

# FRACKING

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"I wouldn't even want to touch this without \$20 million in the bank," Spiro said.

North Carolina has another disadvantage: Unlike the Marcellus, Bakken and other giant shale gas deposits that span multiple states, North Carolina's Sanford sub-basin is tiny. The area believed to be the state's shale gas epicenter spans a mere three counties: Lee, Moore and Chatham.

Fracking advocates say the

amount of fuel in the ground here could supply local brick kilns or small industrial plants in the area, but it's not clear whether North Carolina's gas could serve a more distant market.

"The conditions don't seem too favorable at this point for energy companies to seek to break into North Carolina," said James Womack of the N.C. Mining and Energy Commission.

Womack said he sees "a lot of dog sniffin' going on" from independent energy developers, but so far the nosing

around hasn't produced lasting results.

Womack has been a point of contact for potential energy developers in his role as chairman and commissioner of the Mining and Energy Commission over the past two years.

He said several energy developers are exploring business options, and he hopes their interest leads to seismic testing in and around Sanford, where fracking would likely get underway first.

Seismic testing and other preliminary measurements are needed to pinpoint the

extent and location of natural gas underground before drilling can get underway.

The commission is winding down its task of writing the state's fracking rules — more than 120 standards — which are now headed to the legislature for final approval.

By and large, lawmakers are pleased with the rules and not inclined to tinker with them, said Rep. Mike Hager, the Rutherfordton Republican who will be majority whip when the legislature convenes in January.

"What you see is a rule package that has a lot of the General Assembly's wishes already baked into it," said Hager, who chaired the Public Utilities and Energy Committee, which handles most energy-related legislation for the state House.

If the legislature takes no action on the rules, they au-

tomatically go into effect this spring. If lawmakers opt to direct the commission to change some rules, the effective date of the rules would be delayed, possibly until the fall, he said.

Democrats have either voted against fracking or tended to favor stricter standards that Republicans say would have killed the industry.

Cassie Gavin, lobbyist for the Sierra Club, which opposes fracking, predicted that Democratic Party efforts to have the rules rewritten will get nowhere in the Republican-dominated legislature.

"I wouldn't expect them to get in the way of the process," Gavin said. "The expectation is, no matter what happens, a drilling permit could be issued in the spring."

A permit would let an oil-and-gas company set up drill pads, derricks, compressor

stations and other heavy equipment to start extracting natural gas from underground shale rock formations.

But Spiro said North Carolina has plenty of logistical disadvantages, and some of the proposed fracking rules are no help to the industry. The rules cover such issues as well shaft construction, chemical disclosure, buffer zones, water testing, and a host of other technical specifications.

Spiro said North Carolina's proposed \$1 million environmental accident bond is the highest in the country. Energy-intensive Texas requires a bond of \$250,000, while Ohio's bonding requirement is \$15,000, according to a 2013 report from the Environment America Research & Policy Center.

Spiro also said that an expected proposal from the N.C. Department of Transportation — requiring energy companies to pay for rebuilding roads and bridges damaged by trucks bearing heavy industrial equipment — imposes another financial obstacle. The transportation agency is scheduled to submit its proposals to the state legislature Jan. 1.

Hager, who oversaw energy bills in the N.C. House of Representatives, said the lifting of the moratorium will not be a watershed moment in the state's history.

"It's not a great sea change or North Carolina in the fact that the amount of gas we have is probably on the smaller scale," he said.

Instead, he characterized it as more of a Hal Mary to the free-market energy gods: "In energy, we have to throw everything against the wall and see what sticks."

# Prospects for fracking iffy in N.C.

Even after ban is lifted, high costs make state a long shot for drilling

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After four years of heated debate, North Carolina stands on the cusp of lifting its fracking moratorium and opening the state's woodlands and meadows to shale gas exploration.

The state legislature, which con-

venes next month, is expected to let energy developers start pulling drilling permits as early as April, and no later than autumn.

But the imminent end of the moratorium is arriving on an anti-climactic note. Despite a sustained effort by the Republican-led legislature to turn North Carolina into an energy-producing state, the prospects for energy exploration here remain iffy.

Falling energy prices globally, coupled with high startup costs in a

state with no history of drilling, make North Carolina a long shot for shale gas exploration.

Even the most ardent boosters of fracking acknowledge that North Carolina is destined to remain a low priority for the energy industry for an indefinite time.

"I'm pulling teeth to get anyone to look at North Carolina and to allocate resources," said Nicholas Spiro, an independent energy developer focusing on North Carolina. "You'll see some interest, but I

don't think you'll see any more than you currently see. You've got a lot of pontification, a lot of talking."

Spiro is operating independently after his previous employer, Dallas-based Industry Petroleum, lost interest in exploring North Carolina this year. Spiro said he is trying to build alliances with other investors and speculators but noted that the preliminary geologic testing alone could run up millions of dollars of expenses.

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