



JOINT LEGISLATIVE COMMISSION ON ENERGY POLICY
October 1, 2013
Room 544 Legislative Office Building

The Joint Legislative Commission on Energy Policy met on Tuesday, October 1, 2013, at 1:03 p.m. in Room 544, Senator Bob Rucho, Chair of the committee, presided. All documents and presentations are available on the Commission's website.

Members present were: Senator Bob Rucho, Chair, Representative Mike Hager, Chair, Senator Andrew Brock, Senator Kathy Harrington, Senator Gene McLaurin, Senator E.S. (Buck) Newton, Senator Ronald Rabin, Representative Rick Catlin, Representative Ken Goodman, Representative Jacqueline Schaffer, and Representative Mike Stone. Advisory Members present were Representative James Boles and Senator Trudy Wade. Ms. Jennifer McGinnis, Mr. Peter Ledford, and Mr. Jeff Cherry, Commission Counsels; Ms. Jennifer Mundt, Commission Analyst, Lindsey Dowling and William Verbiest, Commission Clerks.

Call to order and introductory remarks

Senator Bob Rucho called the meeting to order at 1:03 PM and introduced the members of the commission and staff. Co-Chair Representative Mike Hager spoke on the importance of clean, renewable energy as a driver of North Carolina's economy. Jennifer McGinnis, Commission Counsel, reviewed the Commission Charge.

Department of Environment and Natural Resources

Senator Rucho introduced Assistant Secretary Mitch Gillespie, who gave a report on activity of the Department of Environment and Natural Resources (DENR) related development of a modern regulatory program for the management of oil and gas exploration and development activities in the State, and use of horizontal drilling and hydraulic fracturing (fracking) for that purpose. Following Assistant Secretary Gillespie's presentation (see 5 - Gillespie DENR Update on Energy Issues), Senator Rucho opened the floor for questions.

QUESTION AND ANSWER

Representative Hager: Secretary Gillespie thanks for coming today, we appreciate your very valuable presentation. I've got one, well a couple questions, the first one is: You're your presentation on the energy department, the energy piece of DENR, it seems to be, and I think we talked about this a lot when we were moving that Division over to DENR, can you kind give me an idea what DENR's responsibilities will be? It seems to be that you guys are looking at the policy and the planning of energy and reliable, cheap energy moving forward, which seems to be a little bit in conflict with what DENR's charge is. Could you kind of give us a little bit more detail about exactly what you'll be doing in the production of energy?

Gillespie: That's a good question, Mr. Chairman, and let me give you an example of why I don't see it as DENR being in conflict with trying to do job creation. It's simply because the way we're operating over there now is, for example, on CNG and transportation on renewables, the research that we are doing over there and that the old energy office is doing, which is now the new energy office in DEMLR, we are looking at trying to set up a transportation grid across the State and looking at all kinds of ways that we can establish fueling stations across the State on I-40 and I-95 and in the large urbanized areas so that we can try to promote CNG and with that what you'll be seeing from us, if we come up with an answer is you'll be seeing a legislative agenda from us in the Short Session if we're able to be complete by then, that we will be asking you to promote legislation to do whatever to help establish that and in the same way with wind. This past Session we worked on wind legislation which is actually a job creator, so DENR actually came in here with some regulations that were business friendly because we met multiple times with the folks that were doing that. So you'll see, the same way with off-shore and on-shore gas and oil exploration, you'll see us with a legislative proposal, those legislative proposals will be, a lot of them will be for job creation things and so it's simply because we see energy as all of the above and more than just what it's been in the previous administrations that you'll be seeing us with a lot of different proposals that I think you'll be pleased with and then at the same time, even though we'll be promoting off-shore oil exploration, they're going to have to do it right. They're going to have to follow the rules and they're going to have to do everything that is right or else we're going to send them a notice of violation and then we're going fine them if they don't do it right. I can report to you that in the 8 and a half months that I've been over there at DENR so far I've not had one business group or one person ask me to break or bend the rules, they want to abide by the rules and that's what we try to help them through the regulatory process and at the same time, we're also out there across the State, and I can give you success story after success story on and on and we've got a list and it's a long list and a lot of your members sitting in this room are aware of the list of what we've done as far as helping businesses grow in North Carolina and still making them comply with the rules and regulations. Just recently, and I was told not to talk too much, but I'm proud of what we're doing at DENR and we need to talk more about what we're doing at DENR. We've got a company that wants to come here bringing 150 jobs and a \$100 million investment and they said we need our permit by such and such a date and I said, "Have you got your permit yet?" "No, we've not done it." "Where's your engineer at?" I will send people to their office and help them get through the process in order to make sure they get their permit on time. That's the kind of thing we're doing over there and that's working and creating jobs and also making sure the environment is protected. So I hope that answers your question.

