

Meeting Minutes of the Administration of Oil and Gas Committee of the
North Carolina Mining and Energy Commission
September 05, 2013

1. Preliminary Matters - Chairman Charles Holbrook

Chairman Holbrook called the meeting of the Administration of Oil and Gas Committee to order at 10:33 am in the Ground Floor Hearing Room of the Archdale Building in Raleigh, NC. Chairman Holbrook read the relevant excerpt of the State Government Ethics Act, and asked Commission Members to consider whether or not they had conflicts of interest with respect to any items on the agenda. No conflicts were reported.

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

Committee Members Present

Charles Holbrook (Chairman)
Dr. Kenneth Taylor
Ivan "Tex" Gilmore
Dr. Ray Covington
Dr. Vikram Rao
Charles Taylor (via telephone)

Members Absent

Jane Raymond Lewis

Attorney General's Office

Mary Lucas (legal counsel, substituting for Jennie Hauser)

DENR Staff Members

Trina Ozer, DENR Secretary's Office
Layla Cummings, DENR Secretary's Office
Tracy Davis, DEMLR Division Director
Toby Vinson, DEMLR
Walt Haven, DEMLR
Katherine Marciniak, DEMLR
Ryan Channell, DEMLR
Rosalind Harris, DEMLR

Others in Attendance

Refer to the attached meeting sign-in sheets.

2. Background and Introductions

Chairman Charles Holbrook welcomed everyone attending the meeting. He also invited members of the public to sign up to formally address the Committee.

3. Review and approval of minutes from the July 25, 2013 meeting

Dr. Kenneth Taylor motioned to approve the July 25, 2013 minutes and Dr. Ray Covington seconded. The motion passed.

4. Discussion of Coordinated Permitting

Dr. Kenneth Taylor and Ms. Katherine Marciniak led Committee discussion regarding coordinated permitting for oil and gas operations. They noted the following matters with respect to their proposal (attached to these minutes) of pre-drilling submission requirements:

- a. Requirement to obtain a permit before constructing or altering an oil or gas well;
- b. Requirement to have a permit to operate an oil or gas well;
- c. Prior approval of the department before a permit is transferred from one operator to another;
- d. Requirement for all permit owners to maintain bonds for financial assurance;
- e. Permit components:
 - a. Electronic submission;
 - b. Fee of \$3,000 per Session Law 2012-143;
 - c. Recompletion and reworking fees;
 - d. Well abandonment fee;
 - e. Organization/Operator Affidavit form;
 - f. Permit to Drill form;
 - g. Available Bonding form;
- f. Application Sections (included with the Permit to Drill form):
 - a. Inter-agency review of the application to include DEMLR, DWR, DWM, DCR (Cultural Resources), and DOT;
 - b. Additional review by US Fish and Wildlife Service, as well as local governments
- g. Baseline Analytical Reporting Report (or form);
- h. Oil or Gas Well Construction Design Plan;
- i. Erosion Control Plan/Stormwater Plan;
- j. Water Use Plan;
- k. Waste Management Plan;
- l. Heritage and Endangered Species Reviews;
- m. Permit review timeline:
 - a. Precursory review within 10 business days of receipt;
 - b. If permit is incomplete, applicant has 60 days to provide required information;
 - c. DENR will have 45 days to review, approve, or disapprove the application;
 - d. Permittee has one year to begin drilling from date of permit approval;
- n. Permit Revocation; and
- o. Permit Application Review Checklist.

Dr. Kenneth Taylor explained that the North Carolina Geological Survey is currently responsible for assigning an American Petroleum Institute (API) number to a well.

The Committee noted the importance of holding the well permittee overall responsible for all activities occurring at the respective oil or gas site(s).

Mining and Energy Commission (MEC) Chairman Jim Womack opined that the Local Government Regulation Study Group should determine the items within the permitting package that should require local review.

MEC Chairman Womack expressed his desire for a waiver to the one-year permit expiration requirement, or for the DENR to extend the one-year limit if circumstances beyond the control of the applicant occur.

The Committee noted that the DEMLR Division Director would be the regulatory authority for issuing or appealing permits. Any appeals from applicants would be done in accordance with the Administrative Procedures Act.

The Committee also discussed the need to define requirements for data submission within the permitting process.

