



North Carolina Department of Environment and Natural Resources

Pat McCrory  
Governor

John E. Skvarla, III  
Secretary

**MEMORANDUM**

TO: ENVIRONMENTAL REVIEW COMMISSION  
The Honorable Brent Jackson, Chairman  
The Honorable Ruth Samuelson, Co-Chairman  
The Honorable Mike Hager, Co-Chairman

JOINT LEGISLATIVE COMMISSION ON ENERGY POLICY  
The Honorable Bob Rucho, Co-Chairman  
The Honorable Mike Hager, Co-Chairman

SENATE APPROPRIATIONS SUBCOMMITTEE ON NATURAL AND ECONOMIC  
RESOURCES  
The Honorable Andrew C. Brock, Co-Chairman  
The Honorable Brent Jackson, Co-Chairman

HOUSE APPROPRIATIONS SUBCOMMITTEE ON NATURAL AND ECONOMIC  
RESOURCES  
The Honorable Tom Murry, Chairman  
The Honorable Roger West, Chairman  
The Honorable Jimmy Dixon, Vice-Chairman  
The Honorable Garland E. Pierce, Vice-Chairman  
The Honorable Michele D. Presnell, Vice-Chairwoman

FISCAL RESEARCH DIVISION  
Mark Trogdon, Director

FROM: Mitch Gillespie  
Assistant Secretary for the Environment

SUBJECT: Annual Report on Activities Conducted Pursuant to S.L. 2012-143

DATE: October 1, 2013

Pursuant to General Statue 113-391(e), the Division of Energy, Mineral, and Land Resources shall submit to the Environmental Review Commission, the Joint Legislative Commission on Energy Policy, the Senate and House of Representatives Appropriations Subcommittees on Natural and Economic Resources, and the Fiscal Research Division of the General Assembly a report on its activities conducted pursuant to Session Law 2012-143 on or before October 1<sup>st</sup> of

each year. Please consider this memorandum, along with the attached quarterly reports and rules status table, as the Annual Report on Activities Conducted Pursuant to S.L. 2012-143.

The Department of Environment and Natural Resources has accomplished the following activities during the time period October 1, 2012 through September 30, 2013:

- a. Created an Energy Program within the Division of Energy, Mineral, and Land Resources (DEMLR). This Program is currently staffed with one supervisor, one senior geologist, one senior environmental specialist, and one office administrator. The additional four positions for the Energy Program appropriated by the General Assembly this session to assist with rulemaking and staffing the modern regulatory program for oil and gas are in the process of being established. Energy Program personnel serve as scientific consultants for and provide administrative and logistical support to the Mining and Energy Commission (MEC);
- b. Ensured efficient coordination and communication between the MEC, its Committees and Study Groups and DENR Secretary's Office, various DENR Divisions, the DENR Stakeholder Group on Oil and Gas Management, and the Division of Energy, Mineral, and Land Resources with respect to research and rule drafting activities and the compilation of Study Group reports;
- c. Provided the Mining and Energy Commission with staff support of the activities conducted by the following committees:
  - i. Administration of Oil and Gas Committee;
  - ii. Water and Waste Management Committee;
  - iii. Environmental Standards Committee;
  - iv. Rules Committee;
  - v. Mining Committee; and
  - vi. Committee on Civil Penalty Remissions (inactive to date).
- d. Provided the Mining and Energy Commission with staff support of the activities conducted by the following study groups:
  - i. Local Government Regulation Study Group;
  - ii. Compulsory Pooling Study Group;
  - iii. Funding Levels and Potential Funding Sources Study Group;
  - iv. Coordinated Permitting Study Group; and
  - v. Protection of Trade Secrets and Proprietary Information Study Group.
- e. Developed the following draft rule sets, in coordination with the MEC and its Committees:
  - a. Chemical disclosure requirements rule set;
  - b. Prohibited chemicals and constituents rule set;
  - c. Water acquisition and management rule set;
  - d. Well construction requirements rule set;
  - e. Wellhead standards rule set;
  - f. Waste management rule set;

- g. Baseline testing rule set; and
  - h. Setbacks rule set.
- f. Assisted with developing the following draft reports, in coordination with MEC Study Groups:
- a. Local Government Regulation Study Group report;
  - b. Compulsory Pooling Study Group report;
  - c. Funding Levels and Potential Funding Sources Study Group report; and
  - d. Coordinated Permitting Study Group report.
- g. Managed the Stakeholder Group on Oil and Gas Management, which is composed of representatives from industry, non-profit organizations, individuals, and local and state governments. This group has provided feedback which has been essential in the development of draft rules.

DENR personnel also participated in numerous local and regional education and outreach activities, which included speaking events and meetings with university classes, professional organizations, citizens' groups, and local government officials.

Specific details regarding DENR activities during the reporting period are provided in the attached quarterly reports. Additionally, the status of current and anticipated draft rule sets is shown in the attached "MEC Rule Development" table.

If you have any questions or need additional information, please contact me by phone at (919) 707-8619 or via e-mail at [Mitch.Gillespie@ncdenr.gov](mailto:Mitch.Gillespie@ncdenr.gov).

cc: James Womack, Chairman, Mining and Energy Commission  
Neal Robbins, Director of Legislative Affairs  
Carr McLamb, Deputy Director of Legislative Affairs  
Fred F. Steen, Office of the Governor  
Jennifer Hoffman, Fiscal Research Division  
Tracy Davis, Director, Division of Energy, Mineral, and Land Resources

## MEC Rule Development Table

Count	Cross-Ref to SL 2012-143	Cross-Ref to SL 2013-365	Rule Heading	Status	Assignment
1			<b>Purpose and Scope</b>		Rules Committee
2			<b>Terms of Reference and Definitions</b>		Rules Committee
3			<b>Administrative</b> -General Provisions		Rules Committee
4	113-391(a)(5)k, 113-391(b), 113-392(c)		Notice and Hearings	Research is underway, looking at current NC rules and rules from other states.	Rules Committee
5			Appeals	Research is underway, looking at current NC rules and rules from other states.	Rules Committee
6	113-391(b)		Inspections	Research is underway, looking at current NC rules and rules from other states.	Rules Committee
7	113-191 (a4), 113-410(c)		Enforcement	Research is underway, looking at current NC rules and rules from other states.	Rules Committee
8	113-410(a), 143B-293.6		Violations	Research is underway, looking at current NC rules and rules from other states.	Rules Committee
9	113-410, 113-425(c), 143B-293.6		Penalties	Research is underway, looking at current NC rules and rules from other states.	Rules Committee
10	130A-29 Section 2(j)	Part II, Sections (a) and (b)	Severance Taxes and Impact Fees	Being Studied by Funding Study Group and staff	Statutory Change or Rules Committee
11	113-391(b1), 113-391(a)(5)h		Trade Secret Protection	Being Studied by Trade Secret Study Group	Rules Committee
12	113-391(b1), 113-391(a)(5)h		Trade Secret Challenge	Being Studied by Trade Secret Study Group	Rules Committee
13	113-391(a)(7), 113-391(a)(5)k		Record Keeping & Reporting		Rules Committee
14	113-391(a), 113-391(a)(5)l, 113-391(d)		<b>Safety</b> -General Provisions	Also assigned to DOL; can also reference CFRs	Admin of Oil & Gas
15			High Density Areas		Admin of Oil & Gas
16			Statewide Controls		Admin of Oil & Gas
17			Marking of Wells and Pipelines	Marking of wells addressed under well construction rules; pipelines may already be covered under utilities rules.	Admin of Oil & Gas
18	113-391(a)(9)		Oil and Gas Facilities		Admin of Oil & Gas
19			Corrosion Control		Admin of Oil & Gas
20			Fire Prevention and Protection		Admin of Oil & Gas
21	113-391(a)(5)k,		Record Keeping and Reporting		Admin of Oil & Gas

Count	Cross-Ref to SL 2012-143	Cross-Ref to SL 2013-365	Rule Heading	Status	Assignment
	113-391(a)(7)				
22	113-391(a)(4)		<b>Environmental Testing</b> -General Provisions	Completed Rules Committee- Await MEC	Env. Standards
23	113-423(f), 113-391(a)(5)b, 113-391(a)(4)		Baseline Sampling and Testing- Ground & Surface Water	Completed Rules Committee- Await MEC	Env. Standards
24	113-423(f), 113-391(a)(5)b, 113-391(a)(4)		Baseline Sampling of Air Quality	Likely Cross-Reference to DAQ Rules	Env. Standards
25	113-391(a)(1)		Baseline of Seismic Activity	Refers to geophysical exploration work. Should be removed.	Env. Standards
26	113-391(a)(1) (implied), 113-391(a)(5)k		Baseline Sampling Report	Completed Rules Committee- Await MEC	Env. Standards
27	113-413(f)		Subsequent Water Testing	Completed Rules Committee- Await MEC	Env. Standards
28	113-391(a)(5)b		Subsequent Air Quality Testing	Likely Cross-Reference to DAQ Rules	Env. Standards
29	113-391(a)(5)b		Reporting of Other Environmental Assessments	Completed Rules Committee- Await MEC	Env. Standards
30	113-391(a)(7), 113-391(a)(5)k		Record Keeping & Reporting	Completed Rules Committee- Await MEC	Env. Standards
31	113-391(a)(5)a, 113-410(a)	Part II, Section 2(a)	<b>Permitting</b> -General Provisions	Being Studied by Coordinated Permitting Study Group	Admin of Oil & Gas
32	113-391(a)(5)a, 113-410(a), 113-395	Part II, Section 2(a)	Permitting Requirements and Fees	Being Studied by Coordinated Permitting Study Group	Admin of Oil & Gas
33	113-391(5)(i)		Emergency Response Plans		Admin of Oil & Gas
34	113-391(a)(1) * Already required in 15A NCAC 05C		Permit for Geophysical Surveys (Pre-Drilling)	In Research by Staff	Admin of Oil & Gas
35		Part II, Section 2(a)	<b>Comprehensive Drilling Plan</b> - General Provisions	Should be merged with Coordinated Permitting	Admin of Oil & Gas
36	113-391(a)(1), 113-391(a)(5)		Pre-Drilling Survey Report	In Research by Staff	Admin of Oil & Gas
37			Identification of Wildlife Species and Habitats	Part of coordinated permitting	Env. Standards
38			General Operating Requirements in Wildlife Habitats or Other Protected Areas	Part of coordinated permitting	Env. Standards
39			Consultation	Part of coordinated permitting	Env. Standards

Count	Cross-Ref to SL 2012-143	Cross-Ref to SL 2013-365	Rule Heading	Status	Assignment
40	113-391(a)(5)l	113-421(a)(3)	<b>Bonding</b> -General Provisions	Being Studied by Funding Needs and Sources Study Group	Admin of Oil & Gas with input from Funding Levels Study Group
41	113-391(a)(5)l	113-421(a)(3)	Well Construction Bonding	Being Studied by Funding Needs and Sources Study Group	Admin of Oil & Gas with input from Funding Levels Study Group
42	113-391(a)(5)l	113-421(a)(3)	Well Plugging and Abandonment Bonding	Being Studied by Funding Needs and Sources Study Group	Admin of Oil & Gas with input from Funding Levels Study Group
43	113-391(a)(5)l	113-421(a)(3)	Reclamation Bonding	Being Studied by Funding Needs and Sources Study Group	Admin of Oil & Gas with input from Funding Levels Study Group
44	* Bonding not required, but surface owner protection is in 113-421(a1).	113-421(a)(3)	Surface Owner Protection Bonding	Being Studied by Funding Needs and Sources Study Group	Admin of Oil & Gas with input from Funding Levels Study Group
45	113-391(a)(7), 113-391(a)(5)k		Reporting Procedures	Being Studied by Funding Needs and Sources Study Group	Admin of Oil & Gas with input from Funding Levels Study Group
46	113-391(a)12, 113-393, 113-392, 143B-293.1(b)		<b>Drilling Units</b> -General Provisions	<b>(Note- Moving 46-49 Up in Priority for completion)</b>	Admin of Oil & Gas
47	130A-29, Section 2(l)		Pooling	Being Studied by Compulsory Pooling Study Group	Admin of Oil & Gas (input from Compulsory Pooling SG)
48	130A-29, Section 2(l)		Unitization or Unit Operations	Being Studied by Compulsory Pooling Study Group	Admin of Oil & Gas (input from Compulsory Pooling SG)
49	113-393, 143B-291(b), 113-391(a)(12), 113-392, 143B-293.1(b)		Restricted Drilling Units		Admin of Oil & Gas
50	143B-293.1(b), 113-391(a)(12)		Well Spacing		Admin of Oil & Gas
51	113-391(a)(5)c		<b>Well Construction</b> -General Provisions	<b>MEC Completed</b>	Admin of Oil & Gas
52	113-391(a)(5)d		Setback Distances	Draft rule being deliberated by Committee	Environmental Standards
53	113-391(a)(5)c,		Drilling Fluids and Additives	<b>MEC Completed</b>	Admin of Oil & Gas

