

HJR

6

<TARGET><BILL>HJR 6</BILL><SUBJECT>HJR
6</SUBJECT><COMM>HRES28</COMM></TARGET>

HOUSE COMMITTEE REPORT

(9) Date Referred to Committee: January 28, 2013 FURTHER REFERRALS:

Date of Committee Action: 2-27-13

The RESOURCES Committee considered: HJR 6

HOUSE JOINT RESOLUTION NO. 6

Relating to legacy wells and legacy well sites; urging the United States Department of the Interior, Bureau of Land Management, to open new areas of the National Petroleum Reserve - Alaska for environmentally responsible oil and gas development; and requesting the Office of the Governor to increase nationwide awareness about legacy wells and well sites.

HJR 6 BLM LEGACY OIL WELL CLEAN UP/AWARENESS

Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

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

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

PREVIOUS FISCAL NOTES				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	TARR	X			
	John	X			
	wilson	X			
	Hanker	X			
	Seaton	X			
	Truck	X			
Chair:	SKINNER	X			
Chair:	FELICE	0			

**Alaska Legislature
Representative Charisse Millett**

Session:

State Capitol Building, Room 403
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

Eric
To: Co-chairs Eric Feige and Dan Saddler, House Resources Committee
From: Rep. Charisse Millett
Subject: Hearing request for HJR 6
Date: Monday, January 28, 2013 *Charisse*

I respectfully request a hearing on House Joint Resolution 6 in the House Resources Committee at your earliest convenience. All the necessary documents are included with this request.

The resolution urges the federal Bureau of Land Management to speed up the plugging of legacy well sites in the National Petroleum Reserve-Alaska. The resolution also calls on BLM to open new areas of the reserve to oil and gas exploration.

A similar resolution was passed last year but has been reintroduced due to the lack of progress on the wells and additional restrictions placed on oil and gas leasing in the NPR-A.

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

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Anchorage, AK 99501
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Fax (907) 269-0223

rep.charisse.millett.akleg.gov
District 24

HJR 6 Invited Testimony

House Resources Wednesday, Feb. 27, 2013

- 1) U.S. Senator Lisa Murkowski
(Will make opening comments on HJR 6 at the beginning of the meeting)
- 2) Commissioner Cathy Forester, Alaska Oil and Gas Conservation Commission
(Will give a PowerPoint presentation after Rep. Millett's opening comments on HJR 6)
- 3) Bud Cribley, State Director, BLM
(Bud will have a prepared statement to read to the committee and will answer questions from committee members)

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Version: 28-LS0300\N

Sponsor Statement – HJR 6 – Legacy Wells

Relating to legacy wells and legacy well sites; urging the United States Department of the Interior, Bureau of Land Management, to open new areas of the National Petroleum Reserve - Alaska for environmentally responsible oil and gas development; and requesting the Office of the Governor to increase nationwide awareness about legacy wells and well sites.

A year after the Alaska Legislature unanimously passed a resolution calling on the federal Bureau of Land Management to clean up and plug dozens of old oil and gas drilling sites in the National Petroleum Reserve-Alaska, Alaskans are still waiting for a comprehensive cleanup plan. House Joint Resolution 6 calls on BLM to protect the land, sea and wildlife by plugging and cleaning up the wells.

Legacy Wells were drilled by the federal government from 1944 to 1981. Since drilling ceased only a handful have been correctly plugged and remediated.

The new resolution includes the following changes and updates:

- Only 17 of the 137 wells have been correctly plugged and cleaned up
- Urges BLM to work in a cooperative manner with the Alaska Oil and Gas Conservation Commission and use the best practices when work is performed on well sites
- Consider handing over responsibility for Legacy Wells to an entity capable of cleaning up the sites more cost effectively within state and federal regulations
- Urges BLM to open new areas of NPR-A to responsible oil and gas leasing

House Joint Resolution 6 was referred to the House Resources Committee.

