

HJR

29

<TARGET><BILL>HJR 29</BILL><SUBJECT>HJR
29</SUBJECT><COMM>SRES27</COMM></TARGET>

**Alaska Legislature
Representative Charisse Millett**

Session:
State Capitol Building, Room 13
Juneau, AK 99801
Phone (907) 465-3879
Fax (907) 465-2069



Interim:
Anchorage LIO
716 W 4th Ave., Room 390
Anchorage, AK 99501
Phone (907) 269-0222
Fax (907) 269-0223

MEMORANDUM

To: Sen. Joe Paskvan, Co-chair, Senate Resources Committee
Sen. Tom Wagoner, Co-chair, Senate Resources Committee
From: Rep. Charisse Millett
Subject: Hearing Request for HJR 29
Date: Monday, March 5, 2012

A handwritten signature in cursive script, appearing to read "Charisse", written in black ink.

I respectfully request a hearing before the Senate Resources Committee on House Joint Resolution 29. All the necessary documents are included with this request.

Jeff Turner is the staffer assigned to this legislation and he can be reached at (907) 465-6588.

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District 30

Sponsor Statement – House Joint Resolution 29

Version: 27-LS1208\A

“Urging the United States Department of the Interior, Bureau of Land Management, to plug legacy wells properly and to reclaim the legacy well sites as soon as possible in order to protect the environment in the Arctic region”

Starting in 1944 the federal government began an exploratory oil and gas drilling program in the National Petroleum Reserve-Alaska. After drilling stopped in 1981 about 130 wells, now known as legacy wells, were never properly plugged and the sites were not cleaned up.

Today those legacy wells threaten the arctic ecosystem. Potential ground water contamination from the wells could harm vegetation. Scrap metal and wood, deteriorating buildings, rusting barrels and debris litter the sites and ruin the natural beauty of the arctic.

The federal Bureau of Land Management is responsible for the wells but has so far refused to take action and claims it does not have the money. To date, the BLM has taken in more than nine billion dollars from oil and gas lease sales in NPR-A and Alaska’s outer continental shelf.

These drill sites have been out of compliance with Alaska Oil and Gas Conservation Commission regulations for decades. Unfortunately, the state cannot fine the federal government but if it could - the fines would run in the billions of dollars.

The BLM has a mission statement that states it will “sustain the health, diversity, and productivity of public lands for the use and enjoyment of present and future generations.” HJR 29 simply asks the agency to fulfill its mission and clean up its legacy wells so future generations will have an unspoiled arctic wilderness.

HJR 29 and it has been referred to the House Resources Committee.

Prepared by Jeff Turner on Thursday, January 19, 2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version HJR 29
 Fiscal Note Number 1
 (H) Publish Date 2/20/12

Identifier (file name) HJR29-LEG-COU-2-17-12 Dept. Affected Legislature
 Title "Urging the United States Dept of the Interior, Bureau of Land Mgmt to plug legacy wells properly..." Appropriation Legislative Council
 Sponsor Reps Millett, Gruenberg, Fairclough, Tuck, Thompson... Allocation Council & Subcommittees
 Requester Resources OMB Component Number 783

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

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Estimated **SUPPLEMENTAL (FY12) operating costs** _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated **CAPITAL (FY13) costs** _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

Initial Version

Prepared by Jessica Geary, Finance Manager
 Division Legislative Affairs Agency
 Approved by Pamela Varni, Executive Director
Legislative Affairs Agency

Phone 465-6626
 Date/Time 2/17/12 4:42 PM
 Date 2/17/2012

FISCAL NOTE #1

**STATE OF ALASKA
2012 LEGISLATIVE SESSION**

BILL NO. HJR 29

Analysis

This Legislation has zero fiscal impact on the Legislative Affairs Agency.



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

February 3, 2012

Representative Charisse Millett
Alaska State Capitol
Juneau, AK 99801

Re: HJR 29, Urging the federal government to plug legacy wells in the Arctic region

Dear Representative Millett:

The Resource Development Council is writing to encourage the House Resources Committee to pass HJR 29, urging the federal government to plug legacy wells properly and to reclaim the legacy wells sites as soon as possible in order to protect the Arctic.