Representative Hager: Thank you, thank you. Follow up, real quick. You mentioned rock testing in western North Carolina, you and I both are interested in western North Carolina, can you kind of tell me what that's about it? That seems a little out of the ordinary.

Gillespie: Well the USGS has identified some sections across the State and all this, it's not just us out there coming up with it on our own, it's actually based on data that supplied to us by the USGS and things, so we do know of some areas out in western North Carolina that we would like to go out there at some point in time, if the money's there, and do some rock sampling, and when I say do some rock sampling, I would say we're going out on ride a ways of highways and look at the cuts and the banks and see what kind of rock formations are there and what kind of formations the land is to try to get an idea. So those are the kinds of things were talking about in western North Carolina, just gathering rock samples in the western part of the State and checking for organic chemistry to see if there is some type of gas that might

be there, so it's very vague, I could talk with you more about it in detail if you'd like and give you some further information.

Representative Hager: Secretary Gillespie, you sure the plotter will allow you to keep your green building certification?

Gillespie: Well actually that's in the Archdale building and I don't have to tell you, but all you've got to do is go over there and you'll see that it is definitely not green.

Senator Rucho: Alright. Another question, before that, Representative Boles we are delighted to have you here. I just wanted to make sure that you were recognized along with Senator Wade. We are delighted to have you here participating. Representative Stone?

Representative Stone: Thank you Mr. Chair. Thank you Assistant Secretary Gillespie, I appreciate your time today and help coming to explain some of the past events. I was on a trip with you in 2012 in Pennsylvania where some of the majority of the problems they had in Pennsylvania were the fact that they didn't have the sufficient baseline testing. So it's kind of hard to throw the blame of what caused what in the aftermath. I say that because I represent Lee County which is a large part, most consider the epicenter of where this natural gas is at. You give a great detailed explanation on why we didn't take this EPA money but I have a couple questions to follow up so I can go back and explain to my constituents. We talked about the EPA testing and how we're going to do that eventually and it's going to become a different timeline. My first question pertains to all the testing the EPA was requesting or was going to carry out in the grant. Am I to understand we're going to do every test that the EPA was going to do as we start to do a baseline data for Lee and the State of North Carolina? And I'll have a follow up.

Gillespie: Representative, we're actually going to do more and I failed to mention that and the more that I'm talking about is the EPA grant was dealing strictly with surface water baseline testing. We're actually going to do subsurface testing and groundwater testing also. That wasn't included in the grant. However, we could have done it anyway and we would have outside of that, you can make that argument but I can tell you that grant did not spell that out and we will be doing groundwater testing and surface water testing also.

Representative Stone: Yes, thank you Mr. Chair. The other is, we talked about the timeline the EPA had and it didn't necessarily work within what we're trying to do, especially with MEC. So I wanted to know, we've got meetings scheduled here all the way up to April, is there a possibility you can come back with us with a recommendation of what you want to study and your timeline so we can make sure that the people in Lee and Harnett County understand what we're testing, the baseline we're going to be doing so we can assure them that as we move forward, we've got the best interest at heart of the State of North Carolina and especially the citizens in that section of the County.

