SB

103

IOUSE COMMITTEE REPO

(11)
Date Referred to Committee: April 22, 2005 — FURTHER REFERRALS:

Date of Committee Action: april 28, 2005

The FINANCE Committee considered: SB 103

SENATE BILL NO. 103 — OIL & GAS: REG. OF UNDERGROUND INJECTION

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

Recommends it be replaced with [ ] HCS *or* [ ] CS for SB 103 ( )
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR [X] Same Title [ ] New Title

[ ] attach amendments
[ ] add new referral to Committee
[X] Letter of Intent Sen Resources Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
ADM	1	✓		
DNR	2			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	Hawken	X			
	Towle			–	
	MOSES			X	
	Holm			X	
	Kelly			X	
	FOSTER	X			
Chair:					
Chair:	Chenault	X			

ALASKA STATE LEGISLATURE

SENATE RESOURCES COMMITTEE

Senator Tom Wagoner, Chair
State Capitol, Room 427
Juneau, AK 99801-1182
Phone: (907) 465-4907 Fax: (907) 465-4779

Official Business

Senator Ralph Seekins, Vice-Chair
Senator Ben Stevens
Senator Kim Elton

Senator Fred Dyson
Senator Bert Stedman
Senator Gretchen Guess

Letter of Intent

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

March 7, 2005

It is the intent of the Legislature that state agencies with relevant expertise and experience, contribute appropriately to the regulation of Class I injection wells. The Legislature recognizes that all Class I wells to date in Alaska have been used in the oil and gas industry and that the Alaska Oil and Gas Conservation Commission is clearly the appropriate agency to regulate these and any future Class I wells used in the oil and gas industry. In the event that Class I wells are proposed for other uses, the Legislature should have a timely opportunity to consider the potential role of other regulatory agencies. Therefore, it is the intent of the Legislature that if an application for a Class I well not associated with oil or gas operations is received by the Alaska Oil and Gas Conservation Commission, the Commission shall immediately provide a copy to the Legislature, so as to enable the Legislature to consider appropriate action.

Adopted by the Senate

COMMITTEE COPY

Date: 4/19/05

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 103
(S) Publish Date: 2/14/05

Revision Date/Time (Note if correction):
Dept. Affected: Admin

Title: Underground injection under the Federal safe drinking water
RDU: Oil & Gas Conservation Commissione
Component: Oil & Gas Conservation Commissione

Sponsor: Rules Committee
Requester: Governor
Component No.: 2010

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	25.0	25.0	25.0	25.0	25.0	25.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	25.0	25.0	25.0	25.0	25.0	25.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1162 AOGCC Receipts	25.0	25.0	25.0	25.0	25.0	25.0
TOTAL	25.0	25.0	25.0	25.0	25.0	25.0

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

Will take 10% inspection time ($9.0) and 10% Petroleum Engineer ($16.0). The impact will be covered by overtime.

Prepared by: Daniel Seamount, Commissioner
Phone: 907-793-1221
Division: Alaska Oil & Gas Conservation Commission
Date/Time: 1/28/05 1:13 PM

Approved by: Michael Tibbles, Deputy Commissioner
Date: 1/28/2005
Agency: Department of Administration

(Revised 9/21/04 OMB)

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 103
(S) Publish Date: 2/14/05

Revision Date/Time (Note if correction):
Dept. Affected: Natural Resources

Title: Regulation of underground injection under the federal Safe Drinking Water Act
RDU: Resource Development
Component: Commissioner's Office
Sponsor: Rules
Requester: Governor
Component No.: 423

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0 0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

There is no anticipated fiscal impact for DNR associated with implementation of this legislation.