Prepared by Jeff Turner on February 4, 2013

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HJR 6
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HJR6-LEG-SESS-02-20-2013
Title: BLM LEGACY OIL WELL CLEAN
UP/AWARENESS
Sponsor: MILLETT
Requester: House Resources

Department: Alaska Legislature
Appropriation: Legislative Council
Allocation: Session Expenses
OMB Component Number: 782

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
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

Fund Source (Operating Only)

None							
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 (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial Version

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

Phone: (907)465-6626
Date: 02/20/2013 10:10 AM
Date: 02/20/13

FISCAL NOTE ANALYSIS

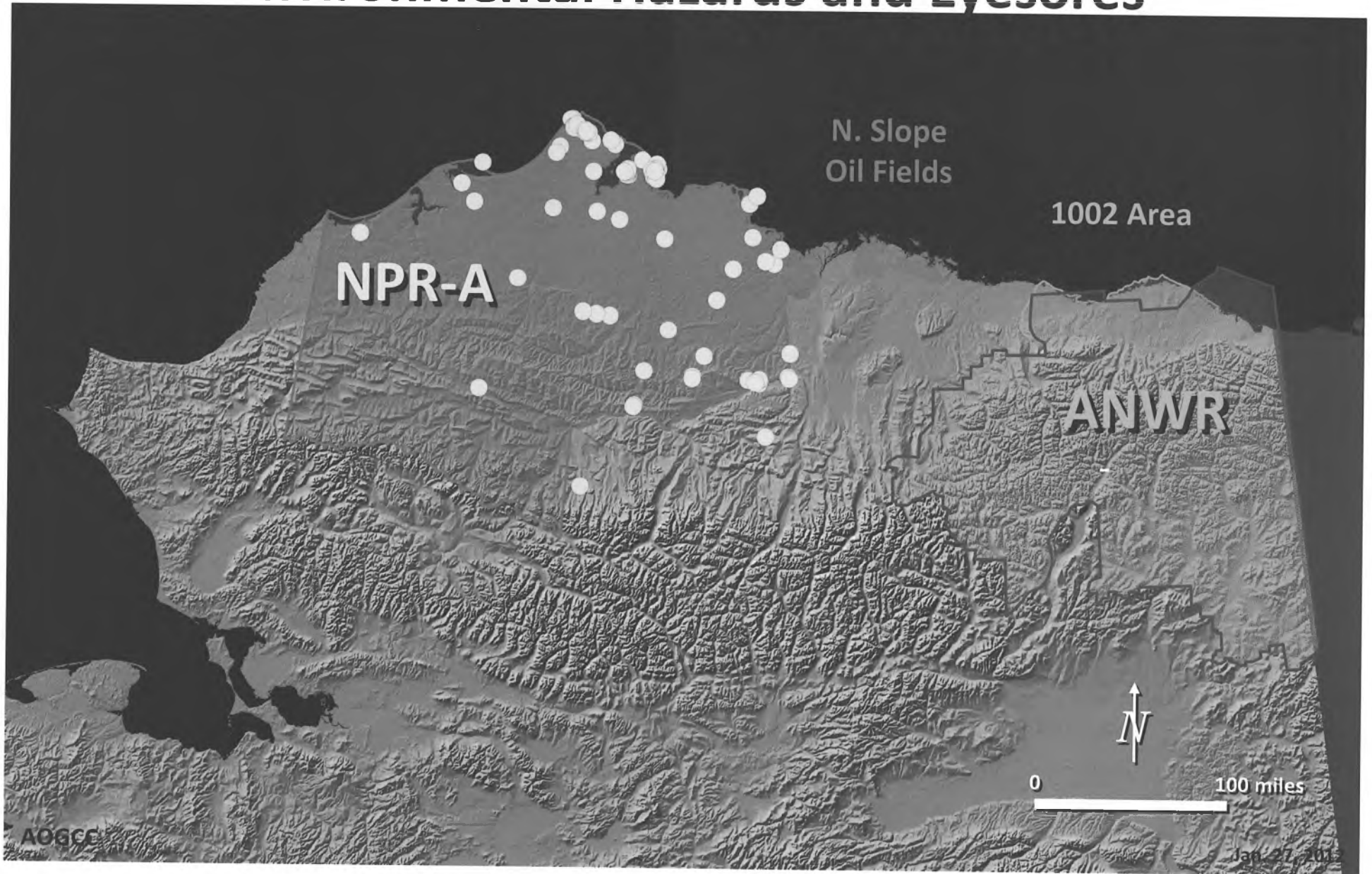
STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HJR6

