

Offered: 3/9/84
Referred: Resources and
Finance

Original Sponsor: Rules/Governor

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 680 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the recovery and production of
7 oil and natural gas; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 31.05.030 is amended by adding a new subsection to
11 read:

12 (h) The commission may take all actions necessary to allow the
13 state to acquire primary enforcement responsibility under 42 U.S.C.
14 300h-4 (Safe Drinking Water Act of 1974, as amended, 42 U.S.C. 300f -
15 300j), for the control of underground injection related to the re-
16 covery and production of oil and natural gas.

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18 (e) Notwithstanding (c) of this section, claims of confidential-
19 ity will be denied for information disclosed to the commission under
20 AS 31.05.030(h), that is required to be disclosed under 42 U.S.C.
21 300h-4.

22 * Sec. 3. AS 31.05.170 is amended by adding a new paragraph to read:

23 (14) "regular production" means continuing production of oil
24 or gas from a well into production facilities and transportation to
25 market, but does not include short term testing, evaluation, or exper-
26 imental pilot production activities that have been approved by permit
27 or order of the commission.

28 * Sec. 4. AS 46.03.100 is amended by adding a new subsection to read:

29 (d) This section does not apply to injection projects permitted

1 under AS 31.05.030(h).

2 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-

3 10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 3/22/84

REQUEST

Bill/Resolution No.: CSHB 680 (L&C)
 Title: Relating to the Alaska Oil and Gas Conservation Commission
 Sponsor: Governor
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce and Economic Development
 Program Category Affected: Protection
 BRU, Program or Subprogram(s) Affected: Oil and Gas Conservation Commission

EXPENDITURES/REVENUES: (Thousands of Dollars)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
|------------------------|-------|--------------|--------------|--------------|--------------|--------------|
| OPERATING | | | | | | |
| 100 PERSONAL SERVICES | | 25.0 | 26.1 | 27.6 | 29.0 | 30.7 |
| 200 TRAVEL | | 88.0 | 90.4 | 90.4 | 90.5 | 90.3 |
| 300 CONTRACTUAL | | 9.5 | -- | -- | -- | -- |
| 400 SUPPLIES | | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| 500 EQUIPMENT | | | | | | |
| 600 LAND & STRUCTURES | | | | | | |
| 700 GRANTS, CLAIMS | | | | | | |
| 800 MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | 125.0 | 117.0 | 118.5 | 120.0 | 121.5 |
| CAPITAL | | | | | | |
| REVENUE | | | | | | |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|--|--------------|--------------|--------------|--------------|--------------|
| GENERAL FUND | | 25.0 | 17.0 | 18.5 | 20.0 | 21.5 |
| FEDERAL FUNDS | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| OTHER | | | | | | |
| TOTAL | | 125.0 | 117.0 | 118.5 | 120.0 | 121.5 |

POSITIONS:

| | | | | | | |
|-----------|--|---|---|---|---|---|
| FULL-TIME | | 1 | 1 | 1 | 1 | 1 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Chat Chatterton Phone: 279-1433
 Division: Alaska Oil and Gas Conservation Commission Date: _____
 Approved by Commissioner: Richard A. Lyon Date: 3/22/84
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

ALASKA OIL AND GAS CONSERVATION COMMISSION

ANALYSIS

INTRODUCTION: The fiscal impact results solely from subsection (h) Section 1 of the Bill.

- Code 100 Are advised by Environmental Protection Agency (EPA) and by other states who have been delegated enforcement primacy by EPA that there is a substantial increase in the technical clerical workload. Accordingly request personal services funding for a Clerk Typist III.
- Code 200 Field inspection requirements will nearly double the current level of trips to the field. Accordingly additional travel funding is required.
- Code 300 a) Contractual cost to prepare an application package to EPA for obtaining primacy is estimated to cost \$60,000 which will be expended in FY'84.
- b) A word processing machine will be obtained for the additional Clerk Typist III on a four year rental/purchase agreement.
- Code 400 Additional clerical supplies will be required for the new Clerk Typist III.
- Code 500 A one-time expenditure for office equipment (desk, chair, etc.) will be necessary in FY'85.

