



North Carolina Department of Environment and Natural Resources

Beverly Eaves Perdue
Governor

Dee Freeman
Secretary

MEMORANDUM

TO: ENVIRONMENTAL REVIEW COMMISSION
The Honorable David Rouzer, Chairman
The Honorable Mitch Gillespie, Co-Chairman
The Honorable Ruth Samuelson, Co-Chairman

JOINT LEGISLATIVE COMMISSION ON ENERGY POLICY
c/o The Honorable Phil Berger, President Pro Tempore of the Senate
c/o The Honorable Thom Tillis, Speaker of the House

SENATE APPROPRIATIONS SUBCOMMITTEE ON NATURAL AND ECONOMIC
RESOURCES

The Honorable Don East, Co-Chairman
The Honorable Brent Jackson, Co-Chairman
The Honorable David Rouzer, Co-Chairman
The Honorable Harris Blake, Vice Chairman

HOUSE APPROPRIATIONS SUBCOMMITTEE ON NATURAL AND ECONOMIC
RESOURCES

The Honorable Carolyn Justice, Chairman
The Honorable Roger West, Chairman
The Honorable Efton Sager, Vice Chairman

FISCAL RESEARCH DIVISION
Mark Trogdon, Director

FROM: Robin Smith 
Assistant Secretary for the Environment

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

DATE: October 10, 2012

Pursuant to General Statute 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 1st of

each year. Please consider the Annual Report on Activities Conducted Pursuant to S.L. 2012-143 attached as the formal submission of this report.

If you have any questions or need additional information, please contact me by phone at (919) 707-8619 or via e-mail at Robin.W.Smith@ncdenr.gov.

cc: Kari Barsness, Director of Legislative Affairs
Tracy Davis, Director, Division of Energy, Mineral and Land Resources
Kristin Walker, Fiscal Research Division
Lanier McRee, Fiscal Research Division
Mariah Matheson, Research Division

N.C. Department of Environment and Natural Resources
Annual Report on Activities Conducted Pursuant to Session Law 2012-143
Oct. 5, 2012

Session Law 2012-143 was ratified on July 2, 2012, and directed the Department of Environment and Natural Resources to undertake a number of responsibilities, including:

1. Staffing the newly created North Carolina Mining and Energy Commission, a group of 15 members tasked with establishing a modern regulatory program for the management of oil and gas exploration and development in the State by Oct. 1, 2014;
2. Administering and enforcing laws developed under S.L. 2012-143;
3. Assisting the Mining and Energy Commission in the development of three studies by Oct. 1, 2013:
 - i. Appropriate levels of funding and potential sources for that funding, including permit fees, bonds, taxes and impact fees, necessary to support local governments impacted by the industry and associated activities; address expected infrastructure impacts, including, but not limited to, repair of roads damaged by truck traffic and heavy equipment; cover any costs to the State for administering an oil and gas regulatory program, including remediation and reclamation of drilling sites when necessary due to abandonment or insolvency of an oil or gas operator or other responsible party; and any other issues that may need to be addressed in the Commission's determination.
 - ii. The issue of local government regulation of oil and gas exploration and development activities, and the use of horizontal drilling and hydraulic fracturing for that purpose.
 - iii. Current North Carolina law and the laws of other states on the issue of compulsory pooling.
4. Coordinate the adoption of rules required to be adopted by Oct. 1, 2014, by the Mining and Energy Commission, the Environmental Management Commission and the Commission for Public Health. These rules must be adopted in an open and collaborative process that includes input from scientific and advisory groups, consultation with numerous stakeholders and broad public participation.
5. Identify the location of all water supplies, including wells, on a property on which drilling operations are proposed to occur. When requested by a surface owner, the Department must sample wells located on their property, in lieu of sampling conducted by the oil or gas developer or operator (with reimbursement to the Department provided by the oil or gas developer or operator).
6. In consultation with the N.C. Department of Justice, Consumer Protection Division, establish and maintain a registry of landmen operating in North Carolina.

Since S.L. 2012-143 became law, the Department has conducted the following activities:

- Contacted members of the Mining and Energy Commission and organized an orientation meeting for Sept. 6, 2012. An agenda and minutes from this meeting are included as attachments to this report.
- Assisted the Commission in its second meeting, held Sept. 28, 2012.
- Provided support to the Commission.
- Developed a draft work plan for the Commission, a proposed standing committee structure, and a meeting schedule. These items were presented at the Commission's second meeting on Sept. 28, 2012.
- Met with staff from the N.C. League of Municipalities and the N.C. Association of County Commissioners to discuss ways to involve stakeholders in the development of rules and to work cooperatively on the studies that address issues of interest to local government.
- Started the process of hiring three positions authorized in the Appropriations Act of 2012 to support the work of the Commission. As of Sept. 25, one of the three positions (an Environmental Senior Specialist) has been posted. The other two positions (an Environmental Supervisor III and a Hydrogeologist) have more recently received the final budget and personnel approvals and will be posted by Oct. 5, 2012.
- Developed a registry of landmen and an application for registration.