Count	Cross-Ref to SL 2012-143	Cross-Ref to SL 2013-365	Rule Heading	Status	Assignment
	113-391(a)(5)f, 113-391(a)(5)g, 113-391(a)(5)h, 113-391(a)(3)				
54	113-391(a)(5)c		Casing and Equipment Requirements	MEC Completed	Admin of Oil & Gas
55	113-391(a)(5)c		Cement Standards	MEC Completed	Admin of Oil & Gas
56	113-391(a)(5)c		Well Installation	MEC Completed	Admin of Oil & Gas
57	113-391(a)(5)		Well Stimulation and Enhanced Recovery		Admin of Oil & Gas
58	113-391(a)(5)		Well Stimulation, Chemical Treatment, and Enhanced Recovery		Admin of Oil & Gas
59	113-391(a)(5)k		Hydraulic Fracturing Completion Report		Admin of Oil & Gas
60			Hydraulic Fracturing – Vendor Approval Report	Suggest the list be maintained through the Secretary of State's Office as a registered business.	Admin of Oil & Gas
61	113-391(a)(5)c, 113-391(a)(5)d, 113-391(a)(5)i		Wellhead Requirements	Completed Admin of O & G- Await Rules CMTE review	Admin of Oil & Gas
62	113-391(a)(5)i, 113-391(a)(8)		Well Control and Blowout Prevention	MEC Completed	Admin of Oil & Gas
63			Well Maintenance	Will probably be included with rules regarding production and inspections.	Admin of Oil & Gas
64	113-391(a)(7), 113-391(a)(5)k		Drilling Completion Report	Suggest merging with "Well Completion Reports and Maps"	Admin of Oil & Gas
65	113-391(a)(7), 113-391(a)(5)k		Well Completion Report and Maps		Admin of Oil & Gas
66	113-391(a)(6)		Land Owner Request for Survey	Possible Deletion	Admin of Oil & Gas
67	113-391(a)(7), 113-391(b1)		Filing of Drilling Logs	Suggest merging with "Well Completion Reports and Maps"	Admin of Oil & Gas
68	113-391(a)(2)		Plugging and Abandonment (Re-titled as "Permanent Well Closure Requirements" and "Temporary Well Closure Requirements.")	Draft rule being deliberated by Committee	Admin of Oil & Gas
69	113-391(a)(5)k		Well Plugging & Abandonment Report	Draft rule being deliberated by	Admin of Oil & Gas

Count	Cross-Ref to SL 2012-143	Cross-Ref to SL 2013-365	Rule Heading	Status	Assignment
				Committee	
70	113-394, 143-293.1(b)	(Same as SL 2012-143)	Limitation of Production and Allocation	Possible Deletion?	Admin of Oil & Gas
71	113-391(a)(5)k		Production Report		Admin of Oil & Gas
72	113-391(a)(5)k		Specific Notifications		Admin of Oil & Gas
73	113-391(a)(5)k		Record Keeping & Reporting		Admin of Oil & Gas
74	113-391(a)(5)(e), 113-391(a)(11)		Water Use -General Provisions	MEC Completed	Water & Waste
75	113-391(a)(5)(e)		Water Management Plan	MEC Completed	Water & Waste
76	113-391(a)(5)(e), 113-391(a)(5)k		Water Source Documentation	MEC Completed	Water & Waste
77	113-391(a)(5)(e)		Alternative Water Sources	MEC Completed	Water & Waste
78	113-391(a)(5)(e)		Transport of Water From Off-Site Sources	Will be addressed with site construction standards.	Water & Waste
79	113-391(a)(5)(e)		On-Site Storage of Water	Will be addressed with site construction standards.	Water & Waste
80	113-391(a)(5)k, 113-391(a)(5)(e)		Monitoring and Reporting	MEC Completed	Water & Waste
81	113-391(a)(5)k, 113-391(a)(5)(e)		Annual Water Usage Report	MEC Completed	Water & Waste
82	113-391(a)(5)k, 113-391(a)(5)(e)		Record Keeping & Reporting	MEC Completed	Water & Waste
83	113-391(a)(5)(e), 113-391(a)(5)(f)		Waste -General Provisions	Draft rule being deliberated by Committee	Water & Waste
84			Management of Non-E&P Waste	Draft rule being deliberated by Committee	Water & Waste
85			Venting and Flaring of Natural Gas	To Be Addressed Later after EPA Finalizes Rule	Water & Waste
86	113-391(a)(5)(e), 113-391(a)(5)(f)		On-Site Storage of Waste	Draft rule being deliberated by Committee	Water & Waste
87	113-391(a)(5)(c), 113-391(a)(5)(d)		Pits	Draft rule being deliberated by Committee	Admin of Oil & Gas
88	113-391(a)(5)k, 113-391(a)(5)(a)		Pit Permitting/Reporting Requirements	Draft rule being deliberated by Committee	Admin of Oil & Gas
89	113-391(a)(5)(c), 113-391(a)(5)(d)		Pit Lining Requirements & Specifications	Draft rule being deliberated by Committee	Admin of Oil & Gas



Count	Cross-Ref to SL 2012-143	Cross-Ref to SL 2013-365	Rule Heading	Status	Assignment
90	113-391(a)(5)(c), 113-391(a)(5)(d)		Closure of Pits and Buried or Partially Buried Produced Water Vessels	Draft rule being deliberated by Committee	Water & Waste
91	113-391(a)(5)k		Pit Closure Report	Draft rule being deliberated by Committee	Admin of Oil & Gas
92	113-391(a)(5)(e), 113-391(a)(5)(f)		On-Site Treatment of Waste	Draft rule being deliberated by Committee	Water & Waste
93	113-391(a)(5)(f)		On-Site Disposal of Waste	Draft rule being deliberated by Committee	Water & Waste
94	113-391(a)(5)(f)		Centralized E&P Waste Management Facilities	May be not applicable, as EMC should address this matter	Water & Waste
95	113-391(a)(5)(f)		Off-Site Treatment and Disposal	Draft rule being deliberated by Committee	Water & Waste
96	113-391(a)(5)(f)		Waste Transportation	Draft rule being deliberated by Committee	Water & Waste
97	113-391(a)(5)(i)		Spills and Releases	Draft rule being deliberated by Committee	Water & Waste
98	113-391(a)(5)k, 113-391(a)(5)(i)		Spill & Release Report	Draft rule being deliberated by Committee	Water & Waste
99	113-421(a3), 113- 391(a)(5)(a), 113- 391(a)(5)(l)		Site Investigation, Remediation and Closure	Draft rule being deliberated by Committee	Water & Waste
100	113-391(a)(5)k		Record Keeping & Reporting	Draft rule being deliberated by Committee	Water & Waste
101	113-391(a)(5)(h), 113-391(b1)		<b>Chemical Disclosure</b> -General Provisions	Completed Draft- Pending MEC & Study Group review	Env. Standards
102	113-391(a)(5)(h), 113-391(b1)		Required Disclosures	Completed Draft- Pending MEC & Study Group review	Env. Standards
103			Disclosure to Health Professionals	Completed Draft- Pending MEC & Study Group review	Env. Standards
104	113-391(a)(5)k		Record Keeping & Reporting	Completed Draft- Pending MEC & Study Group review	Env. Standards
105	113-391(a)(5)(g)		Prohibited Chemicals	MEC Completed	Env. Standards
106	130A-29 Section 2(k) – requires that these matters be studied.		<b>Aesthetics and Noise Control</b> - General Provisions	Being Studied by Local Govt Study Group	Env. Standards
107	130A-29 Section		Noise Abatement	Being Studied by Local Govt Study Group	Env. Standards

Count	Cross-Ref to SL 2012-143	Cross-Ref to SL 2013-365	Rule Heading	Status	Assignment
	2(k) – requires that this matter be studied.				
108	130A-29 Section 2(k) – requires that this matter be studied.		Lighting	Being Studied by Local Govt Study Group	Env. Standards
109			Visual Impact Mitigation	Being Studied by Local Govt Study Group	Env. Standards
110			Odors and Dust	Being Studied by Local Govt Study Group- May fall under DENR's DAQ Standards	Env. Standards
111	113-391(a)(5)(d)		Site Maintenance and Security	Being addressed within the wellhead rules and the pit standards rules.	Admin of Oil & Gas
112	113-391(a)(5)(k)		Record Keeping & Reporting	Should be addressed as part of the production and inspection rules.	Env. Standards
113			Erosion Control and Sedimentation Mitigation	Possible cross-reference to EMC Rules	Env. Standards
114	113-391(a)(5)(c)		<b>Site Infrastructure</b> -General Provisions	Partially being addressed under the setback rules. Other parts will be addressed under construction standards.	Admin of Oil & Gas
115	113-391(a)(5)(c)		Storage Pit Standards	Drafted- Pending Rules Committee Review	Admin of Oil & Gas
116	113-391(a)(5)(c)		Tank Standards	Drafted- Pending Rules Committee Review	Admin of Oil & Gas
117			Gathering and Distribution Line Standards	May need to address under Statutory Change	Admin of Oil & Gas
118	113-391(a)(5)(d)		Infrastructure Setbacks and Buffers	Partially being addressed under the setback rules.	Admin of Oil & Gas
<b>119</b>			<b>Production</b> -General Provisions		Admin of Oil & Gas
120	113-391(a2)(1), 143B-293.1(b)	(Same as SL 2012-143)	Gas-Oil Ratios	Optional	Admin of Oil & Gas
121	113-394, 113-391(a2)(2)	(Same as SL 2012-143)	Production Limitations	Optional	Admin of Oil & Gas
122	113-391(a2)(2)	(Same as SL 2012-143)	Prevention of Fossil Fuel Waste	Optional	Admin of Oil & Gas
123	113-391(a)(5)(k)		Record Keeping and Reporting	Optional	Admin of Oil & Gas
<b>124</b>	113-421(a2), 113-391(a)(5)(l)	113-421 (a3)	<b>Reclamation</b> -General Provisions		Admin of Oil & Gas
125	113-391(a)(5)(i), 113-391(a3): EMC		Site Preparation and Stabilization	Maybe move into the site construction standards rule set.	Admin of Oil & Gas

Count	Cross-Ref to SL 2012-143	Cross-Ref to SL 2013-365	Rule Heading	Status	Assignment
126	113-391(a)(5)(l)		Interim Reclamation	Maybe move into the site construction standards rule set.	Admin of Oil & Gas
127	113-391(a)(5)(l), 113-421(a2)	113-421 (a3)	Final Reclamation of Well Sites and Production Facilities	Maybe move into the site construction standards rule set.	Admin of Oil & Gas
128	113-391(a)(5)(k)		Interim/Final Reclamation Report		Admin of Oil & Gas
129	<del>113-391(a)(5)(k)</del>		<del>Site Maintenance and Security Report</del>	Should be addressed as part of the production and inspection rules (item #112).	Admin of Oil & Gas
130	<del>113-391(a)(5)(k)</del>		<del>Record Keeping &amp; Reporting</del>	Should be addressed as part of the production and inspection rules (item #112).	<del>Admin of Oil &amp; Gas</del>
131			Variance	Completed Rules Committee- Await MEC review and AG Opinion	Admin of Oil & Gas

# Quarterly Reports

**N.C. Mining and Energy Commission  
and Department of Environment and Natural Resources  
Quarterly Report on Activities Conducted Pursuant to S.L. 2012-143  
to the Joint Legislative Commission on Energy Policy  
and the Environmental Review Commission  
Jan. 3, 2013**

Session Law 2012-143, the Clean Energy and Economic Security Act, was ratified on July 2, 2012 and reconstituted the North Carolina Mining Commission as the North Carolina Mining and Energy Commission. The Act directs the Mining and Energy Commission to establish a modern regulatory program for the management of oil and gas exploration and development in the State and the use of horizontal drilling and hydraulic fracturing treatments for that purpose. The Act also directs the Commission to submit quarterly written reports on the Commission's operation, activities, programs, and progress to the Joint Legislative Commission on Energy Policy and the Environmental Review Commission (Section 1.(h)). The department is also required to report on the progress in developing and adopting the rules required to be adopted by S.L. 2012-143. The quarterly reports shall include recommendations on changes required to existing rules and statutes and any other findings or recommendations necessary for the implementation of this act (Section 2.(m)). This report satisfies both of these reporting requirements for the October – December 2012 timeframe.

Since S.L. 2012-143 became law, the Mining and Energy Commission (MEC) has had four meetings. The first meeting of the MEC, held on September 6, 2012, was primarily devoted to orientation topics. The MEC heard presentations on public records and open meetings law in North Carolina, the ethics requirements of serving on the MEC, the requirements of S.L. 2012-143, the rule development process in North Carolina, and administrative matters such as the budget for the MEC.

At the next meeting of the MEC, held on September 28, 2012, the MEC elected Jim Womack as its chairman. The MEC voted for a vice-chairman, but the vote resulted in a tie and was eventually deferred to the next meeting. The MEC heard presentations from DENR staff on a recommended committee structure for the Commission and a recommended work plan for the development of rules by the October 1, 2014 deadline.

At the third meeting of the MEC, held on November 2, 2012, the MEC approved the draft internal operating procedures presented by the Commission's counsel, Jennie Wilhelm Hauser, with a few changes. The final Internal Operating Procedures of the North Carolina Mining and Energy Commission are included with this report as Appendix A. The MEC also discussed changes to the committee structure presented by DENR staff at the previous meeting and approved a final committee structure (Appendix B) and appointments to each of the committees (Appendix C). The MEC agreed to six committees. In addition to the Mining Committee and the Committee on Civil Penalty Remissions, both of which were set out as committees of the MEC in S.L. 2012-143, the MEC will have the following four additional committees:

- **Environmental Standards Committee**, which will develop rules on information and data to be submitted with applications for permits to conduct oil and gas exploration and development; collection of baseline data for groundwater, surface water and air quality; appropriate siting standards; chemical disclosure and prohibitions on the use of certain chemicals and constituents in hydraulic fracturing fluids; installation of safety devices and protocols for response to emergencies; identification of the ownership of oil and gas wells, leases, and other equipment and facilities; and if necessary, prohibit the location of wells in

the interest of protecting the quality of the water, air, soil or any other environmental resource against injury, damage or impairment.