5. Presentation & Discussion of Diabase Dikes

Dr. Taylor led Committee discussion regarding diabase dikes in North Carolina. He and the Committee discussed the following matters:

- a. Geologic origin of diabase dikes and sills;
- b. Mineralogy of diabase rock;
- c. Effects of contact metamorphism (i.e. heating of surrounding rock) from diabase intrusions;
- d. Overheating and over-maturation of hydrocarbons due to intrusions;
- e. The oil and gas industry would likely not target areas near diabase dikes;
- f. Economic considerations would encourage industry to drill parallel to and not intersect dikes;
- g. Sealing of rock fractures at a depth of 400 ft and greater;
- h. Existing data indicate that diabase dikes should not serve as contaminant conduits for oil or gas constituents into water supply wells within the Triassic Basins; and
- i. The sources of water supply within shallow areas of the dikes originate from rain water infiltrating into weathered rock.

The Committee concluded that diabase dikes are not conduits for the movement of contaminants at depth into shallow water supply wells.

6. Review SL 2012-143 Requirements and Rule Development

Mr. Channell reviewed the rule writing obligations of the Administration of Oil and Gas Committee as established in Session Law (SL) 2012-143. The Committee discussed the following matters with respect to rule development status:

- a. Regulation of pre-drilling exploration activities: DEMLR staff will draft these rules after finishing the well completion rules;
- b. Well Closure Rules – in process;
- c. Wellhead standard rules – under review by the Rules committee;
- d. Blowout Preventer standards – completed within the well construction rules;
- e. Drilling and site post-monitoring and security standards – completed with respect to wellhead standards only;
- f. Environmental monitoring related rules will be assigned to the Environmental Standards Committee;
- g. Construction standards for wells – completed;
- h. Earthen pit construction standards – still need to be addressed;
- i. Pit lining standards – partially addressed in the waste management rule set;
- j. Storage tank standards – partially addressed in the waste management rule set;
- k. Rules for bonding need to be developed;
- l. Coordinated permitting rules are being researched;
- m. Surveys on application of an owner is addressed in SL 2012-143;
- n. Requirements for reports, logs, and records will be addressed in the permit requirements rules;

- o. Well stimulation rules need to be addressed;
- p. Well spacing and drilling units need to be developed;
- q. Fixing ratios should not be required within a rule set. Dr. Vikram Rao and Mr. Holbrook volunteered to write a report to justify not writing a rule for this topic;
- r. Mitigation of impacts on infrastructure – currently being researched by the Local Government Regulations Study Group and the Funding Levels and Potential Funding Sources Study Groups;
- s. Prevention of pollution of water supplies is being addressed through well construction rules and baseline sampling rules;
- t. Protection of water and air quality are being addressed along with the prevention of water supplies;
- u. Other matters the MEC may consider:
 - a. Minimum lease agreement standards – to be developed by the Administration of Oil and Gas Committee;
 - b. Setback standards – currently assigned to the Environmental Standards Committee;
 - c. Gathering lines standards – pending on recommendations from the Local Government Regulations Study Group;
 - d. Rights of Way on Severed Land/Mineral Ownership;
 - e. Vendors or Providers of Equipment – current legal requirement exists for vendors to register with the Secretary of State’s Office.

The Committee recognized that staff time should be used by the MEC and so that the Administration of Oil and Gas would have increased opportunity to receive DEMLR support. MEC Chairman Womack agreed and stated that he would be writing the report for the Protection of Trade Secret and Proprietary Information Study Group.

7. Discussion of Well Closure Rules

Mr. Channell presented draft rule language regarding proposed well closure requirements. He and the Committee discussed the following topics in the draft rule set:

- a. Notification of plugging and abandonment activities;
- b. Pit and tank requirements for abandonment;
- c. Cementing and bridge plug requirements;
- d. Concept of reporting forms to denote plugging and abandonment activities;
- e. Steel plate wellhead marking;
- f. Abandonment of gathering lines;
- g. Well plugging and abandonment reporting requirements;
- h. Temporary well closure requirements;
- i. Limit on designation of “shut-in” status for a given well;
- j. Reporting requirements for temporarily abandoned wells;
- k. Requirement for bonding to remain in effect before permanent abandonment occurs; and
- l. Requirement for notification by a permittee to place a temporarily abandoned well into production.

The Committee decided that abandoning of gathering lines would not need to be addressed in this rule set, as long as the rule requires that an abandoned well is physically separated from gathering lines.

MEC Chairman Womack asked, “at what point would a permittee be released of his or her legal obligation to that well?” Mr. Holbrook explained that the release should occur once the well is plugged and abandoned and the site is successfully reclaimed.

8. **Public Comment**- Chairman Charles Holbrook
No one from the public requested to address the Committee.

10. **The Committee adjourned the meeting at 12:37 pm.**

DEMLR Staff contact for this Committee: Ryan Channell – NCDENR.