Prepared by: Janet Baxter, Legislative Liaison
Phone: 907-465-4730
Division: Commissioner's Office
Date/Time: 2/8/2005

Approved by: Tom Irwin, Commissioner
Date: 2/8/2005
Agency: Natural Resources

(Revised 9/23/04 OMB)

Alaska UIC Issues

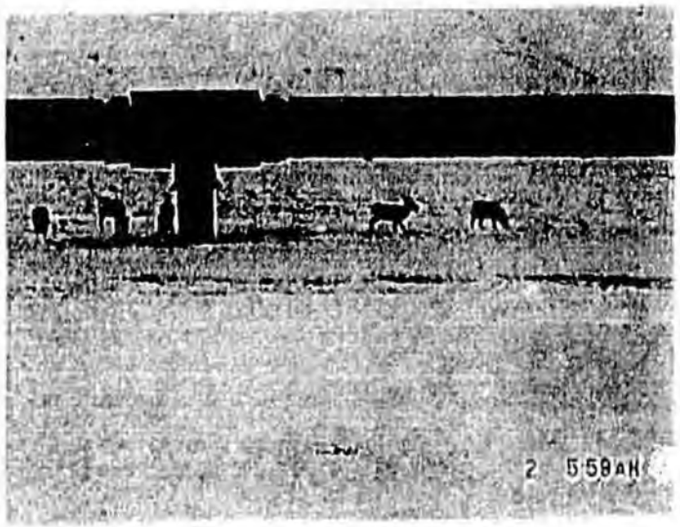
What we do.

What are the challenges?

What are the options?

AOGCC – EPA UIC Situation

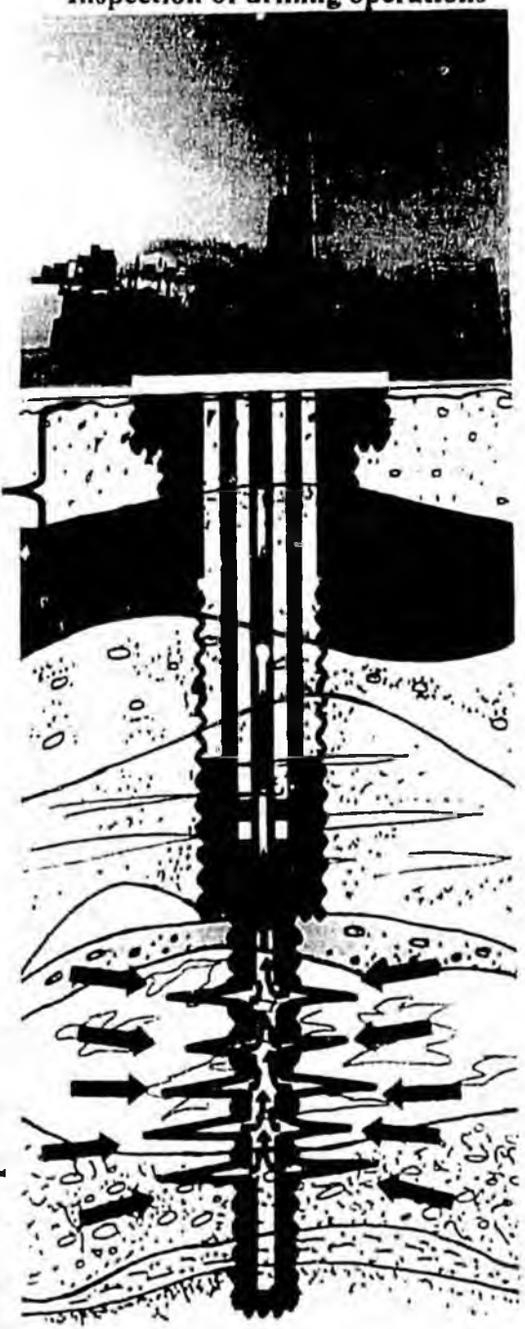
- Introduction
- UIC and other USDW Responsibilities
- Senate Bill 103
- The Problem to Solve
  - UIC Well Classes
  - Alaska UIC Situation- redundancy, confusion,Time, $$$
- Options/Solutions



Meter proving on pipelines

AOGCC regulates operations affecting subsurface oil & gas resources, ensures the reliability of oil & gas flow measurements, and ensures that underground sources of drinking water are protected.

