



**BRIAN SANDOVAL**  
Governor

STATE OF NEVADA  
COMMISSION ON MINERAL RESOURCES  
**DIVISION OF MINERALS**  
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**RICHARD PERRY**  
Administrator

The Commission on Mineral Resources will meet on:  
Thursday August 28, 2014 at  
Elko County Nannini Administration Building, 540 Court Street Room 102 Elko NV 89801  
at 1:00 pm P.S.T.

Attached with this notice is the agenda for said meeting of the Commission.  
This notice is posted pursuant to the NRS as amended by the 1995 Legislature.  
This notice is to be posted at the following public places:

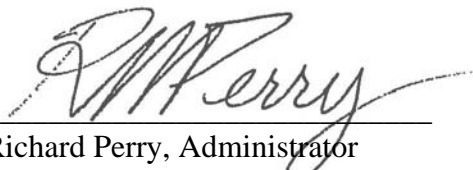
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The public may contact Valerie Kneefel at (775) 684-7043 or Email  
[Vkneefel@govmail.state.nv.us](mailto:Vkneefel@govmail.state.nv.us) to request supporting material for the meeting described herein.  
The agenda and supporting material is available at [www.minerals.nv.gov](http://www.minerals.nv.gov)

Dated this 20<sup>th</sup> day of August, 2014

**NOTICE TO PERSONS WITH DISABILITIES**

Members of the public who are disabled and require special accommodations or assistance at the meeting are requested to notify the Division of Minerals, 400 W. King Street, suite 106, Carson City, NV 89701 or by calling (775) 684-7043.

  
Richard Perry, Administrator  
Division of Minerals



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**RICHARD PERRY**  
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Thursday, August 28, 2014

1:00 P.M.

**AGENDA**

**CALL TO ORDER**

The Agenda for this meeting of the Commission on Mineral Resources has been properly posted for this date and time in accordance with NRS requirement.

**ROLL CALL**

**PLEDGE OF ALLEGIANCE**

**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**

**I. MINUTES**

A. May 8, 2014 meeting

**FOR POSSIBLE ACTION**

**II. OLD BUSINESS**

A. Budget Update

**FOR DISCUSSION ONLY**

End of FY 2014 actuals, FY 2015 forecast and  
2016-17 biennium budget assumptions.  
Mike Visser

B. Options for increases in Mining, Oil and Geothermal fees.

**FOR POSSIBLE ACTION**

At the May 8 meeting the Commission requested  
recommendations for fee increases be prepared and presented at the  
next CMR meeting.  
Rich Perry

C. NBMG Activity Update

**FOR DISCUSSION ONLY**

Jim Faulds

D. NDOM Logo

**FOR POSSIBLE ACTION**

At the February 13<sup>th</sup> meeting the Commission directed staff to  
develop options. NDOM staff chose a design. Rachel Wearne  
will present several variants of the design for possible approval.

### **III. NEW BUSINESS**

- A. Request for donation to Nevada Mining Exploration Coalition **FOR POSSIBLE ACTION**  
Dave Schaddrick with the Minerals Exploration coalition has requested assistance in funding the booth at the Toronto and Vancouver prospector's conferences. A letter is included.

- B. Bill Draft Request **FOR DISCUSSION ONLY**  
At the May 8, 2014 meeting, the Commission approved draft Language to initiate a bill draft request to modify language in NRS 522 (oil and gas) that would move the setting of oil and gas Permit fees to NAC 522, and raise the per barrel administrative fee. The Division prepared a BDR package which was accepted and approved by Governor Sandoval. A copy of the BDR is attached.  
Rich Perry

### **IV. REPORT OF THE ADMINISTRATOR**

- A. Division of Minerals Activities
- 1) Administration, USFS – Rich Perry
  - 2) Mining/Reclamation Bond Pool – Mike Visher
  - 3) Abandoned Mine Lands (Update of AML Summer Internship 2014)– Rob Ghiglieri
  - 4) AML/GIS, Website Update – Rachel Wearne
  - 5) Southern Nevada Operations – Bill Durbin
  - 6) Oil, Gas, and Geothermal – Lowell Price (Oil and geothermal drilling update)
  - 7) Training- Erik Langenfield
  - 8) Correspondence

### **COMMENTS BY THE GENERAL PUBLIC**

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### **COMMISSION BUSINESS**

- A. Determination of time and place of next CMR meeting

### **ADJOURNMENT**

### **NOTICE TO PERSONS WITH DISABILITIES**

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The Commission will be attending a field trip on Friday, August 29, 2014 to Newmont in Elko, Nevada. Members of the public may attend but must provide their own transportation and safety equipment. Advanced notification is required. Please call Valerie Kneefel at (775) 684-7043.

# **I. MINUTES**

**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 Visser (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 Visser 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. Visser 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. Visser 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. Visser 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. Visser 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 1<sup>st</sup>.
- 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. Visser 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 Visser 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 25<sup>th</sup> 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 90,000<sup>th</sup> 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.

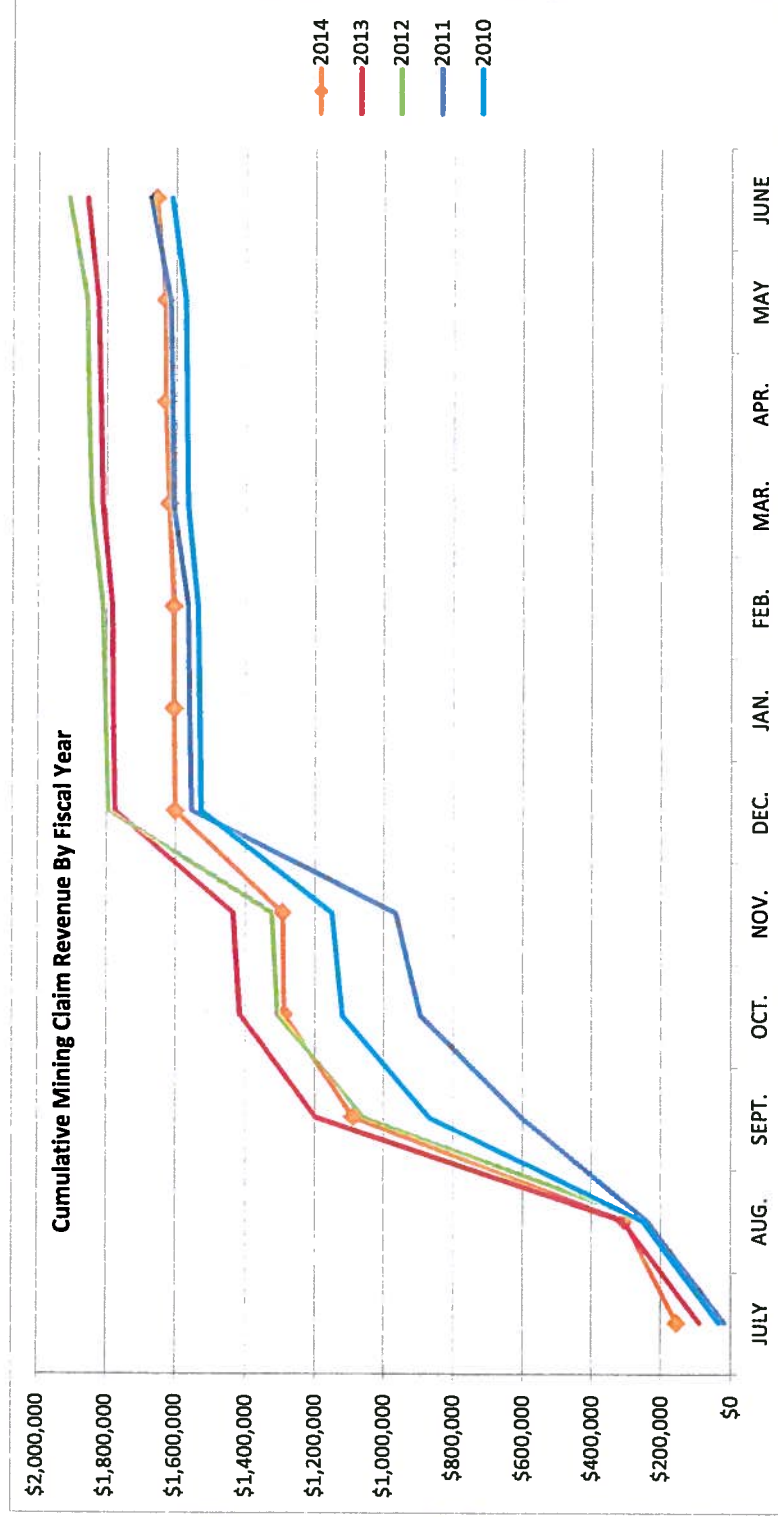
## **II. OLD BUSINESS**

## **II. A. Budget Update**

# Fiscal Year Cumulative Mining Claim Revenue By Month

Fiscal Year	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	JAN.	FEB.	MAR.	APR.	MAY	JUNE	YOY	Total Claims
2014	\$155,703	\$306,646	\$1,090,754	\$1,290,496	\$1,294,661	\$1,602,233	\$1,606,177	\$1,607,656	\$1,620,857	\$1,631,235	\$1,632,417	\$1,657,789	-10.7%	195,034
2013	\$90,253	\$311,806	\$1,199,622	\$1,417,171	\$1,437,104	\$1,775,803	\$1,781,575	\$1,783,870	\$1,812,217	\$1,818,745	\$1,825,571	\$1,856,460	-2.8%	218,407
2012	\$26,248	\$239,904	\$1,055,539	\$1,309,017	\$1,324,445	\$1,793,687	\$1,802,901	\$1,810,432	\$1,843,795	\$1,852,541	\$1,857,012	\$1,910,562	14.1%	224,772
2011	\$18,504	\$241,374	\$602,803	\$895,475	\$966,603	\$1,554,871	\$1,562,053	\$1,565,649	\$1,609,424	\$1,612,118	\$1,618,145	\$1,674,304	3.8%	196,977
2010	\$34,315	\$252,520	\$866,626	\$1,120,355	\$1,151,704	\$1,527,997	\$1,532,639	\$1,537,911	\$1,566,170	\$1,569,088	\$1,574,207	\$1,613,142		189,781

12 Counties pay quarterly: CC, CH, DO, ES, HU, LA, LI, LY, NY, PE, ST and WP  
FY14 data as of 8/8/14





**NEVADA COMMISSION ON MINERAL RESOURCES  
DIVISION OF MINERAL!**

**FY14**

**August 8, 2014**

			<b>Week:</b>	<b>52</b>
			<b>Year %:</b>	<b>100%</b>
<b>REVENUES</b>	<b>Work Program</b>	<b>Actual</b>	<b>% of Work Program</b>	<b>Balance Remaining</b>
<b>Balance Forward From Prev. Yr. (2511)</b>	<b>\$1,037,786</b>	<b>\$1,037,786</b>	<b>100%</b>	<b>\$0</b>
Federal BLM Corporative Agreement (3578)	60,025	50,000	83%	10,025
USFS Assistance Agreement (3580)	0	42,002	0%	(42,002)
Oil Assessment Fees (3654)	39,336	32,162	82%	7,174
Oil Permit Fees (3717)	3,000	2,800	93%	200
Mining Claim Fees (3718)	1,310,986	1,170,204	89%	140,782
Dangerous Mine Fees (3727)	561,930	487,585	87%	74,345
Geothermal Fees (3736)	134,539	120,750	90%	13,789
Abandoned Mine Securing Fees (3770)	9,800	125,300	1279%	(115,500)
Printing Sales (4011)	207	0	0%	207
Publication Sales (4027)	5,503	2,757	50%	2,746
Medallion Royalty Income (4311)	0	1,550	0%	(1,550)
Treasurer's Interest Distribution (4326)	3,127	3,076	98%	51
Transfer frm Reclamation Bond Pool (4620)	90,859	90,859	100%	0
<b>FY14 Revenues Received</b>	<b>\$2,219,312</b>	<b>\$2,129,043.91 YTD</b>	<b>96%</b>	<b>\$90,268</b>
<b>TOTAL REVENUES</b>	<b>\$3,257,098</b>	<b>\$3,166,829.91</b>		

<b>EXPENDITURES</b>	<b>Work Program</b>	<b>Actual</b>	<b>% of Work Program</b>	<b>Balance Remaining</b>
Personnel (01)	\$1,038,015	\$1,033,398	100%	\$4,617
Out of State Travel (02)	24,317	11,948	49%	12,369
In State Travel (03)	54,143	29,339	54%	24,804
Operating (04)	136,108	105,891	78%	30,217
Board Travel (08)	8,090	2,914	36%	5,176
Special Projects (09)	675,390	574,238	85%	101,152
Las Vegas Office (14)	35,455	33,540	95%	1,915
AML Support (18)	197,000	140,771	71%	56,229
Bond Pool Expenses (19)	0	0	0%	0
County Royalty Grants (20)	0	0	0%	0
Computer H & S Ware, EITS(26)	27,643	22,044	80%	5,599
AML Enhancement (39)	151,183	90,429	60%	60,754
SageBrush Ecosystem Trx to DCNR (69)	141,364	141,364	100%	0
Purchasing Assessment (87)	928	928	100%	0
State Cost Recovery (88)	73,405	72,627	99%	778
AG Cost Allocation (89)	17,485	17,485	100%	0
<b>FY14 Expenditures</b>	<b>\$2,580,526</b>	<b>\$2,276,913.75 YTD</b>	<b>88%</b>	<b>\$303,612</b>
<b>Reserve Balance (86)</b>	<b>\$676,572</b>	<b>\$889,916.16 YTD</b>	<b>132%</b>	<b>(\$213,344)</b>
<b>TOTAL EXPENDITURES PLUS RESERVE</b>	<b>\$3,257,098</b>	<b>\$3,166,829.91</b>		

This report reflects receipts and expenditures processed by the division to date.