- **Water and Waste Management Committee**, which will develop rules providing limits on water use, including a requirement that oil and gas operators prepare and have a water and wastewater management plan approved by DENR; management of wastes produced in connection with oil and gas exploration and development, including rules to address storage, transportation and disposal of wastes that may contain radioactive materials; to require certificates of clearance or tenders in connection with the transportation of oil or gas; and to prevent, so far as is practicable, reasonably avoidable drainage from each developed unit which is not equalized by counter-drainage.
- **Administration of Oil and Gas Committee**, which will develop rules that regulate pre-drilling exploration activities, including seismic and other geophysical and stratigraphic surveys and testing; regulation of drilling, operation, casing, plugging, completion and abandonment of wells; appropriate construction standards for oil and gas wells; notice, record keeping and reporting; to require surveys upon application of any owner who has reason to believe that a well has been unlawfully drilled by another person into land of the owner without permission; to require the making of reports showing the location of oil and gas wells and the filing of logs and drilling records; to prevent blowouts, caving and seepage; to regulate the shooting, perforating and chemical treatment of wells; to regulate secondary recovery methods; to regulate the spacing of wells and to establish drilling units; to require the operation of wells with efficient gas-oil ratios; and to limit and prorate the production of oil or gas for the prevention of waste.
- **Rules Committee**, which will steer the rule development process by other committees to ensure that work of one committee is not inadvertently duplicated by another committee and that rules that are developed fit together as seamlessly as possible.

At the November meeting, the MEC also discussed various ways to include stakeholder input in the development of rules. Some of the methods discussed by the MEC included encouraging members of the public to contact committee chairs directly and convening a stakeholder group facilitated by DENR.

On December 18, 2012, the day before the MEC's regular meeting, the committees and study groups of the MEC met for the first time.

The Water and Waste Management Committee heard presentations from staff on laws governing water use in North Carolina and potential alternatives to the use of surface water in hydraulic fracturing fluids. The Water and Waste Management Committee directed staff to begin work on drafting regulations related to water management plans for drilling operators.

The Environmental Standards Committee (ESC) heard from staff about the recommendations of DENR's shale gas report related to chemical disclosure of hydraulic fracturing constituents. The ESC was also fortunate to receive presentations from Adam Peltz, an Environmental Defense Fund attorney specializing in chemical disclosure, and Mike Nickolaus, who works with the chemical disclosure registry website FracFocus.

The Administration of Oil and Gas Committee viewed an educational video about hydraulic fracturing from Marathon Oil Company. They also discussed the number of rules assigned to the Committee and discussed ways to divide the work among committee members.

The Rules Committee looked at frameworks for oil and gas rules in other states and discussed ways to adapt those frameworks to North Carolina's existing rules. The Committee intends to draft an initial framework for placement of rules that follows the process of oil and gas exploration and development, from pre-drilling through site reclamation and well closure.

Two study groups also met on December 18 and one study group met on December 19. Each study has partners, some identified in S.L. 2012-143 and others invited by the Committee Chairs. These partners attended and participated in the study group meetings. The study groups discussed the scope of the work ahead of them and timelines for next steps.

On December 19, 2012, the MEC held its fourth meeting. The meeting consisted of administrative updates from staff, committee and study group reports and a presentation from Bill Ritter, Director, Center for the New Energy Economy and Former Governor for the State of Colorado. Governor Ritter, who established Colorado as a leader in renewable energy, advised the Commission on important steps to take to protect the environment and enable public input while pursuing a program to regulate and manage oil and gas exploration.

Additional information about the MEC, including agendas, meeting minutes and audio recordings of meetings, can be found at the Commission's website: <http://portal.ncdenr.org/web/mining-and-energy-commission/>.

In addition to organizing and staffing the meetings of the MEC, DENR staff has also begun work to establish a robust Energy Program within the Division of Energy, Mineral, and Land Resources (DEMLR). The General Assembly appropriated \$250,000 to DEMLR to hire three staff positions in support of the Energy Program. In the last three months, DEMLR staff has interviewed for all three positions and made offers to candidates for two of the three positions. One of the three new staff members, the Energy Program Supervisor, has already started work. Another new staff member, an Environmental Senior Specialist, will begin work on January 2, 2013. DEMLR staff is currently working on making an offer for the third position, a Geologist/Hydrogeologist.

As noted above, the Department created a website to share information about the activities of the MEC with the public. The website lists meeting agendas, meeting minutes, PowerPoint presentations from meetings, contact information for MEC members, and other information. A listserv is also available for individuals who would like to receive updates on the MEC and changes to the website. To sign up for the listserv, visit <http://lists.ncmail.net/mailman/listinfo/denr.shale.gas>.

The Department has also received authorization from the Mining and Energy Commission to develop and manage a stakeholder group. The Department will begin coordination of this group in early January. At this time, the Department does not have any recommendations for changes to existing rules and statutes or other findings or recommendations necessary for the implementation of this Act.

## Appendix A: Internal Operating Procedures of the North Carolina Mining and Energy Commission.

### INTERNAL OPERATING PROCEDURES OF THE NORTH CAROLINA MINING AND

### ENERGY COMMISSION

#### ARTICLE I

##### Authority

These procedures are adopted pursuant to the authority contained in N.C.G.S. §§ 1438-293.1 through N.C.G.S. § 1438-293.6.

#### ARTICLE II.

##### Purpose

The purpose of the North Carolina Mining and Energy Commission ("Commission") shall be to fulfill the duties prescribed for it in the General Statutes of North Carolina, particularly those provided at N.C.G.S. Chapter 74 and Chapter 113, Art. 27.

#### ARTICLE III.

##### Membership

The membership of the Commission shall be as set forth in N.C.G.S. § 1438-293.2.

#### ARTICLE IV.

##### Officers

Pursuant to N.C.G.S. § 1438-293.4 the statutory officers of the Commission are a Chairman and a Vice-Chairman, which officers shall be elected by the Commission from among its members.<sup>1</sup> The

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<sup>1</sup>In these Internal Operating Procedures references to the officers of the Commission shall be capitalized and references to the officers of committees of the Commission shall not be capitalized.



terms for each office are for one year beginning August 1 and ending July 31. The Chairman and Vice-Chairman may serve any number of terms, but not more than two terms consecutively.

Elections for these offices will occur at the regularly scheduled meeting that precedes July 31, and the report of the nominating committee will be received at that time if not previously received. After the report of the nominating committee is received, the Chairman will receive nominations from the floor for each office and the nominations will be closed for each office before voting for any office takes place.

## ARTICLE V.

### Meetings

Section 1. The Commission shall meet at such time and places as may become necessary to discharge its statutory duties as set forth in the General Statutes. From its creation, effective August 1, 2012, through December 31, 2015, the Commission is required to meet at least twice per quarter; thereafter the Commission shall meet at least once per quarter. N.C.G.S. § 143B-293.5 and Sess. Law 2012-143, Part II, Section 2.(n). The date(s) and location(s) of regular meetings shall be set by the Commission's adoption of a meeting schedule during the course of a regular meeting. The meeting schedule so adopted shall be filed with the North Carolina Secretary of State in accordance with N.C.G.S. § 143-318.12 and any changes to this formally adopted schedule, other than the call of special or emergency meetings, shall be made in accordance with N.C.G.S. § 143-318.12(a).

Section 2. Special meetings and work sessions are allowed at the call of the Chairman or, pursuant to N.C.G.S. § 143B-293.5, upon the written request of at least nine (9) members; provided, timely notice in advance of all special meetings must be given to each and every member of the Commission, and further provided, the notice requirement shall be adequately discharged by letter or

comparable electronic means to the members of the Commission at their last known address. Notice to the public regarding special meetings and work sessions shall be given in accordance with N.C.G.S. § 143-318.12(b) unless it is an "emergency meeting," in which case notice to the public shall be given in accordance with the provisions of N.C.G.S. § 143-318.12(b)(3).

Section 3. Information concerning the Commission's meetings shall be posted on the Commission's website, as provided in N.C.G.S. § 143-318.12(d) and (e).

Section 4. A majority of duly appointed members of the Commission shall constitute a quorum, as provided in N.C.G.S. § 143B-293.2(e).

Section 5. Meetings of the Commission shall be open to the public; provided, the Commission may hold closed sessions where allowed by N.C.G.S. § 143-318.11.

## ARTICLE VI.

### Records Retention and Rulemaking Responsibilities

Section 1. Minutes and other records of all Commission meetings shall be kept under the direction of the Director of the Division of Energy, Mineral, and Land Resources ("DEMLR"), said resources to be supplemented, where possible, by electronic recording. Minutes shall be maintained according to DEMLR's retention schedule approved by the Department of Cultural Resources.

Section 2. Minutes of the Mining Committee of the Commission and all other committees of the Commission shall be kept under the direction of the Director of the DEMLR, said resources to be supplemented, where possible, by electronic recording. Minutes shall be maintained according to DEMLR's retention schedule approved by the Department of Cultural Resources.

Section 3. The Secretary of the Department of Environment and Natural Resources ("DENR"), or his designee, shall be responsible for filing all rules (as defined in N.C.G.S. § 1SOB-2) of the Commission in proper form as required by Chapter 1SOB, Articles 2A, of the North Carolina General Statutes.

The Commission hereby designates DENR's rulemaking coordinator as the rulemaking coordinator for the Commission, reporting to the Chairman of the Commission, pursuant to N.C.G.S. § 1SOB-21.

Section 4. The Secretary of DENR, or his designee, shall be responsible for filing all reports of the Commission as required by N.C.G.S. § 143B-293.1 and Sess. Law 2012-143, Part 2, Section 2.(j)- (m).

## ARTICLE VII.

### Standard Order of Business

Section 1. The Commission adopts the following as its Standard Order of Business; provided that for any given meeting the order of business may be altered by the Chairman in his discretion, at the request of the Steering Committee, or upon a properly made motion and majority vote in order to more efficiently carry out the Commission's business or for the convenience of the public.

1. Preliminary Matters
  - a. Call to Order by the Commission's Chairman
  - b. Pledge of Allegiance and Moment of Silence
  - c. Reading of Ethics Reminder
  - d. Roll call of Commissioners in attendance and members' disclosure of known actual and potential conflicts of interest with agenda items

- e. Revisions or Additions to Agenda
- f. Opening Remarks, Ceremonies or Presentations
- g. Approval of Minutes of Previous Meetings
- 2. Action Items
- 3. Committee and other Status Reports
- 4. Informational Items
- 5. Announcements
- 6. Public Comment
- 7. Concluding Remarks
  - a. Commission Members
  - b. Counsel
  - c. Commission Chairman
- 8. Adjournment

Section 2. Except as provided for in this or other sections of these Internal Operating Procedures, the Commission shall take no actions on rulemaking issues that have not been acted on by the appropriate committee at a scheduled meeting of the committee which was held prior to a previous Commission meeting. The Commission may suspend this rule by the affirmative vote of at least a two-thirds majority of those present and voting.

## ARTICLE VIII.

### Notice Requirements

Section 1. In accordance with the General Statutes of North Carolina, the Secretary of DENR, or an appropriate designee shall be responsible for the timely issuance of any applicable notices to those parties upon whom the right of legal notice of Commission hearings, meetings, decisions, and official action is conferred.

Section 2. The Commission may adopt special notice procedures as it deems necessary, subject to the requirements of the General Statutes.

## ARTICLE IX

### Appearances before the Commission

The Chairman of the Commission is charged with the responsibility for evaluating all requests for appearance before the Commission for their appropriateness and timeliness for consideration and to assess the ability of the Commission to give full consideration to the item of business proposed if added to previously scheduled agenda items. The chairman of each committee will set the agenda and evaluate requests for appearance for that committee's meetings.

## ARTICLE X.

### Committees

Section 1. Pursuant to N.C.G.S. § 143B-293.2(g) the Chairman may establish committees, standing or special, from members of the Commission to address specific issues as appropriate. The Chairman shall designate the chairman of each committee from among its members and shall be ex officio

member of all committees except the nominating committee. A majority of duly appointed members of committees shall constitute a quorum. The chairman of each standing committee shall report on the committee's activities to the Commission during regularly scheduled meetings.

The Chairman of the Commission shall appoint all members of each such committee and designate the chairman of each committee. A vice-chairman for each standing committee shall be elected by the members of that committee. Members shall serve for a term corresponding to that of Officers or until their successors are chosen; therefore, a new body of committee members shall be appointed beginning August 1 of each year. Vacancies on any Committee shall be filled by the Chairman using the procedures set forth in this Section. Committees may adopt at their discretion any internal procedures necessary to the discharge of their business; provided, no procedures adopted by any committee shall be inconsistent with these procedures or any other rules adopted by the Commission, or with any statutes applicable to the Commission. The chairman of the committee shall report on the work of the committee and shall make any majority recommendation of the committee.

Pursuant to Session law 2012-143, Section 2(j)-(l), the Commission is to conduct several studies in conjunction with certain named entities and then provide its findings and recommendations to the Environmental Review Commission of the General Assembly on or before October 1, 2013. To fulfill this statutory obligation, three special study committees of the Commission are hereby formed, and the Chairman of the Commission shall appoint one Commission member to serve as the Director of each study committee. The study committees will be comprised of members of the Commission, and a quorum will be a simple majority of the appointed members. The Director of each study committee will ensure that all entities named as participants in the study by Session law 2012-143 are included in the work of the committee, although only Commission members appointed as members of the particular study committee may vote on findings, recommendations, or reports to be forwarded to the full

Commission for consideration.

