

North Carolina Department of Environmental Quality

Pat McCrory
Governor

Donald R. van der Vaart
Secretary

MEMORANDUM

TO: ENVIRONMENTAL REVIEW COMMISSION
The Honorable Brent Jackson, 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
Former 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 19, 2015

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: Tom Reeder, Assistant Secretary for the Environment
Matthew Dockham, Director of Legislative Affairs
Tracy Davis, Director, Division of Energy, Mineral, and Land Resources
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**N.C. Mining and Energy Commission
And Department of Environmental Quality
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, 2015**

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 September, 2015 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.

The **Water and Waste Management Committee** did not meet during this quarter.

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

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

The **Petition for Rulemaking Committee** did not meet during this quarter.

The **Environmental Standards Committee** did not meet during this quarter.

The **Mining and Energy Commission** did not meet during this quarter. Additionally, the MEC was decommissioned on July 31, 2015, in accordance with Session Law 2014-4, Section 4(b).

On May 2, 2015, in Wake County Superior Court, Judge Stephens issued an order in 15 CVS 000127, Haw River Assembly v. Rao et al., enjoining the MEC from accepting applications for drilling units. The order also stayed the Haw River Assembly case pending the Supreme Court of North Carolina's decision in McCrory v. Berger. As a result, permits for oil or gas well drilling cannot be issued by DEQ until after Haw River Assembly v. Rao is resolved.

DEMLR's Energy Section continues to participate in local and regional education and outreach. On August 24, 2015, Oil and Gas Program staff provided a presentation on North Carolina geology, resource potential, and the 15A NCAC 05H rules to the Cary Central Rotary Club. Additionally, the Energy Section Chief gave a presentation titled, "Oil and Gas Development in North Carolina" to the E4 Carolinas Emerging Leaders Program on August 26, 2015.

DEMLR's Oil and Gas Program continues to assist the North Carolina Geological Survey (NCGS) in assessing hydrocarbon resource potential and has helped with rock sample

processing, data compilation and plotting, and the technical review of professional conference posters. Staff also 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 August 18-21, 2015.

Oil and Gas Personnel also assisted DEMLR's Land Quality Section with reviewing construction site plans and performing site inspections to help assess compliance with North Carolina's erosion and sedimentation control statutes and rules. Engaging in this work is directly relevant to the program's oversight of future oil and gas operations, which will involve land disturbance activities, requiring erosion and sedimentation control plan approval and on-site inspections.

Oil and Gas Program personnel continue to work with the NC Geological Survey, the American Association of Petroleum Geologists, the American Petroleum Institute, and other professional organizations to receive cost-effective continuing education. These instructional sessions have helped staff become more technically proficient and have covered topics such as hydrocarbon source and reservoir rocks, well site safety, structural geology, advanced geo-statistics, and NC's resource rocks. Additionally, staff attended the Unconventional Resources Technology Conference in San Antonio (July 20-22) and the Interstate Oil and Gas Compact Commission's annual meeting in Oklahoma City (September 28-30). These professional events provided DEMLR personnel with formal instruction on hydraulic fracturing, micro-seismic monitoring, oil and gas production, water and waste management, and resource assessment. These gatherings also allowed staff the unique opportunity to exchange professional knowledge with industry scientists to discuss and market NC's resources as well as the opportunity to meet with oil and gas regulators from around the country to discuss industry specific regulations and critical topics.

The Oil and Gas Program has continued to host three interns and has tasked them with researching regulatory standards in hydrocarbon-producing states and is also providing them with opportunities for professional education.

DEMLR is working with the Department to complete a large-scale website migration project. As a result of this work, as well as the decommissioning of the MEC, many of the Commission's webpages have been archived and will be made available through a "drop box" internet portal. However, overall information regarding the Oil and Gas Program and 15A NCAC 05H may still be found here: <http://portal.ncdenr.org/web/mining-and-energy-commission/>. Additionally, the Department continues to share information with the public and will be developing new websites to service the (future) Oil and Gas Commission. Finally, the listserv is still being maintained and remains available for individuals who would like to receive updates. To sign up for the listserv, visit <http://lists.ncmail.net/mailman/listinfo/denr.shale.gas>.