RDC is an Alaskan business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism, and fisheries industries. Our membership includes all of the Alaska Native regional corporations, local communities, organized labor, and industry support firms. RDC's purpose is to expand the state's economic base through the responsible development of our natural resources.

The Department of the Interior and other federal agencies require that private companies operating in the Arctic explore for and produce domestic energy and mineral resources in an environmentally responsible manner. Through federal laws, regulations, and permitting, federal agencies have set a high bar to mitigate impacts to the environment. As a result, industry has been held to the highest standards – among the most stringent in the world. When violations to federal laws or permitting requirements occur, companies are held responsible, often facing steep fines.

However, in the case of federal lands in the Arctic, the federal government has not held itself to the same standards. The U.S. Navy and the U.S. Geological Survey drilled approximately 137 wells on federal lands in northern Alaska between 1944 and 1981, all of which are now abandoned. Only seven of the legacy wells were properly plugged and reclaimed. The remaining wells are out of compliance with regulations adopted by the Alaska Oil and Gas Conservation Commission (AOGCC), posing a risk to surface vegetation, groundwater, and wildlife. Additionally, debris and deteriorating buildings detract from the landscape.

The AOGCC has repeatedly reminded the federal government of the obligation to plug legacy wells and properly reclaims well sites. The state cannot impose fines on the federal government, but if it could do so, the fines would exceed \$8 billion, and much more if the statute of limitations were disregarded.

Founded 1975
Executive Director
Rick Rogers
2011-2012 Executive Committee
Tom Maloney, President
Phil Cochrane, Sr. Vice President
L.F. "Len" Horst, Vice President
Eric Fjelstad, Treasurer
Ralph Samuels, Secretary
Wendy Lindskoog, Past President

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Patty Bielawski
Pat Carter
Steve Denton
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Paul Glavinovich
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Lorna Shaw
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Tom Lovas
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Ron McPheters
James Mery
Denise Michels
Hans Neidig
Judy Patrick
Charlie Powers
Mike Satre
Mary Sattler
Keith Silver
Lorali Simon
John Sturgeon
Dan Sullivan
Peter Taylor
Michael Terminel
Jan Trigg

Ex-Officio Members
Senator Mark Begich
Senator Lisa Murkowski
Congressman Don Young
Governor Sean Parnell

HJR 29 points out the double standard and hypocrisy that exists in the federal government's regulation and permitting of resource development activities in Alaska. Clearly, the Department of Interior has not held itself to the same standards it demands industry to meet in the responsible development of Alaska's resources.

The resolution rightfully urges the federal government to comply with the same laws and requirements it demands industry to follow. The federal government should lead by example and set even a higher standard for itself.

RDC commends you for introducing HJR 29 and securing 33 cosponsors to the resolution. We strongly encourage its passage.

Sincerely,

Resource Development Council, Inc.

A handwritten signature in black ink, appearing to read "Rick Rogers", with a long horizontal flourish extending to the right.

Rick Rogers
Executive Director



Alaska Conservation Alliance
"A Strong Economy and Healthy Environment Go Hand in Hand"

2/17/12

Representative Charisse Millett
State Capitol, Rm. 13
Juneau, AK 99801-1182

Dear Rep. Millett,

The Conservation Alliance supports HJR 29, which urges the Bureau of Land Management to properly plug legacy wells and reclaim legacy drill sites in the National Petroleum Reserve-Alaska. The Alaska Conservation Alliance represents over 30 conservation groups with a combined membership of over 38,000 Alaskans.

Unplugged well sites on the North Slope pose a continuing danger to the environment, and it undermines our shared objective of development occurring in a responsible manner. The legacy well sites located in the National Petroleum Reserve are some of many underreported contamination issues in Alaska. Unfortunately, despite the danger, state agencies don't have the authority to enforce penalties. The responsible federal agency, the Bureau of Land Management, lacks budgeted funds to properly plug and reclaim the drill sites. That funding shortfall needs to be addressed. The unplugged and un-reclaimed legacy well sites, like all such sites across Alaska including dozens of sites on state lands, must be properly and responsibly decommissioned.