Inspection of drilling operations



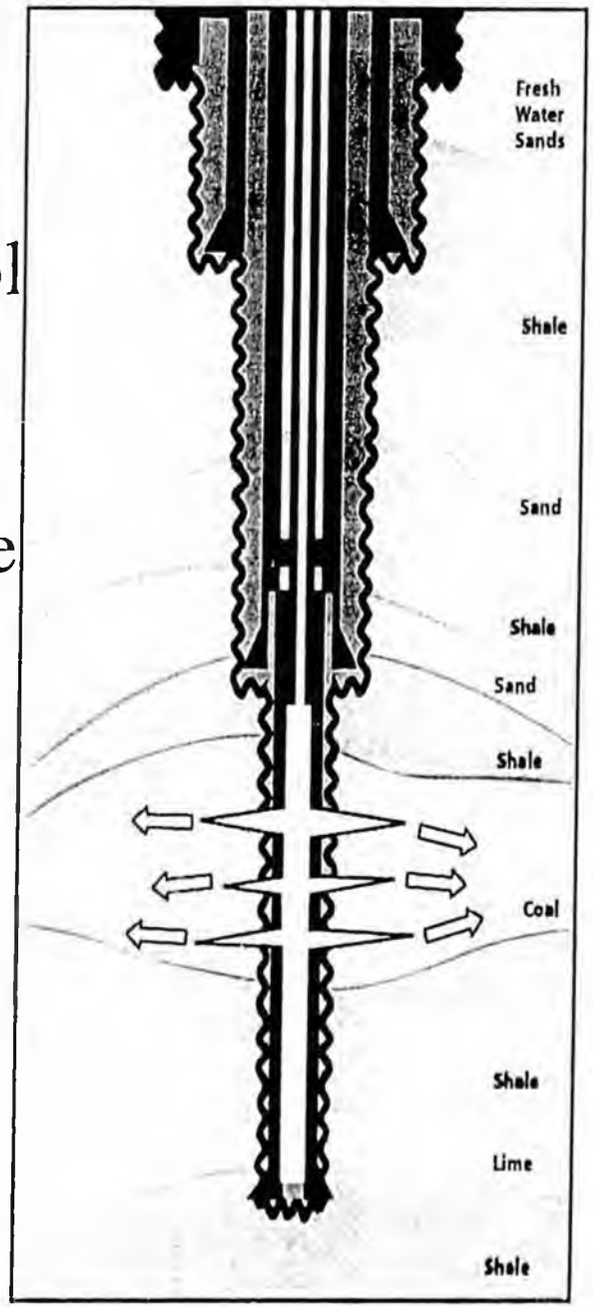
UNDERGROUND INJECTION PROGRAM (Class II)

AOGCC has primacy for implementing the federal Underground Injection Control (UIC) Program relating to regulation of underground injection activities for the purposes of enhanced oil recovery and the most environmentally sound disposal of oil field waste.

The proper underground injection of material to enhance oil recovery has resulted in billions of $$$ in revenue to the State of Alaska

And

The best place to put oilfield waste is deep underground.



AOGCC 2003

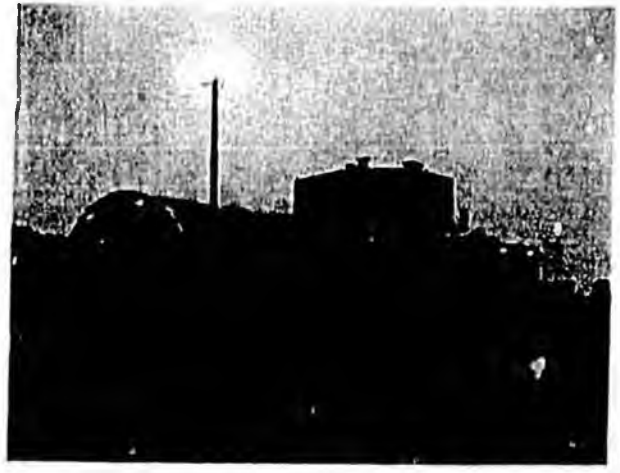
UIC Situation

Two agencies performing same job, one protecting a non-existent resource resulting in onerous and costly requirements on industry and Alaska.

Common Sense Solutions?