Gillespie: Representative, I'd say that we really need direction from the MEC prior to doing that and who knows when that should be. My guess is it would be prior to the Session ending in March of, or prior to 2015, July of 2015. It should be sometime prior to that and at that time we should know more about the size of the drilling units and then we can go in there and do this testing, you know 6 months prior to that, which would be sort of the timeline but we would need direction from the MEC on exactly where they... You know the testing, the map I showed you there is, and its way on back through here, but that's a very large basin right there. If you try to narrow down to, these drilling units that are going to be done, they've not even been leased yet. A drilling unit has not even been leased yet in Lee County and then even if you did have and you might have a tract of land that's been leased at 640 acres or more, if that's the size that determined for a drilling unit, but don't you think that we need to know where these leases are happening prior to testing instead of just randomly testing more? So we want to be able to really pinpoint these sub basins and watersheds on the tests, so we will have very accurate examples of what the baselines should be on this water. When that time is, I don't know, but I'd also say that we can apply for an EPA grant if we see that we need it too. There is nothing to stop us from reapplying at any time, well they have a cycle just like everybody else but we could apply and then someone says "Well, they're not going to give you a grant." I

would hope they'd look at us as we're spending the...if we ask for it, it's needed. We're not going to waste the federal tax dollars. So I would think that what we've done is, they should appreciate what we've done and would look at us even further.

Senator Rucho: Follow up?

Representative Stone: Yes, thank you. We have a lot of people in Lee County that are somewhat excited, but we want to eliminate all the fears we can and I think the geologists have given us a pretty good area of where we speculate that the possible drilling can go on. I do support the idea of even going and doing some of the rivers as well because what we want to do is, we want to gain the assurance of the people that we're going to do everything we say we're going to do to assure them of their safety and protect the land, water, and air. I also know that as we come back in 2015, we'll be looking to lift the moratorium on gas drilling for permitting purposes. I just want to make sure that we have all these baseline data in place before we consider doing that.

Gillespie: Quick answer to that is if the MEC tells us they need some next week, we'll go out there and start testing next week.

Senator Rucho: Good, and just to be clear, I know I've had questions on that too. In reality, the return of that grant money was because of the timeliness of it and probably the fact that you felt you might need to do more. Is that correct so we can tell our constituents that?

Gillespie: The main thing is the shelf life. We felt like the data would be useless by the time we needed it, whether it's a year and a half from now or two years, once it gets past a year it's useless.

Senator Rucho: OK, so it was a matter of timing. We just weren't ready for that kind of work at that point?

Gillespie: Exactly and what you wanted us to test to for, which we need direction from the MEC.

Senator Rucho: Good, I've got Senator McLaurin first.

Senator McLaurin: Thank you Mr. Chair. Just to follow up to Representative Stone's line of question, Mr. Gillespie, let me also say this as someone who has worked over 30 years in the petroleum industry. I've worked very closely with the Department through the years and you're exactly right, you've got a great team and excellent very professional folks and I commend you and your staff for the work you're doing to continue on that line of providing service to business and to our State. I guess my question though is instead of saying "We decline this grant"; couldn't we have said "we delay the implementation of it." I think it really is causing some concern among our citizens, our constituents, that we're not doing what we need to be doing to make sure that the best rules, the best regulations are being put in place. I just really believe that to use that word "we'd like to delay this grant" for the time being to try to work with the EPA on that grant on that when the timetable would have been a better, and I'll just make that comment and ask for your response to that.

Gillespie: Senator, I can't argue with that. You know, if you look back on things you'd always do things differently. Looking back on this now, I would have said that "we're going to delay this or request it be postponed" or something once I saw how much turmoil and how the newspaper loves to write stories about us and so I can see how I would have changed my wording a little bit, but the facts remain what they are. I've been criticized for being too blunt and open and honest with the facts but they are what they are. Would I have changed the way we'd done it, as far as the way we said delaying or something? You know we would have loved to look back on it after we see and maybe make some changes, but the facts are what they are.