Section 2. A Steering Committee composed of the Commission Chairman, the Commission Vice-Chairman and the chairman of each of the Commission's standing committees shall be appointed by the Commission Chairman. The Chairman of the Commission shall be chairman of the Steering Committee and the Vice-Chairman of the Commission shall be vice-chairman of the Steering Committee. The Director of the Division of Energy, Mineral, and Land Resources, or his designee, shall be ex officio member of the Steering Committee. The Steering Committee shall carry out such administrative functions as the Commission Chairman may direct and may make recommendations to the full Commission on any matters it deems relevant to the Commission's work, including assignment of tasks to standing committees.

Section 3. The following committees are established as standing committees of the Commission by statute, specifically N.C.G.S. §§ 143B-293.2(g) and 1438-293.6:

The membership of the Mining Committee is prescribed by N.C.G.S. §§ 143B-293.2(g) and it has exclusive authority over matters pertaining to mining and the implementation of the Mining Act of 1971 and the Control of Exploration for Uranium in North Carolina Act of 1983. In addition, the Chairman and the Steering Committee shall refer matters such as requests for declaratory rulings or interpretive statements under the Mining Act of 1971 or implementing regulations to the Mining Committee. The chairman of the Mining Committee shall make all initial decisions concerning the completeness of any matter requested to come before the Mining Committee and shall rule on all motions, including motions to intervene or participate as amicus curiae. The chairman's ruling shall be served upon the applicant, the Department, and parties of record. Notwithstanding this exclusive authority, the chairman of the Mining Committee shall report on the committee's activities to the Commission during each regularly scheduled meeting.

The Civil Penalty Remissions Committee shall make the final agency decision for the Commission on matters involving a request for remission of the amount of civil penalties pursuant to N.C.G.S. § 1438-293.6 and Article XII of these Internal Operating Procedures. Notwithstanding this exclusive authority, the chairman of the Civil Remissions Committee shall report on the committee's activities to the Commission during each regularly scheduled meeting.

Additional one-issue special committees may be appointed by the Chairman of the Commission as needed. In addition, committees may establish sub-committees as needed, which subcommittees shall consist of members of the committee.

## ARTICLE XI.

### Parliamentary Authority

Section 1. The rules contained in the current edition of *Robert's Rules of Order Newly Revised* shall govern the Commission in all cases to which they are applicable and not inconsistent with these procedures, and any special rules of order the Commission may adopt, or with any statutes or rules applicable to the Commission.

Section 2. In the event the Chairman excuses himself from participation in any matter due to an actual or potential conflict of interest, the Vice-Chairman shall serve as presiding officer for that matter.



## ARTICLE XII.

### Hearings

Section 1. The Chairman shall appoint any Commission member or members, or appropriate qualified employees of DENR, as hearing officer for any required public hearing to receive comments on regulations or as presiding officer for any public hearing conducted under any statutes applicable to the Commission with the exception of hearings related to receiving public comments on regulations necessary to administer the provisions of N.C.G.S. § 143B-293.2(g), which hearing officer(s) shall be appointed by the chairman of the Mining Committee.

Section 2. In making hearing officer appointments, the Chairman shall consider the geographic location of the hearing, the technical complexity of the matter being considered, the public interest in the matter, and the necessity of having an impartial hearing officer without personal bias.

Section 3. All hearing officers appointed pursuant to this Article shall report their recommendations, along with the record of the hearing, to the full Commission for decision or action, and may move adoption thereof.

Section 4. The appropriate time for public comment on the adoption of rules is during the comment period before the hearing officer; therefore, the Commission will refrain from allowing additional public comment during its deliberations on the proposed rules, since the matter is not then in public hearing. However, the Commission may allow limited public discussion during the agenda item for action on the rule(s) if the circumstances warrant and all positions appear to be adequately represented by those present. Additionally, the Commission provides a separate time during its standard order of business outside of Commission deliberations for public comment.

Section 5. With respect to any individual quasi-judicial matter pending before the Commission, such as requests for remissions or requests for declaratory ruling, all members of the Commission and hearing officers shall refrain from directly or indirectly communicating outside of formal hearing process with any person, party or their representative, regarding issues of fact or law

pertaining to the pending matter unless all parties are provided notice of the communication and given an opportunity to participate therein. This prohibition on ex parte communication also applies to the members of the Mining Committee and the Committee on Civil Penalty Remissions when exercising quasi-judicial powers. This section shall not be deemed to limit discussion of such pending matters among Commission members during an official meeting or to limit discussion among Commission members and state employees not directly involved in investigating or prosecuting the pending case.

Section 6. Declaratory Rulings are governed by N.C.G.S. § 150B-4. Motions filed with the Commission by persons seeking leave to intervene in pending proceedings for declaratory rulings or seeking leave to file amicus curiae briefs shall be referred, with any response timely filed by DENR or the party filing the declaratory ruling request, to the Chairman who shall rule on the motion. Persons seeking to intervene shall establish through their motion that they qualify for intervention consistent with N.C.G.S. § 1A-1, Rule 24. With respect to persons seeking leave to file amicus curiae briefs, the motion should state the nature of the applicant's interest, the reasons why the brief is desirable, the questions of law to be addressed in the brief, and the applicant's position on those questions. The proposed amicus brief may be conditionally filed with the motion for leave. The Chairman's ruling shall be communicated to the applicant, the Department and any party of record. As provided in Article X, Section 3 of these Internal Operating Procedures the chairman of the

Mining Committee shall rule on all motions in Declaratory Rulings before the Mining Committee.

### ARTICLE XIII.

#### Remission Requests

Section 1. The chairman of the Committee on Civil Penalty Remissions shall designate at least three members of the Committee to meet together when necessary to review the remission requests that were unable to be resolved by the Secretary, or his designee, and the violator and have been delivered to the Committee. The members will conduct a review of the documents comprising each remission request and the Division Director's recommendation before making a recommendation to the Committee on the best manner of handling the individual remission requests when the full Committee meets to make the final decision.

Section 2. After reviewing the record documents for each remission request sent to the Committee, the designated members will make a recommendation of one of the following possible actions:

- a. that no grounds for remission under N.C.G.S. § 1438-293.6 are shown by the record and the civil penalty should be upheld without further oral presentation before the Committee;
- b. that one or more grounds for remission under N.C.G.S. § 1438-293.6 are shown by the record and the civil penalty should be remitted in some amount without further oral presentation to the Committee;
- c. that the chairman, pursuant to Article IX of these Procedures, allow a violator's

request for oral presentation before the Committee.

Section 3. The Committee on Civil Penalty Remissions will meet as necessary to consider requests for remission and make the final decisions on such requests. When the chairman has allowed a violator's request for oral presentation, the Committee will hear oral presentation by the violator and the staff of DENR. The violator will be notified of the date, time, and location of the meeting when his oral presentation on the remission request will be heard and the matter decided.

Section 4. By submitting a request under N.C.G.S. § 1438-293.6 for remission of a civil penalty assessed by DENR, the violator agrees, and the Committee recognizes that an evidentiary hearing is unnecessary, that all facts alleged in the assessment by DENR are stipulated, and that the only

issue for resolution is the reasonableness of the penalty imposed. The amount of the penalty will be determined by the Committee in accordance with N.C.G.S. § 1438-293.6 and these Internal Operating Procedures. The recommendation of the Secretary, or his designee, on the remission request shall be the final agency decision unless it is modified by the Committee through a motion and vote of a majority of the Committee members in attendance. The Committee may order the full penalty be paid, accept the recommendation of the Secretary's designee, or reduce the penalty in accordance with N.C.G.S. §

1438-293.6. When a request to make an oral presentation is allowed, parties to the proceeding, but not the general public, will be given the opportunity to address the Committee after the recommendation of the staff is received. Oral presentations are limited to issues of record, and should not exceed five (5) minutes per side unless the chairman of the Civil Penalty Remissions Committee rules otherwise. Pursuant to N.C.G.S. § 143-318.11, the Committee may vote to move into executive session for discussion of legal issues.

Section 5. This Article does not apply to civil penalties issued pursuant to N.C.G.S. Chapter 74, Article 7, The Mining Act of 1971, or Article 8, Control of Exploration for Uranium in North Carolina, which statutes do not provide for a remissions process.

#### ARTICLE XIV.

##### Attendance

Regular attendance at Commission meetings is a duty of each member. Commission members recognize that, pursuant to N.C.G.S. § 143B-13(b)(vi), their position becomes vacant by their ceasing to discharge the duties of their office over a period of three consecutive meetings except when attendance is prevented by sickness.

Pursuant to Executive Order 24 those Commission members appointed by the Governor shall attend at least seventy-five percent (75%) of all regularly scheduled meetings of the Commission during the Commission's calendar year. Failure of a Commission member appointed by the Governor to attend Commission meetings in a manner consistent with Executive Order 24 shall constitute grounds for removal from the Commission for misfeasance, malfeasance, or nonfeasance pursuant to N.C.G.S. §

143B-13(d), N.C.G.S. § **143B-16**, or other applicable statutes or regulations. The Director of DEMLR will report on the attendance of gubernatorial appointees annually, at the request of the Governor.

#### ARTICLE XV.

##### Conflict of Interest

Section 1.                   The Commission is subject to the State Government Ethics Act (N.C.G.S.  
Chapter

138A), establishing the State Ethics Commission, including any subsequent amendments or editions. The members of the Commission, regardless of appointing authority, are bound by the standards enunciated in the State Government Ethics Act and the interpretations of the standards as developed through promulgations and advisory opinions of the State Ethics Commission.

Section 2.               Members of the Commission must police themselves against actual and potential conflicts in the discharge of their statutory duties. In circumstances involving actual conflict of interest, the member must immediately discontinue any involvement in the matter including discussions of the matter with other members of the Commission or staff to the Commission. Members who disqualify themselves for actual conflict of interest must file a written statement with the Chairman of the Commission, which statement will be read into the minutes of the Commission.

Section 3.               Members recusing themselves for a potential conflict of interest should make a statement, verbal or written, regarding the potential conflict, which statement will be captured in the minutes of the Commission. Unless a member of the Commission with a potential conflict of interest places it in the public record, the member must withdraw from participation in the matter. When a member withdraws from a matter due to a potential conflict of interest, no further explanation is required. Should the potential conflict of interest be disclosed in a written document, it must be read into the minutes of the Commission before deliberation or discussion of the matter begins. A member with a potential conflict of interest who decides to participate in the pending matter must disclose, in the Commission meeting when the matter is called as an agenda item the nature of the potential conflict of interest and the reason it does not cause them to withdraw from further participation in the matter.

Section 4. For members appointed by the Governor, Executive Order 34 requires appointees to always act in the public's best interest, without regard to their own financial interests, and to recuse themselves from voting on any matter in which the appointee has a financial interest. Executive Order 34 sets forth a standard to be applied in determining whether the member has a financial interest requiring recusal, as follows:

A member derives a financial benefit from a matter under consideration if the person or his or her spouse (i) has an ownership interest in an entity that is directly affected by the matter under consideration; (ii) will derive any income or commission as a direct result of action on the matter under consideration; or (iii) will acquire property as a direct result of action on the matter under consideration.

Section 5. Members of the Commission may appear to defend themselves if actions are initiated against them by the State Ethics Commission. The record of the Commission member's actions during the Commission meetings may be offered in support of the Commission member's position that he complied with the requirements of the Ethics Act.

## ARTICLE XVI.

### Voting

Section 1. Except as otherwise specifically provided by other Articles of these Procedures, all Commission members shall be entitled to make motions, second, and vote on all matters coming before the Commission.

Section 2. The Chairman of the Commission and the chairman of any committee may or may not vote on any issue before the body over which that person is presiding. If a tie occurs, the motion fails.

Section 3. The Director or his designee shall record in the minutes each member's vote on all decisions on remissions and rule adoptions, repeals, and amendments. Votes shall be recorded on any other matter when so requested by any member.

Section 4. Motions to call the previous question or otherwise limit debate shall be considered extraordinary measures and shall require the affirmative vote of three-fourths of those members present and voting.

#### ARTICLE XVII.

##### Amendments

These procedures may be amended at any regular or special meeting of the Commission by a three-fourths vote of the members present; provided that a copy of the amendment must be sent by first-class mail or electronically mailed to each Commission member seven (7) days prior to the adoption of the amendment or otherwise be made available to each Commission member five (5) days prior to the adoption of the amendment.