Passing HJR 29 will send a clear message to the Federal government and the Bureau of Land Management that Alaska is serious about preserving and protecting its environment. It will also send a clear message to private companies that Alaska is consistent with its demand of responsible resource development: that no entity, government or otherwise, will be allowed to harvest the state's resources while tarnishing Alaska for future generations.

The Federal government must make good on the responsibility it undertook when the legacy sites were drilled. Passing HJR 29 will send a clear message to the federal government and private companies that Alaska is serious about preserving and protecting its environment.

For the above reasons, the Alaska Conservation Alliance supports HJR 29. We appreciate the effort to address this important issue.

Sincerely,

Andy Moderow
Executive Director
Alaska Conservation Alliance

810 N Street, Suite 203 | Anchorage, AK 99501 | 907-258-6171 | F: 907-258-6177

www.akvoice.org | [www.twitter.com/ACAAlliance](https://twitter.com/ACAAlliance)

www.facebook.com/AlaskaConservationAlliance

Jeff Turner

From: Esther Hugo <eshugo@cityofakp.org>
Sent: Tuesday, February 07, 2012 10:49 AM
To: Jeff Turner
Subject: HJR NO. 29

I am writing this email in full support of HJR NO. 29. It's about time BLM clean the site because it's been too long. Please feel free to contact me for any questions or concerns regarding the subject. 907-661-3612/3619 or 907-661-0059, fax 907-661-3613, or email eshugo@cityofakp.org

Legacy Wells
Non-compliance with AOGCC Regulations

The BLM is the current operator of approximately 137 wells drilled by the Federal Government between 1944 and 1981 in northern Alaska. These wells are routinely referred to as the legacy wells. All of the wells are or have been out of compliance with multiple AOGCC regulations. Additional review would likely reveal that the wells are out of compliance with Federal regulations as well. A summary of the issues of non-compliance with AOGCC regulations follows:

- 20 AAC 25.070 (3) requires that an operator file Form 10-407 within 30 days after completion, abandonment or suspension of a well. Where Form 10-404 is required, the same 30 day time requirement applies. These forms document what work was actually performed.
 - For well operations performed after 2000, all reporting was late. The earliest was received at least 4 months late with most at least two years late and some as much as 4-1/2 years late. In fact, no Form 10-407 has ever been submitted for at least two of the wells.
- 20 AAC 25.105(a) requires that, if the operator is the landowner, all wells on the property must be abandoned within one year following permanent cessation of the operator's oil and gas activity within the field where the wells are located.
 - Because there has been no BLM operated oil and gas activity anywhere in the NPRA since the final legacy well was drilled in February of 1981, all of the legacy wells that are not currently abandoned are out of compliance.
 - Further, because the first two wells to be plugged were plugged in 2002, those wells were out of compliance for at least 21 years.
- 20 AAC 25.105 (b) requires that a well not completed as an oil, gas or service well must be properly suspended or abandoned before removal of the drilling rig.
 - Since with only one exception, none of these wells was ever completed as an oil, gas, or service well, since there has not been a drilling rig on any of these wells in over 30 years, and since none of them was properly suspended per AOGCC regulations, all of the legacy wells are or have been out of compliance including ones that are now properly plugged.
- 20 AAC 25.110(a) allows the AOGCC not to require abandonment of a well but rather to allow that the well be suspended only if the well has future utility or is located on an active pad or platform.
 - All of the legacy wells are or have at one time been out of compliance including ones that are now properly plugged.
- 20 AAC 25.110(b) requires an operator to submit to and receive approval from the AOGCC for an application for suspension of operations prior to performing the work.
 - No such application has been submitted for any of the legacy wells and none of the wells is suspended in a manner consistent with the operational details of this regulation.
- 20 AAC 25.110(d) requires the operator of a suspended well to install certain downhole plugs to ensure that all hydrocarbons and fresh waters are confined to their respective indigenous strata.
 - With few exceptions, none of the legacy wells is in compliance with this regulation.