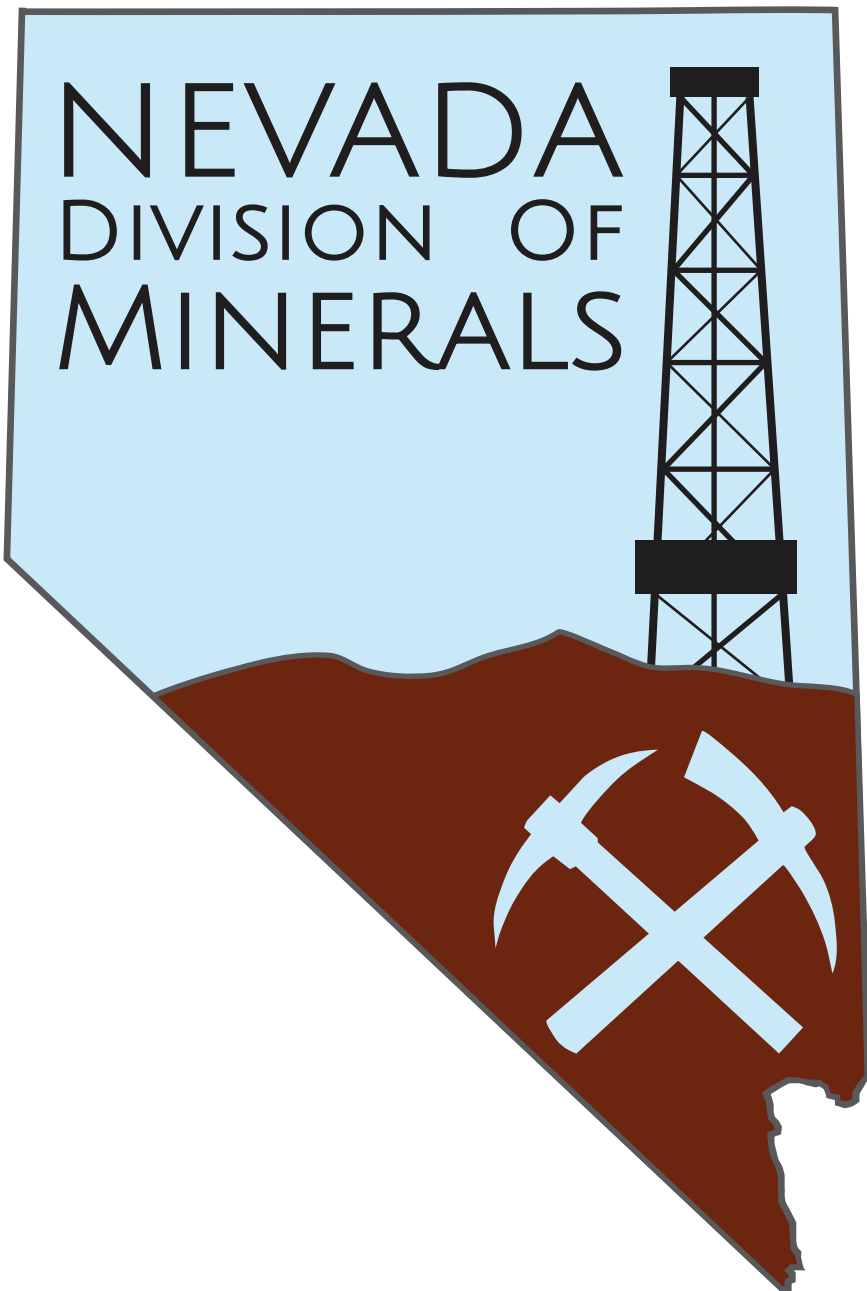
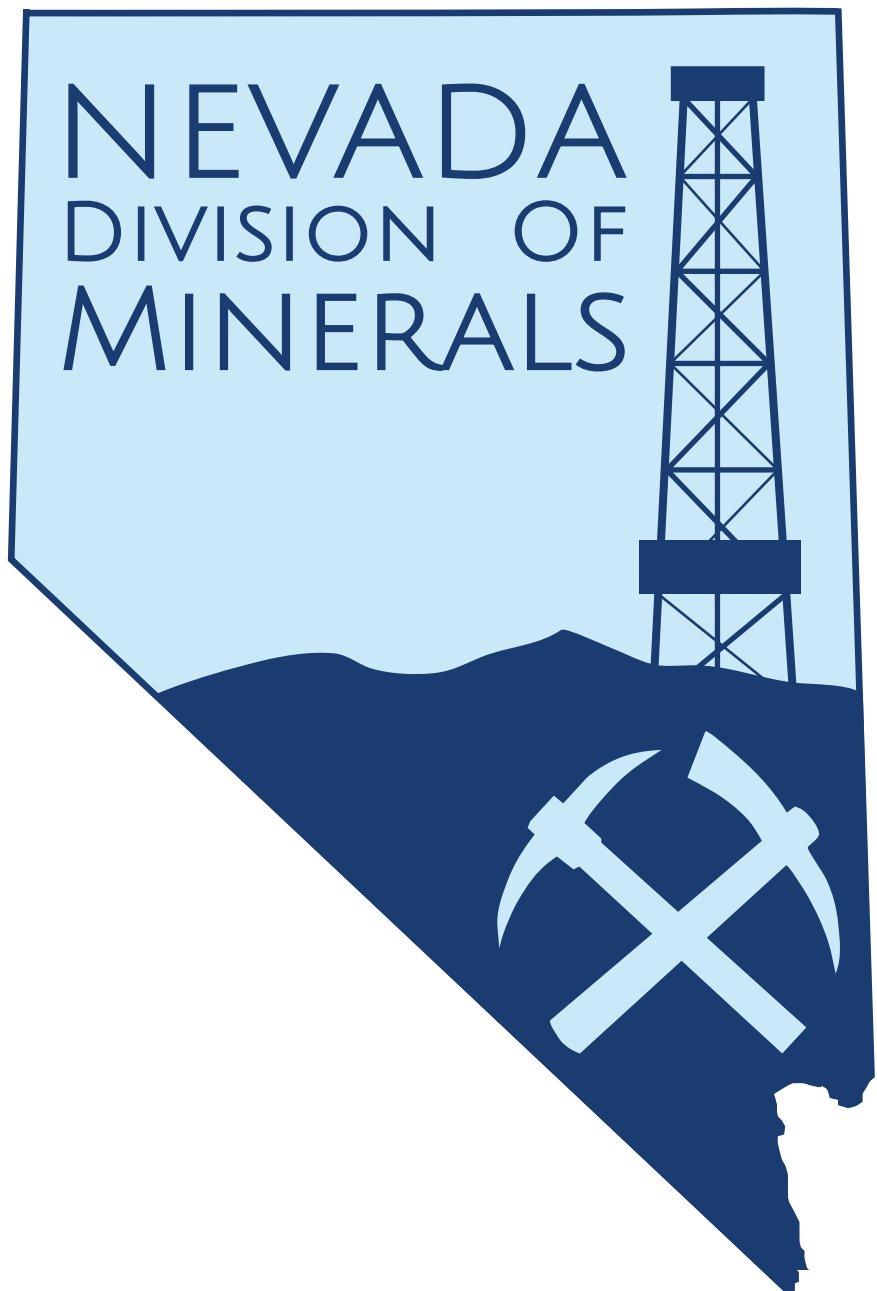
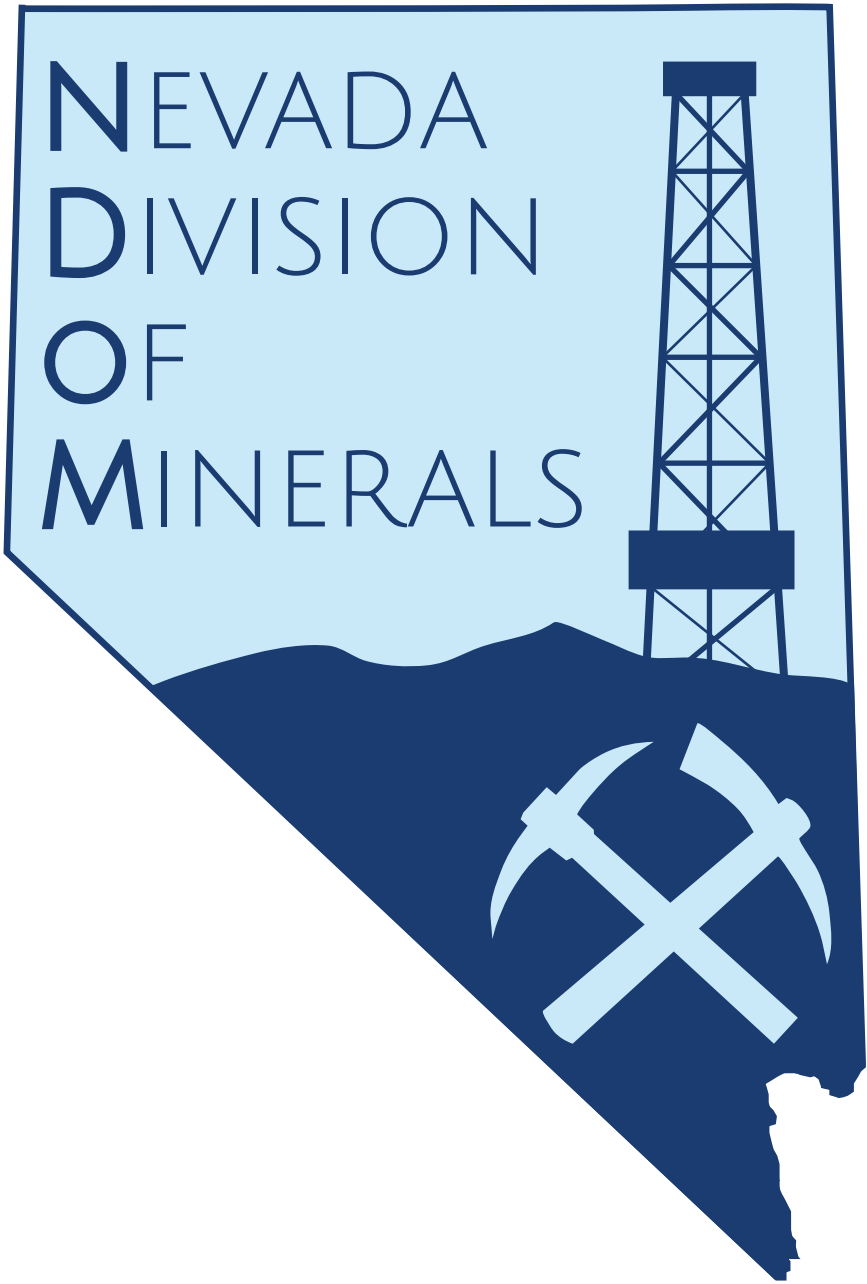
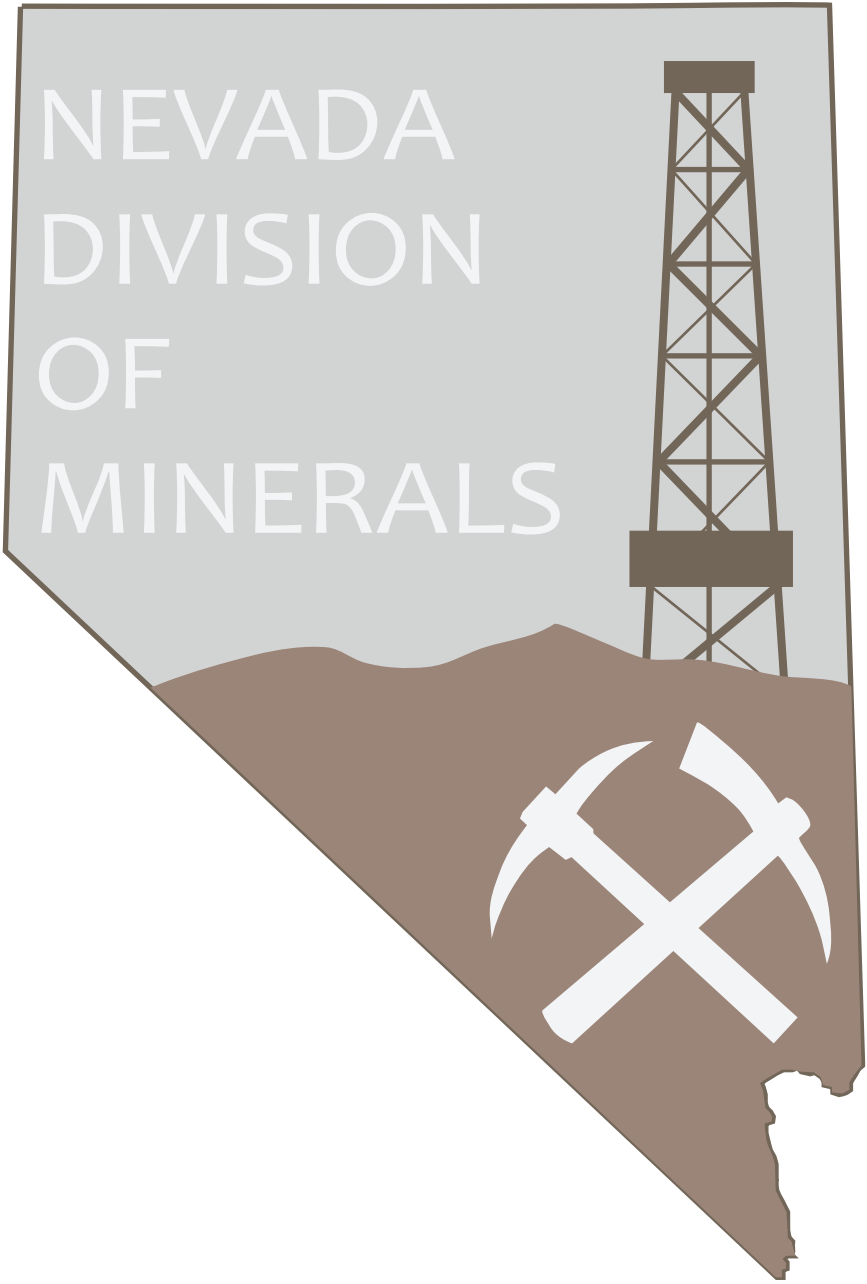
## **II. B. Options for increases in Mining, Oil and Geothermal fees.**

