

# TECHNICAL REVIEWERS' RATING SUMMARY

**G-022-C**

**Hydraulic Fracturing Regulatory**

**E-Reference**

Submitted by Interstate Oil & Gas Compact Commission

Request for \$125,000; Total Project Costs \$599,771

<b>Rating Category</b>	<b>Weighting Factor</b>	<b>Technical Reviewer</b>		<b>Average Weighted Score</b>	
		<b><u>22C-01</u></b>	<b><u>22C-02</u></b>		<b>Rating</b>
Objective	9	2	5	31.5	
Availability	9	4	4	36.0	
Methodology	7	3	4	24.5	
Contribution	7	3	5	28.0	
Awareness	5	5	4	22.5	
Background Project	5	4	5	22.5	
Management Equipment	2	3	3	6.0	
Purchase	2	5	5	10.0	
Facilities	2	3	4	7.0	
Budget	2	3	5	8.0	
<b>Average Weighted Score</b>		169	223	0	<b>196.0</b>
<b>Maximum Weighted Score</b>					<b>250</b>

**OVERALL  
RECOMMENDATION**

<b>FUND</b>	<b>X</b>
<b>FUNDING TO BE CONSIDERED</b>	<b>X</b>
<b>DO NOT FUND</b>	

Section B. Ratings and Comments:

- 1. The objectives or goals of the proposed project with respect to clarity and consistency with North Dakota Industrial Commission/Oil and Gas Research Council goals are: 1 – very unclear; 2 – unclear; 3 – clear; 4 – very clear; or 5 – exceptionally clear.**

*Reviewer 22C-01 (Rating: 2)*

The project objective is indeed laudable, and beneficial for all oil and gas producing states across the country. However, the application has failed to relate the objective to the goals of the North Dakota Oil and Gas Research Council. While the reviewer can understand how this will benefit North Dakota, it is not clearly stated, and does not benefit North Dakota in a greater capacity than any other state.

*Reviewer 22C-02(Rating: 5)*

The participation of the ND OGRP in the creation of a multistate reference tool related to the regulation of hydraulic fracturing is well within the constraints of the statutory goals and objectives of the program. The ability to safely conduct hydraulic fracturing is critical to the development of ND's oil & gas resources.

- 2. With the approach suggested and time and budget available, the objectives are: 1 – not achievable; 2 – possibly achievable; 3 – likely achievable; 4 – most likely achievable; or 5 – certainly achievable.**

*Reviewer 22C-01 (Rating: 4)*

Given the lack of details on the methodology for conducting the research, and length of time to collect the data per state, it is difficult to assess whether the overall budget and timelines are appropriate for the project objectives. Given IOGCC's demonstrated track record on regulatory matters across oil and gas producing states, it seems highly likely that the goals will be achieved, but it is difficult to determine if the cost is correct from the proposal.

*Reviewer 22C-02(Rating: 4)*

The project can likely achieve its stated objectives within the allotted time – however, the cover sheet states that this is a 36 month project, while the Gantt chart suggests it is an 18 month project. This needs to be clarified. Also, firm commitments regarding the \$375,000 of cost share were not provided.

- 3. The quality of the methodology displayed in the proposal is: 1 – well below average; 2 – below average; 3 – average; 4 – above average; or 5 – well above average.**

***Reviewer 22C-01 (Rating: 3)***

The project tasks are clear, but the proposal lacks details on how the research will be conducted. The proposal merely states: “Project research will be conducted by IOGCC staff, under the guidance and oversight of an IOGCC working group and a contracted legal/regulatory consultant.” Presumably, the staff will review each state’s regulations, but it is not clear how that information will be conformed and coded in a database by subtopic. IOGCC should provide more information.

Likewise, the review can surmise why legal consultation would be necessary, but the proposal should provide details on legal team tasks.

***Reviewer 22C-02(Rating: 4)***

The IOGCC’s model of utilizing its expansive network of oil & gas producing States’ regulatory officials to vet and solve problems is well renowned. This effort would follow that time tested model.

- 4. The educational contribution of the proposed work to specifically address North Dakota Industrial Commission/Oil and Gas Research Council goals will likely be: 1 – extremely small; 2 – small; 3 – significant; 4 – very significant; or 5 – extremely significant.**

***Reviewer 22C-01 (Rating: 3)***

The benefit to North Dakota will derive from having its regulatory data clearly presented to the public, which will further the goal of promoting public awareness of the industry. However, the benefits are not particular to North Dakota and will be enjoyed by all oil and gas producing states.

***Reviewer 22C-02(Rating: 5)***

This effort will substantially augment the State of ND’s position as the primary regulator of hydraulic fracturing within its borders. Federal scrutiny of State by State practices will be facilitated by this effort, and ND’s practices will shine brightly in the database that’ll be developed.

- 5. The principal investigator’s awareness of other current educational efforts being conducted by other persons or entities related to the proposal is: 1 – very limited; 2 – limited; 3 – adequate; 4 – better than average; or 5 – exceptional.**

***Reviewer 22C-01 (Rating: 5)***

IOGCC is very aware of the regulatory state of the oil and gas producing states, and the deficiency in making fracking data clearly available to the public. This project appropriately is designed to address that deficiency, and will therefore provide a great benefit to all oil and gas producing states, particularly to those, unlike North Dakota, that have very vocal elements of the population opposed to oil and gas development.

***Reviewer 22C-02(Rating: 4)***

The IOGCC is clearly well aware of the current challenges regarding hydraulic fracturing, and this is alluded to in the proposals reference to existing state regulations and current perceptions regarding hydraulic fracturing.

