BEFORE THE NEBRASKA OIL AND GAS CONSERVATION COMMISSION

IN THE MATTER OF THE APPLICATION OF THE NEBRASKA OIL AND GAS CONSERVATION COMMISSION, ON ITS OWN MOTION, FOR AN ORDER REVISING THE RULES AND REGULATIONS OF THE COMMISSION	)	CASE NO. 12-02

RECEIVED
MAY 22 2012
NEBRASKA OIL AND GAS CONSERVATION COMMISSION

A P P L I C A T I O N

Comes now the Nebraska Oil and Gas Conservation Commission, Petitioner, and requests that the Rules and Regulations of the Nebraska Oil and Gas Conservation Commission be updated and revised.

NOW, THEREFORE, the Rules and Regulations of the Nebraska Oil and Gas Conservation Commission should be updated and revised as follows:

OIL AND GAS CODE

CHAPTER 3 - DRILLING, DEVELOPMENT, PRODUCING AND ABANDONMENT

041 WELL STIMULATION ACTIVITIES COVERED BY DRILLING PERMITS
042 HYDRAULIC FRACTURING STIMULATIONS
043 DISCLOSURE OF WELL STIMULATION FLUIDS
044 PROPRIETARY CHEMICALS AND TRADE SECRETS

CHAPTER 2 - GENERAL RULES

003 ACCESS TO RECORDS

All producers, operators, drilling contractors, well service companies and initial purchasers of oil and gas within this State, shall make and keep appropriate books and records covering their operations in the State from which they may be able to make and substantiate the reports required by the Commission. Such books, records and copies and of said reports and notices required by the Commission shall be kept on file and available for inspection by the Director or his authorized deputies for a period of at least five (5) years. The Director and his authorized deputies shall have access to all well records wherever located. All owners or operators shall permit the Director or authorized deputy, at ~~his~~ their risk, in the absence of negligence on the part of the owner, to come upon any lease, property or well operated or controlled by them, and to inspect the record and operation of such wells and to have access at all times to any and all records of wells; provided~~,~~ that information so obtained shall be kept confidential, unless the owner gives written permission to release such information, and shall be reported only to the Commission or its authorized deputies.

007 CONVERSION TO WATER WELLS

In the case of a well which is capable of producing potable water which may be beneficially used by an individual or a community, the owner shall have the right to dispose of the well to responsible parties providing that written approval of the owner of the surface rights to the land on which the well is located is secured and filed with the Commission and written notice is given to the Director and approved by him subject to the approval of the Commission. A release from responsibility incurred by this action should be secured from the individual or community by the owner of the well and a copy of said release filed with the Director. The State Department of ~~Water~~

Natural Resources and Natural Resource District Offices should be consulted to determine if the water well that results is under the jurisdiction of said ~~Department~~ agencies.

008 WELL AND TANK BATTERY DESIGNATIONS

The ~~owner~~ operator shall mark each and every well in a conspicuous place, with ~~his~~ operator name, name of lease, number of the well and legal description of the well and shall take all necessary means and precautions to preserve these markings.

The tank battery shall be marked with operator name, name of lease, legal description, and phone number.

010 FORMS UPON REQUEST

Forms required by the Commission will be furnished upon request and will be available for download on the commission website. Operators may reproduce forms required by the Commission, provided the blank forms are printed on an equivalent size, color and quality of paper.

Statute: 57-905

CHAPTER 3 - DRILLING, DEVELOPMENT, PRODUCING AND ABANDONMENT

001 RECORDS, REPORTS, NOTICES ---- GENERAL

Any required written notice of intention to do work or to change plans previously approved must be filed with the Director and must reach the Director or ~~his~~ authorized deputies and receive ~~his~~ approval before the work is begun; or such approval may be given orally, and if so given, shall thereafter be confirmed by the Director or authorized deputies in writing.

In the case of emergency, or any situation where the operations might be unduly delayed, any written notice required by these rules and regulations to be given the Director or ~~his~~ authorized deputies may be given orally or ~~by wire~~ electronically; and, if approval is obtained, the transaction shall be promptly confirmed by the operator in writing as a matter of record.

The owner shall keep and make conveniently available to the Director or ~~his~~ deputies accurate and complete records of the drilling, re-drilling, deepening, plugging or abandoning of all wells, all other well operations and of all alterations to casing. These records shall show all formations penetrated, the quantity and quality of oil, gas or water in each formation tested, the grade, weight, size and landed depth of casing used in drilling each well on the lease premises and any other information obtained in the course of well operation. Such information shall be kept confidential for a period of one year from the date the geophysical logs are run if so requested.

Whenever a person has been designated as an operator by an owner or owners of a lease or well, such an operator may submit the reports as herein required by the Commission. If a producing well is sold by one company or person to another company or person, the Director shall be notified immediately of the change in ownership. Any and all reports submitted shall be ~~typewritten or printed with India ink~~ submitted in writing or electronically.