Senator Rucho: Again, Mr. Secretary, it doesn't preclude us from reapplying at the appropriate time for what we really need for that area protecting the safety, correct?

Gillespie: That's correct, Mr. Chair.

Senator Rucho: Thank you. Senator Newton?

Senator Newton: Thank you Mr. Chairman. Thank you Mr. Secretary. This question might be a little bit more for staff; maybe Jennifer or someone might be able to help me. I'd like to get a little more clarity on the money report for the shale gas, some of the positions and the marketing money and so forth.

Senator Rucho: OK, Jennifer?

Hoffmann: Mr. Chair, Jennifer Hoffmann with the Fiscal Research Division. The General Assembly did appropriate \$300,000 in recurring money in the first year of the biennium and \$400,000 recurring the second year of the biennium as Mr. Gillespie said. The money report does specify that those funds are to be used to fund up to four positions as well as to fund the annual membership to the Southern States Energy Board, as well as marketing expenses related to shale gas resources.

Senator Rucho: Follow up?

Senator Newton: Yes, Mr. Chairman, and maybe I misunderstood something, I'm not sure. I thought I had understood Mr. Gillespie to have said that there wasn't any money for marketing and I'm confused about that.

Gillespie: If I may, Mr. Chair?

Senator Rucho: Yes, you can explain the marketing issue.

Gillespie: Sure. There is actually, if you look at this chart here which I'll flip through, this shows you the \$300,000 and as you see there is no money for marketing there. However, what we plan on doing and marketing can be, the way it is worded in the budget can be determined or interpreted any way you like to, the way I interpret it without having any money to do means that I'm with this Section Chief hire that I have that he is going to concentrate part of his time on marketing the State's energy resources that we have and then his travel time and all the expenses and everything like that we're going to absorb inside DEMLR now and come out of our existing money that we have to make sure that he goes to all the trade shows and things like that. That's why if you look on over, well I might have passed it, where we ask for an additional position, future hire or unfunded but needed position, that #1 bullet point there is the position that I would like to have some hired along with a budget or we could absorb the budget of traveling inside DEMLR now. We would love to have one person that's mainly focused on that and we see that as a key person, but unfortunately we don't have the money to do that and I would love to do this but I'm going to do the mission in a small way and I would do it bigger than I what I'm able to.

Senator Rucho: All set? OK, members? Representative Goodman.

Representative Goodman: Thank you Mr. Chairman. Just a quick question, probably more for staff. Could we get a list of acronyms that we're going to be using, I'm having a hard time keeping up with some of those.

Senator Rucho: You might have to give us the ones you want. OK. No other questions? Alright, Senator Newton.

Senator Newton: And this is for Jennifer again. Did Commerce transfer all the positions to DENR or did they retain any?

Hoffman: It does appear as if Commerce did retain one position that was the Assistant Secretary when the energy office was over in Commerce. The money report, as well as the

budget bill, does direct that 100% of the positions, funding, and all resources be transferred to DENR.

Gillespie: Mr. Chair, if I could respond to that. Like I said I addressed that earlier. I think if you check into that a little bit further like we did, you'll see that position was only 10% funded by State dollars and the rest of it was federal grants. So 90% of that position was funded by federal grants which doesn't exist anymore. So that's why that position stayed and disappeared basically.

Senator Rucho: OK, seeing no additional questions. Mr. Secretary, thanks very much, you are welcome to stay around and enjoy the camaraderie here for the next session and we look forward to having you back at another time.

