

Meeting Minutes of the Administration of Oil and Gas Committee of the
North Carolina Mining and Energy Commission

July 25, 2013

1. **Preliminary Matters** - Chairman Charles Holbrook

Chairman Holbrook called the meeting of the Administration of Oil and Gas Committee to order at 10:32 am in the Ground Floor Hearing Room of the Archdale Building in Raleigh, NC. Chairman Holbrook read the relevant excerpt of the State Government Ethics Act, and asked Commission Members to consider whether or not they had conflicts of interest with respect to any items on the agenda. No conflicts were reported.

The following persons were in attendance for all or part of the meeting:

Committee Members

Charles Holbrook (Chairman)
Dr. Kenneth Taylor
Ivan "Tex" Gilmore
Jane Raymond Lewis
Dr. Ray Covington
Dr. Vikram Rao

Member Absent

Charles Taylor

Attorney General's Office

Jennie Hauser (legal counsel)

DENR Staff Members

Trina Ozer, DENR Secretary's Office
Layla Cummings, DENR Secretary's Office
Toby Vinson, DEMLR
Walt Haven, DEMLR
Katherine Marciniak, DEMLR
Ryan Channell, DEMLR
Rosalind Harris, DEMLR

Others in Attendance

Refer to the attached meeting sign-in sheets.

2. **Background and Introductions**

Chairman Charles Holbrook welcomed everyone attending the meeting. He also invited members of the public to sign up to formally address the Committee.

3. **Review and approval of minutes from the June 27, 2013 meeting**

Dr. Kenneth Taylor motioned to approve the June 27, 2013 minutes and Dr. Ray Covington seconded. The motion passed.

4. Review of Draft Wellhead Standard Rule Set

Mr. Ryan Channell led Committee discussion regarding the draft wellhead standard rule set. The Committee discussed the following matters with respect to this rule:

- a. Rule language regarding site maintenance limitations needs clarification to address equipment and should not apply to workover operations;
- b. A permittee should be responsible for sign posting at wellheads. Thus, there is no need to specifically assign this requirement to a drilling contractor;
- c. Language related to fencing requirements were updated based on text edits;
- d. Language related to vegetation and site maintenance requirements should be clarified;
- e. Language related to signs needs to be clarified, such that requirements are assigned as being the responsibility of the permittee;
- f. The API number for a given well should be required as part of wellhead sign requirements;
- g. Vegetative requirements related to visual impact mitigation were discussed. The Committee and the MEC Chairman also discussed allowing local authorities to address visual impact mitigation. Mr. Vinson suggested that language from the Mining Program could be applicable to this rule section. Additionally, these Mining Program requirements do not supersede local ordinances; and
- h. Staff was asked to ensure that terms in need of formal definitions were defined and updated within the overall well construction rule set.

The Committee also discussed the need for variance authority and noted that the Rules Committee was researching whether or not current statutory authority allowed the MEC or DEMLR to issue variances.

Dr. Taylor made a motion to approve this rule set pending desired changes by staff. Jane Lewis Raymond seconded the motion, which passed unanimously. Staff will respectively update the draft and send it to Mr. Holbrook and Ms. Jennie Hauser for final approval, before forwarding to the Rules Committee.

5. Presentation of Setback Standards

Ms. Katherine Marciniak led Committee discussion regarding setbacks (see presentation attached to these minutes). She and the Committee discussed the following matters:

- a. Defining setbacks based on horizontal separation distances;
- b. Comparison of setback standards to buffer requirements;
- c. Number of various setback restrictions in other states;
- d. Specific setback rules from AL, AR, CO, OH, PA, CA, TX, WY, and NY;
- e. Application of setback standards related to wellheads, tank batteries, tanks, mechanical separators, pits, storage vessels, etc.;

The Committee noted that setback standards from West Virginia (WV) were based on local topography. As a result, WV standards would not serve as an appropriate regulatory model for North Carolina.

The Committee also discussed these setback requirements applied in North Carolina:

- a. 15A NCAC 02C .0107, horizontal separation distances for water well construction rules;
- b. 15A NCAC 02T, standards for waste not discharged to surface waters;

Ms. Marciniak displayed maps provided by Mr. Don Kovasckitz (Lee County Strategic Services) using various examples of setback distances. This diagram revealed land areas which would be available for oil and gas operations along with other areas which would be restricted.

The Administration of Oil and Gas Committee and the Environmental Standards Committee Chairmen will decide which horizontal separation standards should be addressed by which committee. Environmental Standards plans to address buffers and setbacks, while Administration of Oil and Gas will oversee rule writing related to well spacing. However, both committees will provide input for all related rule sets.

6. Preliminary Discussion on Well Closure

Chairman Holbrook reviewed the history of oil and gas operations. He also read excerpts from the North American Resource Development Study paper #2-25, Plugging and Abandonment of Oil and Gas Wells. This reference document is available at: http://www.npc.org/Prudent_Development-Topic_Papers/2-25_Well_Plugging_and_Abandonment_Paper.pdf. The committee noted its responsibility to develop rules for plugging and abandonment procedures. The Committee Chairman suggested rule standards to address the following situations:

- a. Permanent abandonment;
- b. Shut-in well;
- c. Temporary abandonment; and
- d. Producing well.

The Committee discussed the need to plug and cement within the vertical portion of a well, while not doing so within horizontal well portions.

8. Public Comment- Chairman Charles Holbrook

Martha Girolami – Expressed a concern about diabase dikes and referenced a paper that had been developed by Ms. Sharon Garbutt (Chatham County resident). Chairman Holbrook explained that dikes can possess water in shallow areas to depths of around 650 feet, while shale gas operations would occur around a few thousand feet in depth.

10. The Committee adjourned the meeting at 12:22.

DEMLR Staff contact for this Committee: Ryan Channell - NCDENR.