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A PRESENTATION WILL BE MADE AT THE MEETING.

## **II. C. NBMG Activity Update**

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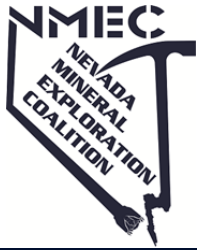
## II. D. NDOM Logo



### **III. NEW BUSINESS**



### **III. A. Request for donation to Nevada Mining Exploration Coalition**



# Nevada Mineral Exploration Coalition

## *The “Voice” of Nevada Exploration*

---

Rich Perry, Administrator  
Nevada Division of Minerals

August 7, 2014

Dear Rich:

The *Nevada Mineral Exploration Coalition* (NMEC) has as its mission the preservation and promotion of the mineral exploration industry of Nevada. As part of our promotional efforts we host events at three venues that attract large numbers of mineral industry decision makers and finance professionals. Our intent is to attract new explorers to the state thereby creating jobs for our members and the general public *and* to attract investment capital for our corporate members.

These activities mesh well with the mission of the Division of Minerals and the Division has, in the past, provided support for our work and we hope you will be able to do so again.

The Coalition hosts hospitality events at the annual Association for Mineral Exploration's Cordilleran Roundup that takes place in Vancouver BC each January, the Prospectors and Developers Association of Canada annual convention in Toronto each March and the American Exploration and Mining Association annual convention that takes place in December in either Reno or Spokane.

Our budgeting for these events is variable depending on available funds so the following is an indication of what we'd like to do:

Roundup: \$20,000  
PDAC: \$20,000  
AEMA: \$5,000

Any amount of financial support from the Division will be greatly appreciated and will be put to good use.

The Nevada Mineral Exploration Coalition is a tax-exempt, nearly all-volunteer trade organization. Our very limited operational funding comes from memberships and patronage donations from supporting individuals and organizations. All of our events are run on a “break even” basis.

David R. Shaddrick, President  
Nevada Mineral Exploration Coalition

### **III. B. Bill Draft Request**



Governor:  
Budget Period:  
Budget Session:  
BDR Number:  
Title:

Brian Sandoval  
2015-2017 Biennium (FY16-17)  
78th Regular Session  
15A5001206  
Modification to NRS 522 to allow change  
in oil and gas fee structure

Y N R

## 1. Description

Primary Department:  
Primary Division:  
Description of the  
problem to be solved or  
the goal of the proposed  
measure, or both:

**50 COMMISSION ON MINERAL RESOURCES**

**500 COMMISSION ON MINERAL RESOURCE**

**Fees collected by the Division of Minerals for processing oil and gas drilling applications and administration of the compliance program do not cover the cost of the program. This request is to change language in NRS 522, the oil and gas statute, to move the setting of fees for drilling permits to NAC 522 and allow the Commission on Mineral Resources to set a reasonable fee structure to pay for the program through regulation. Also included in the request is an increase in the maximum administrative fee from \$0.20 to \$0.50 per barrel of oil.**

**The fee for drilling an oil or gas well in Nevada is set in NRS 522.050 as not to exceed \$200. This fee was last increased in 1999. The Division of Minerals currently charges \$200 to evaluate an application to drill and issue a permit. The current administrative fee cap in NRS 522.150 is \$0.20. The Commission on Mineral Resources is in the process of raising the administrative fee from the current \$0.10 through regulation.**

**The Division of Minerals and Division of Environmental Protection jointly developed a program and regulations for hydraulic fracturing mandated by SB390 (NRS 522.119) from the 2013 session. The cost to evaluate an application to drill and perform field compliance inspections has increased with time and the use of hydraulic fracturing. Staff estimated the cost to administer the program at \$149,000 for the prior year, with permit and administrative fees collected for the same year totaling \$37,000. The shortfall is being funded by Division of Minerals revenues from mining claim fees, which are largely intended for abandoned mine closure work.**

**The Commission on Mineral Resources voted to recommend a fee structure similar to that found in the Nevada geothermal resources regulations at its February 13, 2014 meeting. The geothermal resources fee structure is found in NAC 534A.210 through NAC 534A.216.**

**The Commission recommends the attached modifications to NRS 522.050 and NRS 522.150 be adopted. These changes in the statute would allow the Commission to develop a drilling fee structure and adjust the administrative fee as needed to fund the oil and gas well permitting and compliance program.**

Required effective date  
for the earliest measure

**Upon Approval**

## 2. Related Budget Accounts

4219 MINERALS

## 3. Bill Type / Dec Units

Bill Type: Policy-Substantive

## 4. Contacts

a. Person to be consulted if more information is needed:

Name: **Richard M. Perry**  
Title: **Administrator**  
Mailing Address: **400 W. King Street, Suite 106  
Carson City, NV 89703**  
Phone: **(775) 684-7047**  
Extension:  
Email: **rmperry@govmail.state.nv.us**

b. Person to whom a copy of the completed draft should be mailed for review:

Name: **Richard M. Perry**  
Title: **Administrator**  
Mailing Address: **400 W King Street, Suite 106  
Carson City, NV 89703**  
Phone: **(775) 684-7047**  
Extension:  
Email: **rmperry@govmail.state.nv.us**

c. Person to be contacted to provide testimony regarding the measure during the legislative session:

Name: **Richard M. Perry**  
Title: **Administrator**  
Mailing Address: **400 W. King Street, Suite 106  
Carson City, NV 89703**  
Phone: **(775) 684-7047**  
Extension:  
Email: **rmperry@govmail.state.nv.us**

## 5. Fiscal Notes

### State

a. Would this measure, if enacted, create or increase any fiscal liability of state government or decrease any revenue of state government which appears to be in excess of \$2,000? (If Yes, must submit request as a Budget Bill)

**No**

b. Would this measure, if enacted, increase or newly provide for a term of imprisonment in the state prison or make release on parole or probation from the state prison less likely? (If Yes, must contact the relevant state agencies (i.e. Dept. of Corrections, Dept. of Public Safety, etc.) to determine if this should be submitted as a Budget Bill)

**No**

### Local

c. Would this measure, if enacted, reduce revenues or increase expenditures of a local government?

**No**

d. Would this measure, if enacted, increase or newly provide for a term of imprisonment in county or city jail or detention facility or make release on probation therefrom less likely?

**No**

### Unfunded Mandate

e. Would this measure, if enacted, have the effect of requiring one or more local governments to establish, provide or increase a program or service which is estimated to cost more than \$5,000 per local government and a specified source for the additional revenue to pay the expense is not authorized by this measure or another specific statute?

**No**

## 6. Supplemental Notes

a. Suggested language or proposed solution to the problem:

**Adopt the attached proposed language changes to NRS 522.050 and NRS 522.150. This language change was approved by the Commission on Mineral Resources at their February 13 and May 8, 2014 quarterly meetings.**

b. Special instructions (e.g. disfavored wording):

**None**

c. NRS title, chapter and sections, Nevada Constitutional provisions, administrative regulations (NAC) affected:

**Oil and Gas, NRS 522.050 and NRS 522.150**

**NAC 522.212 Fee for permit to drill (NRS 522.050) The amount of the fee that a person desiring to drill a well in search of oil or gas must pay pursuant to subsection 1 of NRS 522.050 for a permit is \$200.**

d. Similar measures from current or previous sessions:

**None**

e. Federal law, court cases, or attorney general opinions involved:

**None**

f. Similar statutes in other states:

**State Oil and Gas Commissions commonly set permit and administrative fees through regulation. Examples are Wyoming (30-5-104) and Pennsylvania (58 P.S. 601.201). However, the best example is Nevada's statute for geothermal resources:**

**NRS 534A.080; Fees; use of money.**

**1. The Commission on Mineral Resources shall impose and collect a fee for examining and filing an application for a permit to drill or operate a geothermal well or to drill an exploratory well. The fee must be deposited with the State Treasurer, for credit to the Account for the Division of Minerals created in the State General Fund pursuant to NRS 513.103.**

**2. The fee may be based in part on the number of acres of land being used by the person who holds the permit.**

**3. The Commission and the Division of Minerals may use the money deposited in the Account for the Division of Minerals pursuant to this section to administer the provisions of this chapter.**

## Approvals

Approval Level	User	Date
Agency Administrator Approval	rperr3	06/17/2014 15:47:47 PM
Agency Director Approval	rperr3	06/17/2014 15:48:05 PM
Received by EBO	Pending	
Budget Analyst Approval	Pending	
Team Lead Approval	Pending	
Governor Approval	Pending	
Final Transmittal Approval	Pending	

**NRS 522.050 Permits to drill wells required; fees.**

1. A person desiring to drill a well in search of oil or gas shall notify the Division of that intent on a form prescribed by the Division. ~~[and shall pay a fee in an amount established pursuant to subsection 2 for a permit for each well.]~~ *The Division shall impose and collect a fee for examining and filing an application for a permit to drill or operate an oil or gas well. The fee must be deposited with the State Treasurer, for credit to the Account for the Division created in the State General Fund pursuant to NRS 513.103. [Upon receipt of the notification and fee, the Division shall promptly issue to the person a permit to drill, unless the drilling of the well is contrary to law or a regulation or order of the Division. The drilling of a well is prohibited until a permit to drill is obtained in accordance with the provisions of this chapter.]*

~~2.—The Commission on Mineral Resources shall, by regulations, establish the fee required pursuant to subsection 1 in an amount not to exceed \$200 per permit.~~

2. *The Commission may establish reasonable fees for the review of plans, specifications and changes thereto by the Administrator and for services provided by the Division.*

3. *The Division may use the money deposited in the Account to administer the duties of the Division.*

4. *Upon receipt of notification and payment of the fee, the Division shall promptly issue to the person a permit to drill, unless the drilling of the well is contrary to law or a regulation or order of the Division.*

5. *The drilling of a well is prohibited until a permit to drill is obtained in accordance with the provisions of this chapter.*

**NRS 522.150 Payment of expenses for Interstate Oil Compact Commission and operation of Division; administrative fee.**

1. Any expenses in connection with Nevada's affiliation with the Interstate Oil Compact Commission must be paid from the Account for the Division of Minerals created pursuant to NRS 513.103.

