



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

FROM: Dr. Vikram Rao
Chairman of the North Carolina Mining and Energy Commission
Tracy Davis
Director of the Division of Energy, Mineral, and Land Resources

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

DATE: October 1, 2014

Pursuant to Session Law 2012-143, the North Carolina Mining and Energy Commission and the Division of Energy, Mineral, and Land Resources shall submit to the Environmental Review Commission and the Joint Legislative Commission on Energy Policy a report on activities conducted and progress made on a quarterly basis. Please consider the Quarterly 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) 707-9201 or via e-mail at Tracy.Davis@ncdenr.gov.

cc: Mitch Gillespie, Assistant Secretary for the Environment
Neal Robbins, Director of Legislative Affairs
Carr McLamb, Deputy Director of Legislative Affairs
Tracy Davis, Director, Division of Energy, Mineral, and Land Resources
Brad Atkinson, Energy Section Chief, Division of Energy, Mineral, and Land Resources
Walt Haven, Oil and Gas Management Program Supervisor

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**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, 2014**

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 involved for that purpose. The Act 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 the Act (Section 2.(m)). This report satisfies both of these reporting requirements for the July through Sept. 2014 timeframe.

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

The **Administration of Oil and Gas Committee** did not meet during this quarter due to its completion of initial rule assignments.

The **Environmental Standards Committee** did not meet during this quarter due to its completion of initial rule assignments.

The **Water and Waste Management Committee** did not meet during this quarter due to its completion of initial rule assignments.

The **Rules Committee** did not meet during this quarter due to its completion of initial rule assignments.

The **Mining Committee** convened on July 24 and received informational briefings on the NC Geological Survey's Teacher Award Funding Program, Land Quality Section activities, and DEMLR's Mining Stewardship Award for exceptional community relations and public outreach by the mining industry. The Committee also received an informational update from DEMLR staff regarding mining statistics and regulatory compliance issues.

The **Petition Committee** was established by MEC Chairman Dr. Vikram Rao on Aug. 20 to receive and address rule making petitions presented to the Commission. The first meeting of this Committee has been scheduled for Oct. 17 to consider a petition presented to the MEC on Aug. 8.

Mining and Energy Commission activities for this quarter are summarized below:

Dr. Vikram Rao assumed the position of Mining and Energy Commission Chairman and Ms. Amy Pickle assumed the position of Vice Chairwoman on Aug. 1.

The Mining and Energy Commission convened on July 24 and passed a resolution of appreciation to recognize the completion of Mr. Charles Holbrook's service to the MEC. Dr. Martin D. Matthews has since been named by Speaker of the House, Thom Tillis, to replace Mr. Holbrook.

During the last quarter, commissioners authorized the draft 15A NCAC 05H Oil and Gas Conservation Rules be released and available for public comment during the time period of July 15, 2014 through Sept. 15, 2014. However, the MEC subsequently extended the public comment period through Sept. 30, 2014. Additionally, commissioners set public hearing dates as follows:

- August 20, 2014: Raleigh, NC from 10:00 am to 2:00 pm;
- August 22, 2014: Sanford, NC from 5:00 pm to 9:00 pm;
- August 25, 2014: Wentworth, NC from 5:00 pm to 9:00 pm; and
- September 12, 2014: Cullowhee, NC from 5:00 pm to 9:00 pm.

The Mining and Energy Commission met again on Aug. 8 and developed procedures for holding the above listed public hearings. DEMLR also provided the MEC with a presentation on receiving and processing public comments on the draft rules received by electronic mail, first class mail, and orally at public hearings. The Commission also discussed establishing a Midstream Infrastructure Study Group in response to Session Law 2014-4, to address regulatory requirements for oil and gas gathering lines. Commissioners expressed their willingness to assist DENR with its upcoming studies for landman registration, compulsory pooling, and dormant mineral rights. Finally, the MEC received a petition for rulemaking regarding air emissions from an environmental conservation group.

Commissioners continue to participate in local and regional education and outreach programs, in addition to providing information briefings to the Legislature. Specific activities for this quarter included:

- June 27, 2014: Dr. Kenneth Taylor provided the presentation, "Shale Gas 101: Natural Gas Exploration / Development – A North Carolina Perspective" to the Governor's School at Meredith College in Raleigh, NC;
- July 22, 2014: Mr. James Womack met with Dr. Senegal of Central Carolina Community College to discuss curriculum for future workforce development training related to oil and gas trades in Lee, Chatham & Harnett Counties;
- July 22, 2014: Mr. James Womack provided the presentation, "Shale Energy Rules, Exploration & Development Overview" during a town hall meeting with the Conservatives for Guilford County group in Greensboro, NC;
- July 24, 2014: Mr. James Womack provided the presentation, "Shale Energy Rules, Exploration & Development Overview" during a town hall meeting in Angier, NC;
- August 6, 2014: MEC Chairman Vikram Rao provided the presentation, "Shale Oil and Gas: Process, Risks, and Rewards" during a UNC training course in Chapel Hill, NC;
- August 6, 2014: Dr. Kenneth Taylor provided the presentation, "Shale Gas 101: Natural Gas Exploration / Development – A North Carolina Perspective" to the Women's Council of Relators in Raleigh, NC;
- August 12, 2014: MEC Chairman Vikram Rao provided the presentation, "Shale Oil and Gas: Process, Risks, and Rewards" during the Clarin Conference on Vaca Muerta in Buenos Aires, Argentina;