003 FORM 2 - NOTICE OF INTENTION TO DRILL OR RE-ENTER

Before any person shall commence operations for the drilling of any well, such person shall file with the Director a notice of such intent on Form 2 and must secure the ~~Director's~~ approval of the Director or authorized deputy before proceeding with such operations. A copy of the approved Form 2 must be posted in a conspicuous place on the drilling rig.

The Director or ~~his~~ authorized deputy must be notified at least twenty-four (24) hours in advance of the commencement of drilling activities.

~~Form 2 shall be filed in triplicate for wells on all Patented and Federal lands and in quadruplicate for wells on all State lands.~~ Unless operations are commenced within one hundred eighty (180) days after date of approval, the approval to drill will become null and void.

If it is desired to revise an approved notice of intention to drill, an amended Form 2 must be filed with the Director for approval.

A fee, paid in advance, of ~~seventy-five dollars ($75)~~ two hundred dollars ($200) per well and payable to the Nebraska Oil and Gas Conservation Commission must be remitted with Form 2. If it should become necessary for the Commission to contract for the plugging of an abandoned well through

failure of the owner or operator to plug it satisfactorily, the costs of these plugging operations may be assessed against the operator or owner.

No permit fee is required for an injection well.

If for any reason an approved location is not drilled, the permit fee is ~~unrefundable~~ nonrefundable but may be transferred to another location provided that the permit has not expired or has not been revoked.

The Commission shall have the authority to revoke a permit if the Commission finds that any fraud, deceit or misrepresentation was made to obtain the approval of said permit.

The Notice of Intention to Drill or Re-Enter shall be accompanied by an accurate plat showing the following information:

- Township, range, and section in which the well is to be located.
- North arrow.
- Scale of drawing expressed as a ratio.
- The longitude and latitude expressed in decimal degrees using NAD 83 standards.
- A description of all monuments found, set, reset or replaced, and notation of all distances measured between the corners used in establishing the section boundary in which the well is to be located.
- Distances from the nearest established section boundary lines to the proposed well.
- Ungraded ground elevation of the proposed well.
- Basis of elevations.
- Basis of bearings.

004 FORM 3A - BOND

Prior to commencement of ~~dirtwork~~ dirt work preceding drilling, or assuming operation of any well, the person, firm or corporation commencing said drilling or operation shall make, or cause to be made, and file with the Commission a good and sufficient bond in the sum of not less than ~~five thousand dollars ($5,000)~~ ten thousand dollars (10,000) for each well or hole and payable to the State of Nebraska, conditioned for the performance of the duty to comply with all the provisions of the laws of the State of Nebraska and the rules, regulations and orders of the Commission. Said bond shall remain in force and effect until plugging of said well or hole is approved by the Director or ~~his~~ authorized deputy, a new bond is filed by a successor in interest or the bond is released by the Director. It is provided, however, that any owner in lieu of such bond may file with the Director a good and sufficient blanket bond in the principal sum of not less than ~~twenty five thousand dollars ($25,000)~~ one hundred thousand dollars ($100,000) covering all wells or holes drilling or to be drilled in the State of Nebraska by the principal in said bond; and upon acceptance and approval by the Director of such blanket bond, said bond shall be considered as compliance with the foregoing provisions requiring an individual well or hole bond.

The Director may refuse to accept a bond or add wells to a blanket bond if the operator or surety company has failed in the past to comply with statutes, rules or orders relating to the operation of wells; or for other good cause.

Any person required to file a surety bond pursuant to this rule may post cash or certificate of deposit in the amount required subject to the following conditions:

If a person posts cash, it may be in the form of a cashier's check, certified check or legal tender of the United States of America delivered to the Commission.

A certificate of deposit shall comply with the following:

- The certificate of deposit shall be in the name of the Nebraska Oil and Gas Conservation Commission and only the signature of the Commission's authorized representative shall be on the withdrawal card as the authorized signature to withdraw the deposit.
- The certificate of deposit shall be in a bank or financial institution insured by the Federal Deposit Insurance Corporation and located in the State of Nebraska.

- The Commission may reject any certificate of deposit, when, combined with other certificates of deposit on that bank or financial institution, exceeds the limits of Federal Deposit Insurance Corporation insurance coverage.
- The certificate of deposit shall be in the custody of the Commission.
- The certificate of deposit shall be automatically renewable.
- Interest earned on the certificate of deposit is the property of the person who provided the money for it. The certificate of deposit and the money it represents is the property of the Commission until released by the Director.

