

Update on Energy Issues



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**N.C. Department of Environment & Natural
Resources**

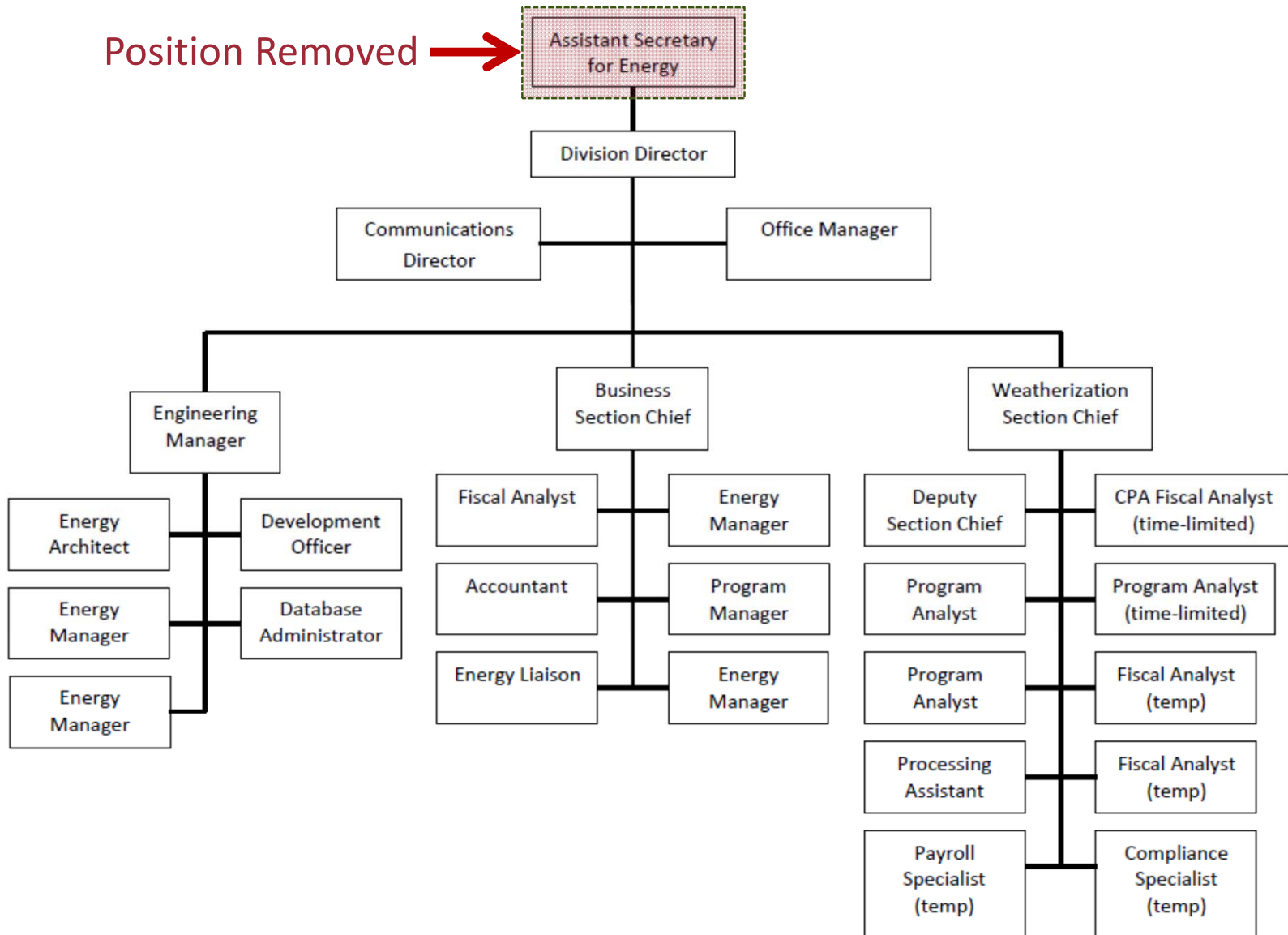


Update on Energy Issues

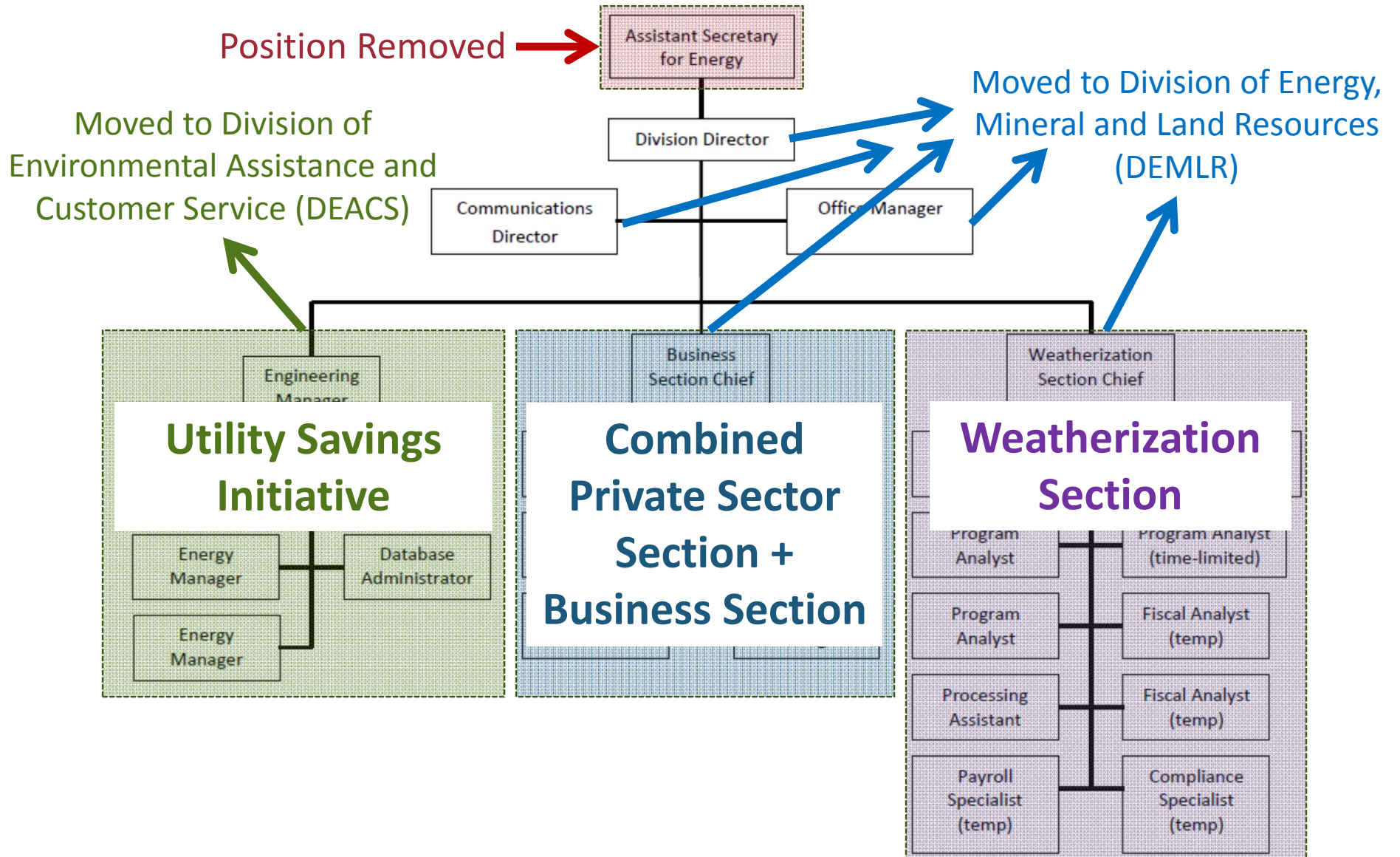


- Merger of the State Energy Office with DENR
- New hires for the Energy Program in the Division of Energy, Mineral and Land Resources
- Consideration of expenditures of 2013 appropriations
- Findings and recommendations of DENR regarding Compulsory Pooling
- EPA grant for wetlands reference network

