

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 28, 2005

3:32 p.m.

MEMBERS PRESENT

Senator Thomas Wagoner, Chair
Senator Ralph Seekins, Vice Chair
Senator Ben Stevens
Senator Fred Dyson
Senator Bert Stedman
Senator Kim Elton
Senator Gretchen Guess

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING:

Alaska Oil and Gas Conservation Commission - Dan Seamount
CONFIRMATION ADVANCED

SENATE BILL NO. 103

"An Act relating to regulation of underground injection under the federal Safe Drinking Water Act; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 103

SHORT TITLE: OIL & GAS: REG. OF UNDERGROUND INJECTION

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/14/05	(S)	READ THE FIRST TIME - REFERRALS
02/14/05	(S)	RES, FIN
02/28/05	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

Dan Seamount
Alaska Oil and Gas Conservation Commission (AOGCC)
Anchorage, Alaska 99503

POSITION STATEMENT: Confirmation candidate and supported SB 103.

Marilyn Crocket, Deputy Director
Alaska Oil and Gas Association (AOGA)
121 West Fireweed Lane
Anchorage, Alaska 99503
POSITION STATEMENT: Supported SB 103.

ACTION NARRATIVE

CHAIR THOMAS WAGONER called the Senate Resources Standing Committee meeting to order at 3:32:10 PM. Members present were Senators Elton, Ben Stevens, Seekins, Dyson, Stedman, Guess and Chair Wagoner.

^Confirmation Hearing: Alaska Oil and Gas Conservation Commission (AOGCC)

DAN SEAMOUNT, nominee for the Alaska Oil and Gas Conservation Commission (AOGCC), said he would be happy to continue serving on the commission. He wanted to give something back to the state and he has five more years of experience since he was last appointed.

SENATOR SEEKINS moved to forward Mr. Seamount's name to the joint session for confirmation to the AOGCC. There were no objections and it was so ordered.

SB 103-OIL & GAS: REG. OF UNDERGROUND INJECTION

CHAIR WAGONER announced SB 103 to be up for consideration.

MR. SEAMOUNT, Alaska Oil and Gas Conservation Commission, explained that SB 103 would give the state of Alaska the ability to obtain primacy in enforcement for the underground injection of waste streams of a certain class of well. "If we were to obtain this primacy, then we would have oversight over all oil and gas related waste injection wells in the state."

He provided a slide presentation that explained the AOGCC regulates operations affecting subsurface oil and gas resources. It insures reliability of oil and gas flow measurements so the state gets its proper revenue and taxes and insures that underground sources of drinking water are protected.

MR. SEAMOUNT explained that currently the state has primacy over Class II wells that accept wastes generated by oil and gas operations. They are injected into a formation where they will

never be seen again. Another type of Class 2 well is an injection well whose purpose is for enhanced oil recovery. Both kinds are very valuable. The proper underground injection of material to enhance oil recovery has resulted in billions of dollars in revenue and taxes to the state. Also, the best place to put oil field waste is deep underground. That is much better than transporting it and the possibility of having a spill.

Title 31 gives the commission its authority. SB 103 adds Class I wells, which currently are overseen by the Environmental Protection Agency (EPA) to the AOGCC's oversight authority. Right now two agencies are performing the same job and one is protecting a non-existent resource - fresh water.

He proposed that the AOGCC control underground injections through primacy or single disposal class, which could come at a later date. While it supports this endeavor, the EPA does not think this is legally possible. Nevertheless, it has formed a task force with the AOGCC to figure out a way for the state to achieve primacy and SB 103 would allow the task force to continue.

MR. SEAMOUNT explained there are five classes of disposal wells under the Safe Drinking Water Act. Class I wells take industrial, hazardous, non-hazardous and municipal waste. The North Slope has seven Class I wells. Class II wells handle oil and gas waste. An upcoming argument is that none of the industry would be on the North Slope if it wasn't for oil and gas, so any waste that's created there is directly associated with it and there shouldn't be any Class I wells there. They should all be Class II wells. "Plus the fact that you don't have any underground sources of drinking water."