Effective: *November 29, 2012*

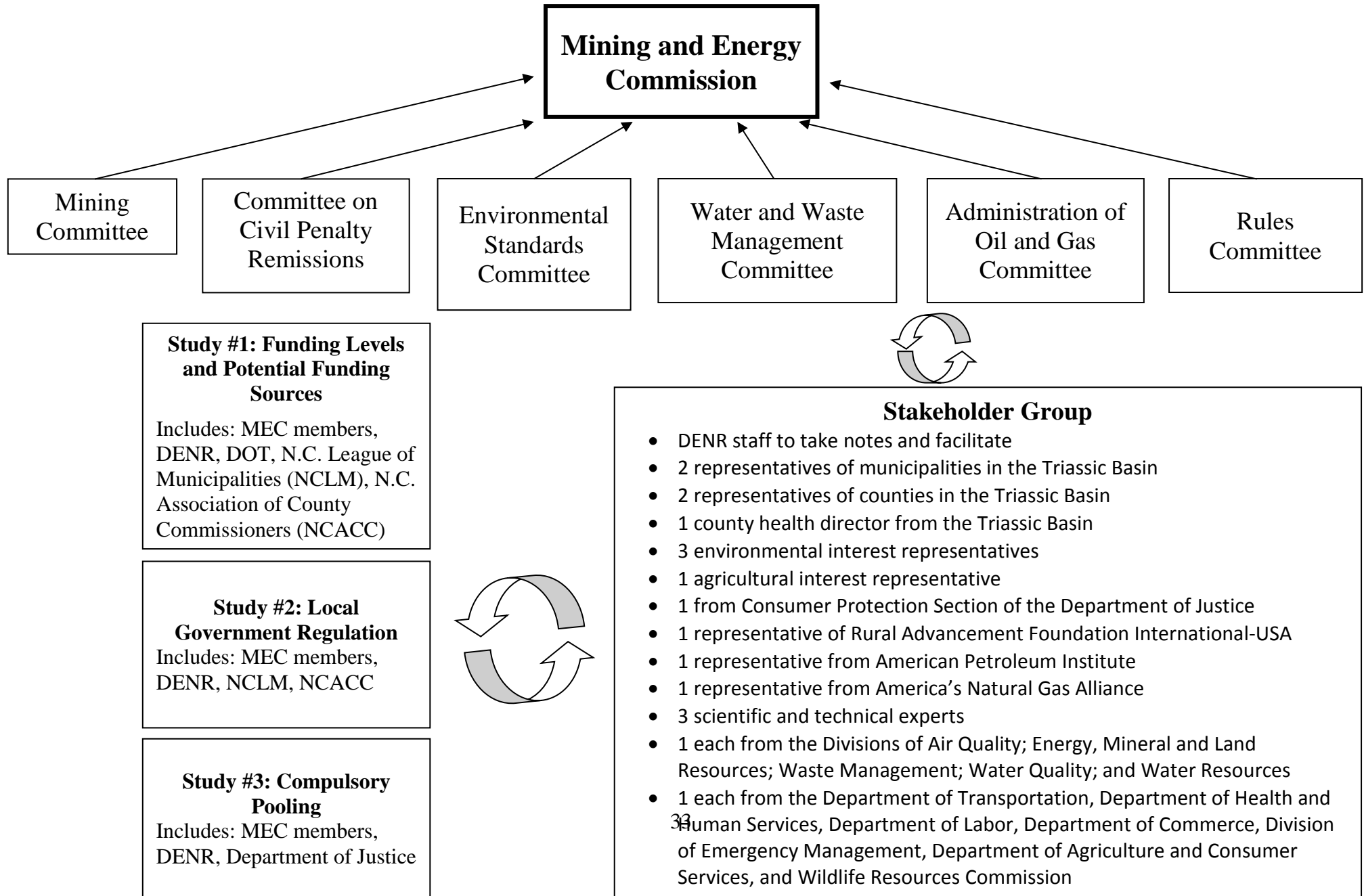
A handwritten signature in black ink, appearing to read 'James Womack', is written over a horizontal line.

James Womack, Chairman

Mining and Energy Commission



## Appendix B: Committee and Study Group Structure of the Mining and Energy Commission



## Appendix C: Committee and Study Group Appointments

Committee	Chair/Vice Chair	Other Members	DENR Staff
<b>Mining</b>	Tex Gilmore	George Howard Amy Pickle Dr. Marva Price Dr. Robert Mensah-Biney Dr. Ray Covington	Janet Boyer
<b>Civil Penalty Remissions</b>	Charlotte Mitchell TBD	Jane Lewis-Raymond Jim Womack Dr. Robert Mensah-Biney Charles Taylor	Tracy Davis
<b>Environmental Standards</b>	George Howard TBD	Dr. Ken Taylor Charlotte Mitchell Amy Pickle Dr. Marva Price Dr. Ray Covington Dr. Vikram Rao	Mell Nevils Tracy Davis
<b>Water &amp; Waste Management</b>	Dr. Vikram Rao TBD	Dr. Ken Taylor Charlotte Mitchell Charles Holbrook Tex Gilmore	Trina Ozer
<b>Administration of Oil &amp; Gas</b>	Charles Holbrook TBD	Dr. Vikram Rao Jane Lewis-Raymond Charles Taylor Dr. Ray Covington Dr. Kenneth Taylor	Trina Ozer
<b>Rules</b>	Amy Pickle	Charlotte Mitchell George Howard Charles Holbrook	Tracy Davis
<b>Study Group</b>			
<b>Funding Levels and Potential Funding Sources</b>	Jane Lewis-Raymond TBD	Jim Womack Dr. Vikram Rao George Howard	Mell Nevils Trina Ozer
<b>Local Government Regulation</b>	Charles Taylor TBD	Jim Womack Charles Holbrook Dr. Marva Price Charlotte Mitchell	Toby Vinson
<b>Compulsory Pooling</b>	Dr. Ray Covington TBD	Jim Womack Charles Holbrook Charlotte Mitchell	Trina Ozer Layla Cummings

**N.C. Mining and Energy Commission  
and Department of Environment and Natural Resources  
Quarterly Report on Activities Conducted Pursuant to S.L. 2012-143  
to the Joint Legislative Commission on Energy Policy  
and the Environmental Review Commission  
April 1, 2013**

Session Law 2012-143, the Clean Energy and Economic Security Act, was ratified on July 2, 2012 and reconstituted the North Carolina Mining Commission as the North Carolina Mining and Energy Commission. The Act directs the Mining and Energy Commission (MEC) to establish a modern regulatory program for the management of oil and gas exploration and development in the State and the use of horizontal drilling and hydraulic fracturing treatments for that purpose. The MEC is supported by the Division of Energy, Mineral and Land Resources (DEMLR) within the Department of Environment and Natural Resources (DENR). The Act also directs the Commission to submit quarterly written reports on the Commission's operation, activities, programs, and progress to the Joint Legislative Commission on Energy Policy and the Environmental Review Commission (Section 1.(h)). The department is also required to report on the progress in developing and adopting the rules required to be adopted by S.L. 2012-143. The quarterly reports shall include recommendations on changes required to existing rules and statutes and any other findings or recommendations necessary for the implementation of this act (Section 2.(m)). This report satisfies both of these reporting requirements for the January through March 2013 timeframe.

Activities for each of the MEC Committees for this quarter are summarized below:

The **Administration of Oil and Gas Committee** convened on January 24 and received presentations from Committee members related to well construction, well abandonment, permitting and land disturbance, as well as requirements for earthen pits and on-site storage tanks. The Committee met again on March 7 and received an informational presentation regarding oil and gas well construction standards from DEMLR staff. The Committee provided feedback, which staff is using to develop draft well construction rules.

The **Environmental Standards Committee** convened on January 24 and received informational presentations from the U.S. Geological Survey and Duke University about the background groundwater quality of the Deep River Triassic Basin. Additionally, the Divisions of Water Quality, Waste Management, and Air Quality each provided information to the Commission related to background sampling. These divisions explained environmental sampling requirements and strategies as they are implemented within their programs. Finally, DEMLR staff presented the draft chemical disclosure rule, along with a description of stakeholder feedback on the draft rule (see "Stakeholder" section on page 3) and a description of DENR senior management's opinion of the stakeholder recommendations. After consideration and discussion of all presented information, the Environmental Standards Committee asked staff to make specific edits to the rule for presentation at the next meeting, based on the feedback of both the stakeholder group and DENR senior management.

The Environmental Standards Committee met again on March 7 and continued discussing the draft chemical disclosure rule. Amendments were made to the draft rule. DEMLR personnel were asked to incorporate these amendments and to present the draft rule for final review and amendment at a specially called meeting of the Committee on March 25.

The Environmental Standards Committee met on March 25 and finalized its chemical disclosure rule review and all amendments. Additionally, staff provided information and recommendations regarding baseline sampling requirements for groundwater and surface water, which oil and gas operators would be required to perform prior to commencing operations.

The **Mining Committee** convened on March 7 and received presentations regarding DEMLR's Mining Program, including 2011 mining permits, affected acreage and reclamation statistics, and a report detailing DEMLR's current mining enforcement actions. Additionally, the Committee received information from the N.C. Geological Survey on emerging minerals in North Carolina and their potential economic values.

The **Rules Committee** convened on January 24 and discussed the expected structural framework for placement of oil and gas rules that are under development by the committees of the MEC. Additionally, the Rules Committee established a standard format for each committee to follow when submitting draft rules to the Rules Committee to facilitate clarity, consistency and integration of draft rules.

The **Water and Waste Management Committee** convened on January 24. Staff provided the committee a rule outline which described the structure and potential requirements of a draft rule for water management planning for oil and gas well sites. The Water and Waste Management Committee provided feedback to staff to assist DEMLR with developing the draft water management rule. The Committee also heard presentations on water management and fracturing operations in other states, wastewater management at shale gas sites, and the involvement of the Stakeholder Group in the development of water management plan requirements.

The Water and Waste Management Committee met again on March 7 and staff shared the comments of the Stakeholder Group on the MEC's draft water use rule. The Committee considered these comments as they discussed the draft rule. Based on Committee recommendations, staff is currently updating the draft rule in preparation for presentation at the next meeting of the Committee, to be held on April 4. Finally, DEMLR provided an overview of wastewater management at oil and gas sites. Rule development on this topic based on the concepts presented in the respective presentation will be forthcoming.

Activities for each of the MEC Study Groups for this quarter are summarized below:

The **Compulsory Pooling Study Group** convened on January 11, February 8, March 1, and March 22. In an effort to develop recommendations related to compulsory pooling requirements for North Carolina, the Group has been considering pooling laws and applications in other areas of the nation. Specifically, the group has discussed mineral rights, property rights, the severing of mineral rights with property ownership, local recording of property deeds and mineral rights, pooling and unitizations laws in other states, the effects of severed mineral rights on mortgage loans, and cost sharing and royalty payments. Through their research, the group is developing a regulatory recommendation that would prevent surface land rights from being subordinate to a pooled estate, where mineral, oil, or gas resources exist underground. Specifically, the Group is considering this draft recommendation: "No surface operations or disturbances to the surface of the land shall occur on a tract pooled by an order without the written consent of or a written agreement with the owner of the tract that approves the operations or disturbances."

The **Funding Levels and Potential Funding Sources Study Group** convened on January 31 and February 20. This group has been researching financial impacts incurred by other states as a result of oil and gas operations. Potential costs for North Carolina include infrastructure degradation (i.e. road damage from increased truck traffic), emergency management and local law enforcement needs, and potential safety risks to local citizens due to vehicle traffic or other

oil and gas activities. The group has also analyzed strategies to offset these costs. Specifically, they have studied fee and severance tax structures currently applied in North Carolina as well as in other states. As a result, the group and DEMLR have studied ad valorem taxes for local governments and the distribution of severance taxes for produced oil and gas. They have analyzed permitting fees, as well as financial assurance for proper well closure, well abandonment, site reclamation, surface owner protection, and road repairs. The group is developing regulatory and statutory recommendations to allow for recovery of these costs.

The **Local Government Regulations Study Group** convened on January 16, February 15, and March 22. This study group has been working to identify specific regulatory areas of local authority that apply to oil and gas operations. Their research has focused on extraterritorial jurisdiction, impacts to local infrastructure (i.e. road degradation), local government regulations that apply to oil and gas operations in other states, establishing setback distances, noise and light restrictions, zoning, ad valorem taxation, local erosion control, water quality, property rights, mineral rights, easements, and land use management. The group is developing regulatory and statutory recommendations to address these issues.

The **Mining and Energy Commission** held two meetings during this quarter and received Committee and Study Group updates during each meeting. During their January 25 meeting, directors from the Division of Air Quality, the Division of Waste Management and the Division of Water Quality gave presentations explaining areas covered by existing rules enforced by their respective agencies, the Environmental Management Commission and the Commission for Public Health. They also explained areas of potential regulatory gaps, and areas of potential regulatory overlap with respect to possible MEC rules. Additionally, each director expressed a willingness to assist the MEC with technical and regulatory guidance as needed.

During the MEC meeting on March 8, the Commission and staff discussed the content of Senate Bill 76, along with the effects this pending legislation would have on the MEC and the severance tax structure, if passed in its current form. A representative from Resources for the Future (RFF), a non-profit research organization, provided information to the MEC on oil and gas rules in other states. RFF also compared the benefits and disadvantages of prescriptive rule writing versus performance-based rule writing. Finally, a representative from Duke University introduced a "Multi-State Regulation Matrix." This spreadsheet is designed to display a rule topic along with existing rules addressing that topic from other states. This allows a user to look up a topic from any of the Committee rule assignments and then view the rules that other states implemented to address that topic.

During the last quarter, the MEC supported DENR's creation and management of a DENR stakeholder group, designated as the "Stakeholder Group on Oil and Gas Management." The members of the stakeholder group are individuals from industry, non-profit organizations, and local and state governments. Stakeholder meetings were held on January 22 and February 21. During the first meeting, staff presented the draft chemical disclosure rule and requested feedback from the stakeholders. The group suggested rule changes, which were provided to DENR senior management. DENR senior management reviewed the recommendations and shared both the stakeholder group's recommendations, and DENR senior management's advice on those recommendations, with the Environmental Standards Committee.

At the second meeting of the Stakeholder Group on Oil and Gas Management, staff of the Division of Water Quality requested feedback on stormwater management for oil and gas operations. DEMLR staff presented proposed water use requirements and again solicited comment from the stakeholders. DEMLR staff presented the resulting comments to the Water and Waste Management Committee for consideration.

Figure 1 on the next page reflects current MEC Committee assignments, as well as respective primary staff contacts. Additional information about the MEC, its committees and its study groups, including agendas, meeting minutes and audio recordings of meetings, can be found at the Commission's website: <http://portal.ncdenr.org/web/mining-and-energy-commission/>. The Department continues to manage this website and to share information about the activities of the MEC with the public. The website lists meeting agendas, meeting minutes, PowerPoint presentations from meetings, contact information for MEC members, and other information. A listserv is also available for individuals who would like to receive updates on the MEC and changes to the website. To sign up for the listserv, visit <http://lists.ncmail.net/mailman/listinfo/denr.shale.gas>.

