

Minutes of June 27, 2013 Meeting of the Coordinated Permitting Study Group North Carolina Mining and Energy Commission

Preliminary Matters

The Coordinated Permitting Study Group held its third meeting on Thursday, June 27, 2013 between 8:40 am and 10:30 am. The following personnel were in attendance for all or part of the meeting:

Study Group Members Present

Dr. Kenneth Taylor (Study Group Director)
Mr. James Womack, MEC Chairman
Mr. Charles Holbrook, Administration of Oil and Gas Committee Chairman
Dr. Ray Covington, Compulsory Pooling Study Group Director
Mr. Mike Abraczinskas, EIT, CPM, Deputy Director, Division of Air Quality (DAQ)
Mr. William Willets, PE, Engineering Supervisor, Permitting Section, DAQ
Ms. Ellen Lorscheider, Division of Waste Management (DWM)
Mr. Don Rayno, Division of Water Resources (DWR)
Mr. Ken Pickle, Surface Water Protection Section, Division of Water Quality (DWQ)
Mr. Toby Vinson, PE, Chief Engineer, Land Quality Section, DEMLR
Ms. Deborah Gore (substitute for Mr. Evan Kane, PG, Groundwater Planning Supervisor, DWQ)

Study Group Members Absent

Mr. George Howard, MEC Vice-Chairman; Environmental Standards Committee Chairman
Dr. Vikram Rao, Water and Waste Management Committee Chairman
Mr. Tracy Davis, PE, CPM, Director of DEMLR

Welcome New Study Group Members

Dr. Taylor welcomed Ms. Deborah Gore who was substituting for Mr. Evan Kane, PG, the Groundwater Planning Supervisor in DWQ.

Approval of the Meeting Minutes

Time was taken to permit study group members to review the minutes. Mike Abraczinskas made the motion to approve the Minutes from the June 6, 2013. Don Rayno seconded the motion. The meeting minutes were approved.

Meeting Agenda

Dr. Taylor presented a comparison the oil and gas permit application, instructions, bonding paperwork, and additional permits of eight states – Wyoming (WY), Arkansas (AR), Colorado (CO), North Dakota (ND), Ohio (OH), Pennsylvania (PA), Texas (TX), and West Virginia (WV). A single paper copy (double-sided when possible) was presented to the study group and each member was provided with a compact disc (CD) of the material.

The CD contained 231 megabytes (231 MB) of material in eight directories (one for each state). For each state, the following material was compiled: WY (35 files), AR (64 files), CO (56 files), ND (48 files), OH (41 files); PA (71 files); TX (162 files); and WV (41 files). Included in the Ohio material were two complete application packages for two wells. These documents also included the completion reports and simulation (hydraulic fracturing) reports.

Two interns, both unpaid -- Ms. Colleen Brophy and Mr. Franklin Wolfe compiled this information over two days from the official websites of the eight states. Mr. Ryan Channell from the DEMLR Land Quality Section – Energy Program provided the two complete application packages from Ohio.

A summary of the key issues as well as comments from the study group members is summarized below.

KBT Wyoming (WY):

Front loading of bonding -- Most of the states required bonding to be in place before application for permission to drill. Blanket bonding (WY) \$50,000 for first and second well, \$100K blanket bond for all others.

Checklist and signoff – Most states included a checklist of what needed to be submitted (form number, attachments, application fee.

Wyoming accepted electronic submission. The application was not an on-line form; rather the document was a digital fill-in which could be uploaded. Papers on the bonds and corporations (WY has no Office of the Sec of State to conduct this function statewide) are submitted separately.

Chairman Womack said he favors electronic workflow.

KBT Application package includes -- applicant coversheet, guidance checklist, and application form (fill-in one-pager) with instructions on the back. WY setback (buffer) is 350 feet and is on the application as a checkbox.

All states require a plat map at a scale of 1 inch = 400 feet (an “E” size sheet)

Chairman Womack asked if the permit would be issued by site or individual wells.

KBT Wyoming has a separate permit for a pit with the setback (buffer) of 350 feet.

Chairman Womack asked to coordinate up-front with the detailed site plan developed over the life-cycle and file for amendments. Buffers and setbacks set and not perfect. Do not want the applicant to go through a reapplication for changes. Include minimum mandatory information on the application.

Ken Pickle said that for the stormwater program the ultimate build out is used.

KBT Seismic work in WY with dynamite requires both a permit and bond. Using Vibroseis (mechanical source generators) requires neither.

