

2018-2019 Annual Report of the Oil and Gas Commission

Citation of Law or Resolution: N.C.G.S. §143B-293.1(c)
Due Date: Annually
Submission Date: March xx, 2019

Receiving Entities:

The Joint Legislative Commission on Energy Policy
The Environmental Review Commission

Submitting Entity:

Department of Environmental Quality, on behalf of the Oil and Gas Commission

2018-2019 Annual Report of the Oil and Gas Commission

Executive Summary and Transmittal

Pursuant to N.C.G.S. §143B-293.1(c), the North Carolina Oil and Gas Commission (Commission), must submit annual written reports as to its operation, activities, programs, and progress to the Joint Legislative Commission on Energy Policy and the Environmental Review Commission. The Commission was reconstituted in name and in membership in 2017, and convened for the first time on March 14, 2018, in the Ground Floor Hearing Room of the Archdale Building in Raleigh.

Provided herein is the annual report of the Commission as to its operations, activities, programs, and progress beginning on March 14, 2018, through the date on which the following transmittal was signed by the Commission Chairman, Jim Womack.

Respectfully,

James K. Womack
Chairman

Date

Commission Report and Proceedings

The Oil and Gas Commission met six times between March 14, 2018, and the date on which this report was transmitted to the General Assembly. The Commission's charge and duties may be found at N.C.G.S. §143B-293.1, or [online](https://www.ncleg.gov/EnactedLegislation/Statutes/HTML/BySection/Chapter_143B/GS_143B-293.1.html) (https://www.ncleg.gov/EnactedLegislation/Statutes/HTML/BySection/Chapter_143B/GS_143B-293.1.html).

The following is a brief summary of the Commission's, based on the Commission's approved meeting minutes. Detailed minutes, referenced materials, and additional information from each Commission meeting are available [online](https://deq.nc.gov/energy-climate/energy-group/oil-and-gas-program/nc-oil-and-gas-commission) (<https://deq.nc.gov/energy-climate/energy-group/oil-and-gas-program/nc-oil-and-gas-commission>).

March 14, 2018 Agenda, Orientation Session

1:00pm to 4:00pm

Archdale Building – Ground Floor Hearing Room
512 North Salisbury Street
Raleigh, NC

1. Welcome and Notice of N.C.G.S. 138A-15
2. Swearing in of Commission Members – the Honorable Senator Ron Rabin
Oath of Office
3. Introduction of Commission Members – Commission Members
4. Introduction of Staff – Dr. Kenneth B. Taylor, PG, State Geologist of North Carolina and Chief of N.C. Geological Survey
5. Administrative Issues – Dr. Taylor
 - I-9 required for Per Diem
 - Commission E-mail addresses
 - Statement of Economic Interest (SEI) submission deadline for 2018
 - Reminder for required on-line ethics training
 - Complete set of oil and gas rules and the current oil and gas statutes
6. Public Records and Open Meetings Law in North Carolina – Phillip Reynolds, Commission Counsel
7. Election of Commission Officers – Dr. Taylor
 - Commission Chair – Nominations and Vote
 - Commission Vice Chair – Nominations and Vote
8. Passing of the Gavel to the Commission Chair – Dr. Taylor
9. Future Meeting Dates and Wrap-Up – Commission Chair

The first meeting of the Oil and Gas Commission (Commission) convened on March 14, 2018, in the Ground Floor Hearing Room of the Archdale Building in Raleigh. Dr. Kenneth Taylor, State Geologist and

OGC Staff Director called the meeting to order at 1:00pm and read the Ethics Statement. Commission members and staff were introduced before Dr. Taylor reviewed administrative issues. Mr. Phillip Reynolds, Commission Counsel, provided training on the North Carolina public records and open meetings laws. Following that, Dr. Taylor presided over the elections of the Commission Chair and Commission Vice-Chair, positions to which James K. Womack, Jr. and Robert C. Reinhardt were elected respectively. Taking the gavel, Chairman Womack asked staff to update the Commission on a number of items on which Dr. Taylor said he would report at the Commission's next meeting. The Chairman adjourned the meeting at 2:12pm.

May 8, 2018

Agenda

1:00pm to 5:00pm

Archdale Building – Ground Floor Hearing Room
512 North Salisbury Street
Raleigh, NC

1. Call to Order and Notice of N.C.G.S. §163A Subchapter II – Chairman Womack
2. Roll Call of Commission Members and Commission Staff – Chairman Womack
3. Approval of Meeting Minutes from the March 14, 2018 OGC Meeting – Chairman Womack
4. Discussion of OGC Petition Process – Chairman Womack and Commission Counsel Reynolds
5. Draft Operating Procedures – Chairman Womack
6. OGC Commission's Committee Structure – Chairman Womack
Remission & Rules Committees
7. Proposed briefing schedule for Commission on ethics, research results from N.C. Geological Survey, the Oil and Gas Statutes, and the Oil and Gas Rules -- Chairman Womack
8. Schedule for next meetings – Chairman Womack
9. Administrative Issues – Dr. Taylor
I-9 required for Per Diem – Last Call
Reimbursement for travel and meals
Budget to support the NC OGC
10. Public Comment Period
11. Commissioners' Comments
12. Adjourn