State Energy Office as of July 2013



State Energy Office within DENR



Current Hires in the Energy Program



- **Energy Program Supervisor:** Supervises staff working on rule development and supporting the MEC.
- **Senior Specialist:** Develops draft rule language and supports committees of the MEC; will provide permit review and enforcement in the future.
- **Geologist:** Develops draft rule language and supports committees of the MEC; will provide permit review and enforcement in the future.
- **Administrative Assistant:** Provides administrative support to both the Energy Program and to the members of the MEC.

Future Hires in the Energy Program



- **Deputy Director:** Will assist the Division Director in this newly expanded department (will replace Director of the State Energy Office).
- **Rules Coordinator:** Assures the MEC addresses all necessary rules and manages the process of taking rules out for public comment and review by the Rules Review Commission.
- **Section Chief:** Manages the staff supporting the MEC.
- **Engineer:** Develops draft rule language and supports committees of the MEC; focuses on engineering requirements such as pit and tank standards; will provide enforcement in the future.
- **Geologist:** Develops draft rule language and supports committees of the MEC; will provide enforcement in the future.

Unfunded but Needed Positions



- **Strategic Planning Manager for Energy:** This position is needed to promote the Governor's energy policy across the state.
- **Public Information Officer:** DEMLR is the only division in DENR that lacks a public information officer. DEMLR is now highly visible and interacts frequently with the public and the media. A PIO would reduce the burden on other Energy Staff to handle these activities, thereby freeing staff to focus on rule writing and enforcement.
- **Renewable Energy Specialist:** Needed to work on wind permitting and other renewable energy topics.
- **Office Assistant 4:** Needed to provide office support to this section that now has 30 additional staff members.

Potential Expenditures of 2013 Appropriations

Priority	Budget summary	FY2013-14	FY2014-15
1	Task 1 - Rock mechanics	\$ 119,975	
2	Task 2 - Cumberland-Marlboro basin	\$ 61,000	
3	Task 3 - Flow test - Butler #3 well		\$ 20,000
4	Task 4 - Flow test - Simpson #1 well	\$ -	\$ 30,000
5	Task 5 - Dan River-Danville basin - porosity tests	\$ 21,600	
6	Task 6 - Precambrian rift basin, western NC	\$ 11,725	
7	Task 7 - Hatteras Light well - offshore studies	\$ 7,040	
8	Task 8 - Plotter scanner - replace	\$ 20,000	
9	Task 9 - Dan River-Danville basin - mineralogy	\$ 27,100	
10	Task 10 - Camden Co. rift basin		\$ 6,750
11	Task 11 - Pasquotank Co. rift basin		\$ 6,750
12	Task 12 - Bertie Co. rift basin		\$ 519
13	Task 13 - Anson Co. (Wadesboro) rift basin		\$ 6,750
14	Task 14 - Further testing based on data gathered in FY14		\$ 128,000
		=====	=====
		\$ 268,440	\$ 198,769
	Travel (profession meeting registration, travel, etc.); contingency - year 1 - likely also temporary geologist wages to assist with field work	\$31,560	
	Travel (profession meeting registration, travel, etc.); rock mechanics - Dan River-Danville basins - contingency - year 2 - likely also temporary geologist wages to assist with field work		\$51,231
		=====	=====
	Appropriated amount (by state fiscal year)	\$ 300,000	\$ 250,000

Note 1: All tasks prioritized.

Note 2: Prices as of 24 January 2013 - institutional discount prices good until 31 December 2013.

