

MAR 24 2008

INTERLOCAL CONTRACT COOPERATIVE AGREEMENT BETWEEN PUBLIC AGENCIES

**BETWEEN THE COMMISSION ON MINERAL RESOURCES,
DIVISION OF MINERALS
(400 West King Street, Suite 106, Carson City, Nevada 89703)**

RECEIVED

MAR 10 2008

AND

Division of Minerals

**THE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES,
DIVISION OF ENVIRONMENTAL PROTECTION
(901 South Stewart Street, Suite 4001, Carson City, Nevada 89701)**

WHEREAS, NRS 277.180 authorizes any one or more public agencies to contract with any one or more other public agencies to perform any governmental service, activity or undertaking which any of the public agencies entering into the contract is authorized by law to perform,

WHEREAS, this document serves to revise the June 23, 1997 Memorandum of Understanding (MOU) between the State of Nevada, Commission on Mineral Resources, Division of Minerals (NDOM) and the State of Nevada, Department of Conservation and Natural Resources, Nevada Division of Environmental Protection (NDEP),

WHEREAS U.S. Environmental Protection Agency has delegated primary enforcement authority of the Underground Injection Control (UIC) and Clean Water Act Programs to NDEP,

WHEREAS, NDOM and NDEP each have specific statutory and regulatory responsibilities concerning the injection of spent geothermal fluids after they are used for a variety of activities, including power generation, aquaculture, food processing and space heating; and concerning the protection of the quality of water of the state,

WHEREAS, NDOM currently regulates certain aspects of Class II and certain Class V injection wells and NDEP regulates all classes of injection wells,

WHEREAS, NDEP has the responsibility of ensuring all Class II disposal, enhanced recovery and storage wells, and geothermal injection wells are properly constructed to ensure integrity and maintain integrity during its life to prevent ground water degradation,

WHEREAS, The purpose of this agreement is to establish procedures that 1) reduce duplication of effort, 2) ensure efficient regulatory oversight, 3) ensure a flow of communication and promote interagency cooperation, and 4) allow both agencies to fulfill their legal responsibilities,

WHEREAS, It is not uncommon in the oil and geothermal industry for a well, permitted by NDOM, drilled for production to be converted to an injection well, and thereby trigger NDEP's UIC permit requirements,

NOW, THEREFORE, to consolidate and simplify the permitting process the

agencies mutually agree as follows:

1. The NDOM will continue to issue permits required by its regulations for oil and gas enhanced recovery wells, brine injection wells, and geothermal injection wells, and NDEP will continue to issue UIC permits for injection wells and related activities required by its regulations.
 - a. NDOM drilling permits shall be issued in accordance with requirements within NAC 534A for protection and prevention of degradation of ground water.
 - b. Drilling Permit: NDEP will recognize the NDOM drilling permit satisfies the UIC regulation under NAC 445A.905 for construction permit for Class II and Class V geothermal wells. This practice shall apply to both projects with and without issued UIC permits. (By using one permit issued by NDOM, for oil and geothermal injection well construction, and NDOM oversight of the construction process, the agencies hope to avoid duplication of effort.)
 - c. Testing: Standard operating procedures (SOP) less than thirty (30) days, such as flow tests to drilling sumps, injectivity testing, stimulation programs, acid and fracture treatment, shall be approved by the NDOM sundry notice under standard forms including a checklist of requirement procedure parameters, and require follow-up reports and documentation. All tests and programs are subject to conditions for protection and prevention of degradation of ground water. Questions and concerns regarding discharge water quality shall be referred to NDEP.
 - d. Workovers (modification of the well construction) and conversions of Class II and Class V geothermal wells: NDOM will, prior to approval, make available the sundry notice to NDEP for review to ensure no additional requirements for UIC while operator is working in well. NDEP will review and comment to NDOM within five (5) working days of receipt.
 - e. NDOM shall use forms for injection wells that have been reviewed by NDEP.
 - f. NDEP shall require full injection well completion reports at the time an operator wishes to request injection approval under an existing UIC permit, and shall approve or deny based on the contents of the report.
 - g. NDOM will, prior to approval, provide public notice of an application for a permit to construct an injection well, either as an individual well or within a project area permit, including the following statement:

"NDEP has primacy for the Federal Underground Injection Control program. A UIC permit must be issued to utilize geothermal wells for injection purposes."
 - h. NDOM shall notify Drilling Permit applicants of UIC permitting requirements, including data collection, information, and documentation on integrity testing, logging, temperature survey, and cementing records necessary during the construction process, for final injection approval. This shall occur either through reference to UIC requirements on the web or citation of various requirements in the Drilling Permit conditions of approval.
 - i. NDOM will inform the operator that wells under an existing UIC permit will be subject to the terms and conditions of the UIC permit.