Water analysis report – lists what to test for.

Chairman Womack asked how the permit and the baseline testing would be sequenced.

Ryan Channell said that in Ohio, testing is tied to the permit as a check off prior determination of the final fate of the water.

Ellen Lorscheider said that in Waste Management the baseline testing was over several months prior to waste placement, i.e. hydraulic fracturing occurs.

Chairman Womack expressed concern that potential contamination for the vertical well bore would require testing to be conducted before drilling commences.

Toby Vinson said that could be addressed in the permit conditions – plans showing build out, points of interest – conduct baseline and then move forward.

Chairman Womack said that there must be a timestamp on the baseline testing – just in time water samples.

KBT All states have an incident report where date and time of incident and what happened. The report on the well blowout in Pennsylvania was shown as an example of what resulted from a one-page incident report.

Wyoming has a very small conservation tax (severance tax) with three pages of instructions to calculate the amount.

Chairman Womack noted that metering and measuring are important issues.

KBT Arkansas (AR):

Bond form is first, royalty complaint form second and minerals rights owner and company is third. In Ohio, royalty owner are listed on all permits and drilling unit plats.

In AR, horizontal drilling with hydraulic fracturing (HD w/ HF) began in 2004 after a four-year period of exploration and experimental horizontal drilling. Pennsylvania began HD w/ HF in 2005 and North Dakota began HD w/ HF in 2006.

Chairman Womack and Charles Holbrook had a short exchange concerning the definition of drilling unit where Chairman Womack wants the term drilling unit to contain more than one well, while Mr. Holbrook would prefer production unit being for one well and drilling unit could be one or more wells.

KBT Move to OH to look at a specific example. Showed an application site plan plat of a drilling unit with a spacing block of 500 feet centered on the well head, with 500-foot spacing along the centerline and around terminus. Red line on plat shows the actual path of the well bore.

Chairman Womack and Charles Holbrook continued their discussion of the layout of the drilling units / production units. Another plat was shown where there were two laterals in one drilling unit.

KBT Reviewed the permit and discussed the permit review process noting the permit conditions, routing slip, and approval date. There were questions concerning the royalty amount. The permit is mute on that issue as it is a private matter. Charles Holbrook asked if the payment was proportional and KBT said that would not be known unless he could review the lease agreements.

Ken Pickle noted that the revised application as processed fast in 20 calendar days.

Chairman Womack noted that the example he had seen in PA with stacks of paper on re-submittals.

Don Rayno noted that in this application that business submitted and then expanded and submitted a second application. The company applied and got approval in 30 days. The re-submittal for the modification took 20 days for approval. The business chose to go through the process twice.

KBT Looked at another plat and reviewed another application where the conditions including cementing in the Newberg Dolomite since that unit was the disposal injection zone for another well.

There were also comments about the review time is just based on permission to drill where for example in WY the air quality permit is separate.

KBT Looked at West Virginia. Large setback to flat acreage to place drill pad. Space needed to handle and capture water draining down slope into site.

Showed the Erosion and Sedimentation Control Plan narrative associated with an application submitted in Ohio. Water needs over 100,000 gallons are referred to another agency.

Chairman Womack expressed concern that the EMC, Utilities Commission or some another commission would have to review applications from the MEC. Toby Vinson indicated that the business of the Sedimentation and Erosion Control Commission is performed by the agency.

Ken Pickle noted that the EMC offers variances for the agencies such as buffers.

Ellen Lorscheider said that the rule for Waste Management gave the power to grant variances to the Director not the commission.

Public Comments

There was no public comment.

Final Comments

Charles Holbrook asked which states seem to do the best. KBT answered that Texas was best, but that is because the Texas Rail Road Commission has complete autonomy on all matters related to oil and gas in that state.

Chairman Womack asked which state had the best defined process. KBT answered that OH, TX, CO, WY. WY especially had forms to write everything down. ND application is short does not require much detail. That state like AR has predefined one-, two-, and four-square mile drilling blocks. They have changed their drilling design over time. Pennsylvania's application guidance is very long and has specific citation of new laws or specific rules which compel the applicant to provide the requested information.

Ray Covington noted that Illinois has new rules. KBT noted that IL was not reviewed because they have not begun shale gas production, the same for Virginia.

Other study group members appreciated the volume of material provided.

The Coordinated Permitting Study Group adjourned at 10:30 a.m.