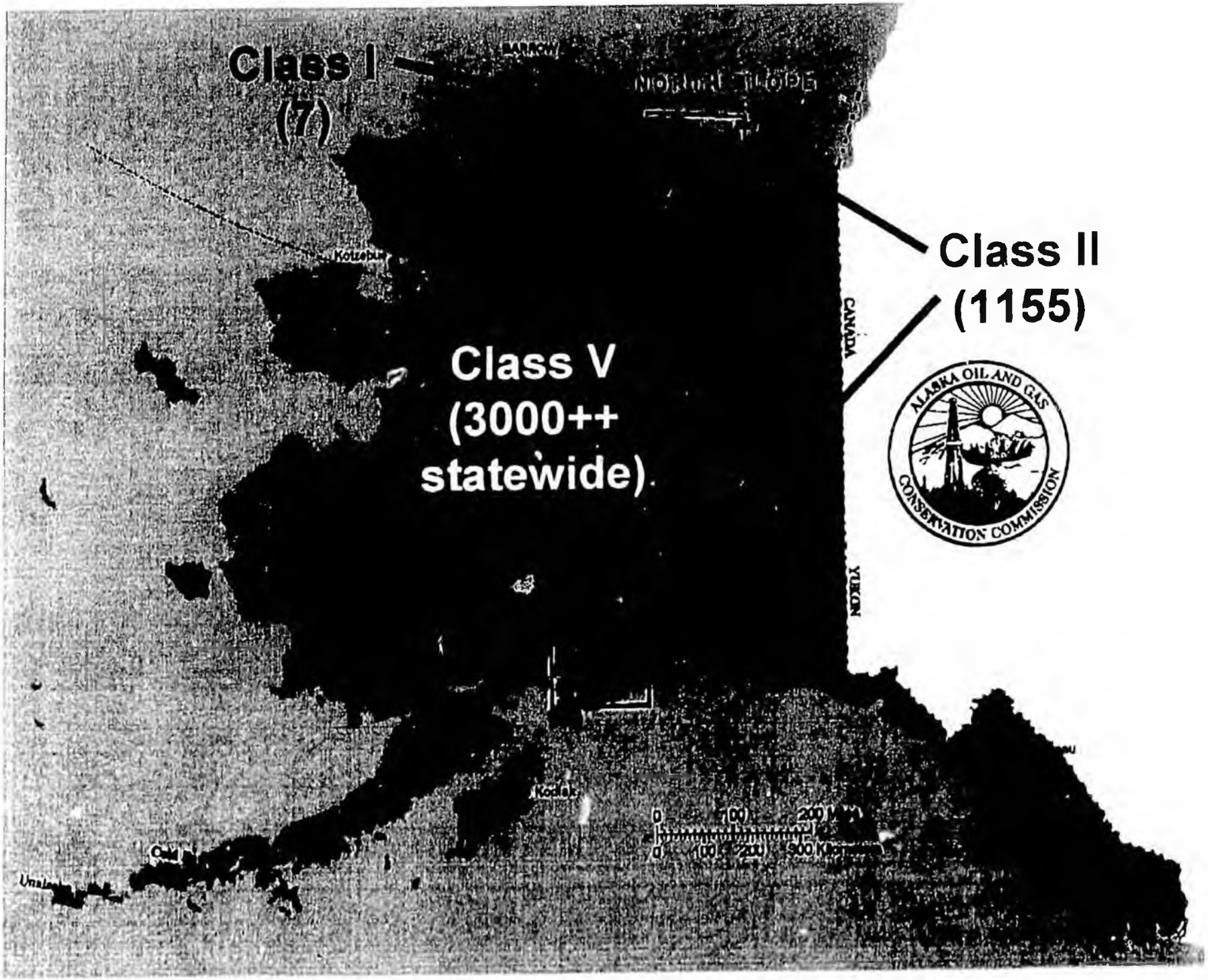
AOGCC control through primacy or single disposal class by eliminating redundancy through statute change (new bill) and positive EPA interpretation and ruling