- 20 AC 25.110(e) requires that the operator of a suspended well maintain the integrity of the location, provide the AOGCC with a status report every five years, and clear the location of all materials and debris.
 - With few exceptions, none of the wells has been left in a configuration that would allow the BLM the ability to demonstrate downhole integrity.
 - Pictures from the BLM's own report on the legacy wells show open wellbores in several cases.
 - As also demonstrated by pictures in the BLM report, rotting lumber, rusting metal, and other debris have not been cleared from many well locations.

- 20 AAC 25.112(a) requires that all uncased portions of a wellbore be plugged in a manner that ensures that all hydrocarbons and freshwater are confined to their respective indigenous strata and are prevented from migrating into other strata or to the surface.
 - Thirty-two of the legacy wells were never cased. No plugging operations have been performed or are planned on any of these wells. Rather, the earth has been allowed to slough in and the surface to revegetate. Although ten of these wells were drilled only to a depth of fifty feet or shallower and do not likely pose any threat of fluid migration, the remaining twenty-two wells were drilled deeper including seven wells drilled to depths beyond 1000 feet.

- 20 AAC 25.112(b), (c), (d), (e), (f), and (g) require specific procedures to ensure proper abandonment of a well.
 - Five of the approximately ten wells that have actually been abandoned do not meet all of the requirements of these regulations.

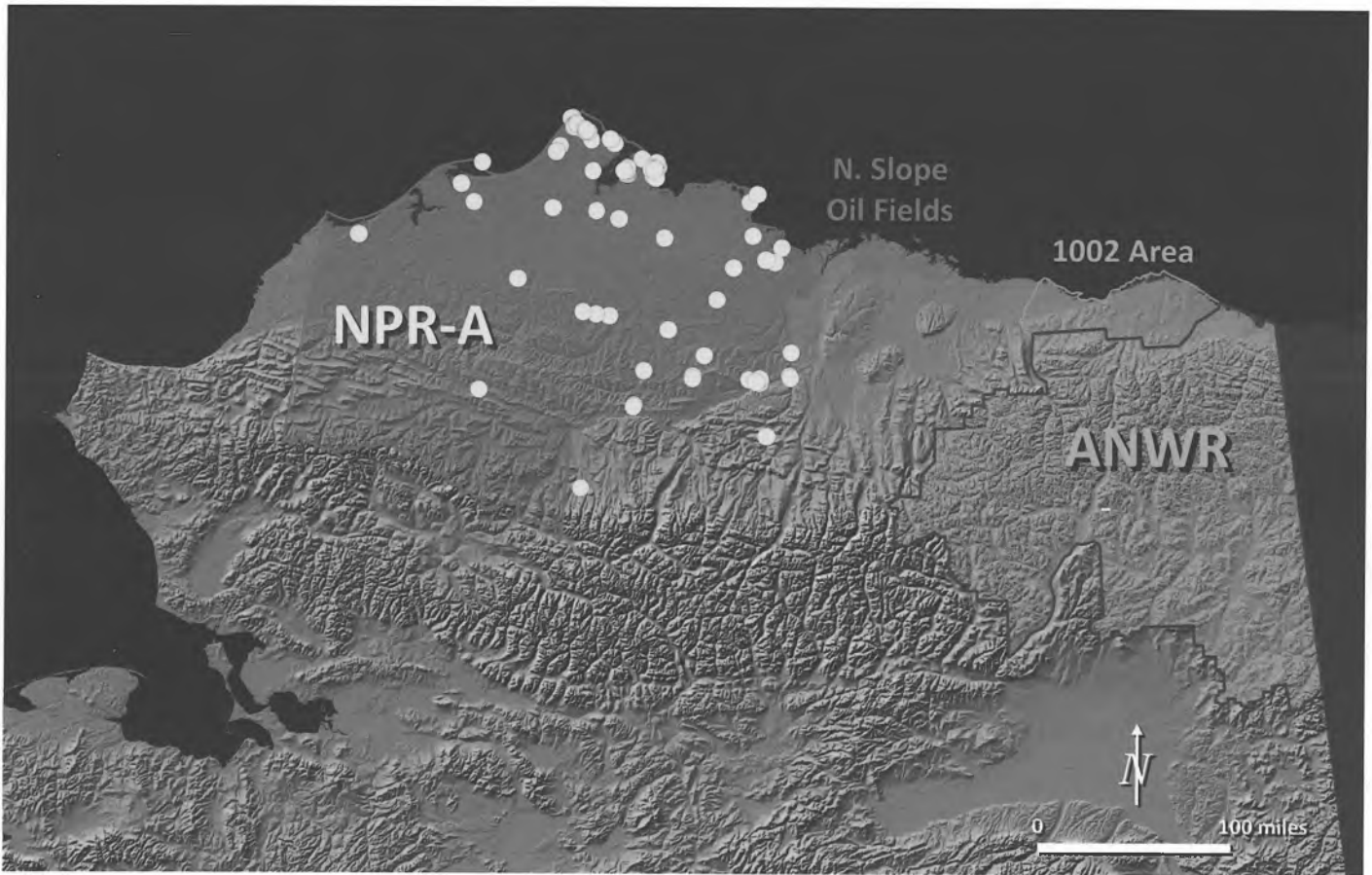
- 20 AAC 25.112(h) requires an operator to give the AOGCC at least 24 hours notice prior to commencing plugging operations so that a representative of the AOGCC can witness or waive the right to witness the operations.
 - Four wells were plugged in 2004 without any prior notice to the AOGCC.