2. To pay the expenses of the Division, every producer of oil or natural gas in this state shall, on or before the last day of each month, report to the Division and the State Treasurer his or her production in this state of oil in barrels and of natural gas in thousands of cubic feet during the preceding month, and at the same time shall pay to the Division a fee in an amount established pursuant to subsection 3 on each barrel of oil and each 50,000 cubic feet of natural gas produced and marketed by the producer during the preceding month. The Division shall deposit with the State Treasurer, for credit to the Account for the Division of Minerals, all money received pursuant to this subsection. Every person purchasing such oil or natural gas is liable for the payment of the fee for each barrel of oil or each 50,000 cubic feet of natural gas, unless it has been paid by the producer.

3. The Commission on Mineral Resources shall, by regulation, establish the administrative fee required pursuant to subsection 2 in an amount not to exceed ~~20~~ 50 cents for each barrel of oil or each 50,000 cubic feet of natural gas.



# NEVADA DIVISION OF MINERALS OIL & GAS PERMITTING AND COMPLIANCE PROGRAM COSTS AND REVENUES

FOR F.Y. 2014

Description	Ratio of Total	Cost	Revenue
Oil & Geothermal Program Manager	50%	\$50,956.00	
Program Officer II	20%	\$15,584.00	
Administrator / Deputy	12%	\$29,355.00	
Travel - Field Inspections	70%	\$17,831.00	
IOGCC Dues	100%	\$5,651.00	
IOGCC Meetings	100%	\$3,000.00	
NBMG Cuttings Curation	33%	\$10,000.00	
NDOM Overhead	12%	\$16,623.00	
Oil Permit Fees	100%		\$2,800.00
Oil Administrative Fees	100%		\$29,116.00
<b>Total for Program</b>		<b>\$149,000.00</b>	<b>\$31,916.00</b>

## **IV. REPORT OF THE ADMINISTRATOR**



**BRIAN SANDOVAL**  
Governor

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

**Las Vegas Branch:**  
2030 E. Flamingo Rd.  
Suite #220  
Las Vegas, Nevada 89119  
(702) 486-4343  
Fax (702) 486-4345

**RICHARD PERRY**  
Administrator

## NEVADA DIVISION OF MINERALS COMMENTS ON USFS PROPOSED DIRECTIVE ON GROUNDWATER RESOURCE MANAGEMENT

### BACKGROUND

The proposed groundwater management directives were published in the Federal Register /Vol. 79 no. 87 /Tuesday May 6, 2014 p.25815-25829. A meeting led by USFS personnel to explain the proposed directives was held at the Division of Water Resources hearing room on Tuesday May 27, 2014. Three documents were circulated prior to USFS personnel presenting the proposed changes in a power point presentation. These were:

1. USFS Briefing paper on proposed groundwater management directives
2. Federal Register, Tuesday, May 6, 2014 p 25815-25829
3. USFS Manual, Chapter 2560 (proposed) Groundwater Resource Management

### COMMENTS AND CONCERNS

The Nevada Division of Minerals has concerns with some of the language and intent of the Forest Service Proposed Directive. It appears that the Proposed Directive appears to be in conflict with Nevada water law. Under Nevada water law, NRS 533.025, *The water of all sources of water supply within the boundaries of the State whether above or beneath the surface of the ground, belongs to the public.*

On p. 25816 of the Federal Register under "Summary of Proposed Regulations", are the following passages:

- *Ground water and surface water would be assumed to be hydraulically connected.....*
- *Consideration of the effects on the groundwater resources on NFS lands of all proposed and authorized groundwater uses would be required prior to authorization or reauthorization.*
- *Monitoring and mitigation would be required for major groundwater withdrawals and injections.*
- *In recognition of the uncertainty inherent in evaluation of impacts from uses on groundwater resources and the changing availability and distribution of those resources due to climate change, terms and conditions of special use authorizations involving groundwater withdrawals or injections would be modified, as appropriate, based upon the results from project monitoring.*

All of these appear to be in direct conflict with the Nevada State Engineer's authority to manage water appropriations within the hydrographic basins in Nevada.

Since many of the permitted mining and geothermal operations in Nevada are within or near USFS- managed lands, the Division of Minerals is concerned that the primacy of the State Engineer's office, Bureau of Mining Regulation and Reclamation (NDEP), and Division Minerals could be impacted by decisions made by the USFS with regards to water use. All of the extractive mining, oil & gas and geothermal industries in Nevada require water to operate, and nearly all of this is sourced from groundwater wells.

The Proposed Directive addresses Minerals and Energy Development on p. 25819., The following passages are of particular concern:

- *2561.21: Locatable Mineral Mining: This Section would clarify that that allowing use of groundwater for mining is a discretionary action to be addressed through authorization in the mining plan of operations.*
- *2561.23: Mineral Materials Development: This proposed section would require the Forest Service to consider the effects on groundwater resources of proposed mineral materials development.....*
- *2561.24 Oil, Gas, and Coal-Bed Natural Gas Operations: Evaluation of the potential effects of oil, gas and coal-bed natural gas exploration and development on groundwater resources would be required prior to consenting to lease NFS lands and prior to approving surface use plans of operations for those purposes.*
- *2561.25 Geothermal Resource Operations: Evaluation of the potential effects of geothermal exploration and development on the groundwater resources would be required prior to consenting to lease NFS lands and prior to approving surface use plans of operations for that purpose.*

The Proposed Directive, on p. 25823 has a particularly disturbing passage under Regulatory Certifications – Civil Justice Reform:

- *After adoption of this proposed directive, (1) All State and local laws and regulations that conflict with this proposed directive or that impedes its full implementation would be preempted; (2) no retroactive effect would be given to this proposed directive; and (3) it would not require administrative proceedings before parties may file suit in court challenging its provisions.*

## SUMMARY

In summary, the Proposed Directive in its current form has the potential to impede the responsible development of oil, gas, geothermal and mineral exploration and production on USFS-managed lands within the State of Nevada.

The USFS has been a good partner to the extractive industries in Nevada in the past. State permitting agencies and the USFS have worked together to protect water resources while allowing for responsible exploration and development of the State's mineral wealth. We are very concerned that if adopted in current form, these proposed directives will result in diminishing state regulatory agency involvement in the development of projects on USFS

managed lands, extending an already lengthy permitting process by adding an additional regulatory step, and have the potential to result in additional lawsuits against the USFS by non-governmental organizations opposed to any extractive industry development on Federal lands.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Perry", with a long, sweeping horizontal line extending to the right.

Richard Perry  
Administrator  
Nevada Division of Minerals

Reclamation Bond Pool Status Report		Current to:		7/31/2014							
Plan-level Bonds -Company		Project	Entry Date	Bond Amount	% of Pool	Comments	Deposit	Premiums Paid	% Bond Whole	Premium Schedule	Current thru
Custom Details		Bovie-Lew	11/17/2006	\$25,364.00	0.86%		\$ 12,217.11	\$17,710.10	118.0%	\$190.23 quarterly	9/30/2014
Art Wilson		Silverpeak	9/5/1991	\$124,017.00	4.23%		\$ 18,602.55	\$125,681.80	116.3%	\$930.13 quarterly	9/30/2014
Nevada Rae		Black Rock Canyon	4/15/2005	\$369,255.00	12.59%		\$ 197,937.54	\$212,421.42	111.1%	\$2,769.41 quarterly	6/30/2014
So. NV Liteweight		Money Pit	5/21/2004	\$395,514.00	13.49%		\$ 213,055.61	\$210,754.58	107.2%	\$2,966.36 quarterly	9/30/2014
Specialty Clays		Bentonite	12/11/1997	\$209,900.00	7.16%		\$ 31,485.00	\$174,104.44	97.9%	\$2,623.75 quarterly	9/30/2014
Western Mine Dev.		Victorine Mine	5/24/2000	\$45,875.39	1.56%	terminated	\$ -				
Western Mine Dev.		Kingston Mill	5/24/2000	\$100,450.00	3.43%	terminated	\$ -				
Western Mine Dev.		Manhattan Mill	5/24/2000	\$114,288.77	3.90%	terminated	\$ -				
TNT Venture		Big Canyon	1/27/2010	\$60,711.00	2.07%		\$ 30,664.40	\$27,173.54	95.3%	\$1,504.90 quarterly	9/30/2014
Statewide Notice-Level		Various	various	\$1,486,911.00	50.71%	114 Notice-level bonds					
										Premiums due	
Total Bond Amount				\$2,932,286.16	100.00						
Cash in Pool's Account (From BSR - 7/31/14)				\$3,791,856.24							
Unfunded Amount				-\$859,570.08							
Percent funded				129.3%							

Date	# of New Bonds	# of Bond Increases	# of Bond Reductions
2010 Q1	8	0	8
2010 Q2	13	0	4
2010 Q3	17	0	12
2010 Q4	17	0	3
2011 Q1	10	0	7
2011 Q2	13	0	5
2011 Q3	24	0	21
2011 Q4	16	0	14
2012 Q1	5	2	8
2012 Q2	8	7	10
2012 Q3	4	7	11
2012 Q4	2	3	7
2013 Q1	0	0	13
2013 Q2	6	4	18
2013 Q3	0	2	22
2013 Q4	2	1	8
2014 Q1	0	3	8
2014 Q2	3	0	7