Analysis

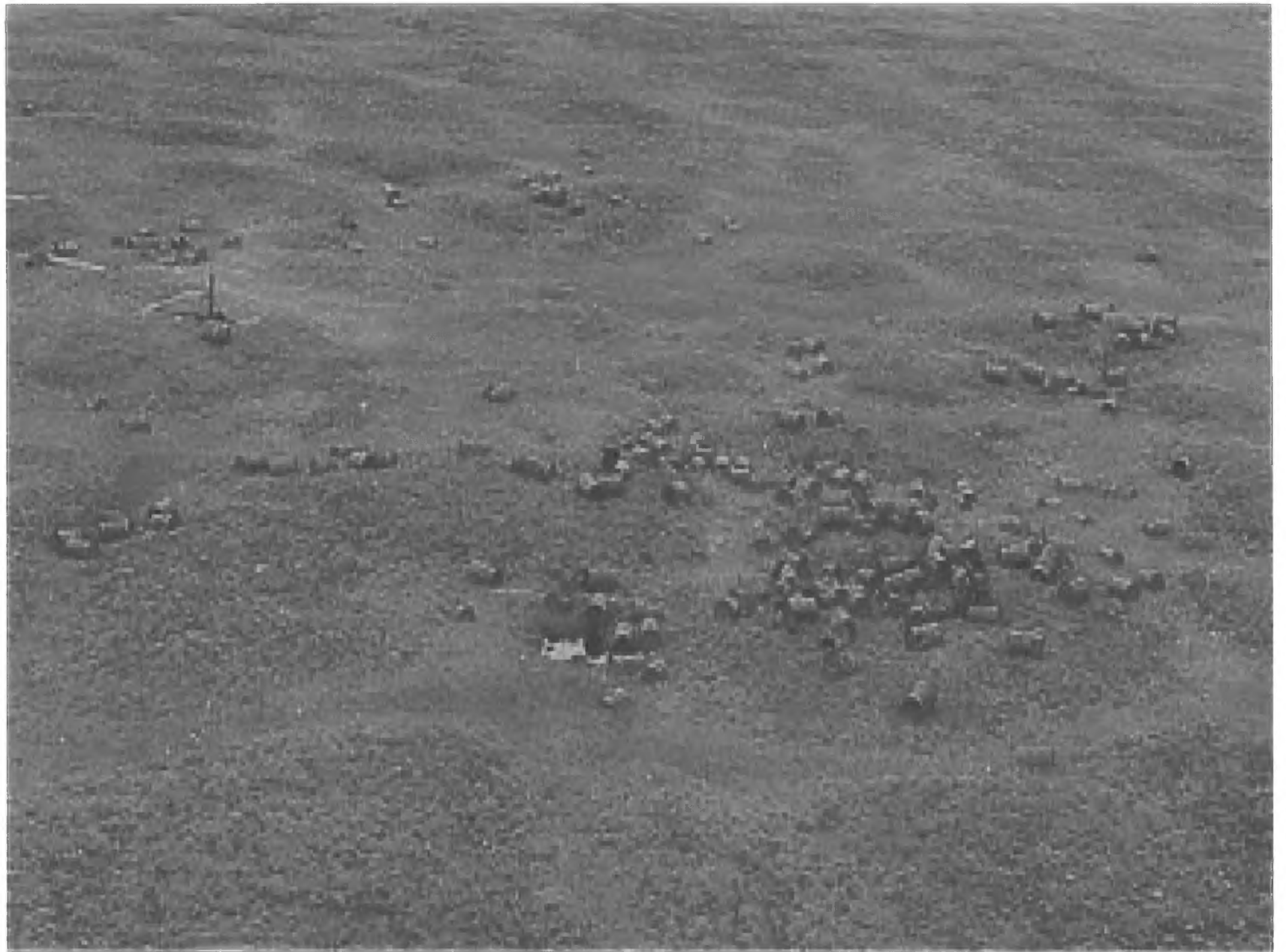
This Legislation has zero fiscal impact on the Legislative Affairs Agency.