- 20 AAC 25.507 (a) requires an operator to obtain prior approval when a substantive change in a previously approved activity is needed.
 - In many cases actual wellwork was substantially different from what was proposed and authorized, yet no request was ever made for approval of the change.
 - In many of these cases, the actual work did not result in the well being plugged in compliance with AOGCC regulations.

BLM Legacy Wells

Environmental Hazards
&
Eyesores

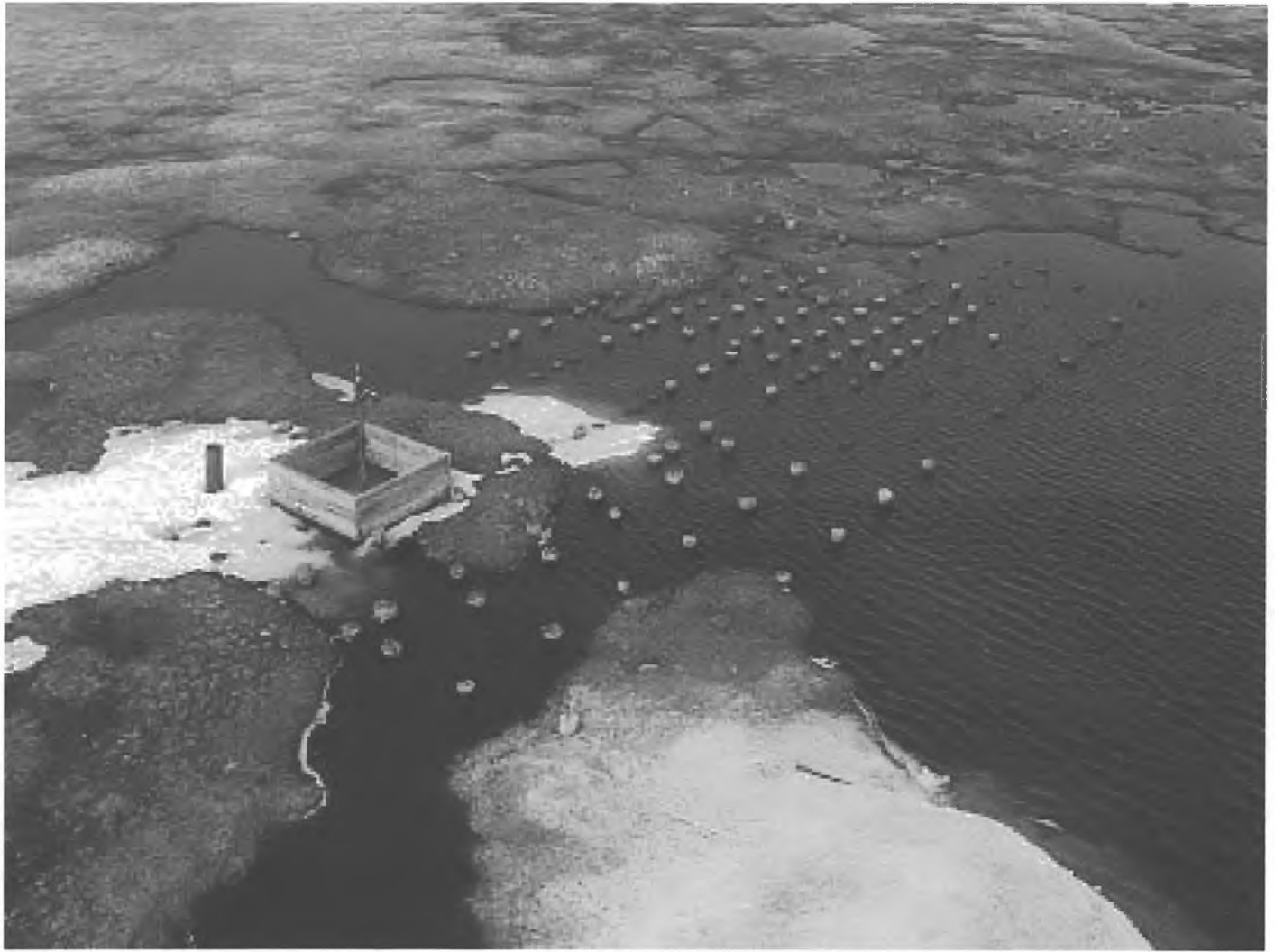
NPR-A Legacy Wells



AOGCC

Jan. 27, 2012









Wellhead along with
wood and metal debris
in a natural oil seep







Natural subsidence and snowmelt have started to obscure this site.



Primitive, rusting wellhead
and wood debris



Back-up slides

Status of Legacy Wells

- 7 properly plugged and abandoned
- 5 improperly plugged and abandoned
- 32 not cased – collapsed hole & revegated surface
- 17 claimed to be used for temperature monitoring
- 33 classified as “land swap” wells
- 42 flagrantly out-of-compliance wells

Example problems

- 6 have open casing and no wellhead
- 7 have wood or metal debris on site
- 17 are filled with diesel
- 3 can no longer be found
- Of the 33 “land swap” wells, all but 3 are in need of P&A
- 3 have only a surface plug, but BLM is calling them P&A'd.

Alaska Regulations in which BLM Lacks Compliance

20 AAC 25.070 (3)

20 AAC 25.105(a) and (b)

20 AAC 25.110(a), (b), (d), and (e)

20 AAC 25.112 (b), (c), (d), (e), (f), and (g)

20 AAC 25.507 (a)

Amendment #1

No OBS,

27-LS1208\A.1
Nauman
3/17/12

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR WAGONER

TO: HJR 29

1 Page 1, line 3, following "region":

2 Insert "; and urging the Office of the Governor to increase nationwide awareness
3 **about legacy wells and well sites"**

4

5 Page 2, line 24, following "region":

6 Insert "; and be it

7 **FURTHER RESOLVED** that the Alaska State Legislature respectfully requests the
8 Office of the Governor to disseminate information through appropriate national news outlets
9 and by other available means to increase awareness nationwide of the dangerous conditions of
10 the legacy wells and legacy well sites in the state and the federal government's failure to plug
11 the legacy wells properly and reclaim the legacy well sites"