Underground Injection Control



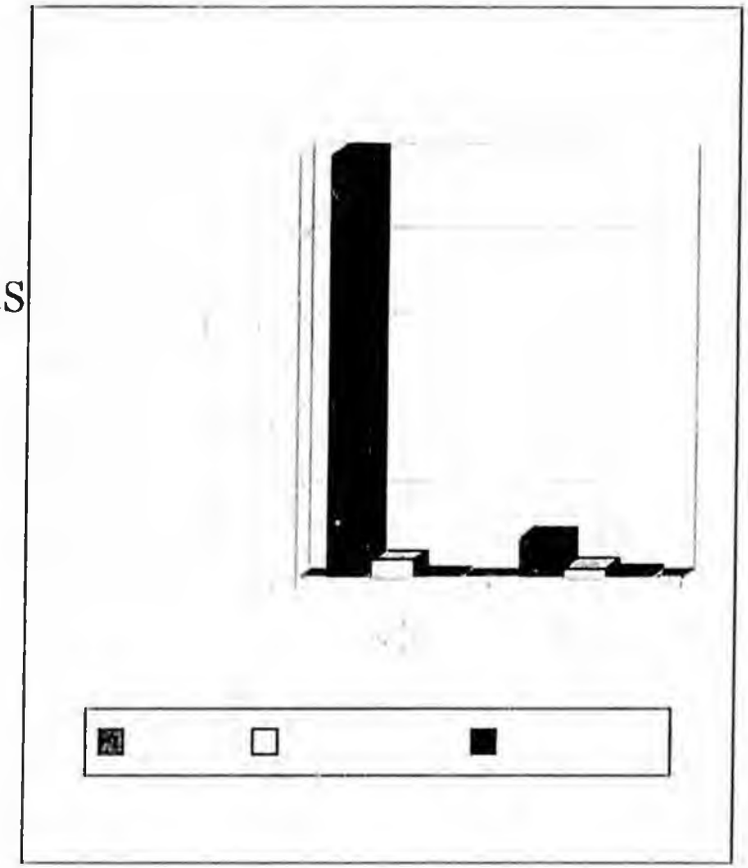
- Program under Safe Drinking Water Act
  - Protect underground drinking water sources
- 5 classes of wells
  - Class I: industrial, hazardous and non-hazardous; municipal waste
  - Class II: oil and gas
  - Class III: mining
  - Class IV: shallow hazardous and radioactive waste injection
  - Class V: whatever doesn't fit in I-IV (into H2O table->20 people domestic, industrial, ?)

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES


Class I
(7)
Class II
(1155)
Class V
(3000++
statewide).
BARROW
NORTH SLOPE
Kotzebue
CANADA
YUKON
Kodiak
0 100 200 Miles
0 100 200 300 Km
ALASKA OIL AND GAS
CONSERVATION COMMISSION

Alaska UIC Statistics - 2004

- 1155 operable UIC wells
  - 90% EOR (Class II-R)
    - Most converted producers
  - 1.1 billion bbls water, 3.2 Tcf gas injected (2004)
- 7 Class I wells
  - All on North Slope
    - 8th Class I well drilling
- 1.87 Billion bbls waste disposed (cumulative)
  - Class I wells: 1.2% of total volume disposed to date



UIC Situation- Waste of Tax Payer and Industry $$ & Time

- Confusion by operators over what waste is allowed to be disposed in each Class
  - All wastes on the NS are directly associated with hydrocarbon production- should all be Class II-(not EPA view)
  - Much time & energy expended for waste determination and tracking by industry and government
- Redundancy- North Slope- EPA and AOGCC running virtually identical programs.
  - Often same fluids injected into the same disposal zones through different class wells- depending on where the fluids came from
  - Class I- same confinement and well construction or worse (see slide after next)
  - AOGCC performs much work advising EPA on their program and inspecting class I wells- taking over-sight would add little work

UIC Situation- Waste of TP and Industry $$ & Time (cont.)

- EPA Class I program-
  - **Protects non-existing resource (fresh water)**
  - **Inefficient permit process; EPA approvals generally much slower than AOGCC.**
  - **Onerous & costly stipulations concerning well integrity**
  - **EPA has no permanent onsite field inspectors**
  - **EPA regulates only 7 out of 1162 UIC wells**
  - **Costly and remote for EPA**

Temptation to transport waste long distance for surface displacement or disposal in redundant disposal well

Options/Solutions

AOGCC working with EPA Region 10

- Business as Usual
  - No effort expended to change status quo
  - Confusion
  - Costly to tax payer and industry
  - Redundant
  - Inefficient approval process
  - Not Operator preference

Options/Solutions (Cont.)