- August 20, 2014: Dr. Kenneth Taylor served as primary hearing officer for the draft rules public hearing in Raleigh, NC;
- August 21, 2014: MEC Chairman Vikram Rao provided the presentation, "Sustainable Energy for NC: Shale Gas and Biomass in NC" to the American Society of Civil Engineers in Raleigh, NC;
- August 22, 2014: Mr. James Womack served as primary hearing officer for the draft rules public hearing in Sanford, NC;
- August 25, 2014: Ms. Amy Pickle served as primary hearing officer for the draft rules public hearing in Wentworth, NC;
- September 2, 2014: Mr. James Womack provided the presentation, "Shale Energy Rules, Exploration & Development Overview" and then participated in a question and answer session for the NC 50th Senatorial District in Franklin, NC;
- September 8, 2014: Dr. Ray Covington provided the presentation, "Status of Natural Gas Exploration and Compulsory Pooling in North Carolina" to the National Association of Royalty Owners in White Sulphur Springs, WV;
- September 8, 2014: Mr. James Womack participated as a discussion panel member on WFAE Radio's "Charlotte Talks" program to discuss North Carolina's draft oil and gas rules;
- September 10, 2014: Dr. Ray Covington provided the presentation, "Current issues with Natural Gas Exploration, Proposed Rule Set, and Compulsory Pooling in North Carolina" to an Environmental Studies Class at Elon College;
- September 12, 2014: Dr. Kenneth Taylor served as primary hearing officer for the draft rules public hearing in Cullowhee, NC;
- September 17, 2014: MEC Chairman Vikram Rao provided the presentation "Sustainable Energy for NC: Shale Gas and Biomass in NC" to a UNC class in Chapel Hill, NC;
- September 23, 2014: MEC Chairman Vikram Rao provided the presentation "Russian Energy Aggression: Consequences and Responses" at UNC Chapel Hill;
- September 24, 2014: Dr. Kenneth Taylor provided the presentation, "Shale Gas 101: Natural Gas Exploration / Development – A North Carolina Perspective" during the NC Department of Revenue's Advanced Seminar on Real Property in Greensboro, NC; and
- September 24, 2014: Dr. Ray Covington provided the presentation, "Current issues with Natural Gas Exploration, Proposed Rule Set, and Compulsory Pooling in North Carolina" to the Wake County Board of Realtors' Governmental Affairs Committee in Cary, NC.

DEMLR has continued its support of the Mining and Energy Commission and has organized logistics and procedures for public hearings. Additionally, DEMLR worked with the NC Office of Administrative Hearings to ensure publication of the draft 15A NCAC 05H rules in the NC Register. The Oil and Gas Program has established a public comment website to announce public hearings and facilitate the submission of e-mailed and mailed comments. This website, along with the entire suite of MEC sites maintained by the Program, may be found here: <http://portal.ncdenr.org/web/mining-and-energy-commission/public-comment-meetings>.

DEMLR's Oil and Gas Program continues to assist the North Carolina Geological Survey (NCGS) in assessing hydrocarbon potential and has helped with rock sample processing, data compilation and plotting, and the technical review of professional conference posters. Additionally, staff teamed with NCGS to set up a booth to advertise North Carolina resources and to network with industry professionals during the North American Prospect Expo in Houston, TX from Aug. 19-22. Oil and Gas personnel have also been working with the NC

Geological Survey, the American Association of Petroleum Geologists, the American Petroleum Institute, and other professional organizations to receive cost-effective, in-house continuing education. Instruction is resulting in staff becoming more technically proficient and has covered topics such as shale lithology, thermal maturity of hydrocarbon-bearing rocks, hydrocarbon fluid migration, well site cementing calculations, and well site safety.

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 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.

Committee	Chair/Vice Chair	Other Members	Primary DENR Staff
Mining	Tex Gilmore	George Howard, Amy Pickle, Dr. Marva Price, E.O. Ferrell, Dr. Robert Mensah-Biney, Dr. Ray Covington	Janet Boyer
Civil Penalty Remissions	Charlotte Mitchell	Jane Lewis-Raymond, Jim Womack, Charles Taylor, Dr. Robert Mensah-Biney	Walt Haven
Environmental Standards	George Howard, Dr. Ray Covington	Dr. Kenneth Taylor, Charlotte Mitchell, Amy Pickle, Dr. Marva Price, Dr. Vikram Rao	Walt Haven (Ryan Channell)
Water & Waste Management	Dr. Vikram Rao, Charlotte Mitchell	Dr. Kenneth Taylor Amy Pickle Ivan "Tex" Gilmore	Katherine Marciniak
Administration of Oil & Gas	Jane Lewis-Raymond	Dr. Vikram Rao, E.O. Ferrell, Dr. Ray Covington, Dr. Kenneth Taylor, Ivan "Tex" Gilmore	Ryan Channell (Walt Haven)
Rules	Amy Pickle	Charlotte Mitchell, George Howard, Dr. Vikram Rao, Jane Lewis-Raymond	Robert Josey (Walt Haven)
Petition	Amy Pickle	Jane Lewis-Raymond E.O. Ferrell	Robert Josey (Walt Haven)
Study Group	Director	Other Members	Primary DENR Staff
Funding Levels & Potential Funding Sources	Jane Lewis-Raymond	Jim Womack, Dr. Vikram Rao, George Howard	Walt Haven (Katherine Marciniak)
Local Government Regulation	Charles Taylor, Dr. Marva Price	Jim Womack	Walt Haven
Compulsory Pooling	Dr. Ray Covington	Jim Womack Charlotte Mitchell	Walt Haven
Coordinated Permitting	Dr. Kenneth Taylor	Jim Womack, Dr. Vikram Rao, Dr. Ray Covington, George Howard,	Walt Haven
Protection of Trade Secrets & Proprietary Information	Jim Womack	Amy Pickle, Jane Lewis-Raymond	Ryan Channell
Midstream Infrastructure	TBA	Jane Lewis-Raymond, Jim Womack	TBA

Figure 1. Commissioner responsibility and primary staff assignments.