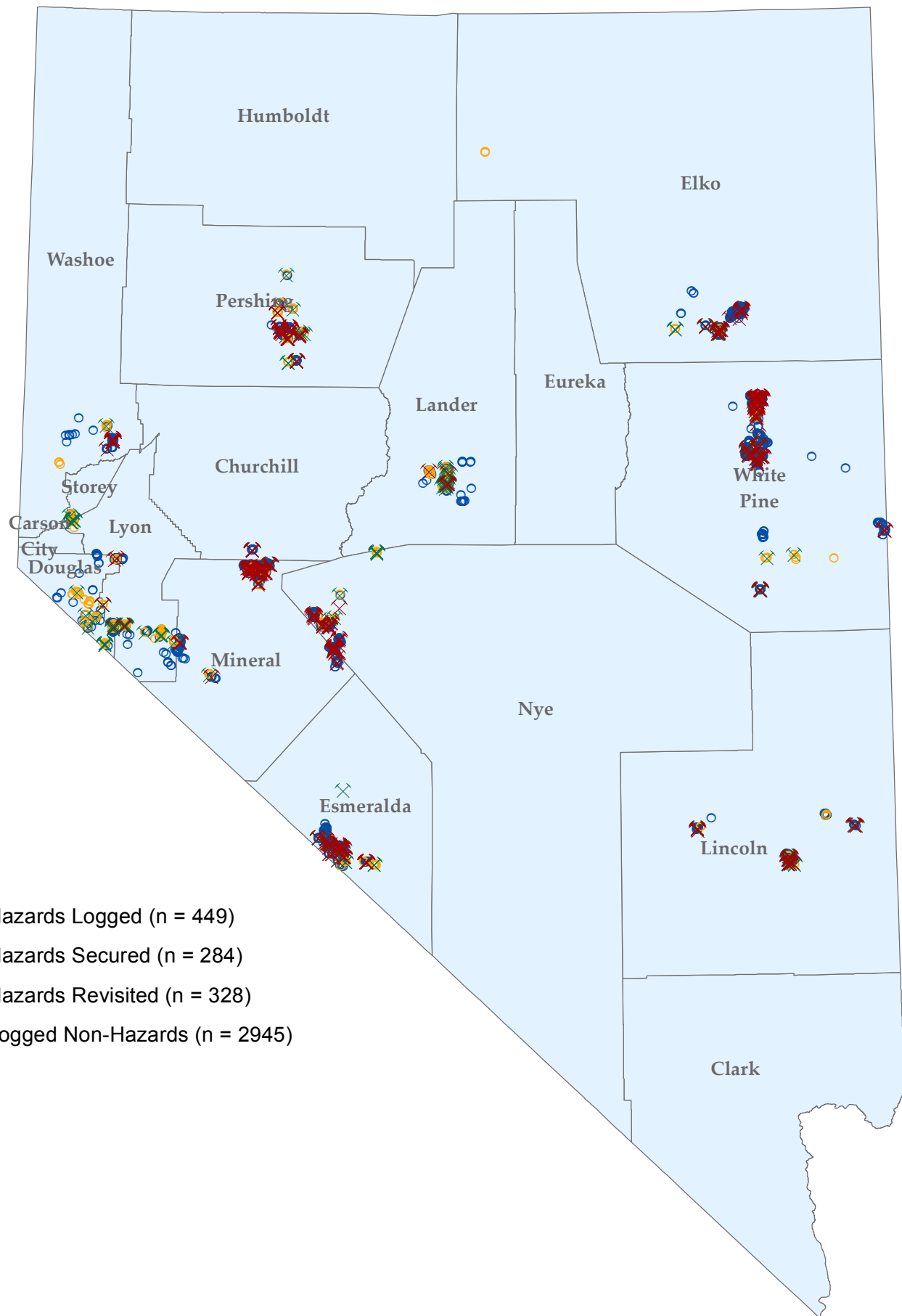
  

### Notice-Level Bond Actions Executed With NDOM

Quarter	# of New Bonds	# of Bond Increases	# of Bond Reductions
2010 Q1	8	0	8
2010 Q2	13	0	4
2010 Q3	17	0	12
2010 Q4	17	0	3
2011 Q1	10	0	7
2011 Q2	13	0	5
2011 Q3	24	0	21
2011 Q4	16	0	14
2012 Q1	5	2	8
2012 Q2	8	7	10
2012 Q3	4	7	11
2012 Q4	2	3	7
2013 Q1	0	0	13
2013 Q2	6	4	18
2013 Q3	0	2	22
2013 Q4	2	1	8
2014 Q1	0	3	8
2014 Q2	3	0	7

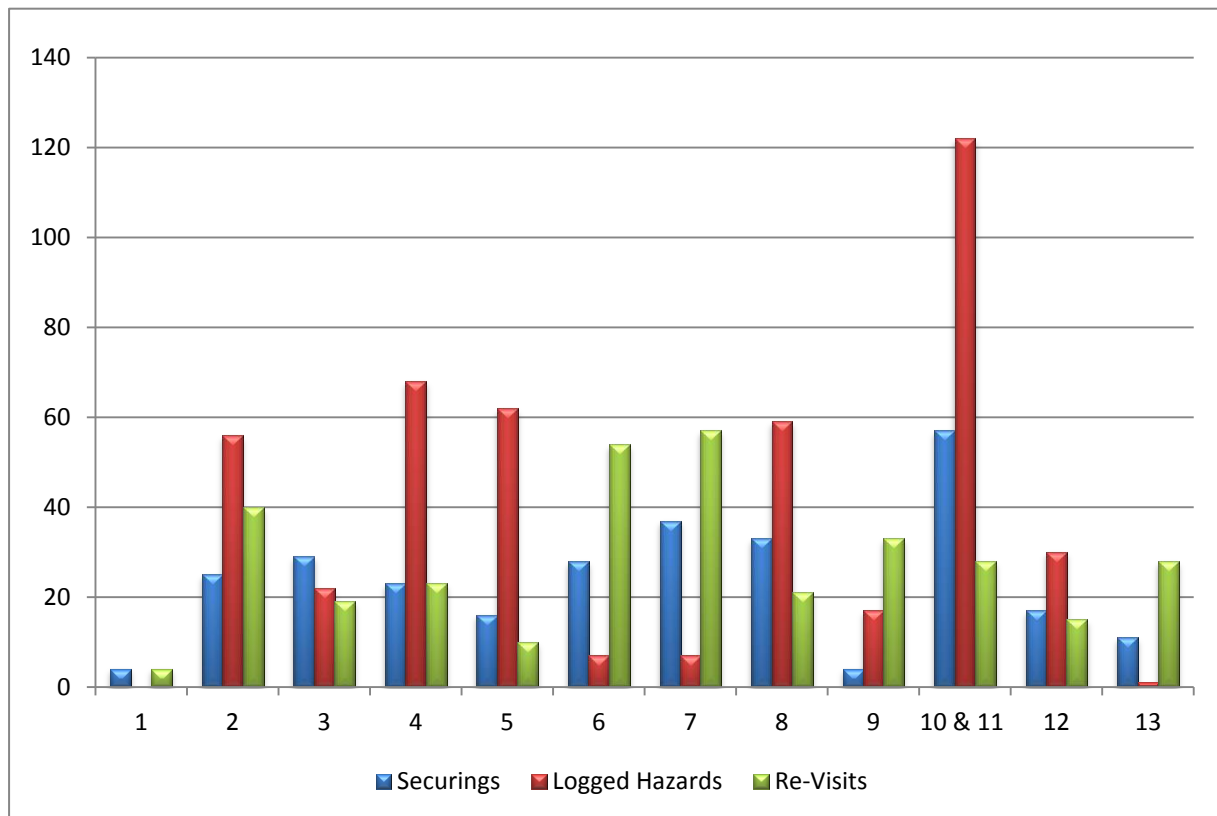
# 2014 Summer Intern AML Work Completed

## May 19th - August 15th



## 2014 NDOM Summer Intern Field Work

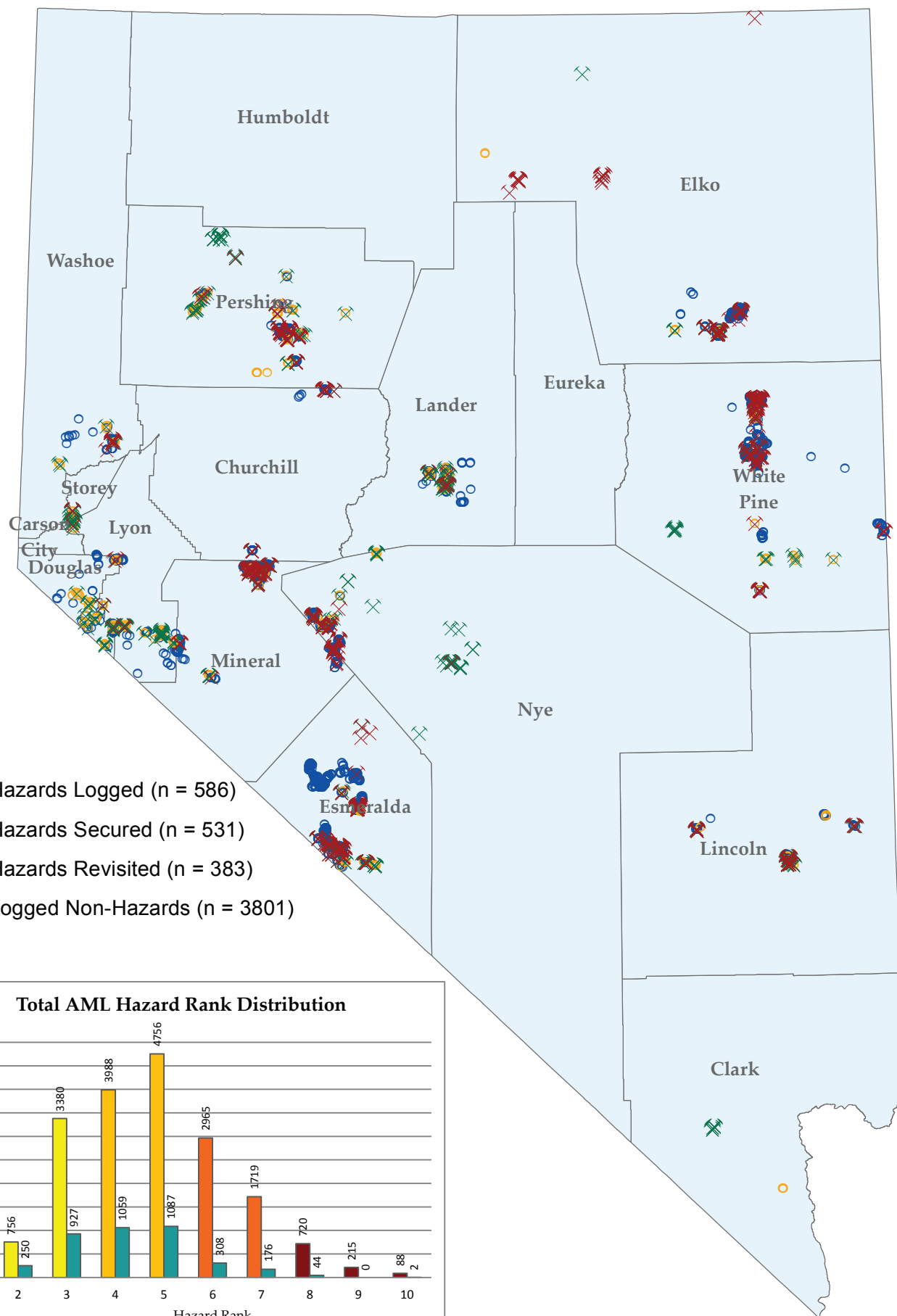
Week	Dates	Securings	Hazards	Non-Hazards	Re-Visits	Counties	Field Personnel
1	(5/19 - 5/23)	4	0	0	4	ST	11
2	(5/27 - 5/30)	25	56	139	40	PE	11
3	(6/2 - 6/6)	29	22	69	19	LI	11
4	(6/9 - 6/13)	23	68	723	23	MI, CH, NY	9
5	(6/16 - 6/20)	16	62	494	10	DO, NY, MI	6
6	(6/23 - 6/27)	28	7	111	54	LA	7
7	(6/30 - 7/3)	37	7	122	57	DO, LY, MI	8
8	(7/7 - 7/11)	33	59	320	21	ES, DO	6
9	(7/14 - 7/18)	4	17	80	33	DO, WA, LY	4
10 & 11	(7/21 - 7/31)	57	122	708	28	EL, WP, DO, LY	9 - 6
12	(8/4 - 8/8)	17	30	164	15	EL, LA, NY	9
13	(8/11 - 8/15)	11	1	15	28	LY, MI, ST	6
Totals	(5-19 - 8-15)	284	451	2,945	332	13	



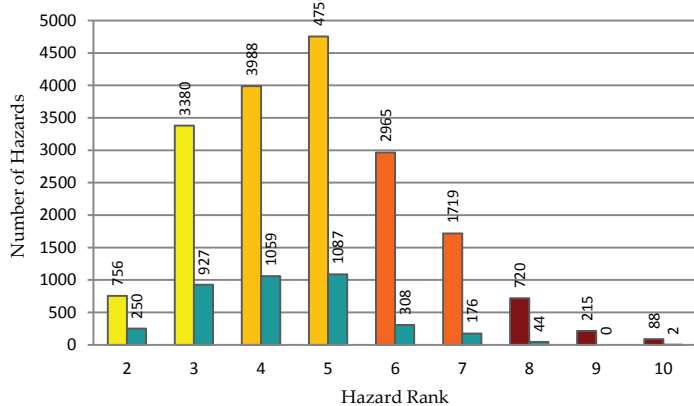


# Recent AML Work Completed

## April 22, 2014 - August 18, 2014



**Total AML Hazard Rank Distribution**



FOR WEBSITE UPDATE PLEASE GO TO:

<http://minerals.nv.gov/>

## OIL, GAS, AND GEOTHERMAL ACTIVITY

### 2014 Permitting Activity (Through 2<sup>nd</sup> Quarter)

Permit Type	Issued 2011	Drilled 2011	Issued 2012	Drilled 2012	Issued 2013	Drilled 2013	Issued 2014	Drilled 2014
Geothermal - Ind Production	17	13	16	12	10	5	3	1
Geothermal - Ind Inj	6	1	8	1	2	2	1	2
Geothermal - Observation	23	13	18	8	7	6	9	1
Geothermal - TG	35	14	7	2	1	1	---	---
Geothermal - Com	1	---	---	---	---	---	---	---
Geothermal - Dom	2	1	---	---	1*	---	8	3
Geothermal - Misc*	---	---	---	---	---	---	---	---
Geothermal - Project Area	1	---	2	---	---	---	1	---
Geothermal - Total	85	42	51	23	21	15	22	7
Oil & Gas	5	4	14	9	16	5**	9	1

\*Existing well, drilled in 1939; \*\* Includes 1 well previously plugged and abandoned that was re-entered.