Any person, other than the ~~producer~~ operator or owner of the well, engaged in pulling casing from abandoned oil or gas wells and wells used in connection therewith, or who purchases such wells for the purpose of salvaging material from the same, shall file with the Commission a ten thousand dollar ($10,000) blanket bond to guarantee the ultimate plugging of these wells conformable with the rules, regulations or orders of the Commission.

The State Board of Educational Lands and Funds shall be contacted for bonding requirements on State Land, and the U. S. ~~Geological Survey~~ Bureau of Land Management should be contacted for additional bonding requirements on Federal Land.

006 FORM 5 - WELL COMPLETION OR RE-COMPLETION REPORT

Within thirty (30) days after completion or re-completion of an oil or gas producing well, injection or disposal well or a well temporarily abandoned with casing in the hole, the owner or operator shall transmit to the Director the well completion or re-completion report, Form 5~~, in duplicate for wells drilled on Patented or Federal Lands, and in triplicate for wells drilled on State Lands~~. Upon written request geological information will be kept confidential for twelve (12) months after the filing thereof unless written permission to release the information at an earlier date is obtained from the operator.

007 FORM 6 - PLUGGING RECORD

If any well is plugged or abandoned, a record of work done must be filed on Form 6 with the Director within thirty (30) days after the work is completed. The report shall give a detailed account of the manner in which the abandonment or plugging work is carried out, including the nature and quantities of materials used in plugging and the location and extent (by depths) of the plugs of different materials; records of the amount, size and location (by depths) of casing and junk left in the well, and a detailed statement of the volume and weight of mud fluid used. ~~Form 6 shall be filed in duplicate for wells on Patented Lands, and in triplicate for wells on State Lands.~~ Upon written request, geological information will be kept confidential for twelve (12) months after the filing thereof unless written permission to release the information at an earlier date is obtained from the operator.

012 GENERAL DRILLING RULES

Unless altered, modified or changed for a particular pool or pools, upon hearing before the Commission, the following shall apply to the drilling of all wells:

012.01 When drilling where high pressures are likely to exist, the ~~owner~~ operator shall take all reasonable precautions for keeping the well under control at all times and shall provide at the time the well is started proper high pressure fittings and equipment. Under such conditions, the conductor string of casing must be cemented throughout its length, unless other procedure is authorized by the Director or ~~his~~ authorized agent, and all strings of casing must be securely anchored.

012.02 In areas where pressures and formations are unknown, sufficient surface casing shall be run to reach a depth below the base of formations generally contributing water supplies for domestic, agricultural and municipal use as well as water bearing formations reasonably expected to be utilized for domestic, agricultural and municipal use if not presently utilized. The amount of surface casing run shall be ~~determined~~ approved by the Director or authorized agent and sufficient to prevent blowouts and uncontrolled flows at reasonable depths and of sufficient size to permit the use of an intermediate string or strings of casing where necessary to control deeper blowout or uncontrolled flow sources. Surface casing shall be set in a relatively impervious formation and shall be cemented by the

plug or displacement or other approved method with sufficient cement to fill the annulus to the top of the hole except in cases where unusually long strings of surface casing are required and approval is secured from the Director or his authorized agent to use other adequate methods of cementation.

012.03 In wells drilled in areas where subsurface conditions are known through drilling experience, surface casing shall be set at a depth approved by the Director or authorized agent and cemented to the surface by the pump and plug or displacement or other approved methods at a depth sufficient to protect all domestic, agricultural or municipal water supplies and to insure against blowouts or uncontrolled flows.

012.04 Cement shall be allowed to stand under pressure until the cement has reached a compressive strength of five hundred (500) pounds per square inch before drilling the plug. The term "under pressure" as used herein, will be complied with if one float valve is used or if pressure is otherwise held. All cement and cement additives used shall have been tested in accordance with API RP 10B-2 (R2010), ~~dated 1974,~~ "Recommended Practices for Testing Oil-Well Cements and Cement Additives," and the results reported to the Director prior to use.

012.10 By approved reasonable methods, the ~~owner~~ operator shall shut off and exclude all alien water from any oil or gas bearing stratum; and to determine the effectiveness of such operations, the ~~owner~~ operator shall make a casing test before suspending drilling operations or drilling into the oil or gas bearing stratum and completing the well.

012.13 If salt based or oil based muds are used during the drilling program or if a salt section of sufficient thickness to affect the mud quality is anticipated, then the reserve pit design and construction shall meet the requirements of this rule and an application shall be submitted along with Form 2 for approval. Minimum design criteria shall be as follows:

- Steel working tanks will be required on the drilling rig circulating system.
- Reserve pits shall be designed to accommodate those fluids while protecting the lands and waters of the state.
- Soil mixture liners, recompacted clay liners and manufactured liners must be compatible with the wastes contained.
- The application shall include the type and specifications of the liner to be used. All liners constructed of manufactured materials must meet or exceed the specifications set forth by the Commission.
- Synthetic liners must be installed over smooth fill sub-grade which is free of pockets, loose rocks, or other materials which could damage the liner. Sand, sifted dirt, or bentonite are suggested as cushion material if needed.
- The application shall contain a plan for disposal of liquids and solids.
- Liner edges must be secured to prevent wind damage.