- j. **NDOM shall refer to NDEP all permit applicants that propose to or have potential to discharge to surface waters. This shall be required for all discharges outside of a drilling sump or tanks.**
2. **The NDOM and NDEP will inform permit applicants of the requirement to obtain a permit from the other agency in applicable cases. Each agency will inform the other of any Class II, III, or geothermal permit applications received for injection wells.**
 3. **The NDEP will issue permits for Class III injection wells used in solution mining.**
 4. **The NDOM will assist NDEP in the technical review of all Class II, Class III, and geothermal injection well permit applications, including renewals.**
 5. **The NDOM and NDEP will exchange copies of inspection reports completed for injection wells operating under each agency's jurisdiction.**
 6. **The NDOM and NDEP will, to the extent practicable, coordinate field inspections of facilities holding permits from both agencies to minimize duplication.**
 7. **The NDOM and NDEP will cooperate on the reporting of all spills at oilfield and geothermal facilities, following a guidance document adopted by both agencies and the Bureau of Land Management.**
 8. **Each agency is responsible for the enforcement of its own regulations, permits, and permit conditions.**
 9. **The NDOM and NDEP will provide each other with all written authorizations pertaining to Class II, Class III and geothermal injection wells.**
 10. **The NDOM and NDEP will provide each other with reasonable access to files and other information necessary for program administration.**
 11. **The NDOM and NDEP will establish electronic data sharing protocol to exchange data pertaining to Class II, Class III and geothermal wells.**
 12. **The NDOM and NDEP will exchange information on idle/abandoned wells as it is received. NDEP will assist with the technical review of idle/abandoned wells, if requested.**
 13. **If the responsible party does not plug and abandon an injection well as per NDOM and/or NDEP regulations within ninety (90) days of notification from NDEP or NDOM, NDOM agrees to seek enforcement using the performance bond, executed for that purpose, in favor of the State of Nevada. Such enforcement will assure proper plugging of an injection well in accordance with all relevant regulations and the UIC Program-approved plugging and abandonment plan submitted by the responsible party.**

With regard to the regulation of the temperature of geothermal injection, it is further agreed that:

14. NDOM has the responsibility under NRS 534A and NAC 534A to ensure that issuance of permits for geothermal wells, including injection wells, and operations thereof, be consistent with the policies of NRS 445.132 relating to water pollution and to properly guard the public interest.
15. NDEP administers the Nevada Underground Injection Control Regulations and is required to regulate the chemical, biological and physical characteristics of underground injection, pursuant to NAC 445A.850. Temperature is a physical characteristic.
16. NDOM has the statutory responsibility to promote and encourage the efficient and effective use of the State's geothermal resources, which often involves a permittee using as much heat as is feasible from the resource, resulting in wide variations between the temperature of produced geothermal fluids and injected geothermal fluids.
17. NRS 534A and NAC 534A provide an opportunity and specific rules for administrative hearings to determine if proposed or actual geothermal activities are consistent with the purposes of State law and regulations.
18. Any party who has cause to believe their interests are impacted by geothermal development, including geothermal injection, may request an administrative hearing before the Administrator of the NDOM.
19. Provided that NDEP determines that temperature of injection is unlikely to conflict with the policies of NRS 445A.305 concerning pollution of water in the State, NDEP will not include temperature of injection as a condition of an Underground Injection Control permit for injection related to a geothermal operation.
20. It is the responsibility of NDOM to review any potential impacts, including temperature, on existing rights when it reviews applications for or operation of geothermal wells and further, NDOM will conduct administrative hearings as necessary where existing rights may be unreasonably impacted by use of such wells.
21. **AGREEMENT TERM.** This Agreement shall be effective upon approval by the parties and shall continue in force and effect until terminated by either party.
22. **TERMINATION.** The parties agree that this Agreement may be terminated for any reason upon 30 days written notice.

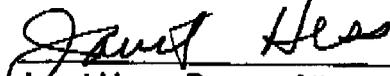
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed and intend to be legally bound thereby.



Alan R. Coyner, Administrator
Nevada Division of Minerals

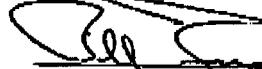
Date 3/19/08

Approved as to form by:

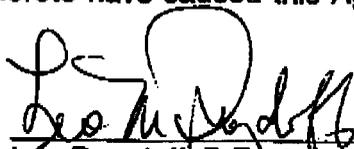


Janet Hess, Deputy Attorney General
Division of Minerals

Approved as to form by:



Bill Frey, Senior Deputy Attorney General
Nevada Division of Environmental Protection



Leo Drozdoff, P.E., Administrator
Nevada Division of Environmental Protection

Date 3/25/08

On March 17, 2008

On 3-20-08

ver. 2/06/2008