BLM Legacy Wells: Environmental Hazards and Eyesores





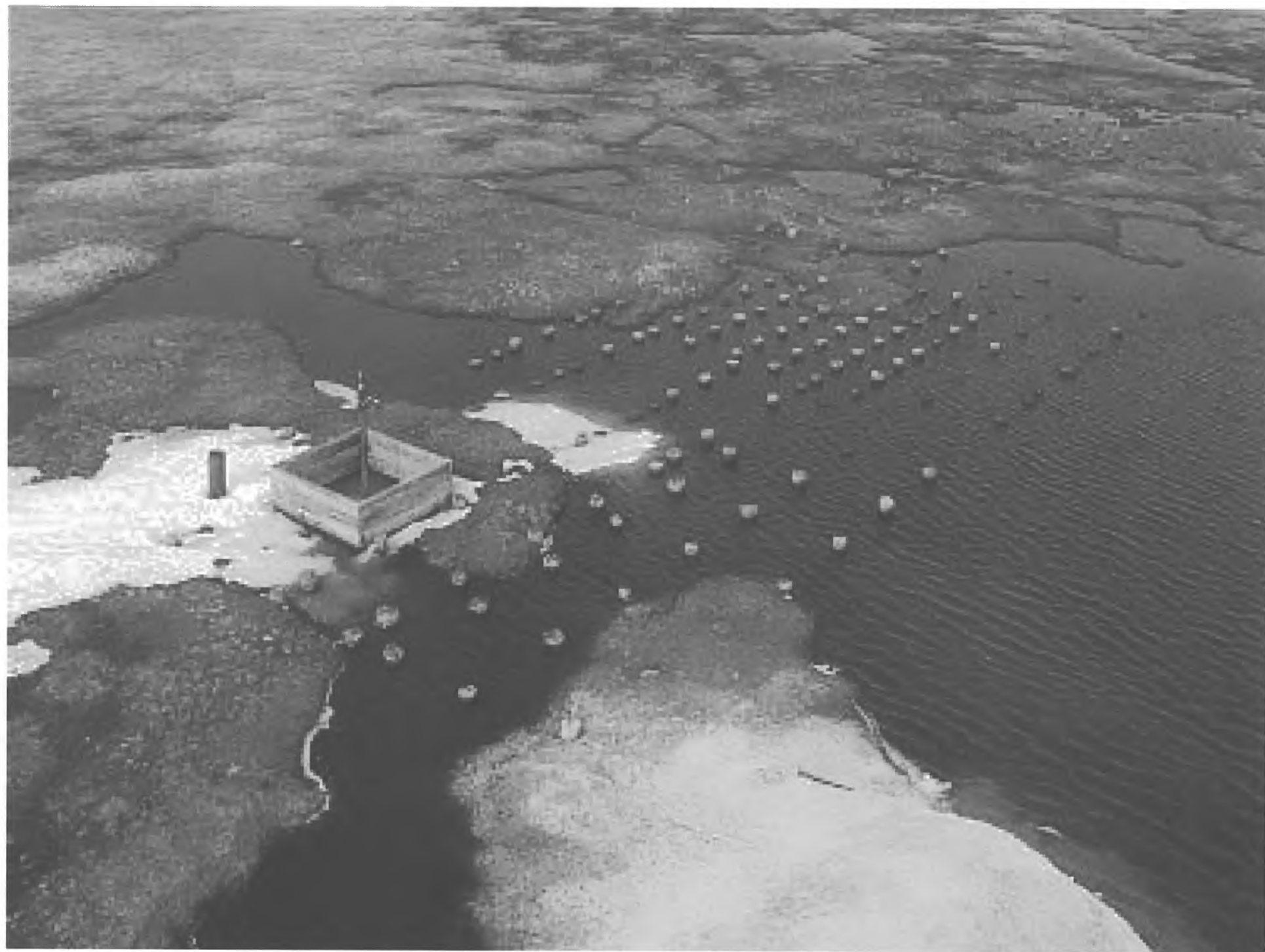
















Wellhead along with
wood and metal debris
in a natural oil seep





Natural subsidence and snowmelt have started to obscure this site.







