAL RESOURCES
Thursday, May 8, 2014 – 1:00 p.m.
Legislative Counsel Bureau
Room #4100
401 South Carson Street
Carson City, Nevada**

COMMISSIONERS IN ATTENDANCE:

Fred Gibson (Chairperson)
John Snow
Dennis Bryan
Richard DeLong
David Parker
Art Henderson

COMMISSIONERS NOT IN ATTENDANCE:

John Mudge

ALSO IN ATTENDANCE:

Lowell Price (NDOM)	Rachel Wearne (NDOM)
Mike Visher (NDOM)	Rob Ghiglieri (NDOM)
Dave Gaskin (NDGP)	John L. Muntean (NBMG)
Bill Durbin (NDOM-LV)	Erik Langonfeld (NDOM)
Rich Perry – Secretary/Administrator (NDOM)	Valerie Kneefel (NDOM)
Alan Tinney (NDGP)	Bryan Stockton (Deputy Attorney General)

CALL TO ORDER/ROLL CALL/PLEDGE OF ALLEGIANCE

Chairperson Gibson called the meeting to order at 1:05 p.m., with a quorum of six members present. The Pledge of Allegiance was conducted.

COMMENTS BY THE GENERAL PUBLIC – Pursuant to N.R.S. 241, this time is devoted to comments by the public, if any, and discussion of those comments. No action may be taken upon a matter raised under this item on the agenda until the matter itself has been specifically included on a successive agenda and identified as an item for possible action. All public comments will be limited to 5 minutes for each person.

ACTION WILL NOT BE TAKEN

There were no public comment requests.

I. MINUTES

A. February 13, 2014 meeting

FOR POSSIBLE ACTION

Richard DeLong moved to approve the February 13, 2014 meeting minutes. David Parker seconded the Motion. Motion carried unanimously.

B. January 16, 2014 Subcommittee meeting

FOR POSSIBLE ACTION

Richard DeLong moved to approve the January 16, 2014 Subcommittee meeting minutes. Art Henderson seconded the Motion. Motion carried unanimously.

C. January 16, 2014 Special CMR meeting

FOR POSSIBLE ACTION

Dennis Bryan moved to approve the January 16, 2014 Special CMR meeting minutes. Richard DeLong seconded the Motion. Motion carried unanimously.

II. OLD BUSINESS

A. Fiscal Year 2015 -17 Work Plan and Forecast Update

FOR POSSIBLE ACTION

Rich Perry stated a presentation will be given on the forecast for fiscal year 2014-2015. Input from the Commission will also be needed on preparation for the 2016-2017 biennium budget.

With a PowerPoint© presentation, Mike Visher reviewed the “Fiscal Year 2014-2015 Forecast and Budget Assumptions for 2016-2018 Work Plan”. He stated there was a percentage reduction from 2013 for the revenue for Mining Claim Fees and Dangerous Mine Fees. The significant increase in revenue for Abandoned Mine Securing Fees was due to the efforts undertaken to capture everything operators are supposed to be submitting. Additional revenue may be received from outstanding invoices. The Medallion Royalty Income was royalty from the use of the State seal on coins being minted for Nevada’s sesquicentennial. The Transfer from Reclamation Bond Pool revenue was only an estimated amount. The 3% cap may increase that amount. Revenue for Mining Claim Fees may decrease again in 2015 and year-over-year by 5%. Some reductions that might normally be seen may be offset by new activity. There might be a slight increase in Oil Permit Fees in 2015 due to the work by Noble. Total revenue for FY15 will decrease by approximately \$100,000 from FY14. Regarding expenditures, Mr. Visher stated some work programs had to be completed to increase the authority for some spending such as In-State Travel and Out-of-State Travel due to the hydraulic fracturing regulations that are being pursued. In FY14, a new category has been established for Oil, Gas, and Geothermal for better accounting of these costs, which had previously been accounted for in the In-State Travel and AML Support account. The expenditure of \$11,000 being forecasted for Oil, Gas, and Geothermal in FY15 was taken from real costs that occurred this year due to these activities. The increase in expenditures for AML Support in FY15 was due to projects that had not been completed in 2014. The increase in Computer Hardware & Software EITS was due to the increased requirement on both the hardware and software side for continuing the AML database, which will require significant technical increases and new skill sets for sharing information between agencies. AML Enhancement will increase in FY2015 because this year’s amount was lower than the \$200,000 allotted amount, because expenses needed to be dispersed to other categories rather than a work program. Money was also deferred from purchasing a new truck this year. The FY15 invoice for Sage Brush Ecosystem Transfers to DCNR should be received in the fall. The reserve balance at the beginning of FY14-15 will be a little over \$900,000, but will be reduced to a little over \$600,000 by the end of FY15.

