

**Meeting Minutes of the Local Government Regulation Study Group of the
North Carolina Mining and Energy Commission
May 10, 2013
9:00 am – 11:00 am**

1. Call to Order and Notice of NCGS 138A-15

Study Group Director, Mr. Charles Taylor called the meeting to order at 9:02 am and welcomed all study group members and others attending. He read the ethics statement and asked Study Group members whether or not they had any conflicts of interest with respect to any action items on the agenda. No conflicts were noted.

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

Study Group Members

Charles Taylor
James Womack
Mack Paul

DENR Staff Members

W.E. "Toby" Vinson
Ryan Channell

Others in Attendance

Refer to the meeting sign in sheets attached to these minutes.

2. Background and Introductions

Study Group Director, Mr. Charles Taylor, introduced Mr. James Womack as the Chairman of the Mining and Energy Commission.

Mr. Taylor announced the next Study Group meeting, which will be held in Chatham County on May 20, 2013.

Mr. Vinson shared with the Study Group that Dr. Jeff Reid, North Carolina Geological Survey, will be attending meeting in Canada and Pittsburgh, PA.

The Study Group noted the following:

- a. House Bill 1011 includes the termination of all members of the Environmental Management Commission serving on January 1, 2013, shall expire June 30, 2013. This will include Ms. Amy Pickle.
- b. Senate Bill 76 would reinstate Ms. Pickle to the Mining and Energy Commission. This bill may come out of committee and move to the floor for a vote soon. Offshore development and jobs component will remain in the bill and the deadline of March 2015 to issue drilling permits may change.

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3. Review and Approval of April 26, 2013 Meeting Minutes

The study group did not have quorum and as a result the minutes were tabled until the next meeting scheduled for May 20, 2013.

4. Presentations

Mr. Don Kovasckitz, Lee County Strategic Services, presented *Ownership of Oil and Gas Rights: The Surface and Mineral Estate* (see attached handout). Split estates are estates in which the mineral rights are not owned by the surface owner. That is, there is a mineral estate and a surface estate. Mr. Kovasckitz presented data gathered and modeled by Lee County based on title records. The graphics revealed where natural gas will likely be found in Lee County overlaid with where the surface and mineral rights were owned separately. It was noted that not all title records reveal where there is a split estate.

Mr. Kovasckitz discussed the Real Property Marketable Title Act G.S. 47B. If a person claims title to real property with a chain of record for 30 years, without another individual filing a claim of interest to the same property during the 30 year period then, all conflicting claims prior to the 30 year period shall be extinguished.

5. Discussion of Previously Identified Issues

The Study Group discussed mineral rights and the recording of severed estate information at the local Register of Deeds office and the Tax Assessors office. Register of Deeds and Tax Assessors from Lee, Chatham, Montgomery, and Richmond Counties were present to discuss the level of activity in each county related to oil and gas leases. The Study Group did note that all oil and gas leases would have to be recorded in accordance with Session Law SL 2012-143, 113-423 (g) and property owners must disclose to a potential buyer if mineral rights have been severed from the estate in accordance with SL 2012-143, 113-427, 47E-4(b2).

Mr. Tom Morgan from the North Carolina Department of the Secretary of State, Certification and Filing Division shared with the Study Group that the responsibility of the Register of Deeds office is to check the deed for proper formatting and archiving. Mr. Morgan also noted that the county land records group is the only entity that reviews the entire title document and these groups are scattered throughout the state. Mr. Morgan recommended that “agents” buying or selling mineral rights in North Carolina should have the proper certification or license and the verification of these “agents” must be managed by the Department of the Secretary of State Securities Division.

It was discussed by the Study Group that the Compulsory Pooling Study Group will need to capture the legal issues related to split estates and the registration of a landman through the State Land Office in their report to the MEC.

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The Study Group discussed the diverse language used in deeds and the lack of consistency identifying severed estates. It was noted that the state should require an individual who sells the surface property but reserves the mineral rights to file an affidavit with the county reserving and registering the mineral ownership.

6. Written Questions from the Audience

Members of the public provided the following inquires and comments in written form, as underlined below:

The Study Group was asked if an operator of a well will be required to provide the coordinates for each lateral as part of the permitting process. Mr. Vinson explained that the coordinates of a lateral should be a requirement for each permit submitted to the Department and the operator should be required to submit the coordinates with the well completion report to verify any changes. The Coordinated Permitting Study Group will be covering these issues in its rules recommendations to the MEC.

Besides the GIS Strategic Services site at the county level, where else will this GIS information be available? The Study Group explained that the Division of Energy, Minerals, and Land Resources plans to have a GIS program to house all of the data received from operators.

Has this dimensional mapping been done elsewhere? The Study Group explained this type of dimensional mapping is not utilized elsewhere. Lee County, North Carolina has the only GIS program known to the Study Group outlining the mineral estates and leases.

At a sale, does SB820 require disclosure of split estates for raw land or is disclosure required only for a residential parcel? The Study Group explained that SL 2012-143, 113-427, 47E-4 (b2) requires all transfers of real property to include an oil and gas rights mandatory disclosure.

Who performed the mineral right title searches in Lee County and how much did it cost? Mr. Don Kovasckitz replied to the question. A staff of five individuals in the land records group invested hundreds of hours over a period of two years. The majority of the data was pulled from the tax assessor's office.

How many parcels have split estates in Lee County? Mr. Kovasckitz discussed he started with 35 split estate parcels and now he has 155 parcels showing split estates.

7. Adjournment

The Study Group adjourned at 10:40 am.

DEMLR staff contact for these minutes: William E. Vinson, Jr., PE, Chief Engineer, Land Quality Section.