Back-up slides



What's Happening?

National Mall and Memorial Parks is restoring the Mall lawn and making other improvements between 3rd Street and 7th Street. The work includes the installation of engineered soil medium to resist soil compaction, durable turf varieties and granite edging. New sustainable systems to improve soil drainage and collect stormwater for irrigation will reduce the use of potable water and help improve regional water quality. This contract work is to be completed by December 2012.

Status of Legacy Wells

- 16 properly plugged and abandoned (7 by Alaska Native Groups rather than BLM)
- 5 improperly plugged and not abandoned
- 29 not cased & partially revegetated
- 17 used for temperature monitoring by USGS
- 17 transferred to Alaska native ownership
- **2 leaking flammable gases**
- 50 other out-of-compliance wells

Example Problems

- At least 26 are open to the atmosphere and at one time were filled with drilling mud
- At least 44 have wood, metal, plastic, glass, and concrete debris on site
- At least 17 are filled with diesel
- 3 can no longer be found - 1 under landslide at Colville River's edge, 2 in lakes

Example Problems

- At least 2 leak flammable gases
- 29 are partially revegetated at surface but have unknown downhole conditions; some have surface clean-up issues
- At least 49 have metal piping sticking above ground level

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**Providing coverage of Alaska and northern Canada's oil and gas
industry
January 2013**

Vol. 18, No. 4

Week of January 27, 2013

More legacy well drama

Alaska commission convenes public hearing; BLM challenges state jurisdiction

Wesley Loy

For Petroleum News

The Alaska Oil and Gas Conservation Commission's tilt with the federal government over so-called legacy wells continued with a pointed hearing Jan. 10.

The commission, led by chair Cathy Foerster, called the hearing to determine who is responsible for five wells located in the National Petroleum Reserve-Alaska.

The commission contends the wells, drilled between 1951 and 1977, were never properly plugged and abandoned or otherwise are out of compliance with state regulations.

The NPR-A landlord, the U.S. Bureau of Land Management, contends at least some of the wells were properly secured.

The question of responsibility was complicated by the fact that four of the wells are now on land conveyed to the Arctic Slope Regional Corp., an Alaska Native corporation.

The four wells are the Gubik No. 1, the Gubik No. 2, the Grandstand No. 1 and the W.T. Foran No. 1.

A fifth well, the Cape Halkett No. 1, also was believed to be on ASRC land, but the BLM said it remains on federal land.

ASRC: What's the problem?

The commission, which regulates drilling throughout Alaska, has been pushing the BLM to address dozens of legacy wells that might never have been properly plugged and abandoned, or that might need other remediation.

These wells were drilled over many years by the Navy, the U.S. Geological Survey and their contractors in the Maine-sized NPR-A. President Warren G. Harding created what originally was known as the Naval Petroleum Reserve No. 4 in 1923 after geologists found oil seeps. The idea was to establish an emergency oil supply for the Navy.

Taking a new approach to prodding the BLM to deal with the wells, Foerster on June 28, 2012, sent a letter to ASRC saying commission records indicated five legacy wells were on ASRC-owned land. She gave ASRC 60 days to submit a "plan for bringing these wells into compliance with AOGCC regulations."

That drew an Aug. 15 reply from ASRC chief executive Rex Allen Rock Sr., who wrote: "It is unclear to us why you are raising this issue with ASRC."

Rock said the land conveyances did not transfer liability for the wells. And he said Foerster's letter provided "no information to support your contention that these wells were not properly plugged and abandoned."

After exchanges of further correspondence between the commission, the BLM and ASRC, Foerster finally scheduled the Jan. 10 public hearing, saying neither the agency nor the corporation had responded "in any meaningful way" to the question of responsibility for the wells.

Rock and the BLM's Alaska director, Bud Cribley, said they didn't believe any hearing was necessary. But they or their representatives showed up at the hearing anyway.

Legal opinion cited

In an opening statement, Cribley thanked the three-member commission for the "opportunity" to participate in the hearing, then advised he was there in an informal capacity only, out of respect for the commission and the state.