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch v
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the Alaska Oil and Gas Conservation Commission. This bill would give the state the authority to assume control and regulation of injection wells associated with oil and gas production, such as salt water disposal or enhanced recovery of natural gas or oil. The U.S. Environmental Protection Agency currently has that authority. A 1980 amendment to the Safe Drinking Water Act (42 U.S.C. sec. 300f -- j) added a new sec. 300h-4 that would allow a state to obtain primary enforcement responsibility from the federal government for those portions of its Underground Injection Control program related to the recovery and production of oil and gas. Instead of imposing the existing federal regulatory requirement, sec. 300h-4 would give a state that authority if the state could demonstrate that it had an effective program to prevent underground injection which endangers drinking water sources. This bill would give the state that authority.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

Alaska State Legislature

Sen. Bettye Fahrenkamp,
Co-Chairman
Sen. Vic Fischer
Sen. Don Bennett



Rep. John J. Cowdery,
Co-Chairman
Rep. Mike Davis
Rep. Joe Hayes
Rep. John Ringstad
Rep. Mike Szymanski
Rep. Rick Uehling
Rep. Anthony N. Vaska

Joint Committee on Oil and Gas

MEMO

DATE: 19 March, 1984

TO: Rep. Al Adams
FROM: Rep. John Cowdery *J.C.*

RE: HB# 680, An act relating to recovery of oil & gas

This bill will give the state authority to apply to the EPA for transfer of control for regulation of injection wells associated with oil & natural gas production. If the application is approved by the EPA, the state would assume control and regulation of injection wells, such as salt water disposal or enhanced recovery of natural gas or oil. The EPA, may transfer authority under a new section 300h-4, if the state demonstrates that it has an effective program to prevent underground injection which endangers drinking water sources.

The original bill was amended in Labor & Commerce Committee, to include a definition of "regular production" so that short term testing, evaluation, or experimental pilot production activities approved by permit or order of the Oil & Gas Commission, will not be included as regular production. This allows the company to retain as confidential data relating to the well until time of "regular production". This will allow the state to collect severance taxes and royalties on oil and gas that otherwise might be reinjected during testing cycles to protect such data.

It should also be noted that my staff contacted Mr. Ron Kreizenbeck, Director of the E.P.A. Alaska Operations Office, and learned that federal funds are available for operation once the state assumes control. In fy '84 there remains only \$15,000 for such funding, but in fy '85 nearly \$102,000 would be available. The state will be eligible for these funds once authority has been transferred.

AOGA PROPOSED TESTIMONY ON HOUSE BILL NO. 680

HOUSE LABOR AND COMMERCE COMMITTEE

MARCH 7, 1984

Good morning. I'm Dave Yesland, Senior Staff Environmental Engineer with Shell Western E & P. I'm representing the Alaska Oil and Gas Association this morning and I will comment on the proposed Committee Substitute for HB680.

Our Association supports the intent of CSHB680, which is to provide the legislation necessary to enable the State to be the sole administrator of a permitting program for underground injection wells related to oil and gas production activities, or Class II wells, as they are identified in the Federal program. I will discuss the reasons for our support.

Without State preemption of the Federal program there will be redundant State and Federal programs with nothing but duplicated record-keeping and administrative delay as a result.

We have had a concern that existing statutes might prevent the State from preempting the Federal program because confidentiality provisions and penalty imposition limits may not meet the Federal requirements. We believe this bill will eliminate that concern.

Our Association prefers that the permitting process for injection wells, related to oil and gas operations, be controlled by the

state. The regulation of oil and gas operations by the Alaska Oil and Gas Conservation Commission is an example of regulatory control based on well-established knowledge of the regulated activity.

Therefore, we believe the Alaska Oil and Gas Conservation Commission is the appropriate administrator of regulations that bear on the technical elements of oil and gas operations and it should be the sole administrator of Class II wells in the state.

Finally we have seen that the Federal program, as proposed, would reduce the production rate of secondary recovery projects (water floods) by requiring that current injection pressure be reduced. The EPA's basis for lower pressures is no more than a "rule-of-thumb" which they acknowledge may be changed on a case-by-case review. But, until that review is completed, pressure would have to be reduced to comply with the regulations. This reduction would not only reduce current production rates, but even if only temporary, would reduce the ultimate total production of the formation causing revenue losses to both the State and producer. It is therefore a matter of mutual urgency.

If the proposed Federal rules are promulgated in the absence of State intent and ability to assume the program there will be a loss with no measure of compensation.

We urge the State to assume primacy in the regulation of Class II injection wells and we believe this bill contains specific statutory language which will serve this purpose.

Thank you.

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14 300h-4 (Safe Drinking Water Act of 1974, as amended [42 US.C. sec.
15 300f -- j]), for the control of underground injection related to the
16 recovery and production of oil and natural gas, including the adoption
17 of regulations, orders, and penalties.

18 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
19 10.070(c).