

# State of North Carolina



BEVERLY EAVES PERDUE  
GOVERNOR

## EXECUTIVE ORDER NO. 118

### HIGH STANDARDS FOR SHALE GAS DEVELOPMENT IN NORTH CAROLINA

**WHEREAS**, North Carolina seeks to develop an energy policy that creates jobs, reduces costs on businesses and families, and lessens our reliance on foreign oil while balancing the need to protect the public health and safety of our citizens and to maintain our state's natural resources; and

**WHEREAS**, the North Carolina Geological Survey has identified potential shale gas resources in North Carolina; and

**WHEREAS**, studies suggest that drilling for shale gas resources using hydraulic fracturing in the Sanford sub-basin will yield economic benefits, including an average of 387 jobs per annum over seven years; and

**WHEREAS**, despite its potential economic benefits, oil and gas exploration and production can lead to the disturbance of large areas of land to develop access roads, well pads, impoundments and other infrastructure; and

**WHEREAS**, water quality problems have been associated with oil and gas operations; and

**WHEREAS**, North Carolina statutes and rules have not been written to address natural gas development using hydraulic fracturing; and

**WHEREAS**, it is important that any regulatory framework for hydraulic fracturing reflect high standards that will protect the public health and safety of the citizens of North Carolina and protect the environment, while allowing for the development our state's shale gas resources and this industry.

**NOW, THEREFORE**, pursuant to the authority vested in me as Governor by the Constitution and laws of the State of North Carolina, **IT IS ORDERED:**

## **Section 1. Regulatory Workgroup**

The Department of Commerce Division of Energy, in conjunction with the Department of Environment and Natural Resources, shall organize a workgroup to develop recommendations for a regulatory framework and interagency protocols for oil and gas exploration and development including, but not limited to environment, commercial, logistics/transportation, public safety, and worker safety regulations. The workgroup shall include representatives from the Department of Health and Human Services Division of Public Health, the Department of Revenue, the Department of Transportation, and the State Highway Patrol. In addition, the workgroup organizers shall invite representatives of the North Carolina Utilities Commission, the Department of Labor, and the Office of Attorney General Consumer Protection Division to participate in the workgroup. The workgroup organizers shall also invite the Speaker of the North Carolina House of Representatives, the President Pro Tempore of the North Carolina Senate, the Minority Leader of the North Carolina House of Representatives, and the Minority Leader of the North Carolina Senate to each appoint a representative to participate in the workgroup. The workgroup organizers shall use their reasonable best efforts to ensure that all invited representatives have an opportunity to participate in a meaningful way in all workgroup activities. The workgroup organizers shall also reach out to stakeholders to collaborate in implementing this Executive Order.

## **Section 2. Guiding Principles**

In developing recommendations, the Regulatory Workgroup shall consider the following guiding principles:

### **A. Public Health and Safety**

1. Precautions must be implemented to protect the state's drinking water and to safeguard the health and safety of all North Carolinians.
2. Studies must be employed to allow long-term tracking of health impacts in areas with shale gas development.
3. State and local first responders and industry must be prepared for any industry-related emergencies, and a statewide law enforcement agency must be identified as the lead responder in such emergencies.

### **B. Environmental Impacts and Regulatory Framework**

1. In establishing environmental standards for an effective oil and gas regulatory framework, the recommendations from the Department of Environment and Natural Resources' *North Carolina Oil and Gas Study Under Session Law 2011-276* report and from the *State Review of Oil and Natural Gas Environmental Regulations* (STRONGER) report must be adopted as a baseline.

2. Full disclosure of hydraulic fracturing chemicals and prior certification of components must be studied.
3. Sensitive areas, such as floodplains, must be identified where oil and gas exploration and production activities should be prohibited.

**C. Public Input**

The public must be afforded the opportunity to provide significant input regarding the creation of regulations for the oil and gas industry.

**D. Consumer Protection**

Restrictions must be considered that would provide protections to the consumer, such as limiting the lengths of lease terms, requiring registration of certain company representatives, requiring leases to be registered to allow public access, requiring notification of lease transfers, and determining whether to allow forced pooling.

**E. Worker Safety**

Adequate training must be provided for regulatory personnel, across disciplines, on distinct regulations for the oil and gas industry.

**F. Logistics, Transportation and Local Government Impacts**

1. Resources and regulations must be adopted to protect the billions of dollars invested in North Carolina's transportation system and to ensure that the transportation infrastructure is prepared for the additional usage created by the industry.
2. Appropriate consideration must be given to address the impact on local governments and local infrastructure.

**G. Commercial Industry Standards**

1. To provide for the orderly development of the oil and gas industry, the protection of correlative property rights for owners to ensure that owners have a fair and reasonable opportunity to obtain and produce an equitable share of oil and gas resources must be studied.
2. Industry must be held accountable for damages related to exploration and production, including damage to neighboring properties.
3. Companies must be required to make commercial and financial disclosures to the State that are consistent with disclosures that are made to the federal government.

**H. Adequate Resources and Revenue Structures**

1. Adequate resources must be provided across all agencies to support effective regulation of the oil and gas industry and to support proper and robust enforcement of those regulations.
2. Any licensing or operating fees and industry taxes that are implemented must appropriately reflect impacts related to the industry including, but not limited to, infrastructure, emergency preparedness, public safety, environmental programs, local governments, preservation and reclamation of water, records management, worker training, the judicial system, and social services.

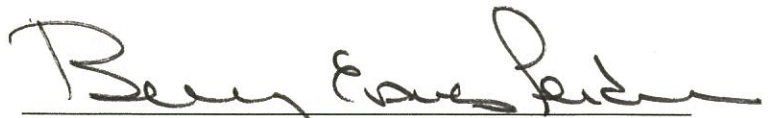
**Section 3. Report**

Approximately six months after the effective date of this order, and approximately every six months thereafter, the Department of Commerce Division of Energy shall report the progress, findings, and any recommendations of the Regulatory Workgroup to the Governor.

**Section 4. Effect and Duration**

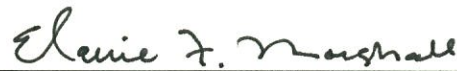
This Executive Order is effective immediately and shall remain in effect until rescinded.

**IN WITNESS WHEREOF**, I have hereunto signed my name and affixed the Great Seal of the State of North Carolina at the Capitol in the City of Raleigh, this twenty-first day of May in the year of our Lord two thousand and twelve, and of the Independence of the United States of America the two hundred and thirty-sixth.



Beverly Eaves Perdue  
Governor

**ATTEST:**



Elaine F. Marshall  
Secretary of State

Chief Deputy *by and through*  
Rodney S. Maddox