The ~~Commission~~ Director or authorized agent may authorize alternative methods upon review of the application.

012.14 All pits shall be backfilled within one year after completion of drilling operations.

The disposal of drilling fluids, stimulation fluids or any oil field waste into any well shall be prohibited unless approved by the Director prior to disposal.

Within thirty (30) days after cessation of drilling operations, non-exempt E&P waste materials including but not limited to crankcase oil shall be contained in non-leaking containers and disposed of in accordance with DEQ or any applicable federal regulations.

In those areas where acceptable, and upon application and approval, land farming or land spreading of fresh water based drilling mud may be allowed on the lease with the written permission obtained from the landowner and submitted to the Director.

012.15 After the reserve pits have been properly backfilled, a biodegradable mulch may be required if soil erosion or the establishment of vegetation is determined to be a problem by the Director or authorized agent.

013 LOCATION OF WELLS

013.02 All wells drilled to sources of supply at estimated depths in excess of two thousand five hundred (2500) feet for which no spacing pattern has been established by existing wells shall be drilled on 40-acre legal subdivisions or equivalent lots and not less than five hundred (500) feet from the boundaries of said legal subdivisions. The Director or authorized agent may administratively approve an exception to the requirements hereof where topographical conditions, irregular sections or geological conditions make the drilling of a well at the regular location impractical, provided that the owners, as defined in the Act, within a distance of five hundred (500) feet from the proposed well file with the Director or authorized agent a waiver of objection, or consent in writing, agreeing to said exception; Provided further, that a well drilled under the terms of such waiver, or consent, shall be subject to such production limitations as may be necessary to protect correlative rights.

014 DIRECTIONAL DRILLING

When the intent is to direct the bottom of the hole away from vertical, other than whipstocking necessitated by hole conditions, and the spacing pattern is not altered thereby, notice of intention to do so shall be filed with the Director or authorized agent and approval obtained before beginning controlled directional drilling operations. Such notice shall state clearly the depth, exact surface location of the well bore, proposed direction deviation and proposed horizontal distance between the proposed bottom of the hole and the surface location. If approval is obtained, the ~~owner~~ operator shall file with the Commission within thirty (30) days after the completion of the work an accurate and complete copy of the directional survey made.

015 RE-DRILLING OR DRILLING DEEPER

When a well is re-drilled or drilled deeper by the original operator, the operator shall advise the ~~Commission~~ Director or authorized agent of ~~his~~ their intentions by filing Form 4 and stating thereon the proposed work to be done and the anticipated results of the work.

If the re-drilling or drilling deeper is to be done by anyone other than the original operator, ~~he~~ they shall file Form 2 and the ~~seventy-five dollar ($75)~~ two hundred dollar ($200) permit fee and state on the form that this well is to be re-drilled or drilled deeper.

Upon completion of the work Form 5 shall be filed if the well is an oil or gas producer, injection or disposal well, or shut-in with casing in the hole. If the well is a dry hole, Form 6 shall be filed. Copies of any logs and tests made should accompany these forms.

020 CONTROL OF "WILD" WELLS

The ~~owner~~ operator shall take reasonable precautions to prevent any oil, gas or water well from blowing open or "wild" and shall take immediate steps and exercise due diligence to bring under control any such well or burning oil or gas well.

022 POLLUTION AND SURFACE DRAINAGE

~~Owners~~ Operators shall take all reasonable precaution to avoid polluting streams, underground water and land surface and soils. No oil, salt water, brackish water or other water unfit for domestic, livestock, irrigation or other general use shall be allowed to flow over the surface or into any stream or underground fresh water zone.

022.01 Spill Reporting Requirements

Any person operating any well, ~~flowlines~~ flow lines, receiving tanks, storage tanks, or receiving and storage receptacles into which crude oil or salt water is produced, received, or stored or through which oil or produced water is piped or transported shall notify the Director within two (2) business days of any oil and/or produced water spill, leak, or release in excess of twenty (20) barrels. The notice shall be followed within seven (7) working days by a written report. All such reports of breaks, leaks, and spills shall identify the location of the well, tank, receptacle or ~~flowline~~ flow line by section, township, range, and property name so that the exact location may be readily located. Such report shall specify what steps have been taken or are in progress to remedy the situation reported and shall estimate the quantity of oil and/or produced water lost, or permitted to escape.

The operator shall immediately notify the appropriate State and Federal agencies of any oil or produced water spill, leak, or release which enters any surface or ground water or flows off the lease or unit lands.

