MEETING OF THE COMPULSORY POOLING STUDY GROUP
NORTH CAROLINA MINING AND ENERGY COMMISSION
April 26, 2013
MCSWAIN AGRICULTURAL CENTER, 2420 TRAMWAY ROAD
SANFORD, NC

1. Preliminary Matters

Study Group Chairman Ray Covington called the meeting of the Compulsory Pooling Study Group of the Mining and Energy Commission (MEC) to order at approximately 9:00 am and read the ethics statement into the record.

Study Group Chairman Covington welcomed everyone in attendance. Panel members made up of the MEC Commissioners and the Resource Group members introduced themselves. The following persons were in attendance for all or part of the meeting:

MEC Study Group Members

Dr. Ray Covington
Mr. Charles E. Holbrook
Ms. Charlotte Mitchell

Study Group Resource Members

Mr. John G. Humphrey, the Humphrey Law Firm
Mr. Matt Kemnitz, N.C. State Energy Office
Mr. Don Kovasckitz, Lee County Strategic Services`
Mr. Ward Lenz in place for the Assistant Secretary of Energy
Mr. Grady McCallie, North Carolina Conservation Network
Mr. James Robinson, Rural Advancement Foundation International (RAFI)
Ms. Janet Thoren, N.C. Real Estate Commission
Ms. Lynne Weaver, N.C. Attorney General's Office, Consumer Protection Division

DENR Staff Members

Ms. Layla Cummings
Mr. Walt Haven
Mr. Toby Vinson

Others In Attendance

See attached sign-in sheets.

2. Cost Sharing in Other States

Jim Dewbre, the Senior Vice President for Land and Business Development for Southwestern Energy, joined the Study Group by conference call to discuss the various policy options with regards to cost sharing. Mr. Dewbre is also the current President of the American Association of Professional Landmen.

3. **Group Recommendations on Cost Sharing**

Study Group Chairman Covington proposed a goal statement for the Study Group going forward. After receiving input from the Resource Members the following draft recommendation was developed:

To set up a system that will encourage all parties to negotiate in good faith a working relationship.

The Study Group discussed the various policy options for cost sharing in North Carolina. Mr. Toby Vinson of DENR demonstrated how different options would affect parties with a cost sharing example. Mr. Vinson's notes are attached.

The Commissioners present agreed to a recommendation that the leased owners are offered an options approach. The options include participating as a working interest owner, surrender of the working interest approach, and a risk penalty approach. Chairman Covington said a recommendation for unleased owners will be addressed at a subsequent meeting.

4. **Group Recommendations on Indemnification Issues**

This discussion was postponed until the next meeting, when Ted Feitshans will be present.

5. **Opening Discussion on Reporting and Notice Requirements (presentations attached)**

Mr. John Humphrey, of the Humphrey Law Firm, gave a presentation on reporting and notice requirements for operators to compelled landowners, including recommendations from the National Royalty Owner's Association.

Mr. Ed Harris commented that there was a provision of the current law that allowed others to access private land without notice. Study Group Chairman Covington responded that the new surface use policy statement recommendation would address that concern.

6. **Opening Discussion on When to Compel Pooling**

Study Group Chairman Covington reviewed the following topics to take action on next meeting: whether to allow compulsory pooling, pooling of special lands, territorial scope of pooling order, compelling pooling of leased rights to different operators, and allowing drill-through access.

The meeting was adjourned at 2 pm.