

**Meeting Minutes of the Administration of Oil and Gas Committee of the
North Carolina Mining and Energy Commission
January 24, 2013
10:30 a.m. – 12:30 p.m.**

1. Preliminary Matters

Chairman Charles Holbrook called the meeting of the Administration of Oil and Gas Committee to order at 10:30 am in the Ground Floor Hearing Room of the Archdale Building in Raleigh, N.C. Chairman Holbrook read 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 of interest were reported.

Mr. Holbrook announced that a sign-in sheet was available for any members of the public who wished to speak directly to the Committee. However, no one signed his or her name to the sheet.

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

Committee Members Present

Charles E. Holbrook (Chairman)
Dr. Vikram Rao
Jane Lewis-Raymond
Dr. Ray Covington
Dr. Kenneth Taylor
Ivan "Tex" Gilmore
Ward Lenz (sitting in as an observer from the Department of Commerce)

Attorney's General Office

Jennie Wilhelm Hauser (Legal counsel)

DENR Staff Members

Tracy Davis
Mell Nevils
W.E. "Toby" Vinson
Katherine Marciniak
Walt Haven
Trina Ozer

Others in Attendance

See attached meeting sign in sheets.

2. Approval of Minutes from Last Meeting

Mr. Holbrook asked Committee members to review the minutes from the previous meeting and to consider approval. The Committee voted to approve the minutes unanimously.

3. Discussion of Candidates for Expert Testimony on Key Subjects

The Committee discussed the possibility of inviting oil and gas industry experts who could provide presentations on well pad construction, retaining pit construction, and other related topics. Mr. Holbrook and Dr. Rao offered to contact a local, retired engineer with oil and gas experience who had stated a willingness to provide cost-free consulting to the Committee.

4. Review of Rules Framework and Assignment Document

The Committee discussed text and rule structure. Ms. Lewis-Raymond suggested that some rule topics would be referred to the Rules Committee, to ensure compliance with established rule structuring standards. The Committee also discussed how rule development with respect to well construction and control technologies would also address environmental issues, such as the protection of groundwater. Conversation also included the use of micro-seismic tools, which are used to determine hydraulically induced fracture locations and extent.

Chairman Holbrook asked that background information, which would be used in rule development, be presented by Committee members during the next meeting. Presentations from each member would be based on the rule requirement assignments as determined during the December 18, 2012 meeting (refer to respective minutes). Mr. Holbrook requested that each Committee members report to him on their research so he can compile a comprehensive framework document.

5. Review Status of Research on Assigned Regulation Requirements – (Refer to “Shared Committee Responsibilities for Regulation Requirements in SB-820” on the Mining and Energy Commission website.)

Mr. Holbrook and Ms. Lewis-Raymond explained that their study of well construction, well abandonment, and well plugging requirements indicated that establishing proper standards would address other matters concerning environmental protection. Mr. Holbrook also suggested his Committee develop rules to address the following:

- a. Casing
- b. Testing
- c. Blowout preventers/diverters
- d. Permitting process
- e. Deliverables required of operators
- f. Earthen pit and storage tank standards

Mr. Covington asked for stakeholder, expert, and public assistance and input on the topics of well spacing, drilling units, and set-backs (Bucket 23).

Mr. Holbrook asked DENR to research the well construction, cementing, and casing standards used by Colorado, Pennsylvania, and Arkansas, and as recommended by the American Petroleum Institute (API).

Dr. Covington asked about the responsibility of wellhead security. Committee members agreed that site security obligations rested with the operator. Dr. Covington also explained that recommendations from his Compulsory Pooling Study Group would probably help to reduce the potential for oil and gas resources being wasted.

Dr. Rao explained that rules regarding the shooting, perforating, and chemical treatment of wells could possibly be written as “boiler plate” language and be generally applicable to all sites. He then added that rules addressing secondary recovery methods were a lower priority and could be written at a later date.

Dr. Taylor presented information regarding well closure and site reclamation. He provided data concerning prior oil and gas well operations in North Carolina. He also explained that 128 vertical, oil and gas exploration wells had been drilled in the state, with 126 of those wells being plugged and abandoned. Dr. Taylor stated that the remaining two wells had been completed with “Christmas Tree” wellheads. He further described how abandonment of a typical well in North Carolina would require the production casing to be cemented from total depth to the land surface. Thus, plugging and abandonment procedures for North Carolina already exceed those recommended by the API. When asked about the abandonment of horizontal wells, Dr. Taylor explained that respective abandonment procedures have yet to be determined, as horizontal wells in other states are still in operation.

Dr. Taylor asked about permitting requirements related to land disturbance and if one permit could be used by an operator to cover both well construction and well abandonment. Mr. Davis (DEMLR Division Director) stated that any land disturbance greater than one acre would require a permit and that the bond and associated permit would be released once the site had been stabilized. He further explained that a provision to allow the partial release of a bond after well construction might allow for one permit to cover both installation and abandonment activities.

12. Closing Comments

Mr. Holbrook reminded Committee members to continue working on assigned tasks.

The meeting adjourned at 12:45 pm.

DEMLR Staff Contact for this Committee: Walt Haven, Energy Program Supervisor