Mining and Energy Commission

Senator Rucho then introduced James Womack, Chairman of the MEC, to give a report on activity of the MEC concerning the rule development process for the management of oil and gas exploration and development activities in the State, and use of fracking for that purpose, as well as ongoing studies directed by S.L. 2013-365. Chairman Womack's presentation (6 - Womack et al MEC Overview and Activity Update) covered an overview of process, timeline, and administration of the MEC, the Environmental Standards Committee, and the Rules Committee. Following Chairman Womack's presentation, Senator Rucho introduced Dr. Vikram Rao who presented on the Water and Waste Management Committee. Dr. Ray Covington, Vice President of the MEC, then presented (DENR - Compulsory Pooling & Final Report of the Compulsory Pooling Study Group) on The State's current law on the issue of integration or compulsory pooling and other States' laws on the matter (Sec. 2(I) of S.L. 2012-143/S820, as amended by Sec. 12(c) of S.L. 2012-201/H953, October 1, 2013). After Dr. Covington had completed his presentation, Senator Rucho opened the floor to questions.

QUESTION AND ANSWER

Representative Stone: Yes, thank you Mr. Chair. Thank you Dr. Covington. I was looking at your notes and you had made a comment that several in the group, and by the way that was a very extensive group, I do appreciate you bringing all the stakeholders you could possibly come up with it seems like in this group so thank you, it says that 90% was what everyone agreed on and a couple wanted 100%. I guess my question goes back to did anyone request less than 90%, realizing that only 90% still is only 50% of the landowners?

Dr. Covington: Great question Representative Stone. We did reach out to industry and of course industry, when you look at Arkansas like Secretary Gillespie's slide showed Arkansas has 50% of the land to be leased up in an exploratory area, but what the slide did not show is Arkansas actually has 1%, so if you had 1% of the land leased up you could actually ask for a pooling order in the State of Arkansas. So as you can imagine, their hearing process is inundated with pooling order requests, so they're constantly going through pooling orders. We did have a report from Jim DeBree who is with industry and he gave us industry's approach and they actually said that they felt very comfortable with an 80% leased up, 80% of the area but again, that's in areas all across the nation. So you have a range from industry wanting as little percentage as possible to individuals who would like fracking not to have nor natural gas exploration in the State being at 100% where in other words, we don't have compulsory pooling in the State of North Carolina.

Senator Rucho: Follow up?

Representative Stone: Yeah, thank you. I just want to end up saying that I really appreciate all your hard work, I think it does give us a great range for more discussion. When I was in Pennsylvania, of course they had no compulsory pooling but as I later realized they're trying to work on a current statute now for compulsory pooling because it presented so many problems by not having one with some of the landowners. Anyway, thanks again for your hard work and I really appreciate it.

Senator Rucho: Representative Hager?

Representative Hager: Dr. Covington thank you for coming. Could you tell me about what the average is for compulsory pooling in America?

Dr. Covington: You mean the average from land leased up? It's all across the board and I would say somewhere 50 to 60 to 70% would be the average, but again many States discourage it, they still have it but they discourage it. In Pennsylvania actually they have, they don't have compulsory pooling in the Marcellus Shale area, but they actually do have compulsory pooling in the Utica Shale, so they have two layers of shale in the State of Pennsylvania and they've actually recently adopted a statute that if two companies are in production unit, then the two companies could be compulsory pooled to work together to be able to put together a production unit. So there are lots of nuances on this.

Senator Rucho: OK, other members' questions? Seeing none, thank you sir. Oh I'm sorry, Senator Newton.

Senator Newton: Thank you Mr. Chairman and thank you Doctor. I'd like to ask you about the antiquated mineral rates discussion. You mentioned a statute I believe, I forgot what year you said it was, it was passed...

Dr. Covington: '85, I believe.

Senator Newton: '85 that was supposed to have dealt with that. Do y'all have a specific recommendation about how we should deal with that problem, that's been a potential problem that I'd seen for almost 2 years that we weren't legislatively ready to deal with that yet and I'd be very anxious to hear if you can add something to that at this time?

