MEMORANDUM OF UNDERSTANDING

BETWEEN

BUREAU OF LAND MANAGEMENT

AND

STATE OF NEVADA

COMMISSION ON MINERAL RESOURCES, DIVISION OF MINERALS

I. BACKGROUND AND OBJECTIVES

A. The purpose of this Memorandum of Understanding (MOU) is to provide coordination for oil and gas and geothermal (OGG) operations and inspections, by eliminating duplication of effort and maximizing human and fiscal resources. This MOU, entered into this 19th day of January, 2006, between the State of Nevada, Commission on Mineral Resources, hereinafter called the COMMISSION, Division of Minerals, hereinafter called the DIVISION, and the United States Department of the Interior, Bureau of Land Management, hereinafter called the BUREAU, shall include all lands within the State of Nevada.

B. The authority of the BUREAU to enter into this MOU with the DIVISION is found at Section 202, Federal Oil and Gas Royalty Management Act (FOGRMA) of 1982.

C. The authority of the DIVISION to enter into this MOU is found in NRS 277.110 (2) and the Memorandum of Understanding, Working Agreement between the Governor of the State of Nevada and the Nevada State Director, Bureau of Land Management dated July 13, 1984.

II. PROVISIONS

A. The BUREAU agrees, under the terms of this MOU, to perform the following actions:

Send copies of all Applications for Permit to Drill (APD) and Geothermal Drilling Permits (GPD) for OGG wells to the DIVISION upon receipt. Coordinate with the DIVISION to ensure technical standards for APDs and GPDs are acceptable to the Division. Send copies of all approved APDs and GPDs, correspondence and reports affecting royalty, spacing, lease boundaries or participating areas and compliance and approved Sundry Notices.

Conduct inspections of OGG operations on fee or State lands at the request of the DIVISION unless BUREAU staff is unavailable. The BUREAU inspector will document inspection results according to BUREAU standards and provide copies of results for those OGG wells to the DIVISION. The BUREAU will not order an operator on fee or State lands to take any action. If there is danger to public health and safety, the BUREAU inspector will immediately notify the DIVISION.

Share the Annual Inspection Strategy for OGG operations with the DIVISION.

Invite the DIVISION to attend all OGG meetings concerning units, development contracts and communitization agreements.

Provide the DIVISION with copies of OGG lease sale notices and results.

Assist the DIVISION by serving as expert witnesses at hearings conducted by the DIVISION.

Provide the DIVISION with verification of Federal bond coverage to conduct operations.

Upon request by the DIVISION, the BUREAU will supply essential proprietary information in support of an investigation or inspection for OGG, according to the provisions of 43 CFR Subpart 3190.1.

B. The DIVISION agrees, under the terms of this MOU, to perform the following actions:

Provide API numbers for Applications for Permit to Drill (APDs) and Geothermal Drilling Permit Applications (GPDs).

Coordinate with the BUREAU to ensure technical standards for APDs and GPDs are acceptable to the BUREAU.

Conduct inspections of OGG operations on Federal lands at the request of the BUREAU unless staff is unavailable. The DIVISION inspector will document inspection results and provide copies of results for those OGG wells to the BUREAU. The DIVISION will not order an operator on Federal lands to take any action without prior coordination with the BUREAU. If there is danger to public health and safety, the DIVISION inspector will immediately notify the BUREAU.

Provide the BUREAU with the bi-monthly production report for oil and gas and the annual production report for geothermal.

Notify the BUREAU of any new OGG wells permitted and/or completed on fee lands. Supply copies to the BUREAU of any public permits, reports, logs, or data of wells on fee lands, upon request.

Provide the BUREAU notice of Commission on Mineral Resources meetings enabling a BUREAU representative the opportunity to attend and participate as appropriate.

Assist the BUREAU in obtaining documents and concurrences from other State agencies to facilitate the timely approval of NEPA documents which are necessary for the BUREAU surface use plan portion of the APD and GPD for OGG wells.

Provide the BUREAU OG well spacing information in the form of field spacing orders and state wide rules. In situations where applicants have requested a spacing exception the DIVISION will consult with the BUREAU prior to granting such exceptions.

The DIVISION will accept bonds submitted to the BUREAU towards meeting the DIVISION bonding requirements.

III. MUTUAL RESPONSIBILITIES

The BUREAU Deputy State Director and the DIVISION Administrator mutually agree to:

Advise each other of new developments in the OGG programs and/or pending litigation or issues concerning the OGG industry in Nevada.

Provide compliance histories, periodic bonding updates, statistical and/or other data in support of OGG programs, as available, in reasonable time frames.

Facilitate and promote efforts by and between the COMMISSION, DIVISION, BUREAU, and industry representatives to continue improving best management practices.

Conduct a periodic review of the status of the OGG programs to determine the need for modifications to this Memorandum.

Conduct these responsibilities in a manner consistent with the schedules, policies, and operating procedures of the BUREAU and the DIVISION.

Organize joint OGG industry/agency meetings for Nevada operators, as needed.

Resolve OGG issues and concerns in a timely and mutually beneficial fashion.

IV. MEETINGS AND TRAINING

The BUREAU Deputy State Director and the DIVISION Administrator agree to coordinate as needed to meet the objectives and responsibilities of this MOU; represent Nevada at national workshops, conferences, and industry events; and to offer cross-training opportunities for staff where available.

V. DISCLAIMER

Nothing in this MOU shall be construed as limiting or modifying in any way the authority or statutory or regulatory responsibilities of the Governor of the State of Nevada or the Bureau of Land Management State Director as signatories of the 1984 MOU Working Agreement, nor as binding either the State of Nevada or the BLM to perform their respective duties.

VII. EFFECTIVE DATE

This Memorandum of Understanding shall become effective upon execution by the parties. This MOU shall be reviewed periodically for purposes of renewal and modifications as necessary to achieve the common objectives and goals of the BUREAU and the DIVISION. This MOU, or amendment thereto, will remain in force until and unless formally terminated by any of the signatories after thirty (30) days written notice to the other party of their intention to do so.

VIII. SIGNATURES

Fred D. Gibson
Chairman
Commission on Mineral Resources

Date: 1/19/06

Ron Wenker
State Director
Bureau of Land Management

Date: 1/9/2006

Alan R. Coyner
Administrator
Commission on Mineral Resources
Nevada Division of Minerals

Date: 1/9/2006

Del Fortner
Deputy State Director
Bureau of Land Management

Date: 1/9/2006