He then informed the panel that the BLM had obtained a solicitor's office legal opinion saying the commission lacks jurisdiction and authority to order the BLM, or ASRC, to undertake any additional plugging and abandonment work on the legacy wells.

Cribley added that his appearance at the hearing wasn't to be interpreted as "BLM acquiescence" to the commission's regulatory jurisdiction.

As for the wells on ASRC land, Cribley said BLM would take responsibility for any work it determines is necessary. ASRC, in turn, has said it will provide access to the wells, he said.

Further, Cribley said the BLM is developing a long-range plan for assessing and responding to legacy wells in and around the petroleum reserve. And he said the BLM would welcome the commission's help on the effort.

Cribley's remarks drew sharp-edged questioning from the commissioners.

"So it is the BLM's position that the federal government can come into the state of Alaska and conduct oil and gas operations anywhere it chooses on federal lands in any way that it chooses with no regard for the laws of the state of Alaska, is that your position?" asked Foerster, an engineer.

Cribley deferred to his attorney, Mike Gieryic, who explained that the legacy wells were drilled at the behest of Congress, and without any intent for the state to have jurisdiction over the exploration program.

"In fact, the Navy's program was begun before there was a state of Alaska and a commission for that matter," Gieryic said.

Commissioner John Norman, a lawyer, posed a hypothetical situation: What if the commission issued an order to ASRC to deal with a legacy well in an unstable condition, and the BLM told the company to "just throw it in the waste basket." Couldn't all parties end up in federal court under such a scenario?

Gieryic said he would "hope that we never really get to that point."

"We're just having fun" with a hypothetical, Norman assured him.

Petroleum News - Phone: 1-907 522-9469 - Fax: 1-907 522-9583
circulation@PetroleumNews.com --- <http://www.petroleumnews.com> ---
S U B S C R I B E

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Senator Lisa Murkowski

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Governor Sean Parnell

February 14, 2013

Representative Charisse Millett
Alaska State Capitol
Juneau, AK 99801

Re: HJR 6, Urging the federal government to open new areas of the National Petroleum Reserve – Alaska to environmentally-responsible oil and gas development and requesting the Office of the Governor to increase nationwide awareness about legacy wells and well sites

Dear Representative Millett:

The Resource Development Council is writing in support of HJR 6, urging the federal government to open new areas of the National Petroleum Reserve – Alaska to environmentally-responsible oil and gas development and requesting the Office of the Governor to increase nationwide awareness about legacy wells and well sites.

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 17 of the legacy wells were properly plugged and reclaimed. An additional ten wells were determined by the Alaska Oil and Gas Conservation Commission (AOGCC) to be of no concern because they were drilled to less than 50 feet in depth and did not encounter hydrocarbons. The remaining wells are out of compliance with regulations adopted by the AOGCC, posing a risk to surface vegetation, groundwater, and wildlife.

The AOGCC has repeatedly reminded the federal government of the obligation to plug legacy wells and properly reclaim well sites. The state cannot impose fines on the

federal government, but if it could do so, the fines would exceed \$8 billion, and more than \$40 billion if the statute of limitations were disregarded.

HJR 6 points out the double standard 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 requires industry to follow. The federal government should lead by example and set even a higher standard for itself.

The resolution respectfully requests the Office of the Governor to disseminate information through appropriate national news outlets and by other means to increase awareness nationwide of the legacy wells and the federal government's failure to properly plug the wells and reclaim well sites.

The resolution also urges the Department of the Interior to open new areas of NPR-A for responsible oil and gas development and production, which would increase throughput in the Trans-Alaska Pipeline System (TAPS). Such action would be in line with the congressional intent establishing NPR-A and would further State of Alaska efforts in helping North America achieve energy independence.

HJR 6 is particularly timely, given Interior Secretary Ken Salazar has affirmed an NPR-A management plan that restricts access to domestic oil and gas resources. Ignoring input from those most knowledgeable about the petroleum reserve, the Obama administration chose the most restrictive management plan possible, which closes half of the reserve to development. This plan seriously jeopardizes the ability to access resources near the coast and north of the Barrow Arch, an area where all major North Slope discoveries have occurred. It also jeopardizes the ability to economically transport oil for delivery to TAPS. This decision occurred despite the fact that the area is designated as a petroleum reserve. In addition, past federal government promises assured access to allow resource development in this area and others not set aside through the Alaska National Interest Lands Conservation Act.