Commissioner DeLong asked about the revenue source for the Dangerous Mine Fee and Abandoned Mine Securing Fees. Mr. Visher stated the Dangerous Mine Fee is the \$2.50 of the \$8.50. The Abandoned Mine Securing Fee is the \$20 per acre on surface disturbance. He noted this fee was more problematic to forecast.

Commissioner DeLong asked if Oil, Gas, and Geothermal should be separated since there are different income streams for oil and gas versus geothermal. Mr. Visher stated, if and when the programs diverge in terms of activity, it might be prudent at that time to separate out the programs. There is also only one Program Manager at this time for these programs.

Commissioner Bryan asked for information about the Sage Brush Ecosystem Transfers to DCNR in FY2016. Mr. Visher stated Rich Perry will address budget forecasts for FY2016-17.

Rich Perry stated there is currently three months of operating in reserve, which is standard. He reviewed the following options if mining claim fees decreased by 5% in FY2015:

- Mr. Perry stated any changes made by the Commission to increase dangerous mine claim fees from would not go into affect until FY2016 because it would be too late to notify County Assessors and Treasurers of the increase by June 1st.
- The cap on abandoned mine securing fees is \$30.00 per acre and was last increased in 1999.
- Oil production fees are currently at \$0.10 with a cap of \$0.20. There could be some impact, but not a lot given current oil production.
- Geothermal annual production fees per well is at \$475. There are currently 173 production wells. If the fee was increased to \$650 per well, it would result in an amount over \$30,000. This fee was last increased in 1992.
- A decrease in AML contracting activity would result in \$50,000 that could be deferred.
- Defer hiring a replacement when the current Field Specialist retires.

Commissioner Henderson commented the subcommittee discussed the increase in oil and gas fees and had discussed an approximately \$100,000 estimate based on fees anticipated, which the Commission had agreed upon. He suggested this estimate be considered rather than the increase in the oil production fee. Mr. Perry stated that estimate would be presented later in the meeting, but that it may not impact FY2015 due to the lengthy legislative process. Bryan Stockton, Deputy Attorney General, clarified the Commission approved the concept and moving forward with legislation, but the fees were not approved as a part of the regulation because the Commission does not have authority to do that at this point.

Rich Perry reviewed budget assumptions for the 2016-18 Work Plan. He stated the forecast for the mining claim fees was at 5% for 186,000 claims with the \$8.50 per claim. The statutory cap on this fee is \$10.00. There are no changes in geothermal fees. Oil production may increase. Oil permit fees were based on the fees the Commission approved earlier this year and includes the new permit fee structure. A new item for 2016-18 will be AML database storage/backup for protection of the database and the \$2.00 per claim donation from Mackay at the 2015 level. The annual fee for IMCC would be \$5,000 per year through 2016. He noted Nevada is the second largest gross revenue state with regards to mineral production behind West Virginia; therefore, full dues may be at \$49,000 per year. Another funding source for the sagebrush ecosystem may be found. He stated options, if funding sources decrease, are:

- Increase claim fees
- Increase geothermal fees
- Increase oil production fee above \$0.10 per barrel
- Decrease AML contracting activity
- Decrease NBMG support
- Drop out of IMCC
- Defer a truck replacement another year
- Defer hiring a replacement when the Field Specialist retires

Commissioner Bryan commented there had been extra funding in the AML program years ago which was used for enhancements. He suggested this area could be reviewed.