AOGCC working with EPA Region 10

- AOGCC primacy over EPA oversight- 2 well classes- SB103
  - Less industry confusion
  - Saves industry and tax payer $$
- One class of well for all disposal- overseen by AOGCC- need statute & ruling by EPA
  - Less energy used for waste determination and tracking
  - Less industry confusion greatly
  - Saves industry and tax payer $$

SB103

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 10, 2005

The Honorable Ben Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the regulation of underground injection under the federal Safe Drinking Water Act. This bill would enable the Alaska Oil and Gas Conservation Commission (AOGCC) to regulate all underground injection wells used in the oil and gas industry, in contrast to the current situation under which the AOGCC regulates most of these wells but the United States Environmental Protection Agency (EPA) regulates others.

Under the federal Safe Drinking Water Act of 1974, 42 U.S.C. 300f - 300j-26, the underground injection of waste or other fluids requires an EPA permit, unless the EPA has approved a state underground injection control program as meeting Safe Drinking Water Act standards. In 1986, the EPA approved Alaska's underground injection program for a subset of underground injection wells, known as Class II wells. Class II wells inject certain fluids related to the recovery and production of oil and natural gas. The AOGCC administers this program. However, the EPA continues to regulate other types of injection wells in Alaska, including Class I wells, which are used in the oil and gas industry to dispose of wastes that do not go into Class II wells. I believe that the time has come for authority over all underground injection relating to oil and gas operations to return to the state.

This action would have several benefits for the state and the industry. First, the AOGCC is generally able to respond more quickly to permit applications than is the EPA. Second, having a single, uniform process for regulating underground injection by the industry will improve efficiency and reduce confusion. Finally, there has been considerable uncertainty over, and considerable agency time and effort devoted to, the question of when a Class II well is appropriate for waste disposal and when a Class I well is required, and

COMMITTEE COPY

this question will likely become much less important with a single agency exercising authority over both classes of wells.

Under the bill that I am proposing, the AOGCC would have the authority to take all actions necessary to allow the state to acquire primary enforcement responsibility for Class I injection wells, in addition to continuing its current regulation of Class II wells. While the definition of Class I wells covers broad categories of industrial and municipal wastes in certain circumstances, in practice Class I wells in Alaska have been used only in the oil and gas industry, to accommodate wastes not allowed in Class II wells. There are currently 1,144 Class II wells (disposal and enhanced recovery) and seven Class I wells in the state.

This bill also provides for an immediate effective date.

I urge your prompt and favorable action on this measure.

Sincerely yours,

Frank H. Murkowski
Governor

Enclosure

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

April 26, 2005

The Honorable Kevin Meyer
Co-Chairman, House Finance Committee
State Capitol, Room 515
Juneau, AK 99801

Dear Representative Meyer:

I am writing to request you schedule Senate Bill 103, An Act relating to regulation of underground injection under the federal Safe Drinking Water Act; and providing for an effective date at your earliest convenience. Senate Bill 103 would enable the Alaska Oil and Gas Conservation Commission (AOGCC) to regulate all underground injection wells used in the oil and gas industry.

In 1986, the EPA approved Alaska's underground injection program for a subset of underground injection wells, known as Class II wells. Class II wells inject certain fluids related to the recovery and production of oil and natural gas. The AOGCC administers this program. However, the EPA continues to regulate other types of injection wells in Alaska, including Class I wells, which are used in the oil and gas industry to dispose of wastes that do not go into Class II wells.

Granting the state the authority over all underground injections relating to oil and gas operations would have several benefits for the state and the industry. First, the AOGCC is generally able to respond more quickly to permit applications than is the EPA. Second, having a single, uniform process for regulating underground injection by the industry will improve efficiency and reduce confusion. Finally, there has been considerable uncertainty over, and considerable agency time and effort devoted to, the question of when a Class II well is appropriate for waste disposal and when a Class I well is required. This question will likely become much less important with a single agency exercising authority over both classes of wells.

Thank you for your consideration.

Sincerely,

Michael Tibbles
Deputy Commissioner