023 BURN-OFF PITS

To prevent fire hazards from waste oil, the same shall be collected in burn-off pits which shall be located a safe distance from oil storage tanks, buildings, or other structures and shall be burned as often as necessary to prevent overflowing. Such pits shall be constructed to prevent the escape of oil therefrom and shall have a continuous wall completely surrounding the pit of sufficient height to prevent surface water from running into the pit. Earthen pits will be permitted at locations where the soil is heavy and tight, but shall be prohibited in locations where the soil is porous and closely ~~under laid~~ underlain by either sand or gravel strata, unless effectively sealed to the satisfaction of the Director.

025 OPEN PIT STORAGE OF OIL

The ~~owner~~ operator shall not, except during an emergency or except by special permission of the Director, permit oil to be temporarily stored or retained in earthen reservoirs or in any other receptacle that may introduce an accident or fire hazard.

028 PLUGGING

The requirements for plugging a well shall be as follows:

028.02 The operator shall have the option as to the method of placing cement in the hole by (1) dump bailer, (2) pumping through tubing or drill pipe, (3) pump and plug or (4) other method approved by the Director or ~~his~~ authorized deputy.

028.06 Before a producing well, or any well with production casing in the hole, is plugged, the operator shall notify the office of the Director by submitting Form 4, "Sundry Notices." Operator shall fully describe the proposed plugging and abandonment procedure on said form and shall set out the volume and position of each plug to be placed in the hole and the manner in which said plug will be positioned. A fee, paid in advance, of ~~twenty-five dollars ($25)~~ one hundred dollars ($100) and payable to the Nebraska Oil and Gas Conservation Commission must be remitted with each Form 4 which gives notice of operator's intention to abandon a well with production casing in the hole.

028.07 Operations must commence to plug and abandon each well with-in one year of the date of the Director's approved Form 4 or the operator must reapply. Any well that is not plugged and abandoned with-in one year will be considered to have a status of shut-in.

028.08 Following abandonment, working pits, reserve pits and/or burn pits shall be backfilled, pads leveled, debris removed or buried and land restored to the reasonable satisfaction of the Director.

031 WELL LOGS AND SAMPLES

All wells drilled for oil and/or gas shall be adequately logged with appropriate mechanical, electrical, or radiation survey devices unless excepted by the Director. If adverse down hole conditions exist which makes the running of adequate survey devices impractical or hazardous, or in the case of open hole completions, twin wells, or other good cause shown, the Director may waive such required survey upon request by the operator.

Logs shall be submitted as one ~~An~~ unmarked paper copy, one digital PDF or TIFF (Tagged Image File Format) or digital LAS, or a format approved by the Director of the mechanical, electrical, or radiation survey log, clearly indicating the position of the shoe of the surface casing and including the entire logged interval below the shoe of the surface casing, shall be submitted to the office of the Director within thirty (30) days after such log is run. If an extension of thirty (30) days is needed for filing survey logs, the Director may grant such extension for good cause shown.

Upon written request by the operator, logs of a confidential nature will be held confidential for a period of not more than twelve (12) months. The Director may release such confidential data to health care professionals, emergency responders and public health regulators if the director deems it is necessary to protect the public's health, safety and welfare.

A driller's log is to be submitted for wells drilled with cable tools. Drill stem tests, copies of other surveys and tests such as core analysis, water analysis, and mud logs, if taken, and the information there from will be submitted on all wells drilled. ~~Copies of other surveys and tests such as core analysis, water analysis, and mud logs may be submitted at the operator's option.~~ Any survey or tests conducted by the operator shall be maintained in his files for a period of at least two (2) years. Drilling contractors and well service companies shall maintain a file of surveys and tests conducted for a period of not less than five (5) years for all work

performed on any well drilled under the rules and regulations of the Commission.

By agreement with the State Geologist, the Commission will notify operators when samples of a well are requested by the Nebraska Geological Survey. When indicated on Form 2, a systematic interval of sample cuttings shall be saved and submitted to the Nebraska Geological Survey in accordance with their request within ninety (90) days following completion or deepening of a well. When requested in writing, samples shall be kept confidential by the Nebraska Geological Survey for a period of not more than twelve (12) months. Samples submitted may be sent through a recognized sample cutting agency or sent directly to the Nebraska Geological Survey, Conservation and Survey Division, School of Natural Resources, ~~Nebraska Hall,~~ University of Nebraska, Lincoln, Nebraska ~~68508~~.

032 SEISMIC AND STRATIGRAPHIC TESTS

Before any person shall commence operations for the drilling of any seismic hole, such person shall file with the Director an accurate plat of all such holes, the proposed depths and the date such operations are expected to commence. The Director or authorized agent shall approve the method used to plug such holes. No permit fee shall be required.

