MEETING MINUTES OF THE COMPULSORY POOLING STUDY GROUP
NORTH CAROLINA MINING AND ENERGY COMMISSION
DECEMBER 19, 2012
FIFTH FLOOR CONFERENCE ROOM
ARCHDALE BUILDING
RALEIGH, NORTH CAROLINA

1. PRELIMINARY MATTERS

Chairman Covington called the meeting of the Compulsory Pooling Study Group of the Mining and Energy Commission (MEC) to order at 2:00 pm and welcomed all attending this meeting. Chairman Covington asked everyone in attendance to introduce themselves and invited anyone with an interest in compulsory pooling to send their email address to him. Chairman Covington read the ethics statement into the record.

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

2. COMMISSION MEMBERS

Dr. Ray Covington
Ms. Charlotte A. Mitchell
Mr. James Womack
Mr. Charles E. Holbrook
Mr. Ward Lenz in place for Mr. Jonathan Williams
Dr. Kenneth Taylor
Ms. Amy Pickle

3. DENR AND DVISION OF ENERGY, MINERAL, AND LAND RESOURCES STAFF MEMBERS

Ms. Trina Ozer
Ms. Layla Cummings
Mr. Walt Haven
Mr. Mell Nevils
Mr. Tracy Davis
Mr. Toby Vinson
Mr. Roger King

4. THE ATTORNEY GENERAL'S OFFICE

Ms. Lynne Weaver
Ms. Jennie Wilhelm Hauser

5. RURAL ADVANCEMENT FOUNDATION INTERNATIONAL (RAFI)

Mr. James Robinson

6. OTHERS IN ATTENDANCE

See attached sign-in sheets.

7. REVIEW OF NORTH CAROLINA'S STATUTE AND QUESTIONS RELATED TO POOLING NATIONALLY

Ms. Lynne Weaver of the Attorney General's Office, Division of Consumer Protection, gave an overview of S.L. 2012-143, the Department of Justice's report on hydraulic fracturing, and current North Carolina law on pooling. Ms. Weaver also reviewed the rationales and concerns about pooling and the recommendations made by the Consumer Protection Division, including that the Commission consider :

(1) the percentage of required voluntary agreement of acreage in a pooling or drilling unit,
(2) requiring operators to make fair and reasonable offers to landowners,
(3) requiring surface owner agreement to surface operations or compensation for surface damages, and
(4) requiring the inclusion of a statutory "Pugh" clause in leasing agreements.

8. PRESENTATON ON GEOLOGY AND HYDRAULIC FRACTURING

Dr. Kenneth Taylor gave a brief presentation on the scientific rationale behind forced pooling and the processes to remove hydrocarbons from non-porous rock. Dr. Taylor also explained that North Carolina law (G.S. Ch. 113 Article 27) was written to address the removal of conventional oil.

9. REVIEW OF STAFF'S RESEARCH TO DATE

Ms. Trina Ozer introduced Ms. Layla Cummings as the new legal intern for the DENR Secretary's office. Ms. Cummings will assist the Compulsory Pooling Study Group with research and comparison of pooling statutes in other states.

10. DISCUSSION OF SCHEDULE, SCOPE OF WORK, AND NEXT STEPS

Chairman Covington reviewed five objectives (see attached handout) that should be covered by the Study Group, as follows:

(1) policy goals for compulsory pooling;
(2) stakeholder participation;
(3) standards for pooling;
(4) process for pooling; and
(5) terms of compulsory pooling leases.

Chairman Covington outlined a general timeline for the written report of the Study Group. The deadline to deliver the report to the legislature is October 1, 2013. Thus, a

draft of the report should be completed by May and a wrap-up of the Study Group's findings should be presented at the September meeting of the MEC.

Chairman Covington suggested that future meetings should be held at the Agricultural Extension Center in Lee County. This location is centrally located and will facilitate the education and engagement of local landowners.

After some discussion by the Commissioners, it was decided that the next meeting of the Study Group should be on January 11, 2013 between 9:00 am and 12:00 pm. James Robinson of RAFI and John Humphrey of The Humphrey Law Firm will give presentations.

Chairman Covington adjourned the meeting at approximately 4:00 pm.

DEMLR Staff Contact for this Study Group: Walter Haven, Energy Program Supervisor, Land Quality Section

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Mr. Tracy E. Davis, PE, CPM
Division of Energy, Mineral, and Land Resources