DEMLR has filled all three Energy Program positions, with an Environmental Senior Specialist and a Geologist beginning work during this quarter. Additionally, DEMLR has been coordinating efforts with DENR senior management to transfer an administrative support specialist from the Secretary's Office into DEMLR to assist the Energy Program.

The MEC Chairman has determined the need to add five additional sets of meeting dates to the MEC calendar for 2013. The remaining meetings for CY 2013 now include: April 4 - 5, May 2 - 3, June 6 - 7, June 27 - 28, July 25 - 26, August 9, September 5 - 6, September 26 - 27, October 24 - 25, November 21 - 22, and December 5 - 6, 2013.

The Chairman has also requested the legislature identify funding for up to three staff economist positions (or temporary consultants) to speed up the rule-making process by performing fiscal analysis and impact for emerging rules. DENR is not adequately staffed to accomplish this analysis- a very complex and time-consuming process –in a manner that supports completion of rule-making on or before October 2014. The Chairman believes we need three temporary staff economists, each of which is familiar with oil and gas drilling operations, water & waste management, and/or environmental standards management to serve in direct support of the three primary rule-making committees.

The MEC has begun to compile a list of statutory changes it believes will be necessary to implement the commission's rules for effective oversight and enforcement. These requested changes will be reviewed in future reports and presentations to the ERC.

<b>Committee</b>	<b>Chair/Vice Chair</b>	<b>Other Members</b>	<b>Primary DENR Staff</b>
<b>Mining</b>	Tex Gilmore	George Howard Amy Pickle Dr. Marva Price Dr. Robert Mensah-Biney Dr. Ray Covington	Janet Boyer
<b>Civil Penalty Remissions</b>	Charlotte Mitchell	Jane Lewis-Raymond Jim Womack Dr. Robert Mensah-Biney Charles Taylor	Walt Haven
<b>Environmental Standards</b>	George Howard Dr. Ray Covington	Dr. Ken Taylor Charlotte Mitchell Amy Pickle Dr. Marva Price Dr. Vikram Rao	Mell Nevils
<b>Water &amp; Waste Management</b>	Dr. Vikram Rao Charlotte Mitchell	Dr. Ken Taylor Charles Holbrook Ivan "Tex" Gilmore	Trina Ozer
<b>Administration of Oil &amp; Gas</b>	Charles Holbrook Jane Lewis-Raymond	Dr. Vikram Rao Charles Taylor Dr. Ray Covington Ivan "Tex" Gilmore Dr. Kenneth Taylor	Walt Haven
<b>Rules</b>	Amy Pickle	Charlotte Mitchell George Howard Charles Holbrook	Tracy Davis
<b>Study Group</b>			
<b>Funding Levels and Potential Funding Sources</b>	Jane Lewis-Raymond	Jim Womack Dr. Vikram Rao George Howard	Mell Nevils
<b>Local Government Regulation</b>	Charles Taylor Dr. Marva Price	Jim Womack Charles Holbrook Dr. Marva Price Charlotte Mitchell	Toby Vinson
<b>Compulsory Pooling</b>	Dr. Ray Covington	Jim Womack Charles Holbrook Charlotte Mitchell	Walt Haven

**Figure 1. Commissioner responsibility and primary staff assignments.**

**N.C. Mining and Energy Commission**  
**And Department of Environment and Natural Resources**  
**Quarterly Report on Activities Conducted Pursuant to S.L. 2012-143**  
**To the Joint Legislative Commission on Energy Policy**  
**And the Environmental Review Commission**  
**July 1, 2013**

Session Law 2012-143, the Clean Energy and Economic Security Act, was ratified on July 2, 2012 and reconstituted the North Carolina Mining Commission as the North Carolina Mining and Energy Commission. The Act directs the Mining and Energy Commission (MEC) to establish a modern regulatory program for the management of oil and gas exploration and development in the State and the use of horizontal drilling and hydraulic fracturing treatments for that purpose. The Act also directs the Commission to submit quarterly written reports on the Commission's operation, activities, programs, and progress to the Joint Legislative Commission on Energy Policy and the Environmental Review Commission (Section 1.(h)). The Department is also required to report on the progress in developing and adopting the rules required to be adopted by S.L. 2012-143. The quarterly reports shall include recommendations on changes required to existing rules and statutes and any other findings or recommendations necessary for the implementation of this Act (Section 2.(m)). This report satisfies both of these reporting requirements for the April – June 2013 timeframe.

Activities for each of the MEC Committees for this quarter are summarized below:

The **Administration of Oil and Gas Committee** convened on April 4, 2013 and received presentations from staff related to pre-drilling exploration activities and wellhead configuration. The Committee provided feedback which staff has used to develop requirements for geophysical exploration permitting and wellhead configuration.

The Administration of Oil and Gas Committee met again on May 2, 2013 and received information regarding well site standards. The Committee also reviewed the draft well construction rules, as provided by staff, along with comments from the Stakeholder Group on Oil and Gas Management (see "Stakeholder" section on page 5). The draft well construction rule set establishes standards for oil and gas well casing, installation, drilling fluids, drilling additives, blowout prevention, and cementing. The Committee provided feedback which staff used to update the draft rules for the June 6, 2013 meeting.

The Administration of Oil and Gas Committee also met on June 6, 2013, and received information regarding well construction practices from a representative of Southwestern Energy and a representative from Environmental Defense Fund. The Committee reviewed, amended, and approved the draft well construction rule set, and sent these rules to the Rules Committee.

The last meeting of the Administration of Oil and Gas Committee occurred on June 27, 2013. During this meeting, staff presented a rule outline to serve as a framework for developing rules related to wellhead standards. This upcoming rule set will establish standards for wellhead configuration, in addition to well site fencing, security, and maintenance. Additionally, the Committee received information on the requirements for oil and gas permitting in other states. The Committee provided feedback on the rule outline and the permitting information, which staff is using to develop related rules.

The **Environmental Standards Committee** convened on April 4, 2013 and received information regarding the use of diesel fuels and other fuel-based constituents in hydraulic



fracturing fluids. Additionally, RTI International provided a presentation on a GIS based modeling system to provide health, environmental, and economic analyses for local areas in which oil and gas operations are expected to occur.

The Environmental Standards Committee met again on May 2, 2013, and heard staff presentations about the draft rule set for baseline testing requirements and the draft rule on chemicals prohibited from use in hydraulic fracturing fluids. The Committee provided feedback regarding both rules, which included renaming the Diesel Fuel rule to the “Prohibited Chemicals and Constituents” rule. The Baseline Testing Requirements rule defines requirements for environmental sampling prior to and following the installation of an oil or gas well. Implementation of these standards will help ensure that ambient water quality is assessed before and after a well is constructed and used. Additionally, the Prohibited Chemicals and Constituents rule prohibits the use of specified diesel fuels in the subsurface. DEMLR personnel were asked to update both rules based on Committee comment.

The Environmental Standards Committee also met on June 6, 2013 and received a presentation from DENR’s Division of Air Quality regarding current air monitoring activities, as well as anticipated air monitoring related to oil and gas operations. The Committee further discussed and edited the draft Baseline Testing Requirements rule. The Committee reviewed and then voted to approve the Prohibited Chemicals and Constituents rule, which was sent to the Rules Committee for their review.

The last meeting of the Environmental Standards Committee was on June 27, 2013. During this meeting, staff presented information on setback distances designated by other states for oil and gas operations. The Committee also received additional information related to initial baseline sampling and subsequent sampling needs and continued progress toward developing a final draft of the Baseline Testing Requirements rule set.

The **Water and Waste Management Committee** convened on April 4, 2013 and received a staff presentation regarding the draft rule set on water acquisition and management. This rule set addresses the acquisition, management, storage, transport and use of water for well construction, well stimulation, and other related oil and gas operations. The Committee provided edits and then approved this rule, which was sent to the Rules Committee. Additionally, DENR provided the Water and Waste Management Committee with information regarding water reuse, wastewater treatment and land application for wastewater disposal. The Committee tasked staff with researching and developing rules related to the management and disposal of waste resulting from oil and gas activities.

The Water and Waste Management Committee met again on May 31, 2013 and received a presentation from N.C. DENR’s Division of Water Quality regarding fluid waste disposal using underground injection wells. The Committee reviewed the draft rule set on waste management and asked DEMLR staff to update the rule based on the Committee’s discussion. This rule set will address the management, storage and disposal of oil and gas waste products, which may include drilling fluids, well cuttings, and wastewater. The waste management rule set will also establish standards related to storage ponds and pits, and will address response action related to the unintentional release of waste material to the environment.

The **Rules Committee** convened on May 2, 2013 and formally received the draft rule set on chemical disclosure, which establishes requirements for oil and gas operators to provide the State with information related to well stimulation fluids content and fluid use. The Rules Committee also received the draft water acquisition and management rule set, as previously described. The Rules Committee developed and approved edits to a portion of the chemical disclosure rule set and tasked staff with updating the rules for discussion during later meetings.

The Rules Committee met again on May 31, 2013 and continued working on the draft water acquisition and management rule set. After developing edits, the Committee tasked staff with updating the rule accordingly.

The Rules Committee also met on June 6, 2013 and reviewed the draft rule sets on chemical disclosure, water acquisition and management, and prohibited chemicals and constituents. The Rules Committee voted to approve the draft water acquisition and management rule set, pending editorial changes by DEMLR staff. Additionally, the draft chemical disclosure rule set was approved, but DEMLR was tasked with updating the rule set based on technical content only. Other Committee comments regarding this rule set were not incorporated, as they will be ultimately addressed during an upcoming Commission meeting. Finally, the draft prohibited chemicals and constituents rule set was approved. All three rule sets have been sent to the MEC for review.

The last meeting of the Rules Committee was on June 27, 2013. The Committee reviewed the draft well construction rule set and provided edits to DEMLR staff. Staff will incorporate these edits and provide an updated rule set to the Rules Committee for consideration at its next meeting.

The **Mining Committee** did not meet during this quarter.

The Mining and Energy Commission established two new study groups during this quarter: the Coordinated Permitting Study Group and the Protection of Trade Secrets and Proprietary Information Study Group. The Coordinated Permitting Study Group was developed to research anticipated permitting requirements and opportunities to maximize efficiency within the permitting process. The Protection of Trade Secrets and Proprietary Information Study Group was initiated to research and develop recommendations related to the protection of industry trade secrets and sensitive information across the spectrum of oil and gas activities in our state. Activities for these and the other MEC study groups for this quarter are summarized below:

The **Compulsory Pooling Study Group** convened on April 12, April 26, May 17, and May 31, 2013. The Study Group is developing recommendations related to compulsory pooling requirements for North Carolina. They have analyzed pooling laws and applications in other areas of the nation, in addition to researching mineral rights, property rights, recording of deeds, and indemnification.

The Compulsory Pooling Study Group is considering the following recommendations:

- 1) Establishing a system of compulsory pooling for owners of leased mineral rights;
- 2) Requiring any entity desiring to compulsory pool an owner to have made a fair and reasonable offer to any party it seeks to pool;
- 3) Instituting an options approach to cost sharing that would be applied to owners, which could include making a compulsory pooled owner wait until well costs of 200 percent are recovered before sharing in profits;
- 4) Instituting time limitations on pooling orders; and
- 5) Indemnifying any owner who has been compulsory pooled against liability related to oil or gas operations within the respective pool.

The Study Group will further research whether or not owners whose mineral rights are not subject to an oil or gas lease should be subject to compulsory pooling. This study group has also been tasked to expand its scope to research and develop recommendations on proper disposition of fraudulent and misrepresented leases in the Triassic basin, as prescribed in recent editions of Senate Bill 76.

The **Funding Levels and Potential Funding Sources Study Group** convened on April 1, April 22, May 23, and June 17, 2013. The Study Group has been researching financial impacts

incurred by other states from oil and gas operations. Potential costs for North Carolina would include infrastructure degradation (i.e. road damage from truck traffic), increased costs to emergency management and local law enforcement, and potential safety risks to local citizens due to vehicle traffic or other oil and gas activities. The Study Group has also analyzed strategies to offset these costs. Specifically, they have studied fee and severance tax structures currently applied in North Carolina, as well as in other states. As a result, the Study Group and DENR have examined ad valorem taxes for local governments and the distribution of severance taxes for produced oil and gas, as well as permitting fees, financial assurance for proper well closure, well abandonment, site reclamation, surface owner protection, and road repairs.

The Funding Levels and Potential Funding Sources Study Group is considering the following recommendations:

- 1) Establishing an impact fee for purposes of local cost recovery, which would be based on the discrete number of stages used in oil and gas well construction in the local areas;
- 2) Establishing a severance tax for state level cost recovery, using production volumes of hydrocarbons and their market values as the basis; and
- 3) Using Assignment of Savings Account, Surety Bonds, Bank Guaranty, or Cash Deposits as bonding instruments for specific oil and gas pads and wells.

The Study Group continues to research all state and local impacts and ways to offset costs to local governments, to N.C. DENR and to the N.C. Department of Transportation.

The **Local Government Regulations Study Group** convened on April 12, April 26, May 10, May 20, June 7, and June 21, 2013. The Study Group has been working to identify specific regulatory areas of local authority related to oil and gas operations. Their research has focused on extra-territorial jurisdiction, impacts to local infrastructure (i.e. road degradation), local government regulations in other states, establishing setback distances, noise and light restrictions, zoning, ad valorem taxation, local erosion control, water quality, property rights, mineral rights, easements, and land use management. The Study Group has produced a draft report outline and plans to have the draft report compiled for internal review by early August 2013.