Wells drilled as stratigraphic type test holes shall come under these rules and regulations with the following exceptions: No fee shall be required for the drilling of a stratigraphic test hole, but Form 2, "Notification of Intent to Drill or Re-Enter," shall be filed with the Director and approved by him prior to the drilling of each test or hole. Locations may be approved within three hundred thirty (330) feet of legal subdivision lines, but estimated total depths do not have to be included in notifications. Records, plugging affidavits and logs do not have to be filed with the Commission except within a period of six (6) months after completion of drilling. In the case of a series of wells drilled as a part of a single investigational program, records, plugging affidavits and logs may be filed with the Commission within six (6) months after completion of the last test hole drilled providing that the Director is informed of the approximate number of tests to be included in the program and that the period of not more than thirty (30) days separate the completion of one test and the commencement of the next test. Special permission for time extension between drilling of successive test holes may be granted by the Director or his authorized deputy for justifiable reasons.

Upon written request by the operator, all records, plugging affidavits, logs, plats and geologic information will be held confidential for a period not to exceed one (1) year.

The operator or drilling contractor shall maintain an accurate map or plat of all shallow exploratory, stratigraphic or seismic holes for a period of at least five (5) years after completion of a program, and all holes shall be satisfactorily plugged.

038 FORM 13 - RELEASE

~~Owners~~ Operators may utilize Form 13 in securing a release of further plugging responsibility when a well thought capable of producing water for agricultural, domestic, industrial, or municipal use is disposed of as authorized by Rule 2-007.

039 FORM 14 - AUTHORIZATION TO TRANSPORT OIL AND/OR GAS FROM LEASE

Before any oil and/or gas may be sold, removed or transported from any unit or lease by any person, the owner shall file with the Director Form 14 - AUTHORIZATION TO TRANSPORT OIL AND/OR GAS FROM LEASE - and must secure the Director's approval before proceeding with the sale, removal or transporting of any oil and/or gas which authority shall be effective until further notice or until revoked by the Director. No purchaser shall buy, remove or transport any oil and/or gas from any unit or lease until he has received an approved copy of Form 14. The Director shall revoke said authority if it is found that any fraud, deceit or misrepresentation was made to obtain the approval of said authority, or if any ~~owner~~ operator is in violation of any rule, regulation or order of the Commission. Said ~~owner~~ operator may apply for a new permit at any time said ~~owner~~ operator is in compliance with Sections 57-901 through 57-921, Revised Statutes Nebraska, 1943, and all rules and regulations and orders of the Commission. A new well is exempt from this rule for a period of thirty (30) days following completion.

040 INACTIVE WELLS

Whenever operations cease for a period of sixty (60) days on any well, the operator shall give notice to the Commission of the change to inactive status.

040.04 FEE FOR INACTIVE WELL

A yearly fee will be collected for each well that is inactive for two or more consecutive years. The operator will submit a fee for each well requested for inactive status. The fee structure is as follows:

Inactive Period, YR	Fee
0 to 2	$ 0/Year
2 or more	$200/Year

The funds shall be used at the discretion of the Commission and the collection of fees may be suspended at the discretion of the Director if previously collected funds prove sufficient.

Statute: 57-905; 57-906; 57-907; 57-908; 57-919; 57-923

Effective Date, LB293	08-28-99
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Initial Review	10-26-99

041 WELL STIMULATION ACTIVITIES COVERED BY DRILLING PERMITS

Well completions which include hydraulic fracturing, acidizing, or other chemical stimulations done to complete a well are considered permitted under the drilling permit for that well.

042 HYDRAULIC FRACTURING

New and existing wells which will be stimulated by hydraulic fracturing must demonstrate suitable and safe mechanical configuration for the stimulation treatment proposed.

042.01 If the operator proposed fracturing through a temporary casing/tubing string it must be stung into a liner or run on a packer set not less than 100 feet below the cement top of the production or intermediate casing and must be tested to not less than maximum anticipated treating pressure.

042.02 Casing/tubing pressure test will be considered successful if the pressure applied has been held for 10 minutes with no more than a ten percent pressure loss.

042.03 Maximum treating pressure shall not exceed the test pressure determined above.

042.04 The surface casing valve must remain open while hydraulic fracturing operations are in progress. The annular space between the fracturing string and production casing must be monitored and maybe pressurized to a pressure not to exceed the pressure rating of the lowest rated component that would be exposed to pressure should the fracturing string fail.

043 DISCLOUSURE OF WELL STIMULATION FLUIDS

Within sixty days of the hydraulic fracture stimulation is performed, the operator shall post on the FracFocus Chemical Disclosure Registry (FracFocus.org) all the elements made viewable by the FracFocus website.