Commissioner Henderson commented he hopes there is going to be a system in place to recover the increased costs with oil and gas fees and the trade secrets that will need to be defended. Bryan Stockton, Deputy Attorney General, stated, if there is one, he doesn't know about it. Fees are set in statute. Commissioner Henderson commented that an amount to protect trade secrets is not in statute. He asked how to deal with something new, if there is no way to pay for it. Mr. Stockton stated he did not have a specific answer, but he did not believe protecting trade secrets would not be that high of an amount unless there was a lawsuit, but he would look into it.

Commissioner DeLong requested to know how realistic would it be to portion out the work load of the Field Specialist if that position was deferred given current work loads. Mr. Visser stated it would be very difficult because current work loads are at full capacity; therefore, it would be his least preferred option. Mr. Perry commented on the work load of the current Field Specialist. He stated he would agree with Mr. Visser's comments.

Commissioner DeLong suggested reviewing the increase in fees and AML enhancement. Rob Ghiglieri explained funding for AML enhancement is received based on contract agreements. He noted AML enhancements have already been cut by \$50,000.

Commissioner Parker asked when the last time mining claim fees were adjusted. Commissioner Bryan stated in 2008. Commissioner DeLong added the \$2.00 increase goes to Mackay.

Commissioner Snow stated it would be appropriate to consider an increase in geothermal fees, because oil and gas are going through an increase in fee structure, but the suggested increase of 28% may be a little excessive.

Commissioner Henderson commented, if oil production increases, staff can be increased. He stated he agreed that a replacement for the Field Specialist will be necessary even in the short term because ten permits have already been approved for drilling with more to follow.

Commissioner DeLong stated he agreed with Commissioner Henderson's comments.

Rich Perry noted there is a hiatus of a year before any real changes will need to be made.

Commissioner Bryan commented there was not discussion about increasing claim fees and asked about the feel for large scale miners. Commissioner DeLong stated, if fees need to be increased, it should be increased for all three industries. Mining claim fees could be raised to \$1.50.

Commissioner Parker asked if mining claim fees can be raised immediately. Mr. Perry stated if the \$10.00 cap was to be raised it would need to go to the legislature, but the CMR could raise fees up to \$1.50 per claim through a regulation change. Commissioner DeLong noted the per barrel charge and geothermal permitting fees can be increased immediately through a regulation change.

Discussion followed to have Mr. Perry take a comprehensive review of this issue and present his recommendations in a presentation because the assumption is for a 5% decrease, but it could be a 10-12% decrease.

Dennis Bryan moved to direct the Administrator to make recommendations for increasing fees for mining, oil, and gas and for a presentation of those recommendations to be given at the next Commission meeting. Richard DeLong seconded the Motion. Motion carried unanimously.

B. Website Update

FOR DISCUSSION ONLY

Rachel Wearne reviewed updates to the NDOM website and provided demonstrations. She stated links were built yesterday through the content management system. The oil and gas page was completed last week. At the request of Commissioner Henderson, the frac focus section of the website was presented with the new entry for the chemical disclosure registry. She stated the new AML page will assist in the notification letter process and make it easier for claimants that have been notified to find the information they need on the website. The Commission page was still under construction.

Commissioner Henderson stated the oil and gas pages are the key to public disclosure for future work. He commended the work completed on the website.

Commissioner Bryan asked how long it would be to change information on the website. Ms. Wearne replied not very long, but the software is very slow.

Commissioner Snow asked if the operator's page had a password or was open to the public. Ms. Wearne stated it is open to the public, but it is categorized for easier access by the operator.