Active During 2 <sup>nd</sup> Qtr 2014	Geothermal	Ormat Nevada	Drilled Tungsten Mountain 25(46)-22 production well; drilled McGinness Hills 66C-22 injection well; currently drilling Steamboat 21-32 injection well.
		US Geothermal	Drilled 63-21 observation well.
	Oil	Makoil	Continuing evaluation of stratigraphic section in the Portuguese Mtn 14A-12, in Railroad Valley. One additional well permit application in RR Valley waiting on BLM notification of approval.
		Noble Energy	Production of Humboldt M2C-M2-21B well started in July 2014. Production testing of the M10C-M10-11B well has been completed. Four wells permitted in the Marys River area (two on federal lease). Three wells permitted in the Jiggs area (all on federal leases). Noble may drill up to four wells on federal leases during Fall 2014. Two additional well permit applications in Jiggs area waiting on BLM notification of approval.
		Tetuan Resources	Tetuan Resources drilled the Mariagnes 32-30 well, White Pine Co., T15N R57E SW4 NE4 Sec 30. The well was plugged and abandoned.

## **Geothermal Activity – 2<sup>nd</sup> Quarter 2014**

ORNI 39 LLC (Ormat Nevada) completed the drilling of the McGinness Hills 66C-22 injection well. This well is part of the field expansion at McGinness Hills, where a doubling of the electrical generation capacity is expected to yield 108MW (nameplate). A duplicate plant of the existing 54MW (nameplate) plant is expected to begin construction in 2014. I witnessed all required BOPE tests for this well.

ORNI 43 (Ormat Nevada) completed the drilling of the 56(45)-22 production well at Tungsten Mountain. The 56(45)-22 is the first production well drilled within the Tungsten Mountain project area. Erik and I witnessed the surface casing BOPE tests. Intermediate casing was not run in this well. Ormat did flow test and log the well before moving the rig off location.

Ormat Nevada is currently drilling the 21-32 injection well in the Steamboat Field. Mike and I witnessed the surface casing BOPE tests. I witnessed the intermediate casing BOPE tests.

Ormat Nevada established the Baltazor project area with NDOM. The project area is located on federal leases approximately 7 to 9 miles southwest of Denio along Nevada 140. The project area is proposed to consist of ten observation wells, ten production wells, and five injection wells. The observation wells have an estimated total depth of 1,000 feet, and the production and injection wells have an estimated total depth of 5,000 feet. The project area and six of the observation well permits have been approved. Drilling is expected to begin in the fourth quarter of 2014.

US Geothermal permitted and drilled the 63-21 observation well at San Emidio during the 2<sup>nd</sup> quarter. Erik witnessed the surface casing BOPE tests. No intermediate casing was run in this well. US Geothermal is expected to drill the 53A-21 observation well during the 3<sup>rd</sup> or 4<sup>th</sup> quarter of 2014.

## **Oil Activity – 2<sup>nd</sup> Quarter 2014**

Noble Energy began production tests on the M2C-M2-21B well in April 2014. The well went on production in July 2014. Rich, Mike, and I witness Noble Energy hydraulically fracture the M10C-M10-11B well on June 3, 2014. The well stimulation went as planned and there were no incidents during the procedure. Noble Energy began flowback into enclosed tanks on June 3, 2014, and has subsequently performed production tests on the well.

NDOM approved four drilling permits in the Marys River area (Desert Star federal unit area), two on federal leases and two on split estate (federal surface, private minerals). The wells on split estate are MR S12J-S12-23A and MR S12J-S12-33B. The two wells on a federal lease are MR S25G-S25-22B and MR S25G-S25-22B. The BLM issued drilling permits for the two wells on the federal lease. The proposed total depths for these four approved well permits range from 14,000 to 14,380 feet. NDOM approved three drilling permits in the Jiggs area (Desert Moon federal unit area) after the BLM issued drilling permits for these wells. The approved permits are for K1L-1V, K1L-2D, and K2J-1D. The proposed total depths for these four approved well permits range from 12,000 to 12,558 feet. NDOM and the BLM are currently reviewing two more Noble Energy drilling permit applications filed with both agencies. The two proposed wells are within the Desert Moon federal unit area. The proposed total depths for these two wells range

from 10,869 to 11,762 feet. Noble Energy will be mobing the H&P Flex 330 rig back to Nevada in September 2014, where they will begin drilling on federal leases in the Jiggs area.

Grant Canyon hydraulically fractured the Blackburn 16 well on June 4, 2014. I witnessed the well stimulation procedure. There were no incidents during the operation. The Blackburn 16 well is on a federal lease. BLM staff present during the well stimulation were John Menghini (BLM State Office), Deb McFarlane (Elko District), and Thomas Schmidt (Elko District). Grant Canyon began flowback into enclosed tanks during the evening of June 4, 2014. I returned to the location on June 5<sup>th</sup>, where Grant Canyon was continuing the flowback into enclosed tanks.

Makoil spudded the Portuguese Mountain 14A-12 well in January 2013. Drilling was completed in March 2013. The Portuguese Mountain 14A-12 is located west of Currant in Railroad Valley, T10N, R56E, SE/4 SW/4 S 12. Makoil has evaluated several intervals within the wellbore. NDOM and the BLM have recently approved sundry notices submitted to the two agencies for the hydraulic fracturing of an interval within this well.

Tetuan Resources drilled the Mariagnes 32-30 well, White Pine Co., T15N R57E SW4 NE4 Sec 30, north of Duckwater and south of Mt. Hamilton. Tetuan Resources plugged and abandoned this well.

NDOM approved a permit application and drilling program for the True Oil D Y Federal 13-31 well in Railroad Valley. The proposed well is to be located on a federal lease in T7N, R57E, NW/4 SW/4 Sec 31. The proposed total depth is 6,200 feet. It is not known when True Oil will drill this well.

NDOM has been withholding approval on EFT Nevada LLC's Cedar Ridge 1 permit application and associated drilling program until notification of approval by the BLM. The proposed location for the well is T29N, R54E, NW/4 NE/4 Section 1 in Elko County, nine to ten miles west of Jiggs. The proposed total depth of the Cedar Ridge 1 well is 8,000 feet.

The BLM Oil and Gas Lease Sale was held on July 17, 2014. Parcels within Big Smoky Valley and Reese River Valley were offered for lease. Results from the lease sale show that all acreage leased is in Big Smoky Valley.

#### **BLM NEVADA STATE OFFICE**

#### **Competitive Oil and Gas Lease Sale Results Summary**

July 17, 2014

1. Total number of parcels offered: 102
2. Total number of acres offered: 173,921.360
3. Total number of parcels receiving bids: 27
4. Total number of acres receiving bids: 38,070.810
5. Total sum of high bids: \$76,164.00
6. High bid per parcel: \$5,120.00
7. High bid per acre: \$2.00
8. Total receipts: \$137,472.00
9. Were there any disruptions or unusual events during the sale? No
10. Total number of parcels protested: 102
11. Total number of protests received on the sale: 4

12. Total number of acres protested: 173,921.360
13. Total number of protested parcels offered: 102
14. Total number of parcels withdrawn as a result of protests: 0
15. Total number of parcels withdrawn for other reasons: 0
16. Total number of acres deferred from the preliminary list for sage Grouse: 82,848.940
17. All monies due were received? YES

Bureau of Land Management

Nevada State Office

### **Non-competitive Oil and Gas Lease Sale Results**

July 2014

Offers filed	9
Offers rejected	0
Offers returned for correction	0
Parcels available for NCO	
Parcels receiving offers	9
% Parcels receiving offers	0%
Parcels receiving multiple offers	0
Acres available for NCO	135,850.55
Acres receiving offers	11,677.00
% Acres receiving offers	8.60%
Total rental collected (all parcels)	\$ 17,516.00
Rental fees retained	\$ 17,516.00
Filing fees collected	\$ 3,600.00
Total fees retained	\$ 3,600.00
Total deposit	\$ 21,116.00
Refund	\$ 0.00

The BLM Oil and Gas Lease Sale, Elko and Southern Nevada, was originally scheduled for March 11, 2014, but was rescheduled for June 24, 2014. This lease sale has been rescheduled again for September 9, 2014, in order to complete NEPA on nominated parcels in the Elko District. The following two statements from the BLM Nevada web site regarding parcels being evaluated in the Elko District: (1) Press release (1/9/2014): *The BLM received nominations for 214 parcels of public land to offer for leasing, totaling more than 435,880 acres. The BLM deferred several of the nominated parcels to protect sage grouse habitat. Other parcels were removed because of cultural and Native American concerns. A detailed listing of deferred parcels is available in the EA and online. The remaining 73 parcels (125,220 acres) have been analyzed for potential impacts in the EA, in accordance with the Oil & Gas Leasing Reform mandated in 2010. Lease stipulations identified in the Elko (1987) and Wells (1985) Resource Management Plans are attached to all parcels to help protect resources. The EA is available for public review at: <http://www.blm.gov/rv5c>.* (2) Press release (3/21/2014): *Reno, Nev.—The Bureau of Land Management Nevada has postponed the oil and gas lease sale for parcels in the*

*Elko and Southern Nevada districts from June 24, to a date in the near future. The postponement will allow time for the National Environmental Policy Act analysis to be completed.*

### **Proposed Regulation Additions and Changes**

The LCB issued NDOM's final proposed regulation additions and changes to NAC 522. The proposed regulations provide for the regulation of hydraulic fracturing specifically in Nevada, and revise or delete provisions governing the operation of wells for the extraction of oil, gas and geothermal resources. The Commission on Mineral Resources will hold a hearing on the morning of August 28<sup>th</sup> to determine if the proposed regulations are acceptable to the Commission. The Division held workshops in March in Carson City, Elko, and Las Vegas related to the proposed hydraulic fracturing regulations in order to obtain input on the proposed regulations from the public. Art Henderson, Rich Perry, Mike Visser, Bryan Stockton, Dave Gaskin, Alan Tinney, and I have been reviewed the public comments, both written and oral. The group determined a portion of the public comments had valid points related to the proposed regulations, where revisions to the proposed regulations were made accordingly.

### **Well Spacing Task Force**

The well spacing task force met again on May 28<sup>th</sup>. The members of the task force in attendance were Art Henderson, John Snow, Mike Visser, Mike Evans, Bob Hoelsken, and John Menghini. Most of the meeting was spent interacting with John Menghini in how units and participating areas are set up and overseen on federally managed lands. A discussion pertaining to determining drainage of a reservoir, from both vertical and horizontal wells, was discussed, as well as how correlative rights related to the drainage of the reservoir is determined. Size of drilling units, spacing of wells, and setbacks for both vertical and horizontal wells were discussed. Discussed the Greater Wattenberg Area field rule as an example of determining a unit: any qtr/qtr touched by the oblong created from tangents in the circle tangent method would be included in the unit.