The second meeting of the Oil and Gas Commission (Commission) was held on May 8, 2018. Commission Chairman Womack gavelled-in the meeting at 1:00pm. Commission Counsel Reynolds led a discussion of the oil and gas petition process and correspondences purportedly seeking the preemption of certain local ordinances. An extended conversation between the Commission Chairman and Commission Counsel regarding the correspondence, as well as the petition process followed. Commission Counsel discussed the Chairman's role in determining the completeness of a petition and the requirements related

to a hearing on complete petitions. He also discussed the statutory requirements for scheduling a hearing on petitions that have been deemed complete. Commission Counsel also discussed the Commission's authority related to the preemption of local ordinances and the statutorily required findings that must be made in order for the Commission to preempt a local ordinance. It was noted that the correspondence sent to the Commission prior to its first meeting did not comply with the Commission's rules for submitting a petition and that no applications for drilling units or other drilling permits had been received by the Department.

Regarding Agenda Item 7, the Chairman proposed a briefing schedule for the Commission to address: issues on ethics; oil and gas research results from the N.C. Geological Survey; the current Oil and Gas Statutes; and the current Oil and Gas Rules. Following this discussion, the Chairman requested that potential future meeting dates be identified and prospectively calendared in the event a meeting was needed. The Chairman noted that, should any of the prospectively calendared meetings not be needed, he would cancel the meeting.

Regarding the draft Operating Procedures, the Chairman requested that the members provide input and be ready to vote to approve them after revisions were addressed.

Chairman Womack then shared a presentation about the former Mining and Energy Commission (MEC) during which he discussed the legislative history that created the MEC, and later, the Commission. The presentation outlined MEC accomplishments and how the MEC addressed: (i) pooling, assignment of drilling units, and permitting; (ii) well and drilling site standards; and (iii) water withdrawal, wastewater management, and water supply testing. He also talked briefly about the oil and gas resource and how additional data collection may be needed prior to drilling.

Chairman Womack recognized Dr. Taylor to discuss issues related to per diem, travel, and budget matters. Toby Vinson, Interim Director of the Division of Energy, Minerals, and Land Resources to address the uncertainty the Commission's budget.

Two members of the public addressed the Commission. After Commission discussion, the Chairman adjourned the meeting at 2:42pm.

August 7, 2018

Agenda

1:00pm to 4:00pm

Department of Natural and Cultural Resources – Auditorium

109 East Jones Street

Raleigh, NC

1. Call to Order – Chairman James K. Womack, Jr.
2. Moment of Silence and Pledge of Allegiance
3. Notice N.C.G.S. §163A Subchapter II
4. Approval of the Minutes from the May 8, 2018 OGC Meeting – Chairman Womack

5. Presentation on the draft Standard Operating Guidelines – Chairman Womack
6. Administrative Discussion: Dr. Taylor
 - Per Diem
 - Briefing to the Commissioners on the results of research conducted by the N.C. Geological Survey on oil and gas potential
 - Communications between the Commissioners and Staff Director
 - Reactivation of DEQ Email Accounts
 - Introduction of new Senior Geologist for Oil and Gas Regulation
 - Scheduling of Future Meetings
7. Review of Mining & Energy Commission’s Unfinished Business – Chairman Womack
8. Discussion of Future Commission trip to Pennsylvania Drill Sites – Chairman Womack
9. Public Comment
10. Commissioners’ Comments
11. Meeting Adjournment

The third meeting of the Oil and Gas Commission took place on August 7, 2018, in the Department of Natural and Cultural Resources Auditorium at 109 East Jones Street in Raleigh. Commission Chairman James K. Womack, Jr. gavelled-in the meeting at 1:05pm. The Commission voted unanimously to adopt the minutes from the May 8, 2018 meeting.

Chairman Womack led a presentation on the Commission’s draft Internal Operating Procedures. The discussion centered on attendance requirements for Governor appointees, telephonic access, restoration of the Commission website, closed sessions, quarterly reports, timeline for meeting notices, and future meetings scheduled for calendar year 2019. The Commission voted to adopt the draft Procedures and Commission Counsel stated that he would review the internal statutory citations and bring any recommendations for revisions back to the Commission for its review and approval at a future meeting.

Regarding Agenda Item 6 on administrative issues, Dr. Taylor briefed the Commission on how to request per diem, research and technical presentations from the Geological Survey, communication processes between individual commissioners and staff, DEQ email accounts for each member, introduced Ryan Channel, Senior Geologist for Oil and Gas Regulation, scheduling quarterly Commission meetings in 2019, and reviewing the schedule of remaining meetings in 2018.