Commissioner Henderson asked when this will become "live". Ms. Wearne clarified there is still a lot of work that needs to be done. She is hoping work will be completed by the end of summer. Commissioner Henderson suggested work be completed before the next Commission meeting when hydraulic fracturing regulations are voted on.

C. Consideration of draft language to revise NRS 522.050

FOR POSSIBLE ACTION

Currently, permitting fees for Oil and Gas Wells are set at \$200.00 by statute in NRS 522.050. At the January 16, 2014 meeting, the Commission approved an updated fee schedule for permitting Oil and Gas Wells. A bill draft request will be presented for consideration. Bryan Stockton, Deputy Attorney General, stated the intent of changes is to shift the ability to set fees for oil and gas permitting, reviewing plans, specifications, sundry changes to the Commission. He stated, from the workshops held on hydraulic fracturing regulations, the public is expecting a higher level of supervision from the Division over hydraulic fracturing operations. He reviewed the following changes:

- The first change in subparagraph one is to clarify that it requires the Division to impose and collect the fee and for the fee to be deposited with the State Treasurer, which is already a requirement.
- Section two states the Commission will establish application fees, which will be set through the regulatory process.
- Section three states money collected will be used for the Division's operations and not limited only to the oil and gas program.
- Section four and five contain existing language, but was moved into separate subparagraphs.

Commissioner DeLong commented on the variations of the Division's name being used throughout the language. He suggested the name, Division of Minerals, be used consistently throughout the language.

Commissioner Henderson commented he agreed the Commission should be able to establish fees, as needed.

Commissioner DeLong asked if the Commission should submit this language change as a BDR. Rich Perry replied yes. Mr. Stockton added it will have to go through a legislator because it is too late to be a part of the Governor's bill.

Art Henderson moved to approve the draft language to NRS522.050 and for the draft language to be presented as a Bill Draft Request (BDR). Richard DeLong seconded the Motion. Motion carried unanimously.

D. Update on Hydraulic Fracturing Regulation Process

FOR DISCUSSION ONLY

Public workshops were held the week of March 17-21, 2014, and public comments on the proposed regulatory changes ended March 28, 2014. Update on the process and the schedule will be presented.

With a PowerPoint© presentation, Rich Perry provided an update on the hydraulic fracturing regulation process. He provided background information on the program. He stated the program is to be developed by July 1, 2014 with regulations to be implemented by the CMR by January 1, 2015. He highlighted the different components of the changes and noted these only address wells intended for hydraulic fracturing and does not affect wells for conventional drilling. He stated the application area of review includes a map. Ground water baseline sampling should be up to four existing water wells. If wells exist before the hydraulic fracturing process, samples will be analyzed by a certified lab. He reviewed map drawings of the area of review for vertical wells. If there is a lateral component to the well, the area of review becomes an oblong area of review. If multiple wells are being proposed, one mile spacing is required. The summary of proposed changes on drilling includes a requirement for intermediate casing, which means a second layer of casing which is to be cemented thirty-five feet above the upper most zone of hydrocarbon interest so there is a seal separating strata from strata. He reviewed drawings for conventional wells and wells intended for hydraulic fracturing. A summary of the proposed regulations for hydraulic fracturing or treatment include: notification via a sundry notice; water sampling after the hydraulic fracturing treatment; monitor and record pressures; contain flow back liquid in steel tanks; and, the disposal plan has to be approved prior to transfer from the well pad, according to regulations. He noted a list of commonly used chemicals was being developed. If an application is received listing a chemical that is unknown, the operator is required to provide thirty days notice for an evaluation of the chemical. After completion of a well that was treated with hydraulic fracturing, the well will be re-sampled sixty to seventy-two months after the treatment. If an existing well before the fracking process, the well will be sampled three times: before fracking, six to twelve months after fracking, and sixty-to-seventy-two months after fracking if it becomes a producing well. There will also be notification levels if Methane or hydrocarbons are detected in one of the samples. Casing and cement specifications listed in the regulations refer to existing performance standards. The "State of State Shale Gas Regulation" report was used to compare state regulations to other states. Currently, the hydraulic fracturing group is meeting every Thursday to review all industry public comments and to make any changes. The intent is to be completed by June 2014, with a second review by LCB. A public hearing will be held before the Commission considers adoption of the regulations.