Class III is solution mining; there is none of that in Alaska. Class IV, illegal now, is radioactive waste injection. There are no Class IV wells in Alaska. There are a lot of Class V wells in Alaska comprised of whatever doesn't fit into Classes I-IV.

The EPA said it would be okay for the AOGCC to take over all classes of wells, but Mr. Seamount is only asking for Class I and II wells and he said, "There may be a little rub there."

MR. SEAMOUNT related that there are only seven Class I wells in the state, 1,155 Class II wells, and more than 3,000 Class V. He said it is a waste of money to have redundant programs. One agency could oversee the wells, reducing time, money and confusion - even some litigation about what kinds of fluids can

go down Class I and II wells - while still providing protections that are needed when injecting waste. Also, getting EPA approvals takes longer than getting AOGCC approvals.

He explained that the agencies duplicate multiple tests and EPA has no permanent on-sight field inspector. The state has two inspectors at all times. The EPA is only overseeing seven out of 1,162 Underground Injection Control (UIC) wells. It seems costly for EPA to continue doing this and it is supportive of giving primacy to the AOGCC.

One slide he presented illustrated the similarities in construction of Class I and II wells that have about a \$1 per barrel difference in operating expense. He said it would take a lot of effort to change the status quo, but it is worth doing.

MR. SEAMOUNT said if AOGCC gets primacy of the two well classes, there would be less industry confusion and more savings to the taxpayer and industry. In the future, if AOGCC decides to go to one class of disposal well on the North Slope [which would need a new statute as well as an EPA ruling], the same good things would happen. He emphasized again that a lot of time and money is put into resolving confusion between the AOGCC, EPA and the industry.

SENATOR ELTON asked if he would be negotiating with the EPA for primacy of wells on state, private and federal lands.

MR. SEAMOUNT answered yes.

SENATOR ELTON asked if the North Slope's role would change if he negotiated primacy with the EPA.

MR. SEAMOUNT replied no.

SENATOR SEEKINS asked if SB 103 gives him the authority to ask EPA for primacy. Mr. Seamont indicated yes. Senator Seekins asked if he would have to create regulations necessary to comply with the federal requirements.

MR. SEAMOUNT replied yes.

SENATOR GUESS asked if Alaska could have Class I wells that are not related to oil and gas.

MR. SEAMOUNT replied yes. He added that most Class I wells in this country are not related to oil and gas. However, the North

Slope has oil and gas infrastructure that generates waste and it's been mandated that it go down a Class II well, but argument is that the North Slope waste should be Class II waste.

SENATOR GUESS asked if this bill puts all current Class I wells and into the future under the AOGCC regardless of whether they had anything to do with oil and gas.

MR. SEAMOUNT replied yes. If Class I wells were found that are not related to oil and gas, he would talk to the Department of Environmental Conservation (DEC) about how to regulate them. He explained:

The fact is that all Class I wells are constructed the same and they are constructed to the same standards that the AOGCC requires. It could turn out that we could oversee non-oil and gas related Class I wells, but we haven't come to that point yet.

SENATOR GUESS asked if that's why SB 103 doesn't specify Class I wells as non-oil and gas and does the commission feel comfortable regulating those.

MR. SEAMOUNT replied he feels comfortable that the commission could find a reasonable solution. "I don't think it will be a big problem."

MARILYN CROCKET, Deputy Director, Alaska Oil and Gas Association (AOGA), supported Class I primacy being given to the AOGCC. It has the technical assets and infrastructure required to have primacy. In 2003, the Independent Groundwater Protection Council conducted a peer review and the commission was given very high marks and comments.

CHAIR WAGONER seeing there were no questions, said he would hold the bill and adjourned the meeting at 3:58 p.m.