Chairman Womack led the discussion of the document titled, “MEC Unfinished Business for OGC Consideration,” which included ten broad topics for the Commission’s consideration:

1. Pit standards.
2. Tank standards.
3. Set-back standards.
4. Internal OGC procedures for managing drilling units.
5. Internal OGC procedures for managing pooling orders.
6. Forms and submission requirements for drilling units.
7. Seismic monitoring during active drilling.
8. Public health baseline study.
9. Air quality monitoring during active drilling.

10. Emergency services requirements for local and state level agencies.

Chairman Womack asked that all MEC information and reports be posted to the Commission's website for review and reference.

Chairman Womack led discussion for Agenda Item 8, regarding a visit to an active drill site in Pennsylvania. Commissioner Stone shared feedback about his trips to Arkansas and Pennsylvania and the opportunity to speak to local government representatives, industry operators, and land owners.

Six members of the public addressed the Commission. Following Commission discussion and comments, the Chairman adjourned the meeting at 3:31pm.

October 16, 2018

Agenda

10:00am to 2:00pm

Archdale Building – Ground Floor Hearing Room
512 North Salisbury Street
Raleigh, NC

1. Call to Order – Chairman Womack
2. Pledge of Allegiance and Moment of Silence
3. Ethics Reminder
4. Approval of the Minutes from the August 8, 2018, OGC Meeting – Chairman Womack
5. Discussion of Committee and Study Group Assignments – Chairman Womack
6. Briefing on the Oil and Gas Rules – Ryan Channel
7. Discussion of OGC Field Trip in Spring 2019 – Chairman Womack
8. Oil and Gas Commission Meeting Schedule for 2018 and 2019
9. Status of Public Record Requests, Restoration of Documents to Public Website, and Conversion of MEC Archive to Laserfiche – Dr. Taylor
10. Public Comment
11. Commissioners' Comments
12. Meeting Adjournment

The fourth meeting of the Oil and Gas Commission occurred on October 16, 2018, in the Archdale Building, Ground Floor Hearing Room at 512 N. Salisbury Street in Raleigh. Commission Chairman James K. Womack, Jr. gavelled-in the meeting at 10:10am. The first substantive order of business was the discussion of Committee and Study Group Assignments, led by the Chairman. The Commission unanimously approved the proposed assignments as follows:

- The Rules Committee: Baird (Chair), Dr. Zhang, and commissioner Jones' replacement.
- The Operations Committee: Lucey (Chair), Gaglio and Reinhardt.
- The Environmental Standards Committee: Stone (Chair), Salmon and Womack.
- The Best Practices Committee: Gaglio (Chair), Lucey, and Reinhardt.

The Chairman identified areas for additional study including seismicity: air quality baseline, and water sampling study baseline; recommended that members to follow up on baseline; and that the study groups should invite local health directors into the discussions.

Ryan Channel provided a PowerPoint slide presentation on the rules for the Oil and Gas Commission. Both the text and interpretation of the rules was given. The Chairman requested that staff provide additional information following the presentation.

Chairman Womack discussed the proposed Commission fieldtrip and shared that the best dates are in April, May, or June to travel to either West Virginia or western Pennsylvania. With regards to the proposed meeting schedule, a vote was not held.

Lastly, Dr. Taylor provided status reports on the public record requests, restoration of the documents on the public website, and conversion of MEC archives to Laser fiche.

Four members of the public provided comments to the Commission, after which the Commission made several additional comments, followed by the Chairman adjourning the meeting at 12:48pm.

December 4, 2018

Agenda

10:00 am to 2:00 pm

Ground Floor Hearing Room, Archdale Building
512 N Salisbury St.
Raleigh, NC

1. Call to Order and Opening Remarks – Chairman Womack
2. Ethics Reminder
3. Roll Call of Commission Members – Chairman Womack
4. Approval of the Minutes from the October 16, 2018 Meeting – Chairman Womack
5. Discussion of Proposed 2019 Meeting Schedule – Chairman Womack
6. Discussion of Commission's Trip to Bradford County, PA week of 14 April 2019 – Chairman Womack
7. Oil & Gas Commission's Internal Operating Procedures Corrections – Chairman Womack
8. Discussion of Committee and Study Group Commissioner Assignments, DEQ Staff Support, Future Meetings – Commission Staff
9. Update on DEQ Per Diem & Travel Reimbursement Processing – Commission Staff

10. Status Update on Public Records Requests from OGC – Commission Staff
11. Status Update on Restoration & Public Access to MEC Archives – Commission Staff
12. Status Update on Email Accounts for Oil & Gas Commissioners – Commission Staff
13. Discussion of Oil & Gas Commission’s Quarterly Reports to NCGA – Commission Staff
14. Public Comment
15. Commissioners’ Comments
16. Adjourn

The fifth meeting of the Oil and Gas Commission took place on December 4, 2018, in the Archdale Building, Ground Floor Hearing Room at 512 N. Salisbury Street in Raleigh. Commission Chairman James K. Womack, Jr. gavelled-in the meeting at 10:10am. The minutes for the October 16, 2018, Commission meeting were not yet available and it was noted they would be ready for the Commission’s approval at the next meeting.