Commissioner Henderson asked for clarification that the list of chemicals would only be accepted and not approved. Mr. Perry stated that is correct. He noted the list is a registry, not an approval list.

Commissioner Bryan asked if drilling mud could potentially pollute fresh water. Commissioner Henderson clarified this discussion was about protecting water during the hydraulic fracturing process and not when drilling a well. Rich Perry stated the intent of the language is to prevent the use of a chemical that has never been used and is objected to because there are alternatives in fracking.

Commissioner Snow commented he was still confused on the pre-approval of chemicals with respect to quantity. He asked if the quantity of any given chemical will be reviewed to determine if it passes a certain threshold. Mr. Perry stated the chemistry will be reviewed, not the quantity. Mike Visser stated the operator is required to submit the maximum concentration amount of the chemical and the average tolerance used throughout the states for comparison. Commissioner Snow stated he was concerned with the amount of a chemical being used and not the chemical itself given that Nevada will provide upfront approval.

Commissioner Henderson clarified current regulations will not require a list of chemicals prior to fracking. If chemicals are listed, they are accepted and do not have to be provided prior to fracking, but chemicals not listed will require additional time for review and approval to use. There is no toxicologist on staff to review chemicals, but Nevada is more stringent on chemical use than any other state, because it requires a list of chemicals before fracking occurs. The amount of chemical use is not being proposed at this time.

Commissioner Bryan asked for more information regarding the difference between drilling fluids and fracking fluids. With the PowerPoint© drawings, Commissioner Henderson explained drilling fluids are used in horizontal drilling and will be more of a water-based fluid to reduce the weight. Hydraulic fracturing fluid will be used inside the production casing. He stated drilling mud will not come into contact with any fracking fluid and fracking fluid will not go to any place where the drilling mud had been. Drilling fluid will be used outside of the production casing. Rich Perry suggested Commissioner Bryan visit a site when fracturing will occur for a better understanding.

Commissioner DeLong asked if the quantity amount claimed by operators will be a sheer amount or the concentration amount. Mr. Visher stated it is the concentration amount.

Commissioner DeLong asked if a new water well put in between samplings would be subject to sampling if the original sampling was less than four wells. Commissioner Henderson stated there is no baseline data, so there would be no need for a sample.

Commissioner Henderson suggested Commissioners review the “State of State Shale Gas Regulation” report before the next Commission meeting.

Commissioner Snow asked for an example from the list of items that are not being regulated by other states. Rich Perry stated it goes state-by-state. Commissioner Henderson noted the number one item is baseline water testing. Commissioner Snow commented the Interstate Oil and Gas Compact Commission has a process called state review, which reviews each state’s regulatory process very methodically. He suggested the state review process be considered. He noted some of those items have nothing to do with hydraulic fracturing, but regulating oil and gas in a broad sense.

Commissioner DeLong asked if a summary of public comments and how comments were addressed will be provided at the August meeting. Rich Perry stated a summary can be presented. Bryan Stockton, Deputy Attorney General, noted that information is public record with access to everyone. Rich Perry stated Tom Gallagher is keeping track of response in a document because it is a requirement of the legislative review process.

Commissioner Snow asked if there were some comments that were useful to regulation changes. Rich Perry stated the majority of comments were from industry and active groups and were helpful suggestions that were reviewed and taken into consideration. The “I don’t like fracking” comments were grouped together.