The **Coordinated Permitting Study Group** convened on May 2, June 6, and June 27, 2013. The Study Group includes not only voting members of the MEC, but also has non-voting members from DEMLR, the Division of Water Resources, the Division of Waste Management, the Division of Air Quality, and the Division of Water Quality. This Study Group has been researching the permitting procedures currently implemented by DEMLR's mining program, which requires efficient inter-agency routing and approval to address environmental impacts and mitigation measures related to mining activities. The Study Group has noted that the mining program permitting process may serve as an example for oil and gas permitting. The Study Group has heard presentations from several permitting agencies within the Department and is also researching oil and gas permitting processes in other states and analyzing how those programs might apply to North Carolina. Dr. Taylor, the Director of this Study Group, and DENR staff have compiled an exhaustive set of documentation from other states that reflect organizational and geological similarities to North Carolina, and who have some semblance of coordinated permitting in place today. This information was shared with the Study Group via CD-ROM at the June 27, 2013 meeting. Dr. Taylor identified best practices in coordinated permitting being applied in other states.

The **Protection of Trade Secrets and Proprietary Information Study Group** convened on May 3, June 7, and June 28, 2013. The Study Group includes MEC members and members of the Attorney's General Office, the University of North Carolina School of Government, and other legal and policy specialists. This Study Group has been researching the application of trade

secret and proprietary information laws from other states and from the Code of Federal Regulations. Members are continuing to research current North Carolina statutes, case law, pending state legislation and industry practices relevant to trade secrets and proprietary information with the intent of identifying inadequacies in current N.C. statutes and making recommendations for statutory remediation where appropriate. This Study Group is also developing a set of recommendations to be used in cross referencing any MEC rules requiring exceptions to disclosure.

The **Mining and Energy Commission** held four meetings during this quarter and received Committee and Study Group updates during each. During their April 5, 2013 meeting, the Commission discussed plans of action for the rule development process, establishing additional Commission meeting dates, and creating two new study groups.

At its May 3, 2013 meeting, the Commission and staff discussed specific rule section titles, the assignment of those rule sets to specific committees and staff, and the current progress of development for each identified rule set.

The Commission met again on June 7, 2013 and received information from Lee County Strategic Services regarding real estate ownership, mineral rights, severed estates, and mineral leases. The Division of Air Quality provided a presentation explaining the existing ambient air monitoring network, as well as plans for future monitoring relevant to oil and gas operations. The Commission also voted to accept for discussion the “Chemical Disclosure Requirements” rule set, but postponed its deliberations on this rule set until a future date. Finally, the Commission accepted and voted to approve the “Prohibited Chemicals and Constituents” rule set and assigned it for internal staff completion.

The Commission conducted its final meeting for the quarter on June 28, 2013 with discussion of the draft rule sets on chemical disclosure and water acquisition and management. After extensive discussion of the water acquisition and management rule set, the MEC voted to accept it, with changes, and assign it for internal staff completion.

DENR is continuing to manage the **Stakeholder Group on Oil and Gas Management**, which is composed of individuals from industry, non-profit organizations, individuals, and local and state governments. Meetings were held on April 18 and May 30, 2013. During these meetings, staff presented the draft rule set on well construction and proposed standards for oil and gas wellheads. The group generated suggested changes to the draft rule and standards, which were provided to the Administration of Oil and Gas Committee for consideration.

MEC Commissioners continue to avail themselves for participation in local and regional education and outreach activities. On Saturday, June 29, 2013, Commissioner Womack participated in the Neuse Riverkeepers Foundation forum in New Bern to educate concerned citizens and advocacy groups on the rulemaking process and progress to date.

Additional information about the MEC, including agendas, meeting minutes and audio recordings of meetings, can be found at the Commission’s website:

<http://portal.ncdenr.org/web/mining-and-energy-commission/>. The Department continues to manage this website and to share information about the activities of the MEC with the public. The website lists meeting agendas, meeting minutes, PowerPoint presentations from meetings, contact information for MEC members, and other information. A listserv is also available for individuals who would like to receive updates on the MEC and changes to the website. To sign up for the listserv, visit <http://lists.ncmail.net/mailman/listinfo/denr.shale.gas>.

Other quarterly activities include the transfer of an administrative support specialist from the main DENR office to the Energy Program, as well as the addition of two summer interns to the Program. Additionally, staff provided public outreach presentations to an Anson County citizens

group, as well as to an environmental geology class at the University of North Carolina at Pembroke.

Figure 1 reflects current committee and study group members, as well as primary staff contacts.

At this time, the Department does not have any recommendations for changes to existing rules and statutes or other findings or recommendations necessary for the implementation of this Act.

<b>Committee</b>	<b>Chair/Vice Chair</b>	<b>Other Members</b>	<b>Primary DENR Staff</b>
<b>Mining</b>	Tex Gilmore	George Howard Amy Pickle Dr. Marva Price Dr. Robert Mensah-Biney Dr. Ray Covington	Janet Boyer
<b>Civil Penalty Remissions</b>	Charlotte Mitchell	Jane Lewis-Raymond Jim Womack Dr. Robert Mensah-Biney Charles Taylor	Walt Haven
<b>Environmental Standards</b>	George Howard Dr. Ray Covington	Dr. Kenneth Taylor Charlotte Mitchell Amy Pickle Dr. Marva Price Dr. Vikram Rao	Mell Nevils
<b>Water &amp; Waste Management</b>	Dr. Vikram Rao Charlotte Mitchell	Dr. Kenneth Taylor Charles Holbrook Ivan "Tex" Gilmore	Trina Ozer (Katherine Marciniak)
<b>Administration of Oil &amp; Gas</b>	Charles Holbrook Jane Lewis-Raymond	Dr. Vikram Rao Charles Taylor Dr. Ray Covington Ivan "Tex" Gilmore Dr. Kenneth Taylor	Ryan Channell (Walt Haven)
<b>Rules</b>	Amy Pickle	Charlotte Mitchell George Howard Charles Holbrook	Walt Haven (Tracy Davis)
<b>Study Group</b>	<b>Director</b>	<b>Other Members</b>	<b>Primary DENR Staff</b>
<b>Funding Levels and Potential Funding Sources</b>	Jane Lewis-Raymond	Jim Womack Dr. Vikram Rao George Howard	Kat Marciniak (Mell Nevils)
<b>Local Government Regulation</b>	Charles Taylor Dr. Marva Price	Jim Womack Charles Holbrook	Toby Vinson (Walt Haven)
<b>Compulsory Pooling</b>	Dr. Ray Covington	Jim Womack Charles Holbrook Charlotte Mitchell	Walt Haven (Trina Ozer) (Layla Cummings)
<b>Coordinated Permitting Study Group</b>	Dr. Kenneth Taylor	Jim Womack Dr. Ray Covington Dr. Vikram Rao Charles Holbrook George Howard	Walt Haven
<b>Protection of Trade Secrets and Proprietary Information Study Group</b>	Jim Womack	Amy Pickle Jane Lewis-Raymond	Ryan Channell (Trina Ozer)

**Figure 1. Commissioner responsibility and primary staff assignments.**

**N.C. Mining and Energy Commission**  
**And Department of Environment and Natural Resources**  
**Quarterly Report on Activities Conducted Pursuant to S.L. 2012-143**  
**To the Joint Legislative Commission on Energy Policy**  
**And the Environmental Review Commission**  
**October 1, 2013**

Session Law 2012-143, the Clean Energy and Economic Security Act, was ratified on July 2, 2012 and reconstituted the North Carolina Mining Commission as the North Carolina Mining and Energy Commission. The Act directs the Mining and Energy Commission (MEC) to establish a modern regulatory program for the management of oil and gas exploration and development in the State and the use of horizontal drilling and hydraulic fracturing treatments for that purpose. The Act also directs the Commission to submit quarterly written reports on the Commission's operation, activities, programs, and progress to the Joint Legislative Commission on Energy Policy and the Environmental Review Commission (Section 1.(h)). The Department is also required to report on the progress in developing and adopting the rules required to be adopted by S.L. 2012-143. The quarterly reports shall include recommendations on changes required to existing rules and statutes and any other findings or recommendations necessary for the implementation of this Act (Section 2.(m)). This report satisfies both of these reporting requirements for the July through September 2013 timeframe.

This report was written during mid-September to ensure timely completion, review, and submission by the October 01, 2013 deadline. As of this writing, the meetings on September 26 and 27, 2013 are planned but have not yet occurred.

**Committees of the Mining and Energy Commission**

Activities for each of the MEC Committees for this quarter are summarized below:

The **Administration of Oil and Gas Committee** convened on July 25, 2013 and heard presentations from staff related to proposed wellhead, well construction, and setback standards. Although Committee members decided to relinquish setback rule development to the Environmental Standards Committee, they did provide suggestions for wellhead and well site rule development. Staff personnel have used this feedback to draft rules for wellhead standards, which establish regulations for the upper-most portion of the well, along with requirements for fencing, signage, and security at the well site.

The Administration of Oil and Gas Committee also met on September 5, 2013. The Committee received information from State Geologist, Dr. Kenneth Taylor, and Energy Program staff members regarding plans for well permitting requirements and an overall coordinated permitting process. Research concerning permitting procedures continues, as the Committee will oversee the drafting of permitting rules based on recommendations from the Coordinated Permitting Study Group and from staff. The Administration of Oil and Gas Committee also heard a presentation from Dr. Taylor regarding diabase dikes within North Carolina's Triassic Basins and concluded that special rule sets to address these intrusive bodies would not be needed, but that a white paper on diabase dikes should be prepared and provided as a resource to the public in understanding the characteristics of these geologic features. Finally, the Committee deliberated the draft well closure rules as presented by staff and provided feedback and suggestions for editing.

The next meeting of the Administration of Oil and Gas Committee has been scheduled for September 26, 2013. The Committee plans to continue its review of the draft well closure rules to prepare them for Rules Committee deliberation.

The **Environmental Standards Committee** convened on July 25, 2013 and received information from staff regarding setback standards in other states, as well as those from other regulatory programs in North Carolina. The Committee provided feedback which staff has used to develop a draft rule set, which will establish horizontal separation distances between oil or gas wells and other features, such as occupied dwellings, schools, roads, water supply wells, streams, lakes, etc. These standards will also define setbacks for holding tanks and storage pits. The Committee also heard a presentation about noise, light and odors from oil and gas operations.

The Environmental Standards Committee met on September 5, 2013 and heard a staff presentation on the draft rule set for setback standards. The Committee provided feedback and asked the staff to research the criteria used by other states to establish their various setback distances. Staff will use the research it has gathered and feedback received from DENR's Stakeholder Group on Oil and Gas Management to update the rule set and the Committee at its next meeting.

The next meeting of the Environmental Standards Committee has been scheduled for September 26, 2013. The Committee plans to review information provided by staff regarding justifications for specified setback distances. Members will also receive and discuss recommendations for changes to the draft rules provided by the DENR Stakeholder Group on Oil and Gas Management. Additionally, the Committee plans to continue deliberation of the draft setback rules to prepare them for the Rules Committee.

The **Water and Waste Management Committee** convened on July 25, 2013 and received a staff presentation on stakeholder comments related to the draft waste management rule set. This rule set addresses the management, storage and disposal of oil and gas waste products, such as drilling fluids, well cuttings, and wastewater. These rules also establish standards for storage ponds and pits, and will address response actions in the case of an unintentional release of waste material to the environment. The Committee discussed stakeholder remarks and developed recommendations for implementing those considerations into the draft rule set. Staff used this feedback to modify the draft rules in preparation for the next Water and Waste Management Committee meeting.

The Water and Waste Management Committee also met on September 5, 2013 and heard presentations from representatives of Southwestern Energy and the Environmental Defense Fund regarding the management and treatment of wastewater resulting from oil and gas operations. The Committee continued deliberating the draft waste management rule set and provided feedback, which staff used to modify the rule set in preparation for the next meeting.

The next meeting of the Water and Waste Management Committee is scheduled for September 26, 2013. The Committee plans to continue its review of the draft waste management rule set to prepare it for Rules Committee deliberation.

The **Rules Committee** convened on July 25, 2013 and continued working on the draft well construction rule set, which delineates regulatory requirements for oil and gas well construction and installation. After developing edits, the Committee voted to approve this draft rule for consideration by the Mining and Energy Commission.

The Rules Committee also met on September 5, 2013 and formally received the draft rule set on baseline and subsequent testing requirements, which defines industry standards for sampling and testing water supplies within a 5,000 foot radius of an oil or gas wellhead. After



developing edits, the Rules Committee voted in favor of approving the draft rule and sending it to the Mining and Energy Commission. The Committee also began deliberation of the draft wellhead standards rule set and provided feedback to staff for edits.

The next meeting of the Rules Committee is scheduled for September 26, 2013. The Committee plans to continue its review of the draft wellhead standards rules to prepare them for Commission deliberation. The Rules Committee will also discuss the standardization of defined terms, which are to be used throughout the comprehensive oil and gas rule set.

The **Mining Committee** convened on July 26, 2013 and received information from staff of DENR's Division of Energy, Mineral and Land Resources (DEMLR) staff related to North Carolina mining statistics, mining enforcement measures, and pending appeals. Additionally, Dr. Taylor detailed current N.C. Geological Survey research regarding potential diamondiferous deposits in the western part of the State.

### **Study Groups of the Mining and Energy Commission**

Activities for each of the MEC Study Groups for this quarter are summarized below:

The **Compulsory Pooling Study Group** convened on August 28, 2013. The Study Group is developing recommendations related to compulsory pooling requirements for North Carolina. The Study Group studied and made recommendations on legal and landowner protection issues relevant to compulsory pooling in the context of oil and gas exploration, including matters of landowner protection, the extinguishment of dormant mineral estates, cost sharing, and compensation for damages related to oil and gas operations. The Study Group is preparing a report to share with the Department. The Department will then review the report recommendations, make any revisions Department management deems necessary, and submit a revised report to the General Assembly by October 1, 2013.