Dr. Covington: The recommendation so far is to basically look at the statute that was done back in the '80s, which basically said you have a period of time to be able to prove that you had these mineral rights and then you would go to the register of deeds within those counties as well as at that point in time it was not DENR, whatever the organization was, and prove that you had those mineral rights, then you would have to get PIN number on that and start paying taxes on those mineral rights. The question is whether or not there was due notice given because there was a statute regulation that there had to be notice and deciding whether notice was given at the time is uncertain. So to clean it up we may need to go through that process again.

Senator Newton: Thank you.

Senator Rucho: Senator Newton based on the composition of the compulsory pooling there seems to be a lot of work for attorneys somewhere down the road.

Senator Newton: This is a job creation bill.

Senator Rucho then introduced Charles Taylor for a presentation (MEC Local Government Regulation Study Group Report & MEC Summary Recommendations - Local Government Regulation Study Group Report) on local government regulation of oil and gas exploration and development activities, and the use of fracking for that purpose. (Sec. 2(k) of S.L. 2012-143/S820, as amended by Sec. 12(b) of S.L. 2012-201/H953, October 1, 2013). Mr. Taylor took questions following his presentation.

QUESTION AND ANSWER

Senator Rucho: OK, Representative Stone?

Representative Stone: Thank you there again Mr. Chair. Thank you Mr. Taylor for your explanation and that was pretty thorough. I have a couple questions and I'll have a follow up. We talked about the variance that you'll be able to apply for and my question would be, what kind of timeline, or do you have a timeline?

Taylor: We don't have a timeline yet. We wanted to identify the need for a variance and the need for, in setbacks in particular, you got to have an ability to even request a smaller setback or a bigger setback and it could be...it's wide open right now.

Senator Rucho: Follow up?

Representative Stone: Yes, Mr. Chair. I'll just make a statement and I hope we can narrow the timeline because the cost of doing business is not going to go down obviously and we don't want to deter people to do business, if they want to come to our community, so I'd hope we can tighten the gap on that so we have some specific timelines for these companies to know how long it's going to take to get through the process. My next question goes to local zoning authority, which we discussed, and I apologize I haven't read through all your statement because we just got some of it today, but when talking for a local zoning, are they going to have the authority to pick which and which site to allow the drilling process to take place on or is that going to be with the State, the landowner? I have concerns is why I'm asking.

Taylor: Well currently we have proposed that they should just retain the existing authorities that they have already in place, but they could use special permitting such as like family farms, forestry districts, you could use those as a mechanism, which would also allow uses for development of shale in those respective properties.

Senator Rucho: Follow up?

Representative Stone: Yes, follow up quickly. I'm narrowing my search in what I'm looking for; will they have the authority to zone out someone that wants to drill on their property?

Taylor: According to what we put in our provisions, no.

Representative Stone: Thank you.

Jane Lewis-Raymond then presented (MEC Funding Levels and Potential Funding Sources Study Group Report) on levels of appropriate funding and potential sources for that funding deemed necessary in connection with management of oil and gas exploration and development activities in the State. (Sec. 2(j) of S.L. 2012-143/S820, as amended by Sec. 12(a) of S.L. 2012-201/H953, October 1, 2013). Ms. Lewis-Raymond took questions following her presentation.

QUESTION AND ANSWER

Senator Brock: Thank you Mr. Chairman. Looking at some of the financial impacts, I just received word from a trusted advisor about economic impact of some of these areas. One thing that is kind of, you could say it's good and also bad in the situation, that in North Dakota the starting wage for an employee of McDonald's in these areas is about \$12 to \$13 an hour because they can't find enough people to work because it's such a boom, and it's the biggest economic driver in that area. Take a look at that about if it is good and we have large deposits about what it will do for companies and drive wages and those types of revenues of where it would offset some of these taxes and some of these other regulations, initiative that were thought about.

Lewis-Raymond: Very well put and thank you. You know the study group was not charged with looking at the economic impact per se of oil and gas exploration in this State, the statute was written more for actual costs and recovery of those costs but I am aware that there are several studies out there that talk about the economic impact and I'm sure that the Commission would be happy to forward those to you.

