July 8, 2013

Funding Study Group Report Outline

** a highlighted portion of text indicates that the text for the report is currently being drafted.*

NCDOT *NCLM/NCACC* *DEMLR*

I. Cost
   a. Cost of State Permitting and Compliance Program
      i. Staff Cost:
         1. Staff Salaries
         2. Computer licenses and data storage
         3. Cost of data system development and implementation
         4. Printing and binding of reference materials
      ii. Operating Funds (travel, subsistence, telephone, printing, etc…)
         1. Travel (Regional-daily; Central- Periodic)- gas and vehicle maintenance
         2. Public Comment Hearings- (Regional and Central Office)
            a. staff, travel, hotel, food
            b. public notice, mailings
      iii. Equipment Costs
         1. Vehicles: Department purchased versus Motor Fleet
         2. PPE- boots (steel toe), hardhats, safety glasses
            a. Fire Resistant/Retardant Clothing and PPE: coat, coveralls, rain gear, shirts, pants (annual costs per staff personnel):

Clothing/PPE	**Quantity (per inspector)**	**Cost**
FR Shirts (Long Sleeve)	2	95.50
FR Pants/Jeans	3	165.00
FR Rain Coat	1	155.00
FR Rain Pants	1	129.50
FR Coveralls	1	79.75
FR Coat	1	149.50
FR Gloves	1	39.50
	TOTAL:	813.75

            b. Steel toe neoprene boots: range from $89.00 to $160.00 from vendor.

         3. Field Equipment: cement scales, N95's, gloves (leather and nitrile), buckets, shovels, tow straps, GPS, camera
            Four Sensor Gas Meter: $645.95
            Water Meter: $2,000.00/unit (one to go to each RO)
            Water Testing (pH, chloride, hardness) papers-$38.50
            (Total of 50 tests)
            Cement Scale: $150.00 per unit
         4. Laptops, laptop truck mount, wi-fi air cards/cell phone based hot spot

iv. Training Needs
    1. Attendance at meetings (AAPG, GSA, AAPE)
    2. Training courses offered at meetings
    3. Software training
v. Spill Response
    1.

b. Local Government Cost- JR and EW will try to have some text drafted for the next meeting (June 17th).
    i. Spill Response
    ii. Law Enforcement
    iii. Emergency Services
    iv. Traffic Impacts
    v. Socioeconomic Impact Cost
        1. Schools
        2. Property Values (Property Tax)
        3. Rental Rates
        4. Social Services
            a. Hospitals and Emergency Rooms
    vi. Local Infrastructure Impact Cost
        1. Roads
        2. Bridges
    vii. Administrative Costs to Counties
        1. Training of personnel- Registrar of Deeds, Tax appraiser (should be no appreciable impact- LG mtg)
c. State Costs
    i. Roads
    ii. Bridges
    iii. State Law Enforcement

II. Revenue
a. Severance Tax
    i. Current: Oil- 5 mills per barrel, Gas= 0.5 mill per 1000 cf
    ii. Proposed by SB 76:
        1. Increasing percent based on revenue of condensates, gas, and oil.
            a. Allocations to Department, General Fund, and Onshore Energy Management Fund.
    iii. Recommendation
        1.
        2. A portion of the severance tax should be set aside in a trust fund for remediation purposes.
b. Impact Fees: based on a proxy of site activity

i. planned horizontal well length or actual number of stages permitted, with incentives provided if operator practices reuse of fluids and utilizes quick lay lines for water conveyance.
ii. Recommendation: Number of stages of fracturing would be preferred proxy so that horizontal wells and vertical wells are accounted for.

c. Permitting Fees (Coordinated Permitting Study Group?)
   i. Current: $3,000 per well
   ii. Recommendation:
d. Inspection Fees
   i. Typically state does not charge per or for inspections.
e. Well Abandonment Fees
   i. $450.00 per well
   ii. Recommendation:
f. Environmental Conservation Tax
   i. Recommendation: Area currently covered within other fees/bonds. Does not wholly apply to the oil/gas industry.
g. Property Tax:
   i. Info from other states showing increase/changes in property taxes.
      1. JW- has reference material/reports
   ii. Recommendation: Not to use property tax revenues as an option for cost recovery.
      1. Cost of normal county business vs. direct impacts from industry.
h. Bonds
   i. Surface Owner
      1. Current: None, maybe more of a consideration for leasing.
      2. Recommendation: Still maybe be more appropriately written into the lease contract, but if not there should be some protection for surface owners.
   ii. Geophysical Exploration Bond
      1. Explosive: Bonding ranges from $25,000 to $250,000 in states that regulate exploration activity
      2. Non-Explosive
      3. Recommendation: A person or company performing any type of geophysical exploration work will provide a $50,000 bond. This bond will cover any subcontractors the company may hire.
   iii. Well Plugging and Abandonment
      1. Current: $5,000 plus $1.00 per foot
      2. Recommendation: $27.00 per foot of well.
   iv. Site Reclamation
      1. Recommendation: Mining Program Analog
         a. Table with costs based on land use onsite
   v. Types of allowed bonds.
      1. Surety Bond
      2. Assignment of Savings Account

3. Bank Guaranty
4. Irrevocable Letter of Credit
5. Cash Deposit