The following summarizes the final recommendations made by the Study Group:

- 1) Compulsory pooling be allowed where 90 percent of the owners of the surface acreage of a drilling unit have voluntarily leased or consented to developing their oil and gas rights;
- 2) A requirement that applicants for a compulsory pooling order show that they have made fair and reasonable offers to owners;
- 3) A prohibition on surface disturbances without the consent of the mineral interest owner;
- 4) A requirement for a surface use agreement to be in place prior to filing an application for a pooling order;
- 5) Additional notice requirements to subsurface owners prior to the commencement of subsurface operations;
- 6) Additional reporting of production requirements for operators to owners in the drilling unit, including the right to audit;
- 7) Time limitations on the pooling order;
- 8) Further study on the issue of amending current dormant mineral statutes regarding extinguishment and other consumer protection issues related to split estates;
- 9) Repealing the current free ride provision of the Oil and Gas Conservation Act, G.S. 113-393(a), and adopting a cost sharing statute that allows the compelled owner to elect from various cost sharing options;

- 10) Cost sharing options would include: (1) sharing in cost as a participating owner; (2) surrender of the working interest for reasonable consideration; and (3) carrying the compelled owner for costs and assessing the owner a risk penalty out of production.
- 11) The risk penalty should be capped at a maximum of 200 percent of costs;
- 12) Establishing an acreage threshold requirement, which would require the Commission to consider assessing no risk penalty to landowners who own less than 10 acres within a drilling unit;
- 13) The costs and risk penalty for the unleased owner should be paid from seven-eighths of the carried owner's share of production, while that owner would receive one-eighth of his or her share from the start of production; and
- 14) Providing tort immunity to unleased oil and gas interest owners that are compelled into a pool and do not share in production as participating owners and requiring operators to indemnify such oil and gas interest owners from any property, personal and economic injuries the owners incur as a result of the operators' activities.

The Study Group intends to have its report completed and submitted to the Department for its consideration so that the Department can submit its report to the General Assembly by the October 1, 2013 statutory deadline. In addition, this study group plans to remain intact to consider issues related to consumer protection.

The **Funding Levels and Potential Funding Sources Study Group** convened on July 8, July 30, August 30, and September 12, 2013. The Study Group has been researching financial impacts incurred by other states from oil and gas operations. Potential costs for North Carolina would include infrastructure degradation (i.e. road damage caused by truck traffic), increased costs to emergency management and local law enforcement, and potential safety risks to citizens due to vehicle traffic or other oil and gas activities. The Study Group has also analyzed strategies to offset these costs. Specifically, members and DEMLR staff have studied fee and tax structures currently applied in North Carolina as well as in other states. The Study Group examined ad valorem taxes for local governments and the distribution of severance taxes for produced oil and gas, permitting fees, and financial assurances for proper well closure, well abandonment, site reclamation, surface owner protection, and road repairs.

The Funding Levels and Potential Funding Sources Study Group has developed the following recommendations:

- 1) Establish an impact fee for each oil or gas well, along with an additional fee for each hydraulic fracturing stage for each well. However, the fracturing stage fee could be reduced for liquid-free fracturing activities;
- 2) Set a well permit fee, as defined in Session Law 2012-143;
- 3) Establish bonding requirements for geophysical exploration activities involving the use of explosives, and require bonding to cover well plugging and abandonment and site reclamation;
- 4) Use assignment of savings account, surety bonds, bank guaranty, or cash deposits as bonding instruments for oil and gas pads and wells; and
- 5) Establish a severance tax which would be sufficient to recover oil and gas related costs for DENR and DOT after an initial year or two of industry ramp-up.

The Study Group will submit its final report to the General Assembly by the October 1, 2013 statutory deadline.

The **Local Government Regulations Study Group** convened on July 19, 2013. The Study Group has been working to identify specific regulatory areas of local authority related to oil and gas operations. Their research has focused on extra-territorial jurisdiction, impacts to local infrastructure (i.e. road degradation), local government regulations in other states, establishing setback distances, noise and light restrictions, zoning, ad valorem taxation, local erosion control, water quality, property rights, mineral rights, easements, and land use management.

The list below summarizes some of the recommendations developed by the Local Government Regulations Study Group:

- 1) Local authority should be maintained where appropriate, but should not be exercised to exclusively prohibit oil or gas operations;
- 2) Local governments should retain their existing zoning and land use authorities and be able to apply these ordinances to the oil and gas industry;
- 3) Local emergency response organizations should consider establishing a regional response team to address oil and gas related emergencies. Additionally, this team should consist of members trained specifically to contain and limit emergency situations, until specialized industry response personnel arrive at the scene;
- 4) Local governments should continue addressing odor, noise, and light-related issues under their current police power authority. However, an operator could request a time-limited variance to exceed local odor, noise, and light ordinances. Additionally, oil and gas companies should provide local liaisons to coordinate efforts with local government officials; and
- 5) The Mining and Energy Commission should establish setbacks for oil and gas operations. Additionally, these setbacks should be used only for environmental, health and safety purposes.

The Study Group will submit its report to the General Assembly by the October 1, 2013 statutory deadline.

The **Coordinated Permitting Study Group** convened on July 26 and September 6, 2013. The Study Group includes not only voting members of the MEC, but also non-voting members from DEMLR, the Division of Water Resources, the Division of Waste Management, and the Division of Air Quality, as well as the Department of Transportation. This Study Group has been researching the permitting procedures currently implemented by DEMLR's mining program, which requires efficient inter-agency routing and approval to address environmental impacts and mitigation measures related to mining activities. The Study Group has noted that the mining program permitting process may serve as an example for oil and gas permitting. The Study Group has heard presentations from several permitting agencies within DENR and is also researching oil and gas permitting processes in other states to analyze how those programs might apply to North Carolina. Dr. Taylor, the Director of this Study Group, and DENR staff members have compiled an exhaustive set of documentation from other states that reflect organizational and geological similarities to North Carolina and who have some form of coordinated permitting in place today.

The following list summarizes some of the recommendations developed by the Coordinated Permitting Study Group:

- a. Coordinated permitting should be implemented to address all environmental activities associated with site development, well construction and well completion up to the point the well is put into production;

- b. The coordinated permitting process should involve a coordinated environmental review by various DENR agencies and DOT, with one comprehensive environmental permit being issued; and
- c. Applications and permitting information should be received by DEMLR, routed for agency and public review, and maintained via electronic data methods.

The Study Group is nearing completion of its report and plans to meet again on September 26, 2013 to continue its work.

The **Protection of Trade Secrets and Proprietary Information Study Group** convened on August 6 and September 6, 2013. The Study Group includes MEC members and members of the Office of the Attorney General for North Carolina, the University of North Carolina School of Government, and other legal and policy specialists. This Study Group has been researching the application of trade secret and proprietary information laws from other states and from the Code of Federal Regulations. Members are continuing to research current North Carolina statutes, case law, pending state legislation and industry practices relevant to trade secrets and proprietary information. The Study Group is identifying inadequacies in current North Carolina statutes and making recommendations for statutory adjustments where appropriate. This Study Group is also developing a set of recommendations to be used in cross referencing any MEC rules that may require trade secret exceptions to public disclosure.

### **The Mining and Energy Commission**

The **Mining and Energy Commission** held three meetings during this quarter and received Committee and Study Group updates during each. During their July 26, 2013 meeting, the Commission accepted and began deliberations on the well construction rule set. Additionally, Commissioners re-elected Jim Womack to another year-long term as Chairman of the Mining and Energy Commission and elected Dr. Ray Covington to serve as Vice Chairman of the Mining and Energy Commission.

At its September 6, 2013 meeting, the Commission continued deliberations on the draft well construction rule set. Members voted to approve this draft rule set and assigned it for internal completion of remaining edits by staff. Additionally, the Commission accepted the draft baseline sampling rule set as received from the Rules Committee. After deliberation, the Commission provided edits to staff for rule updating and further discussion for the next meeting.

Commissioners also discussed statutory language within Session Law 2012-143 (General Statute 113-423(f)) as related to baseline sampling. The Commission requested an informal opinion from the Attorney General's Office to determine if the statute would allow an oil or gas operator to use pre-existing water supply sampling results as part of its baseline sampling reporting requirements.

The Mining and Energy Commission has scheduled its final meeting for the quarter on September 27, 2013 and plans to continue deliberations of the draft baseline sampling rule set. Commissioners will also discuss potential requests for statutory changes, as well as the overall progress of rule development.

DENR is continuing to manage the **Stakeholder Group on Oil and Gas Management**, which is composed of representatives from industry, non-profit organizations, individuals, and local and state governments. Meetings were held on July 11 and September 13, 2013. During these meetings, staff presented the draft wastewater management rule set and the draft setback rule set. The group generated suggested changes to these draft rule sets, which were provided to the Water and Waste Management Committee and the Environmental Standards Committee, respectively.

MEC Commissioners and DEMLR staff personnel continue to participate in local and regional education and outreach activities. On August 14, staff provided a presentation about North Carolina geology, hydrocarbon resources, and the current progress of rule development to the Chatham County Health Department. On August 15, Energy Program personnel met with a representative from the Wake County Environmental Health and Safety office to discuss possible impacts of oil and gas operations within the area of Wake County that overlaps with the Triassic Basin. On August 22, Chairman Womack presented a shale gas update at the North Carolina Association of County Commissioners annual meeting during a forum entitled, "Unearthing Economic Development Opportunities through Natural Resources." On September 20, DEMLR staff provided presentations regarding oil and gas rule development to the Wake County Public Health Committee. Finally, DEMLR staff provided presentations on the MEC's rulemaking progress and updates on draft rules for water reuse and disposal to the Professional Engineers of North Carolina during its Regional Seminar in Wilmington on September 24.

DEMLR's Energy Program continues to support DENR's "Recruiting Exceptional Achievers for Career Horizons" (REACH) internship program. Two interns recently completed their service during this quarter. A third intern arrived during the latter part of August and should remain with the Energy Program through the upcoming quarter. She is pursuing a Master of Science degree in Geology from UNC Chapel Hill and will be assisting staff in conducting research on setbacks and other pending issues before the MEC.

Additional information about the MEC, including agendas, meeting minutes and audio recordings of meetings, can be found at the Commission's website:

<http://portal.ncdenr.org/web/mining-and-energy-commission/>. The Department continues to manage this website and to share information about the activities of the MEC with the public. The website lists meeting agendas, meeting minutes, PowerPoint presentations from meetings, contact information for MEC members, and other information. A listserv is also available for individuals who would like to receive updates on the MEC and changes to the website. To sign up for the listserv, visit <http://lists.ncmail.net/mailman/listinfo/denr.shale.gas>.

Figure 1 reflects current committee and study group members, as well as primary staff contacts for each committee and study group.

Recommendations for further rulemaking and potential statutory amendments will be provided in the three Study Group reports submitted separately to the General Assembly by the October 1, 2013 deadline.

<b>Committee</b>	<b>Chair/Vice Chair</b>	<b>Other Members</b>	<b>Primary DENR Staff</b>
<b>Mining</b>	Tex Gilmore	George Howard Amy Pickle Dr. Marva Price Dr. Robert Mensah-Biney Dr. Ray Covington	Janet Boyer
<b>Civil Penalty Remissions</b>	Charlotte Mitchell	Jane Lewis-Raymond Jim Womack Dr. Robert Mensah-Biney Charles Taylor	Walt Haven
<b>Environmental Standards</b>	George Howard Dr. Ray Covington	Dr. Kenneth Taylor Charlotte Mitchell Amy Pickle Dr. Marva Price Dr. Vikram Rao	Walt Haven (Ryan Channell)
<b>Water &amp; Waste Management</b>	Dr. Vikram Rao Charlotte Mitchell	Dr. Kenneth Taylor Charles Holbrook Ivan "Tex" Gilmore	Trina Matta (Katherine Marciniak)
<b>Administration of Oil &amp; Gas</b>	Charles Holbrook Jane Lewis-Raymond	Dr. Vikram Rao Charles Taylor Dr. Ray Covington Ivan "Tex" Gilmore Dr. Kenneth Taylor	Ryan Channell (Walt Haven)
<b>Rules</b>	Amy Pickle	Charlotte Mitchell George Howard Charles Holbrook	Walt Haven (Tracy Davis)
<b>Study Group</b>	<b>Director</b>	<b>Other Members</b>	<b>Primary DENR Staff</b>
<b>Funding Levels and Potential Funding Sources</b>	Jane Lewis-Raymond	Jim Womack Dr. Vikram Rao George Howard	Walt Haven (Katherine Marciniak)
<b>Local Government Regulation</b>	Charles Taylor Dr. Marva Price	Jim Womack Charles Holbrook	Toby Vinson (Walt Haven)
<b>Compulsory Pooling</b>	Dr. Ray Covington	Jim Womack Charles Holbrook Charlotte Mitchell	Layla Cummings (Trina Matta) (Walt Haven)
<b>Coordinated Permitting Study Group</b>	Dr. Kenneth Taylor	Jim Womack Dr. Ray Covington Dr. Vikram Rao Charles Holbrook George Howard	Walt Haven
<b>Protection of Trade Secrets and Proprietary Information Study Group</b>	Jim Womack	Amy Pickle Jane Lewis-Raymond	Ryan Channell (Trina Matta)

**Figure 1. Commissioner responsibility and primary staff assignments.**