2013 Appropriations

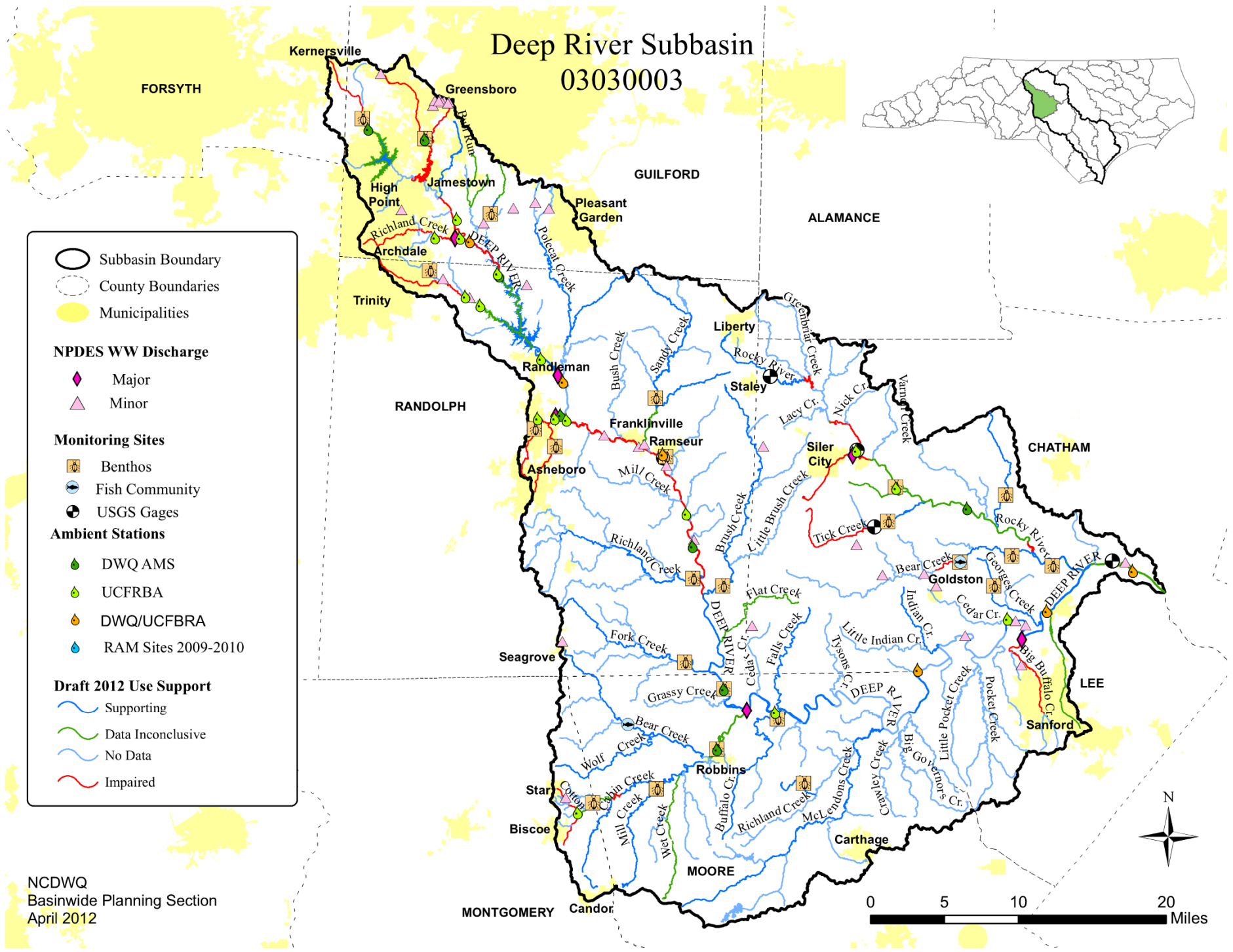
Account Title	2013-2014		2014-2015	
	Recurring	Non-Recurring	Recurring	Non-Recurring
Salaries	\$207,750		\$277,000	
Social Security	\$15,893		\$21,190	
Retirement Contributions	\$30,518		\$40,691	
Medical Insurance	\$15,855		\$21,140	
Board Transportation			\$2,979	
Membership Dues	\$29,984	\$7,016	\$37,000	
Contractual		\$292,984		\$250,000
Total Requirements	\$300,000	\$300,000	\$400,000	\$250,000
Total Receipts	\$0	\$0	\$0	\$0
Total Requirements	\$300,000	\$300,000	\$400,000	\$250,000
Receipts	\$0	\$0	\$0	\$0
Appropriation	\$300,000	\$300,000	\$400,000	\$250,000
Number of Positions	4.00		4.00	