List of goals for the taskforce to accomplish and to present to the CMR.:

1. Do we need a seat at BLM Area in Depth meetings?
2. Do we need to change unit size?
3. Flaring
4. Develop a body to hear and rule regarding fees and infrastructure.
5. Horizontal drilling surveys and acceptable deviation
6. Spacing based on where the kick-off point is
7. Forced pooling procedures
8. Better definition of oil and gas wells
9. Define directional drilling and terms
10. Spacing by formation
11. Vertical segregation
12. Setbacks
13. Comingling
14. Farms for sale
15. Issues relating to measurements of pour point
16. Idle well funding
17. Confidentiality
18. Bonding

## **Summary of Geothermal and Oil Well Inspections (Fiscal Year 2015)**

Going forward, approximately one-third of the geothermal and oil wells will be inspected each fiscal year. Inspections will be based on risk management evaluations of the wells.

Well site inspections for geothermal and oil wells for fiscal year 2015 have begun. The 42 wells associated with the greater Steamboat field have been inspected, including taking photographic images and acquiring GPS locations. There were some missing location signs due to previous high winds in the area. The signs were in place when the field was inspected on July 19, 2013. The twelve geothermal wells in Ormat's Jersey Valley Field are scheduled to be inspected on August 27<sup>th</sup>. The twelve geothermal wells at Tuscarora are scheduled to be inspected on August 29<sup>th</sup>. Sixty-six wells out of a current inventory of 440 well, or 15%, will have been inspected by the end of August.

I will be inspecting the two wells at the North Willow Creek Field (Pine Valley), twenty-three wells at the Eagle Springs Field (Railroad Valley), three wells in the Ghost Ranch Field (adjacent to Eagle Springs and Kate Springs Fields), the seven wells in the Kate Springs Field, and the six wells in the Grant Canyon Field in October 2014. A total of 41 wells will have been inspected at the completion of this round of inspection, or approximately one-third of the oil wells will have been inspected.

Erik and I met with Alan Walker, a BLM P.E.T. out of Vernal, on August 5<sup>th</sup> in Ely. Alan Walker is going to be helping out the BLM Nevada in the coming months on well and tank battery inspections, as well as witnessing oil sales. The three of us inspected the Geyser Petroleum Pipeline Canyon #1 well, fifteen to twenty miles south of Ely, on our way to Railroad Valley. The location sign for the Pipeline Canyon #1 well was missing (was present on location when inspected on January 3, 2014). Images of the well and pad, along with a GPS location for the wellhead were obtained. We did not inspect any specific wells in Railroad Valley. Instead, I took Erik and Alan around to the fields showing them where the facilities, tank batteries, and offices, are located. Upon Erik's request, Alan did show us how he goes about inspecting a tank battery at the Kirkwood Oil & Gas Ghost Ranch tank battery.

## **Sundry Notice Activity**

A total of thirty-seven sundry notices were approved during the 2<sup>nd</sup> quarter. Fifteen sundries were related to geothermal activities, and twenty-two sundries were related to oil activities. Since the close of the 2<sup>nd</sup> quarter, sixteen geothermal sundries and six oil sundries have been approved.



# Petroleum Data Map of Nevada

Larry J. Garside and Ronald H. Hess

Nevada Division of Minerals Update to NBMG Map 162

NDOM UPDATE JULY, 2014

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Coat, R.E., 1987. Geologic map of Nevada. U.S. Geological Survey Data Series DS-244.

## 2013-2014 Oil & Gas Wells (n=4)

- Confidential
- Dry Hole

## 2007-2012 Oil & Gas Wells (n=58)

- Confidential
- Dry Hole
- Oil Producer
- Oil Show

## Pre 2007 Oil and Gas Wells (n = 781)

- Dry Hole
- Gas Show
- Oil Show
- Oil and Gas Show
- Oil Producer

## Seeps and Other Shows

- Gas seep
- Gas show in water well or spring
- Oil seep or hydrocarbon occurrence
- Oil show in water well or spring



Scale 1:800,000

1 inch equals 12.63 miles

Base Map: Modified from NBMG Map 43, 1995 & NBMG Shaded Relief Map

Datum: UTM NAD 27 & 11

Map Created By: E. Langendorf



**BRIAN SANDOVAL**  
Governor

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Fax (702) 486-4345

**RICHARD PERRY**  
Administrator

Well Name: Well 21  
API #: XXXXX  
Permit #: XXX  
UTM(NAD83): XXX,XXX E X,XXX,XXX N  
Elevation: XXXX  
BLM Lease: XXXXXXXXXX

Date: 8/5/2014  
Operator: DrillCO.1  
Rig Operator: RigCo1.  
Resource Field: Field 1  
Resource Type: Geothermal

The below BOP test requirements must be met and confirmed with NDOM before proceeding with hole completion.

**NDOM/ BLM? Requirements:** NDOM will detail the required tests for the operators' BOP set up. Test annular bag for low pressure surface test, pressure up to 300 psi and hold for 30 min. If pressure has less than 10 % loss, proceed to high pressure surface test at 500 psi for 30 min. Find leaks and retest if there is more than a 10 % loss in either test. Test must pass before proceeding with well.

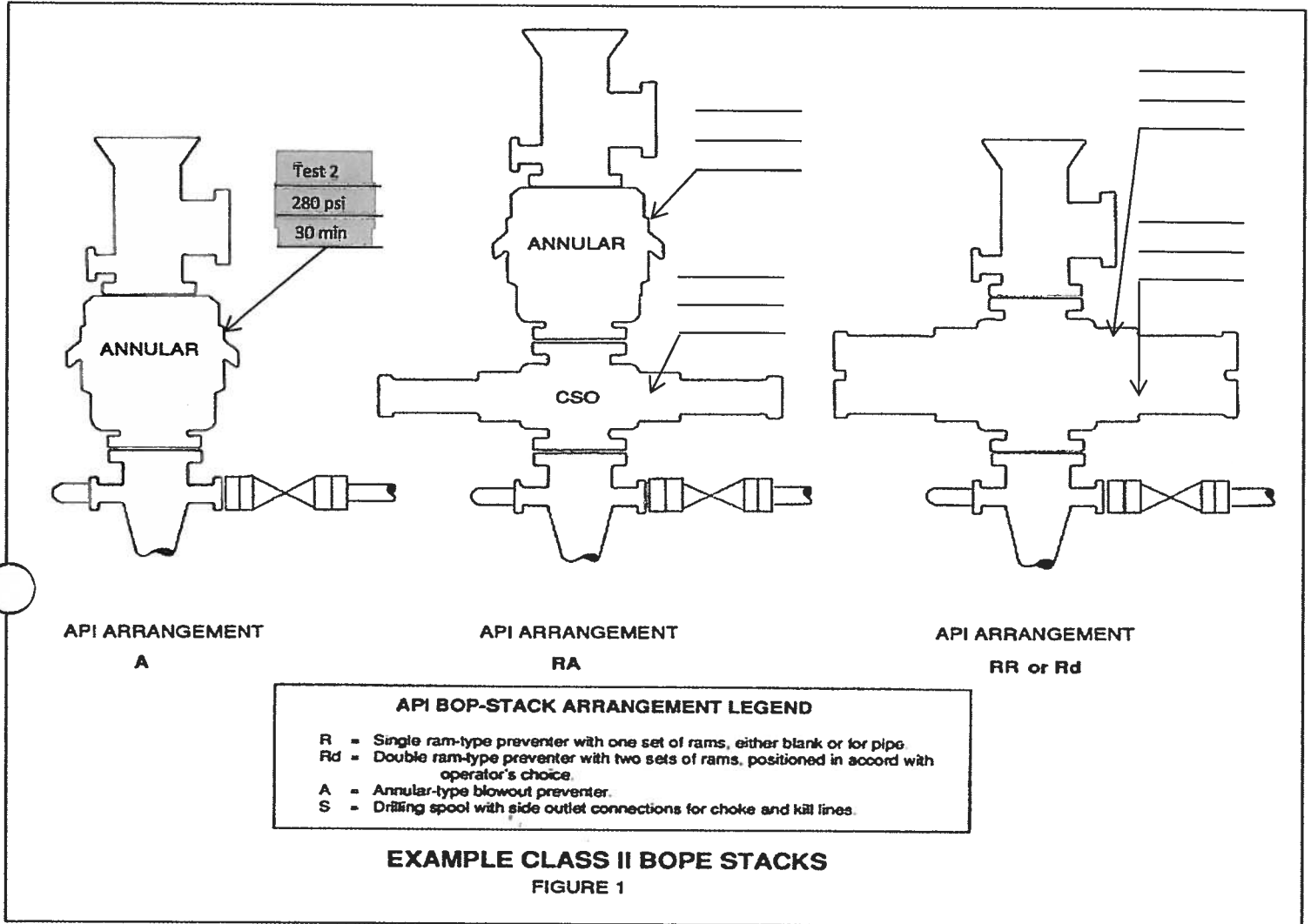
NDOM Signature: NDOM Representative

Annular				% Lost			
Test # 1	300	psi start	250	psi end	-17%	Time: 5:00:00 PM	Duration: 25 min
Test # 2	300	psi start	280	psi end	-7%	Time: 5:45:00 PM	Duration: 30 min
Test # 3		psi start		psi end	#DIV/0!	Time:	Duration:
Blind Ram				% Lost			
Test # 1		psi start		psi end	#DIV/0!	Time:	Duration:
Test # 2		psi start		psi end	#DIV/0!	Time:	Duration:
Test # 3		psi start		psi end	#DIV/0!	Time:	Duration:
Pipe Ram				% Lost			
Test # 1		psi start		psi end	#DIV/0!	Time:	Duration:
Test # 2		psi start		psi end	#DIV/0!	Time:	Duration:
Test # 3		psi start		psi end	#DIV/0!	Time:	Duration:

- ☒ **Test Picture 1)** Pressure Gauge Picture # 1 of starting pressure for each test  
Number of Pictures: 2
- ☒ **Test Picture 2)** Pressure Gauge Picture # 2 of ending pressure for each test  
Number of Pictures: 2

Operator Description of Tests: Test 1-starting pressure 300 psi ending pressure 250 psi after 20 min- 17 % loss- failed, tightened line to the accumulator.  
Test 2- Starting Pressure 300 psi ending pressure 280 psi after 30 min- 7 % loss, test passed.

Record the passing test number, the passing test pressure, and the duration tested with the appropriate equipment.



Explanation of Variance from NDOM Requirements: (Operator must receive written or verbal conformation from NDOM before altering tests) Annular bag test followed and passed NDOM requirements.

☒ Pressure Curves for each test collected and submitted to NDOM upon conclusion of the final passing test and before drilling out the shoe.