- 6. The background of the investigator(s) as related to the proposed work is: 1 – very limited; 2 – limited; 3 – adequate; 4 – better than average; or 5 – exceptional.**

***Reviewer 22C-01 (Rating: 4)***

The reviewer would assign a value of 5 for the technical aspects of the proposal, yet there are no details on the background of the communications manager. The communication task is integral to the success of the project, as part of the perceived problem with fracking is the public's ignorance of state regulations and the states' exemplary safety records.

In addition, the reviewer is a bit concerned about the level of experience of the staff coordinating the legal and regulatory research. In the absence of details on the regulatory research task, the lack of experience raises a question. However, the management team at IOGCC and their track record in the relevant domain is exceptional.

***Reviewer 22C-02(Rating: 5)***

The background of the IOGCC and the project team is quite remarkable.

- 7. The project management plan, including a well-defined milestone chart, schedule, financial plan, and plan for communications among the parties involved in the project . is: 1 – very inadequate; 2 – inadequate; 3 – adequate; 4 – very good; or 5 – exceptionally good.**

***Reviewer 22C-01 (Rating: 3)***

The text in the project schedule chart does not always correlate with the phases as described on page 10, as several tasks are listed to month 18 yet not described so in the phase descriptions.

The cost also includes a 5% cost of living adjustment “per budget period”, but the budget period is not specified. This seems a high adjustment given the state of the economy and the relatively short duration of the project, and perhaps represents a potential area of cost savings.

The proposal lacks details on the plan for communications with subcontractors, or details on how the subcontractors will be used, which ties in with earlier comments on the lack of specificity on the methodology of the legal research.

The proposal lacks specificity on phase III, and why seven months are necessary for project evaluation and adjustments. It seems like the main part of the work is being conducted in Phase II, with the data collection and cataloging, and it's not clear why the same amount of time is

necessary for evaluation and adjustment. IOGCC should provide more information about the methodology.

***Reviewer 22C-02(Rating: 3)***

The PMP never addresses the role of Louisiana State University, who is identified as a participant in the opening section. Also, the inconsistency regarding project schedule noted in (2) should be remedied.

- 8. The proposed materials and media to be developed or used are: 1 – very inadequate; 2 – inadequate; 3 – adequate; 4 – very good; or 5 – exceptionally good.**

***Reviewer 22C-01 (Rating: 5)***

None to be purchased.

***Reviewer 22C-02(Rating: 5)***

No equipment is to be purchased.

- 9. The materials and media available and to be purchased for the proposed educational effort are: 1 – very inadequate; 2 – inadequate; 3 – adequate; 4 – notably good; or 5 – exceptionally good.**

***Reviewer 22C-01 (Rating: 3)***

The reviewer could not make a proper assessment of the database and web hosting server because no details are provided. However, it is a plus for the application that IOGCC plans to use their existing web-based document sharing service at no additional cost.

***Reviewer 22C-02(Rating: 4)***

The facilities and equipment available to the project team are quite extensive, and the extensive network of States greatly expands those facilities.

- 10. The proposed budget value relative to the outlined work and the financial commitment from other sources is of: 1 – very low value; 2 – low value; 3 – average value; 4 – high value; or 5 – very high value. (See below)**

***Reviewer 22C-01 (Rating: 3)***

The reviewer can see how the project will greatly benefit all of industry in all 38 states with oil and gas production. However, the state of North Dakota is being asked to shoulder a disproportionate share of the cost, at 20%. When compared to just proposed share from state sources, the North Dakota share is proposed at 50%.

***Reviewer 22C-02(Rating: 5)***

The value of this effort is substantial, and ND's contribution to the effort is relatively small. It is therein assumed that the DOE support and other States' participation is readily forthcoming.

<sup>1</sup> "Value" – The value of the projected work and technical outcome for the budgeted amount of the project, based on your estimate of what the work might cost in research settings with which you are familiar.

**Financial commitment from other sources – A minimum of 50% of the total project must come from other sources to meet the program guidelines. Support less than 50% from Industrial Commission sources should be evaluated as favorable to the application.**

Section C. Overall Comments and Recommendations:

***Reviewer 22C-01***

The reviewer believes the project would be very beneficial to all oil and gas producing states and the industry in North Dakota, although does not seem particularly targeted for the goals of the Oil and Gas Research Council. NDIC has done a good job of communicating its regulatory efforts publicly and to Congress, but would benefit by having a third party catalogue those regulatory efforts in a systematic way for comparison with other states. Perhaps the clear regulatory comparisons would highlight additional opportunities to strengthen regulations and ensure continued environmental protection in North Dakota.

In general, awarding the full grant would provide disproportionate funding compared to other states. The reviewer recommends obtaining more details on the methodology of conducting the research and specifics on the database. The reviewer recommends funding the project, but perhaps at a lower level.

The reviewer also suggests that, since the applicants are asking for a disproportionate share of funding from North Dakota, that some of the public outreach, or the kickoff or mid-point meeting be held in North Dakota.

***Reviewer 22C-02***

This is an important undertaking of the IOGCC. It is important that ND establish itself in a leadership role by supporting this proposal. The ability of ND's producers to hydraulically fracture the Bakken, Three Forks, and other formations is absolutely critical to their economic development. The ability of the State of ND to effectively regulate these activities is also critical to the economic, safe, and environmentally responsible development of the States' valuable resources.

This reviewer recommends funding the proposal, upon clarification of the timeline and the project team.