Commissioner Snow asked about the status of individuals within the radius of wells. Rich Perry stated the operator of the well has to notify residents in the area fourteen days before hydraulic fracturing is started and that residences are listed on the area map. Commissioner Snow asked if there is an appeal process for a landowner who objects to the hydraulic fracturing process. Rich Perry stated there is a mechanism in current regulations for a hearing before the Administrator, but there is nothing currently in regulations that would prevent hydraulic fracturing from occurring due to an opposition. Commissioner Henderson clarified the fourteen-day notice is required before the actual activity of hydraulic fracturing, but not the preparation of the activity. Commissioner Snow asked if notification will be monitored. Rich Perry stated language will be included in the permit about notifications. Commissioner Henderson added regulations require the operator of the well to keep notifications on record. Mr. Perry stated there is a mechanism for local governments to impose their own review process.

Commissioner Parker asked if notification will be provided for the original application or will the only notification be the fourteen days before the fracking activity. Mr. Perry stated notification is only provided fourteen days before hydraulic fracturing will occur.

Commissioner Bryan asked if the permit posted on the new website will delineate if the well will be hydraulically fractured. Mr. Perry stated that is correct.

III. NEW BUSINESS

A. Results of Plastic Claim Post Remediation Efforts

FOR DISCUSSION ONLY

Mike Visher stated the Executive Summary and full report provided by the Department of Wildlife was provided to Commissioners in Board packets. If requested, the Department of Wildlife could give a presentation regarding the details of the report at the next Commission meeting. Funding that was received for the project, including funding received from the Commission, has ended, but remediation efforts are still needed. The project demonstrated there was a need to change the law and move away from claim posts. Each state determines what is considered a “claim marker”. Currently,

the BLM is not involved in the project because they are concerned this may result in the removal of a claim from a claimant.

Commissioner Parker asked for clarification that it is not legal to remove posts from the field. Mr. Visser stated that is correct. Commissioner Parker asked if NDOW will continue to provide funding. Mr. Visser stated they intend to. The question is to what level, which could be a question answered by a Department of Wildlife presentation at the next Commission meeting.

Rich Perry asked if AML work includes action taken on posts, if found. Mr. Visser stated posts are removed.

IV. REPORT OF THE ADMINISTRATOR

A. Division of Minerals Activities

- 1) **Administration** – There was no additional information to report. John Muntean noted the active mines map is available on the website. A shape file with the latest mine locations was also available. The Mineral Industry Report was completed in the middle of March and was available. The 2013 Mineral Industry Report was started.
- 2) **Mining /Reclamation Bond Pool** – Mike Visser stated there are six active, plan-level participants in the bond pool. There is not much new activity. Participants are waiting for release of their obligation, which may not occur until spring when the BLM geologist can document that revegetation has occurred. They are at 131% funded. There is one new company that may enter the bond pool. Mr. Visser stated they would clarify that only the deposit can be refunded and not the money that is paid into the bond pool. There are five terminations. It is being determined how to proceed with the reclamation.

Commissioner Snow asked if bond pools were originally approved and established because BLM's processing title and bonds were onerous. Mr. Visser stated that was on the notice-level component. Before, it was largely for the plan level operators. When the adjudication time for bonding was 3-6 weeks with drill rigs ready to go, it was reconfigured to allow for notice-level operations at 100%. Commissioner Snow asked if there was a decrease because there is more efficiency in processing the bonds. Mr. Visser stated, if that was the case, bonded projects would decrease, but projects are still at 33%.