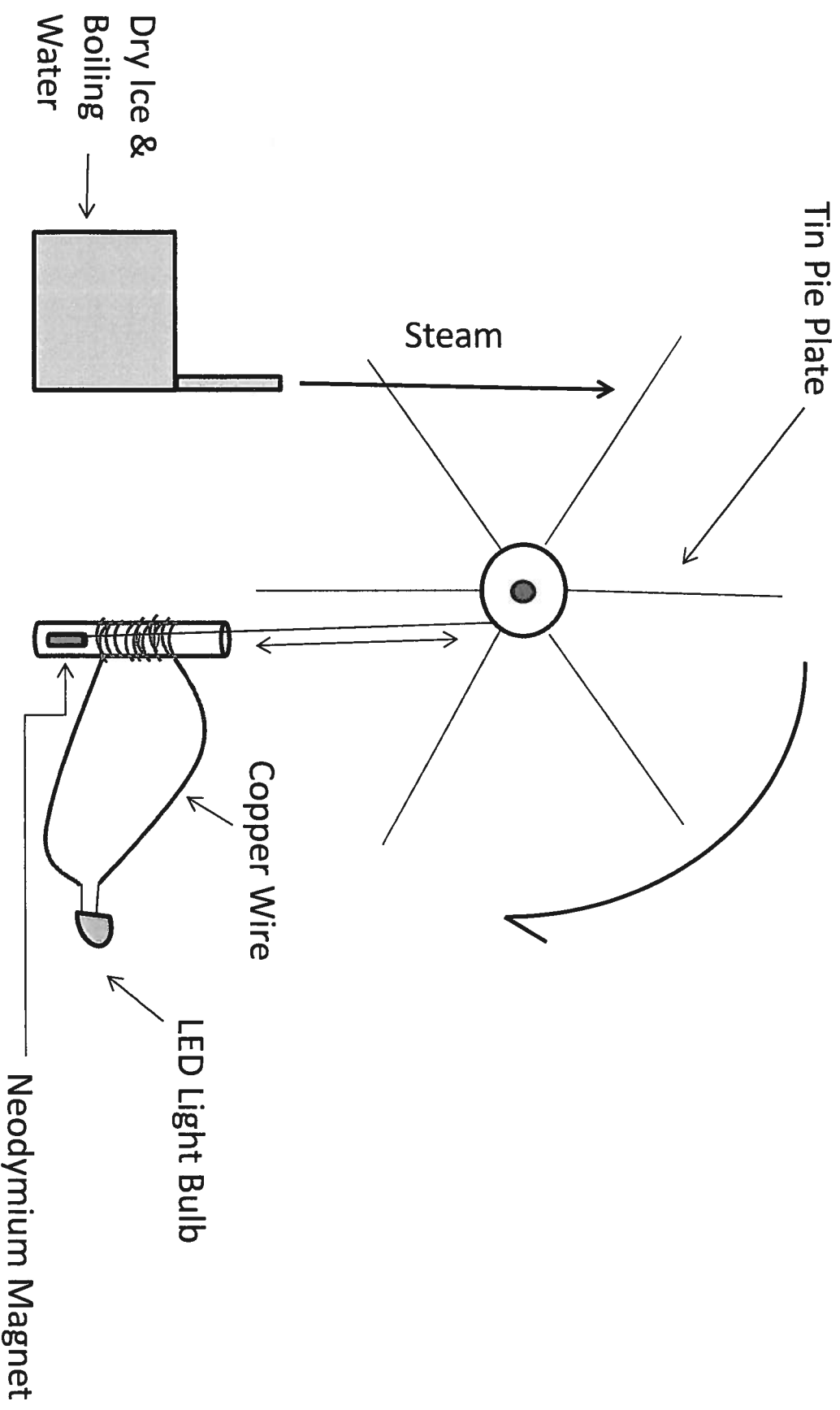
Test Verified by (name & title): Company Representative

Signature: Company Representative

Date: 8/12/14

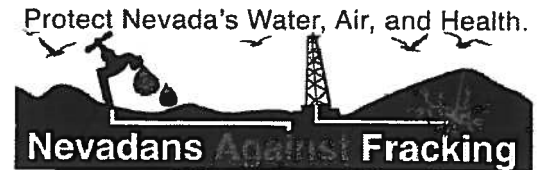
# Teachers Workshop

## Geothermal Activity in Development





*Working with Communities  
to Protect Their  
Land, Air and Water*



July 24, 2014

Fred D. Gibson, Jr.  
Chairman  
State of Nevada Commission on Mineral Resources

Lowell Price  
Oil, Gas, and Geothermal Programs Manager  
Division of Minerals  
400 W. King Street, Suite 106  
Carson City, Nevada 89703

Re: Process of development of the Hydraulic Fracturing Regulations

Dear Mr. Gibson and Mr. Price,

Great Basin Resource Watch (GBRW), the Progressive Leadership Alliance of Nevada, and Nevadans Against Fracking are very concerned about the process of the developing new regulations regarding hydraulic fracturing (fracking) in Nevada. GBRW had submitted comments on the proposed regulations in March 2014, and it is our understanding that the Commission on Mineral Resources (Commission) will be finalizing these regulations at the August 28, 2014 meeting to be held in Elko, Nevada. There has been no revised draft regulations for public review, and certainly there now exists a revised draft. Presumably there will be public comment at the August 28<sup>th</sup> meeting; however, if the draft regulations are not available well in advance, then the public will not be able to provide well considered comments. In the interest of public engagement and developing the best possible regulations the Commission/Division needs to supply the current draft of the regulations for public review by August 1, 2014, and should at the very minimum provide a simulcast on August 28<sup>th</sup> for Reno (or Carson City) and Las Vegas.

Another aspect of the process that is unclear is how the public can appeal regulations. GBRW has been involved in regulation development through the Nevada Division of Environmental Protection (NDEP), which require the approval by the Nevada State Environmental Commission. The public has the opportunity to appeal final regulations through this body. We do not see that there is an appeal process for the fracking regulations. Please confirm the process of finalizing the fracking regulations.

*Great Basin Resource Watch is a tax-exempt (501(c)3) organization*

AB 390 did not layout specific public process requirements, and gave the Commission/Division a free hand in the process of drafting the regulations. Clearly, the legislature entrusted the Commission/Division to facilitate the process and develop community/environmentally protective regulations. We are becoming concerned that this trust is being violated. The Commission and Division should be aware that poor public process and lack of recognition of the need for protective environmental measures on fracking by the Commission/Division is likely to result in public action at the legislature to provide specific direction.

We would appreciate a prompt response to this letter of concern given that the August 28 is approaching quickly.

Sincerely,

John Hadder , Great Basin Resource Watch  
Bob Fulkerson, Progressive Leadership Alliance of Nevada  
Dawn Harris, Nevadans Against Fracking

Cc Senator Harry Reid, Senator Dean Heller, Representative Mark Amodei,  
Representative Dina Titus, Representative Joe Heck, Representative Steven  
Horsford, Governor Brian Sandoval, Senator Tick Segerblom, Assemblyman David  
Bobzien



**BRIAN SANDOVAL**  
*Governor*

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

**Las Vegas Branch:**  
2030 E. Flamingo Rd.  
Suite #220  
Las Vegas, Nevada 89119  
(702) 486-4343  
Fax (702) 486-4345

**RICHARD PERRY**  
*Administrator*

July 28, 2014

John Hadder  
Great Basin Resource Watch  
236 Keystone Avenue  
Reno, NV 89503

FAX: 775-345-3575

Dear Mr. Hadder:

This letter is in response to your letter of July 24<sup>th</sup> addressed to Chairman Gibson and Lowell Price. Chairman Gibson has asked that I respond to your letter.

With regards to your question on posting the revised draft of the regulations, they were posted on the Legislative Council Bureau web site and returned to the Division on July 24, 2014. The proposed regulations were posted on the Department of Environmental Protection and Division of Minerals web sites that day, and the public meeting of the Commission to consider adoption was posted the next day on July 25, 2014: <http://minerals.nv.gov/Commission/Meetings/>.

All of the public comments from the March workshops were considered over a ten week period by a team from NDOM and NDEP. After changes to the first draft were incorporated into a second draft, the document was submitted to the Legislative Council Bureau (LCB) for legal review, which is a 30-day process.

With regards to your question on a simulcast for the hearing, the Elko County Commission chamber has video and audio streaming capabilities, and the Division has requested this for the August 28<sup>th</sup> hearing. The details of how to log in are contained in the hearing notification. The Commission chamber does not have two-way communication with other sites. If members of the public are unable to be at the meeting in person, written public comments can be submitted to the Division by August 15<sup>th</sup>. These will be provided to the Commissioners and members of the public prior to the meeting.

The Commission on Mineral Resources is the statutory body that approves regulations for Oil and Gas drilling in Nevada. The Division of Minerals and Division of Environmental Protection were mandated under NRS 522.119 (SB 390) to develop a program for hydraulic fracturing by July 1, 2014, which is to be adopted and implemented by the Commission by 1/1/2015. A ban

or moratorium on hydraulic fracturing for oil exploration and production was not part of the legislative direction.

With regards to your question on appeals you should contact your own legal counsel to answer specific questions. The process for adopting regulation changes are outlined in the Nevada Administrative Procedures Act, NRS Chapter 233B. By statute, the Commission on Mineral Resources is the approving body for changes to the oil and gas administrative code. Any regulation approved by the Commission of Mineral Resources would be reviewed by the Legislative Committee to Review Regulations per NRS 233.067.

We would be happy to review the latest draft of the regulations with you at our office in Carson City. We realize much of the proposed regulations are highly technical in nature, and can provide explanations regarding some of the new terminology used for types of drill casing, cement, steel and pressure specifications, and types of geophysical logs. Please call us to arrange a mutually acceptable time.

Sincerely,

Richard Perry  
Administrator  
Nevada Division of Minerals

Cc: Governor Brian Sandoval, CMR Chairman Fred Gibson, Colleen Cripps- NDEP, Dave Gaskin-NDEP, Bob Fulkerson-PLAN, Dawn Harris-Nevadans Against Fracking, Bryan Stockton-AG Office.





## Interstate Mining Compact Commission

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### EXECUTIVE DIRECTOR

GREGORY E. CONRAD

May 8, 2014

Rich Perry  
Administrator  
Nevada Division of Minerals  
400 W. King Street, #106  
Carson City, NV 89703

Dear Rich:

On behalf of the member states of the Interstate Mining Compact Commission, and especially Beth and me, our sincere thanks for your tireless efforts in making our recent Annual Meeting in Reno such a resounding success. Your work in arranging for the speakers at the Opening Session was invaluable. They all did a great job and added significant value to the meeting. You did a great job moderating that session and a stellar job as the Master of Ceremonies for the Awards Banquet on Tuesday evening. How you arranged for the perfect weather for the tour to Virginia City is still a wonder! We also appreciate you making several of your staff members available to us to assist with IT and A/V issues, signs, photography and registration assistance. We couldn't have pulled this off without their expertise and help. Please express our sincere thanks to your staff for a job well done, especially Mike Visser who was like another member of our staff for the entire meeting.

A resolution expressing the appreciation of the Commission is enclosed. Working with dedicated state officials such as you and your staff makes our job a true delight and we count it a special privilege to have you in our corner. Thanks for all you do for IMCC and others.

Sincerely,

Gregory E. Conrad  
Executive Director

Enclosure

cc. Mike Visser

# *Resolution*

## *Interstate Mining Compact Commission*

### **BE IT KNOWN THAT:**

**WHEREAS**, Rich Perry, Mike Visser and their staff arranged an informative and interesting annual meeting for the Interstate Mining Compact Commission in Reno, Nevada from April 27 - 30, 2014; and

**WHEREAS**, Mr. Perry also served as the Moderator for the Opening Session on April 28 and as the Master of Ceremonies at the Awards Banquet on April 29; and

**WHEREAS**, our hosts warmly welcomed and generously extended their Silver State hospitality to all attendees;

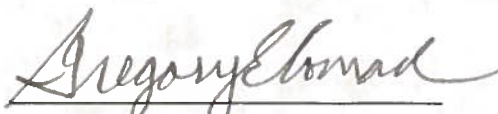
### **NOW THEREFORE BE IT RESOLVED:**

That the Interstate Mining Compact Commission expresses its deep appreciation to Rich Perry, Mike Visser and all of the other state officials who assisted IMCC staff to assure a successful meeting.



Issued this 30<sup>th</sup> day of April, 2014

ATTEST:

  
Executive Director

2010-2014

### **Carson City**

8/17/2012-Tour in Yerington

### **Virginia City**

### **Elko**

08/29/14-Newmont LeeVille Mine

### **Reno**

5/12/2010

10/19/2010

4/29/2011

7/27/11 – Tour of Bat Cupola in VC

11/2/2011

5/03/2012- Virginia City

11/09/2012

5/03/2013- Hazen and Olinghouse

10/10/2013

05/09/2014- EP Minerals; Nevada  
Cement Plant and Mine.

### **Las Vegas**

2/11/2010 – Tour of the McCaw

School of Mines - Henderson

2/7/2011 – Tour of Molycorp Mine

2/27/2012 – Searchlight Area

2/21/13

2/14/14- Tule Springs Park

### **Battle Mountain**

July 30, 2010 – Tour of Newmont  
Phoenix Mine

### **Tonopah**

8/15/13 - Solar Reserve Plant

8/16/13 - Tonopah Mining Park