Senator Brock: Thank you.

Senator Rucho: Members?

Chairman Womack: Let me offer one other point on that, we have actually received a number of inputs from other States using scenarios like you talked about where there are impacts on

local small business and we've gotten from three or four other States or at the county level those impacts and what it meant to them, what it did to their ad valorem taxation, what it did to where they had some costs that they didn't expect and that sort of thing and if you wanted to see those we can forward those.

Senator Rucho: Representative Stone?

Representative Stone: Yes thank you. You talked about the initial funding levels, I haven't read through the report. We looked at the initial funding for the startup, is that for the local governments or the State or both?

Lewis-Raymond: That would be for the State.

Representative Stone: We also talked about as a many years out we'll look at the number of people who will need it actually start going down years down the road, did we put anything in there pertaining to how we are going to deal with that 20 years out from now or are we looking at that?

Lewis-Raymond: We did not look at that, we certainly could if you would like us to, the study group is still constituted we have a few more tasks, it's difficult to predict I would guess, we don't know how long ramp up will take, how long it will be, 20, 30, 50 years. But we are happy to try and look at that if you like.

Senator Rucho: Dr. Rao, you had a comment on this?

Dr. Rao: Yeah, quick comment on something that Jane said earlier. Based on the scenarios, the 1.5% can be expected to adequately cover the costs, however in year one or two that might not be the case, so they may need some funding, and the other point is that an important part of the contribution to the funding was liquids and we based that estimate on the USGS estimate of about 2 gallons of natural gas liquids per thousand cubic feet, if that turns out to be less than the funds that would accrue from that would be less, so there are lots of ifs and buts on this, so we'll have to look at these numbers carefully.

Senator Rucho: Follow up question?

Representative Stone: Yes, my question will go back to where do we stand to the other 36 States that frack with the 1.5% severance tax?

Lewis-Raymond: It is on the low side to be honest. Arkansas has a 1.5% severance tax, there is actually a chart in the study that you can look to see, the 1.5% is on the low side. We put it there simply as cost recovery, we did not try to recommend, because that is this body's purview and jurisdiction, whether or not you would want a higher severance tax for other services. So 1.5% is low.

Dr. Rao: Let me make one follow up on that, here's the point, if the liquids turn out to be not as much as we think, than the 1.5% will have to be higher, this is me talking as a lay person ok. So figuring out what the liquids are, whether we can do it with the funding, maybe an important thing for y'all to figure out.

Senator Rucho: Alright, thank you. Alright, we appreciate it very much.

Lewis-Raymond: Thank you, Mr. Chairman.

Dr. Kenneth Taylor, Ex Officio Member of the MEC, then presented the completed study on coordinating permitting. There were no questions.

Chairman James Womack returned to the podium to talk about the protection of trade secrets and proprietary information. There were no questions, but Representative Stone did comment:

Representative Stone: I just want to make a few comments real quickly. Back in 2012, some people came up with the idea to fund this Mining and Energy Commission and I will tell you that I have been to some of these meetings and I have total trust in the MEC to come up with great rules, the amount of debate going back and forth is far exceeding anything I thought. There is a lot of debate, but it's based on facts and science and it's really exciting to see. So I thank each and every one of you and you have my complete confidence that you will come up with some of if not the best rules in the nation.

Environment Management Commission

Senator Rucho then introduced Benne Hutson, Chairman of the EMC, for a report on activity of the Environment Management Commission concerning the rule development process for the management of oil and gas exploration and development activities in the State, and use of fracking for that purpose (7 - Hutson EMC Fracking Update). There were no follow up questions.

There being no further business, the meeting adjourned at 3:38 PM. The next meeting will be held on November 5th, 2013 at 1:30 PM.

Senator Bob Rucho
Presiding

Will Verbiest
Committee Clerk