Chairman Womack then discussed the 2019 Meeting Schedule and proposed 11 Commission meetings for the year scheduled in January, March, June, July, September, October, and December, and held in the Lee County Commissioners’ Board Room, at 106 Hillcrest Drive in Sanford. The Chairman said that notice would go out to members if meetings are cancelled. Consensus dates for each meeting were discussed and approved by the Commission. These monthly meetings were scheduled in addition to the four quarterly meetings already scheduled for 2019 on February 12, May 14, August 13, and November 6.

The Commission then discussed the Standard Operating Procedures and that Commission Counsel would finalize and provide the draft document for members’ review. Committee assignments were revisited as Commissioner Salmon was named Chair of the Civil Remissions Committee and noting that Commissioner Jones’ replacement will also be assigned to that Committee.

A discussion of per diem, reimbursement of travel costs, Commissioner’s email accounts, the MEC’s historical archive, annual and quarterly reports, and the disposition of public comments on the Commission’s website took place. Lastly, the Chairman stated, regarding Agenda Item 10 that he had fulfilled all public records requests by providing them on a thumb drive containing thousands of documents.

Two members of the public provided comments to the Commission, after which the Commission made several additional comments, followed by the Chairman adjourning the meeting at 11:24am.

February 12, 2019

Agenda

10:00 am to 2:00 pm

Ground Floor Hearing Room, Archdale Building
512 N. Salisbury Street
Raleigh, NC

1. Call to Order and Opening Remarks – Chairman Womack

2. Ethics Reminder
3. Roll Call of Commission Members – Chairman Womack
4. Approval of minutes from October 16 and December 4, 2018 meetings – Chairman Womack
5. Election of Commission Officers – Commission Counsel
6. Review of Commission Bylaws and Internal Operating Procedures – Commission Counsel
7. Introduction of the Interim Director of Energy, Mineral, and Land Resources – Commission Staff
8. Discussion of Agency Staffing, Administrative Support, and Budget – Commission Staff
9. Update on Accessibility of Mining and Energy Commission Materials– Commission Staff
10. Status of Annual Reports – Commission Staff
11. Introduction of the new NCGS Senior Geologist for Oil and Gas Regulation – Commission Staff
12. Presentation comparing NC and other states’ oil and gas regulations – Commission Staff
13. Public Comment
14. Commissioners’ Comments
15. Adjourn

The sixth meeting of the Oil and Gas Commission took place on February 12, 2019, in the Archdale Building, Ground Floor Hearing Room at 512 N. Salisbury Street in Raleigh. Commission Chairman James K. Womack, Jr. gavelled-in the meeting at 10:07am. After reading the ethics reminder and calling the roll, the Commission voted to adopt the minutes from the October 16 and December 4, 2018 meetings.

Commission Counsel Phillip Reynolds led the members through a discussion about the election of officers and an explanation as to why an election was necessary at the time. Commissioner Baird nominated Commissioner Womack for Chair, who accepted and was elected unanimously by the members present. Chairman Womack nominated Commissioner Reinhardt to serve as Vice-Chair, who accepted, and was elected unanimously by the members present. The Chairman solicited suggestions on clarifying the statutes pertaining to the election of officers from the members.

Commission Counsel Reynolds then walked the members through the draft Internal Operating Procedures of the Commission, noting that the suggested amendments reflect updates and differentiation between the role and duties of the Commission versus its predecessor, MEC. Members were asked to provide recommendations or revisions and were advised that it was the intention of the Chairman to vote to adopt the amended Procedures at the next meeting.

The Chairman recognized Danny Smith, who introduced himself to the Commission as the Interim Director of the Division of Energy, Minerals, and Land Resources. Dr. Taylor and Jennifer Mundt provided updates to the Commission on Agenda Items 8, 9, and 10. Dr. Taylor then introduced Jim Chapman, Senior Geologist for Oil and Gas Regulation, who was recently hired to staff the Commission. Mr. Chapman led the members through the presentation and dialogue comparing North Carolina and other states’ oil and gas

regulations. During the discussion, the Chairman requested that staff provide an update on federal actions related to methane emission regulation and drone-based monitoring.

One member of the public provided comments to the Commission, after which the Commission had opportunity, but declined, to make additional comments. The Chairman adjourned the meeting at 11:52am.

DRAFT