Statute 57-905(4)(b)

044 PROPRIETARY CHEMICALS AND TRADE SECRETS

Where the formula, pattern, compilation, program, device, method, technique, process or composite of a chemical product is proprietary to the owner or operator, or service company and would if disclosed reveal methods or processes entitled to protection as trade secrets, such as a chemical, need not be disclosed to the Director or staff unless:

044.01 If necessary to respond to a spill or release of a trade secret product, the operator of service company must provide to the Director upon request a list of the chemical constituents contained in a trade secret product. The Director may request information be provided orally directly to a laboratory or other third party performing analysis for the Commission. Commission staff and any third parties receiving trade secret information on behalf of the Commission may be required to execute a nondisclosure agreement.

44.02 The Operator or service company must provide the chemical constituents of a trade secret to a health professional who provides a written statement that knowledge of the chemical constituents of such product is needed for purposes of diagnosis or treatment of the individual being diagnosed or treated may have been exposed to the chemical concerned. The health professional may not use the information for purposes other that the health needs asserted in the statement of need and may be required to execute a nondisclosure agreement.

044.03 Where a health professional determines that a medical emergency exists and the chemical constituents of a trade secret product are necessary for emergency treatment, the operator of service company shall immediately disclose the chemical constituents to a product to that health professional upon verbal acknowledgement by the health professional that such information shall not be used for purposed other than health needs asserted and that the health professional shall otherwise maintain the information as confidential.

Statute 57-905(4)(b)

Statute: 57-905; 57-906; 57-907; 57-908; 57-919

CHAPTER 4 - UNDERGROUND INJECTION

004 APPLICATION FOR APPROVAL OF ENHANCED RECOVERY INJECTION AND DISPOSAL WELLS

004.02 The application for the initial approval of an enhanced recovery injection or disposal well or wells shall be accompanied by:

004.02A A plat ~~outlining the area which will be affected by the proposed operation and showing all governmental quarter sections or equivalent lots thereto directly or diagonally offsetting said area. The names of the owner or operator of each separate tract of land shall be shown, and~~ map showing all wells, including dry, abandoned or drilling wells shall be properly located and designated on said plat. In the case of an operation conducted subject to a unit agreement, the area affected shall be the area subject to such agreement, or that area within one-half (1/2) mile of each injection well, whichever is the greater distance,

004.03 For previously authorized units or projects, the names and addresses of each person owning a fee, leasehold, mineral or royalty interest within one-half (1/2) mile of each new injection well shall be shown on the plat.

005 NOTICE OF HEARING

005.02 In addition to the notice required by law, notice of the application and the time and place of hearing shall be given by the applicant by certified mail or by delivering a copy of the notice to each person owning a fee, leasehold, mineral or royalty interest within the project area or within one-half (1/2) mile of the injection well, whichever is the greater. For previously authorized units or projects, the operator(s) of record owning adjacent secondary recovery unit or project within one-half (1/2) mile of each new injection well shall be noticed. A copy of such notice shall be filed with the Commission, and the applicant shall certify that notice by certified mail or by delivery to each person has been accomplished at least fifteen (15) calendar days prior to the hearing or give sufficient reason for being unable to do so.

005.03 In the event no person required to be notified, or the Commission itself files a written objection to the application within ten (10) days of the date of the notice, the application shall be granted; but if any person or the Commission itself files written objection within ten (10) calendar days of the notice, then a hearing shall be held.

006 OPERATING REQUIREMENTS FOR ENHANCED RECOVERY INJECTION AND DISPOSAL WELLS

006.01 Initial Requirements:

006.01D For all Salt Water Disposal (SWD) wells, ~~T~~the operator shall monitor and record actual injection pressure and each annulus pressure at least once each week and report such monitoring monthly.

006.01E For all Enhanced Oil Recovery (EOR) wells the operator shall monitor and record actual injection pressure and each annulus pressure at least once each month and report such monitoring monthly.

006.01F Each well or group of wells which inject fluids under pressure utilizing a positive displacement pump shall have installed both high pressure and low pressure safety switches which will shut down the pump in case of pressure increase over the authorized pressure or sudden pressure loss.

006.01G All commercial facility sites must be physically secured at all times. The Director will determine if a site is secure. The Commission recommends that sites be secured by either of the following:

- Complete enclosure of all wells, tanks/pits and wellhead assemblies within suitable fencing; and/or
- All gates and other entry points shall be locked when the facility is unattended; and/or
- Provide tamper-proof seals or locks for the "master" valve on each well; and/or
- Install locking caps on all valves and connections on holding tanks and headers.

009 **TRANSFER OF AUTHORITY TO INJECT**

An order authorizing an enhanced recovery injection well or disposal well shall not be transferred from one operator to another without the approval of the ~~Commission~~ Director. Prior to transfer of ownership of any injection well or change of operator, the new operator shall file written notice of such change with the Commission on Form 4 showing the proposed date of transfer along with proof of compliance with the bonding provisions of Rule 3-004.