- 3) **Abandoned Mine Lands (Update of AML Summer Internship 2014)** – Rob Ghiglieri stated eight interns were hired; seven from UNR and one from UNLV, which is a first for the program. The thirteen-week program will begin on May 19, 2014. Each intern will spend approximately ten of those weeks in the field with one or two interns working in the office. Since the last Commission meeting, \$12,295.00 from the Forest Service Assistance Agreement was received, but work needs to be completed first before money can be received. The first meeting of the Nevada Abandoned Land Mine Environmental team was held in March to discuss multiple options of environmental issues throughout the State as well as possible funding. Another meeting was held this morning to review sites. The Army Corp of Engineers Restoration of Abandoned Mine Lands project was given \$1 million from an anonymous donor; \$250,000 of the funding was requested for a new web-based application with a new database for AML, which will capture all issues. Access can be from any point from anywhere through a secure log-on system. If there is funding left over, it will be used to build an app for the database. The 2013 AML Report is being completed. Four permanent closure projects are being planned for FY2015.

Commissioner Parker asked who made up the environmental team. Mr. Ghiglieri stated it is comprised of multiple agencies, including the Division of Minerals, BLM, Forest Service, NDEP, DPA, Trout Unlimited and multiple mining agencies. The primary goal is to identify and rank a list of environmental hazards related to abandon mines throughout the State. Commissioner Parker asked if the Army Corp of Engineers is a part of the team. Mr. Ghiglieri stated they are not a part of the team, but they have provided funding.

Commissioner Bryan asked for a definition of "environmental hazard". Mr. Ghiglieri provided an example of an environmental hazard and assistance that is received from multiple agencies.

Rich Perry commented Mr. Ghiglieri is doing a great job of leveraging the database and resources with grant funding from the BLM and the Forest Service.

- 4) **AML/GIS** – Rachel Wearne commented on efforts being made to address issues with the database Mr. Ghiglieri mentioned. A map of field areas for the summer intern program was provided to Commissioners. The third training week will include a return to Lincoln County.

- 5) **Southern Nevada Operations** – With a PowerPoint© presentation, Bill Durbin provided an overview of education and public awareness for both Northern and Southern Nevada. He stated, as of April 30, 2014, fifty-one presentations have been given. The mandate is for one presentation per person per month. Eight Eagle Scout projects have also been completed within this timeframe; seven in Clark County and one in Washoe County. He reviewed scheduled presentations for May 2014. The 25th Annual Southern Nevada Earth Science Workshop was held on April 15-16, 2014 at Faith Lutheran School in Summerlin; 102 teachers attended the workshop, which was an increase from the 79 teachers who attended the workshop in 2013. The summer workshop will be held on July 14-16, 2014 at Bishop Manogue High School in Reno, Nevada. The first attempt to close the Gypsum mine was done during the Eagle Scout projects. BLM was looking to find funding to close this mine by 2017. In the interim, areas will be fenced. The McCaw School of Mines gala fundraiser event was held on April 26, 2014 at the Henderson Convention Center with a '50s-'60s theme. From the event and the golf tournament, approximately \$30,000 has been raised with a potential \$20,000 to \$30,000 more once logos are committed to the Visitors Center. In December, 2014, it is anticipated that the 90,000th student will have come through the McCaw School of Mines. During the first four months of 2014, the Bureau of Reclamation crew completed 42 permanent AML closures in Clark County. Last week at the IMCC conference, the Nevada Mining Association Division of Minerals Education Committee was awarded an Excellence in Education award.
- 6) **Oil, Gas, and Geothermal** – Lowell Price reviewed activity in oil, gas, and geothermal for the first quarter. He stated permitting for geothermal increased significantly; eight of which were for domestic wells and not industrial wells. Four industrial wells, on the geothermal side, have been permitted. For geothermal, four wells have been drilled; three domestic and one commercial or industrial. There were three McGinnis Hills' wells that were drilled; two of which began drilling in December 2013 and is accounted for in 2013. Ormat will drill their first production well at Tungsten Mountain. For oil, activity was primarily limited to three companies. Nobel Energy completed their first drilled well in Elko County. True Oil permitted their DY federal 13-31 well in Railroad Valley. The proposed total depth of the well is 9,200 feet. Ormat was the only active operator on the geothermal side, during the first quarter, and may continue to be the only active operator for the rest of the year. Nobel Oil should be completing their second well over the course of the next couple of months. They are waiting for permits to be issued by the BLM before they move their drilling rig back from Colorado. They would like to drill four more wells this year all on BLM leases. A well spacing task force was being formed to review implications from horizontal drilling on spacing units. He provided a brief review of the hydraulic fracturing regulation process. He stated another meeting will be held on May 28, 2014 to discuss drilling spacing units. Fifty-nine sundries have been processed during the first quarter; 41 were related to geothermal activities and 19 sundries were related to oil activities. With a PowerPoint© presentation, Mr. Price reviewed well inspections. He stated well inspections were started in the Steamboat Parkway area on July 19, 2013. Inspections for geothermal were completed on April 2, 2014. Inspections for oil were completed the afternoon of the workshop that was held in Las Vegas on March 21, 2014; 432 geothermal wells were inspected and 124 oil wells were inspected over approximately eight to ten months. The main issue with the well site was the lack of a well location sign. Forty-eight signs were missing in geothermal for industrial wells or 78 signs if commercial wells were included. For oil, 8 signs were missing for industrial. Mr. Price noted, to-date, most signs have been put in place by contacting the operators. The main issue with wells themselves was fluid in the cellar or a leaking wellhead valve. Only one pipeline connection issue was found in geothermal. Once the operator was informed of this issue, it was corrected immediately. Of the fluid in cellar issues with geothermal, he knew two were due to geothermal fluids, but the remaining 15 issues he was not sure if it was runoff of meteoric waters or geothermal fluid. He stated half of those issues may be meteoric waters. He will revisit all 17 issues in the near future to make sure fluid has not accumulated again. With presentation slides, Mr. Price provided an example of a well site inspection. For oil, wells that have been shut in have been identified and notices will be issued for wells that have been shut in for greater than a year. An explanation of how the well will be utilized in the future will need to be submitted and a temporary abandonment will need to be filed, per NAC 522.430.

