

# Draft Oil and Natural Gas Rule Framework.

## Outline of Contents

### **Subchapter H (15A NCAC 05H .0XXX)      Oil and Gas Conservation**

#### **15A NCAC 05H .0101-.0199      Definitions**

##### 15A NCAC 05D .0103      DEFINITIONS

The terms used in this Subchapter shall have the definitions assigned by G.S. 113-389. In addition, the words defined in this Rule shall have the following meanings:

- (1) "Director" means the Director of the Division of Energy, Mineral, and Land Resources.
- (2) "Drilling unit" means the area which can be efficiently and economically drained by one well.
- (3) "Pooled unit" means one or more tracts of land, on which mineral ownership is different, that are consolidated and operated as a single tract for production of oil or gas either by voluntary agreement or by order of the department.
- (4) "Protection of correlative rights of equity" means that action or regulation by the department which affords a reasonable opportunity to each person entitled thereto to recover or receive the oil or gas under his tract or tracts without being required to drill unnecessary wells or incur unnecessary expenses to recover such oil or gas.
- (5) "Well spacing" means the pattern of minimum distances on the surface from lease boundary lines and from other wells drilling to or producible from the same pool.

#### **15A NCAC 05H .0200-.0299      General Provisions (Administrative)**

##### 15A NCAC 05D .0101

These Rules establish general and specific rules for the drilling, completion or abandonment and development of any well drilled for the production of oil or gas or any operations concerned with the production of oil and gas. No person, firm or corporation shall drill, complete or plug or produce any such well contrary to these Rules.

Types of Rules in this section from SL:

12 Disclosure of chemicals and constituents used in oil and gas exploration, drilling, and production, including hydraulic fracturing fluids, to State regulatory agencies and to local government emergency response officials, and, with the exception of those items constituting trade secrets, as defined in G.S. 66-152(3), and that are designated as confidential or as a trade secret under G.S. 132-1.2, requirements for disclosure of those chemicals and constituents to the public.

15 Notice, record keeping and reporting.

18 To require the making of reports showing the location of oil and gas wells and the filing of logs and drilling records.

20 To identify the ownership of all oil or gas wells, producing leases, refineries, tanks, plants, structures, and all storage and transportation equipment and facilities.

### **15A NCAC 05H .0300-.0399 Exploration and Pre-Drilling**

Types of Rules in this section from SL:

1 Regulation of pre-drilling exploration activities, including seismic and other geophysical and stratigraphic surveys and testing

5 Information and data to be submitted in association with applications for permits to conduct oil and gas exploration and development activities using horizontal drilling and hydraulic fracturing treatments, which may include submission of hydrogeological investigations and identification of mechanisms to prevent and diagnose sources of groundwater contamination in the area of drilling sites. In formulating these requirements, the Commission shall consider (i) how North Carolina's geology differs from other states where oil and gas exploration and development activities using horizontal drilling and hydraulic fracturing are common and (ii) the routes of possible groundwater contamination resulting from these activities and the potential role of vertical geological structures such as dikes or faults as conduits for groundwater contamination.

6 Collection of baseline data, including groundwater, surface water and air quality in areas where oil and gas exploration and development activities are proposed. With regard to rules applicable to baseline data for groundwater and surface water, the Commission shall adopt rules that, at a minimum, establish standards to satisfy the pre-drilling testing requirement established under G.S. 113-421(a), including contaminants for which an operator or developer must test and necessary qualifications for persons conducting such tests.

### **15A NCAC 05H .0400-.0499 Drilling and Production**

Types of rules in this section from SL:

- 2 Regulation of drilling, operation, casing, plugging, completion of wells
- 7 Appropriate construction standards for oil and gas wells, which shall address the additional pressures of horizontal drilling and hydraulic fracturing treatments. These rules, at a minimum, shall include standards for casing and cementing sufficient to handle highly pressurized injection of hydraulic fracturing fluids into a well for purposes of fracturing bedrock and extraction of gas, and construction standards for other gas production infrastructure, such as storage pits and tanks.
- 8 Appropriate siting standards for wells and other gas production infrastructure, such as storage pits and tanks, including appropriate setback requirements and identification of areas, such as floodplains, where oil and gas exploration and production activities should be prohibited. Siting standards adopted shall be consistent with any applicable water quality standards adopted by the EMC or by local governments pursuant to water quality statutes, including standards for development in water supply watersheds.
- 11 Prohibitions on use of certain chemicals and constituents in hydraulic fracturing fluids, particularly diesel fuel.
- 13 Installation of appropriate safety devices and development of protocols for response to well blowouts, chemical spills, and other emergencies, including requirements for approved emergency response plans and certified personnel to implement these plans as needed.
- 19 To prevent "blowouts," "caving," and "seepage," as such terms are generally understood in the oil and gas industry.
- 21 To regulate the "shooting," perforating, and chemical treatment of wells.
- 22 To regulate secondary recovery methods, including the introduction of gas, air, water, or other substances into producing formations.
- 23 To regulate the spacing of wells and to establish drilling units.
- 24 To regulate and, if necessary in its judgment for the protection of unique environmental values, to prohibit the location of wells in the interest of protecting the quality of the water, air, soil, or any other environmental resource against injury, damage, or impairment.
- 26 To require the operation of wells with efficient gas-oil ratios and to fix such ratios.

Types of rules in this section from SL:

16 Proper well closure, site reclamation, post-closure monitoring and financial assurance. Rules for financial assurance shall require that an oil or gas developed or operator establish assurance that will ensure that sufficient funds are available for well-closure, post-closure maintenance and monitoring, any corrective action that the Department may require, and to satisfy any potential liability for sudden and nonsudden accidental occurrences, and subsequent costs incurred by the Department in response to an incident involving a drilling operation, even if the developer or operator becomes insolvent or ceases to reside, be incorporated, do business, or maintain assets in the State.

**15A NCAC 05H .0600-.0699 Abandonment**

Types of rules in this section from SL:

2 Regulation of . . . abandonment of wells

**Other potential sections:**

Safety Regulations  
Pipeline Regulations  
Penalties

**SL Rules not included in framework:**

3 Prevention of pollution of water supplies by oil, gas, or other fluids used in oil and gas exploration and development.

4 Protection of the quality of the water, air, soil, or any other environmental resource against injury or damage or impairment

9 Limits on water use, including, but not limited to, a requirements that oil and gas operators prepare and have a water and wastewater management plan approved by the Department, which, among other things, limits water withdrawals during times of drought and periods of low flows. Rules adopted shall be (i) developed in light of water supply in the areas of proposed activity, competing water uses in those areas, and expected environmental impacts from such water withdrawals and (ii) consistent with statutes, and rules adopted by the EMC pursuant to those statutes, which govern water quality and management of water resources, including, but not limited to, statutes and rules applicable to water withdrawal registration, interbasin transfer requirements, and water quality standards related to wastewater discharges

10 Management of wastes produced in connection with oil and gas exploration and development and use of horizontal drilling and hydraulic fracturing treatments for that purpose. Such rules shall address storage, transportation, and disposal of wastes that may contain radioactive materials or wastes that may be toxic or have other hazardous wastes' characteristics that are not otherwise regulated as a hazardous waste by RCRA, such as

top-hole water, brines, drilling fluids, additives, drilling muds, stimulation fluids, well servicing fluids, oil, production fluids, and drill cuttings from the drilling, alteration, production, plugging, or other activity associated with oil and gas wells. Wastes generated in connection with oil and gas exploration and development and use of horizontal drilling and hydraulic fracturing for that purpose that constitute hazardous waste under RCRA shall be subject to rules adopted by the Commission for Public Health to implement RCRA requirements in the State.

14 Measures to mitigate impacts on infrastructure, including damage to roads by truck traffic and heavy equipment, in areas where oil and gas exploration and development activities that use horizontal drilling and hydraulic fracturing technologies are proposed to occur

17 To require surveys upon application of any owner who has reason to believe that a well has been unlawfully drilled by another person into the land of the owner without permission. In the event such surveys are required, the costs thereof shall be borne by the person making the request.

27 To limit and prorate the production of oil or gas, or both, from any pool or field for the prevention of waste as defined in this Article and rules adopted thereunder.

28 To require, either generally or in or from particular areas, certificates of clearance or tenders in connection with the transportation of oil and gas.

29 To prevent, so far as is practicable, reasonably avoidable drainage from each developed unit which is not equalized by counter-drainage.