EPA Wetlands Grants



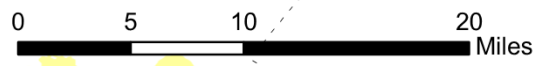
- In April 2013, the Wetlands Program Development unit of the Division of Water Quality applied for grants from the EPA's Wetland Program Development grant program.
- Two grants were awarded in June 2013 for a total of \$582,305. DENR would be required to make a 25% state match.
- One of these grants related to hydraulic fracturing.
- The Division of Water Resources and the Division of Water Quality then merged, and employees of the Wetlands Program Development unit moved into other jobs within DENR or retired.
- All of the work that would have been conducted under the hydraulic fracturing grant will be absorbed by remaining staff in DENR.

Deep River Subbasin 03030003



- Subbasin Boundary
- County Boundaries
- Municipalities
- NPDES WW Discharge**
- Major
- Minor
- Monitoring Sites**
- Benthos
- Fish Community
- USGS Gages
- Ambient Stations**
- DWQ AMS
- UCFRBA
- DWQ/UCFBRA
- RAM Sites 2009-2010
- Draft 2012 Use Support**
- Supporting
- Data Inconclusive
- No Data
- Impaired

NCDWQ
Basinwide Planning Section
April 2012



Information Needed for Detailed Baseline Study



- When will hydraulic fracturing begin?
 - Studies have a shelf life.
- Where is hydraulic fracturing most likely to occur?
 - Need specific watershed data.
- What are specific constituents of concern?
- Must encompass groundwater.
- Detailed coordination with MEC an absolute must.
- DWR is prepared to conduct study when MEC is ready.
- Methane assessments can be conducted pursuant to an existing comprehensive contract with the U.S. Geological Survey for data collection.
- Spill response protocols will be developed by the Division of Energy, Mineral and Land Resources once the MEC gives DENR direction on this topic.

Compulsory Pooling: Findings



1. Pooling is the joining together of parcels of land to have sufficient acreage to form a drilling unit under well spacing regulations.
2. The N.C. Oil and Gas Conservation Act authorizes the use of integration or compulsory pooling to prevent waste and to avoid the drilling of unnecessary wells. (G.S. 113-393)
3. Other states require a percentage of minimum voluntary agreement based on surface acreage before an operator can make an application for a pooling order.

Compulsory Pooling: Percentage of Voluntary Minimum Agreement



- Additional information that will help inform North Carolina include the size of drilling units, spacing requirements and setbacks; this information is not yet available from the MEC
- Examples in other states:
 - Virginia requires 25% agreement
 - Arkansas requires 50% agreement for exploratory wells only
 - Tennessee and Kentucky require more than 50% agreement
 - Ohio has guidelines of the regulatory agency requiring 90% agreement (not in statute or regulation)
 - Many states have no requirement for voluntary agreement before making a pooling application

Compulsory Pooling: Cost Sharing



- Under current law, North Carolina has a free ride approach: the compelled owner is carried for his share of expenses while the well is being drilled. If the well is successful, the owner is only responsible for his share of the costs of production.
- The Department needs additional information from the MEC in order to make decisions on recommendations regarding compulsory pooling, including:
 - The size of drilling units
 - Rules on setbacks

More Information



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