009.01 The class II permits are considered expired once an applicant applies for a transition from Class II to Class VI injection wells. The operator must apply for and obtain a Class VI geologic sequestration permit. Class VI permits are authorized under Title 122 administrated through NDEQ.

Statute: 57-905; 57-910; 57-911

CHAPTER 6 - RULES OF PRACTICE AND PROCEDURE BEFORE THE OIL AND GAS CONSERVATION COMMISSION OF THE STATE OF NEBRASKA

005 **FORM OF PLEADINGS**

005.02 Answers, Protest, Notice of Protest

Any interested person may appear at the hearing and support, protest or otherwise be heard concerning any such matter provided that any person desiring to protest the granting of the petition shall, at least five (5) business days prior to the date of the hearing, file a written protest with the Commission, which shall briefly state the basis of the protest. Any person who files a protest with the Commission shall at the same time serve a copy thereof on the person filing the petition. Such service shall be made by mailing a copy of the protest, postage prepaid, to the petitioner.

006 **NOTICE OF HEARING**

006.04 Service of Notice in Special Proceedings

006.04A In all cases where

006.04A1 there is an application for the entry of a pooling order under Section 57-909 R.S. Nebraska, or

006.04A2 there is an application for the entry of a unitization order under Section 57-910 to 57-910.12 R.S. Nebraska, notice of the hearing to be held on such application shall be served on the interested parties as hereinafter defined by certified mail at least fifteen (15) business days prior to the date of the hearing.

For the purpose of pooling applications filed under Section 57-909, the term, "interested parties," shall mean those persons who own any oil or gas leasehold, mineral or royalty interest in the tracts to be pooled.

For the purpose of unitization applications filed under Section 57-910 to 57-910.12, the term, "interested parties," shall mean those persons whose names are required to be set forth in the application.

006.04E All notices required by this Rule shall be given as soon as practicable after the filing of the application, but in any event at least fifteen (15) calendar days prior to the date of hearing. Service of notice shall be deemed complete as of the date of mailing.

006.04F All notices required by this Rule shall contain the following statements: "Any person desiring to protest the granting of the application shall, at least five (5) business days prior to the date of the hearing, file a written protest with the Commission, which shall briefly state the basis of the protest. Any person who files a protest with the Commission shall at the same time serve a copy thereof on the person filing the application. Such service shall be by mailing a copy of the protest, postage prepaid, to the applicant. Complete copies of the application in the above-styled cause may be obtained from the Nebraska Oil and Gas Conservation Commission, P. O. Box 399, Sidney, Nebraska 69162."

007 HEARINGS

007.01 Examiners

The Commission may appoint one or more examiners who may conduct any of its hearings in accordance with Section 57-905(12). All hearings may be set for hearing before an Examiner except:

007.01A Matters in which ~~the Commission or~~ the Director believes should be heard before the Commission.

007.01B Matters in which the application or a motion pursuant to which the hearing is held specifically requests that the hearing be heard before the Commission; provided that such motion is filed at least five (5) business days prior to the hearing.

007.02 Continuances

Any party who desires a continuance shall, immediately upon receipt of notice of the hearing or as soon thereafter as facts requiring such continuance come to his knowledge, notify the Commission in writing of said desire, stating in detail the reasons why such continuance is necessary. Any such party may be required to submit affidavits in support of such request. The Commission or its examiners, in passing upon a request for continuance, shall consider whether such request was promptly made. For good cause shown, a continuance not to exceed thirty (30) days may be granted without the necessity of notice in addition to the original notice of hearing. The Commission or its examiners may at any time order a continuance on its own motion. ~~Only under exceptional circumstances will requests for continuance of a hearing be considered unless submitted at least seven (7) days prior to the hearing date. The Secretary shall notify all interested parties immediately of the granting of a continuance.~~ For good cause shown, the hearing may be continued until the next scheduled hearing date, provided that a motion for continuance is filed at least ten (10) business days prior to the scheduled hearing date.

008 ORDERS AND DECISIONS

008.02 Any person having an interest in property affected by an order issued by an examiner and who is dissatisfied with such order may appeal to the Commission by filing a petition on appeal to the Commission within fifteen (15) business days of the entering of the examiner's order. The Commission shall hold a hearing on the appeal within forty-five (45) days of the filing of an appeal to the Commission and issue its order within fifteen (15) business days after the hearing.

Statute: 57-905; 57-911

DONE, at Sidney, Nebraska, this 22nd day of May, 2012.

NEBRASKA OIL AND GAS CONSERVATION COMMISSION

By: _____
Stan Belieu, Deputy Director