Commissioner Henderson asked what the procedure would be to go forward if horizontal drilling was started before the task force is complete with recommendations to the CMR before the next legislative session. Rich Perry stated there is language in current regulations that would allow this issue to be handled on a case-by-case basis. Mr. Price added the administrator would be able to make those individual decisions. Proposed regulations that may come from the task force is more for clarification purposes on how to proceed. Commissioner Henderson commented sometimes there may be an owner that will ask for a horizontal well just to see if it is allowed in Nevada.

Commissioner Snow commented there is a high probability that the first horizontal well could be located within a federal unit which is one of the two exceptions to state spacing that is negated.

Commissioner Henderson commented that, at the last meeting, there had been discussion about future well inspections, particularly with oil and gas. He asked how this would be addressed. Mr. Price stated wells will be revisited and a risk assessment will be developed from the observation of wells to determine if a revisit is needed every year, every three years or every five years. Rich Perry referred Commissioner Henderson to Jeff Mohlenkamp's letter regarding future well inspection activity. He stated meetings are being held with the BLM quarterly to address updates to the MOU for future inspections.

Commissioner Snow asked if monetary fines will be imposed with enforcement. Mr. Price stated fines are only imposed on the oil side. The initial fine is up to \$1,000 and up to \$1,000 a day until compliance. Commissioner Snow commented on the need for modifications to address blow-outs.

COMMENTS BY THE GENERAL PUBLIC - Pursuant to N.R.S. 241, this time is devoted to comments by the public, if any, and discussion of those comments. No action may be taken upon a matter raised under this item on the agenda until the matter itself has been specifically included on a successive agenda and identified as an item for possible action. All public comments will be limited to 5 minutes for each person.
ACTION WILL NOT BE TAKEN

There were no public comment requests.

COMMISSION BUSINESS

- A. Determination of time and place of next CMR meeting** – A tentative meeting date was scheduled for August 28, 2014 in Elko County.

ADJOURNMENT

There being no further business, the meeting adjourned at 4:15 p.m.