RDC commends you for introducing HJR 6. We strongly encourage its passage.

Sincerely,

Resource Development Council, Inc.



Carl Portman
Deputy Director

Statement of
Bud Cribley
State Director – Alaska
Bureau of Land Management
U.S. Department of the Interior
Status Update: Legacy Wells in the NPR-A
Presented to
House Resources Committee
February 27, 2013

Introduction

Thank you for the opportunity to provide a status update on legacy wells in the National Petroleum Reserve in Alaska. As you know, the BLM is responsible for the management of the NPR-A. Prior to BLM's management responsibilities, the United States Government drilled 136 test wells for exploration purposes from 1943 to 1982. These wells were drilled by the US Navy and the United States Geological Survey. BLM's priority is to protect human health and the environment through the cleanup of the legacy wells. We actively monitor site conditions and direct available funding to address sites that pose a potential risk. The BLM has an ongoing commitment to monitor well and site conditions to evaluate risks and strategically develop and complete appropriate actions for these sites.

Background

Since 1952, 19 wells have been plugged. The U.S. Navy plugged 1 well in 1952. The BLM began its plugging efforts in 2002 and has plugged 18 wells and remediated contaminated soils where necessary. An additional 18 wells are partially plugged and are used and managed by the USGS as climate change monitoring wells. Twenty-four wells are on land that has been

transferred out of Federal ownership. Nineteen of those were transferred in the Barrow Gas Transfer Act. The remaining five were conveyed to the Arctic Slope Regional Corporation. Thirty-four are uncased shallow boreholes drilled to assess the geologic characteristics of the permafrost and shallow geologic strata. On the remaining 41 legacy well sites, the BLM continues to monitor site conditions.

Inventory, Assessment & Cleanup

In 2004, the BLM completed an inventory of legacy wells that reviewed conditions and analyzed the risk posed to humans and the environment. The inventory identified a number of legacy wells that posed near-term potential risk to public health, safety and the environment. The inventory determined that many other sites presented no significant threat. The information from the assessments allowed the BLM to direct funding and attention to plug wells and clean up surface soils at sites that posed the greatest risk, while continuing to monitor conditions at the other sites. Since 2002, the Federal government has spent almost \$86 million in legacy well plugging activities and surface cleanup of priority legacy wells. Only one well identified as high priority in the 2004 status report remains to be plugged, Iko Bay.

Over the last three years, the BLM has conducted a comprehensive site inventory, which included participation by AOGCC inspectors when available, to verify current site conditions and determine if sites posed additional risks. Last week we provided the State with an updated draft Legacy Wells Summary Report. The draft summary report contains the current status, site descriptions with photos, and condition assessments for each well under the BLM's management. We look forward to any input the Alaska Oil and Gas Conservation Commission and other stakeholders may have on the draft report before it is finalized.

Current Status

The BLM has been working with the AOGCC to define the scope of the legacy well issue and reach an agreement regarding current conditions. We have also worked together to identify wells of concern and determine how best to address those sites where existing information is limited.

We expect to release a final summary report and a present a draft five-year strategic plan to address the remaining wells of highest concern in the future. The draft strategic plan will identify the actions that the BLM will focus on over the next five years. The plan will include all legacy wells except those transferred through the Barrow Gas Transfer Act. It will include those that are located on lands transferred to ASRC under the Alaska Native Claims Settlement Act.

We have been working with the State and local communities, including the North Slope Borough and the Arctic Slope Regional Corporation, to develop the summary report.

Conclusion

The BLM recognizes the importance of cleaning up the legacy wells in the NPR-A. We will continue to work collaboratively with the State of Alaska, Native Corporations, Tribal governments, and other partners including the Alaska Oil and Gas Conservation Commission as we prioritize well clean-up projects in the strategic plan and during the clean-up efforts.

We remain committed to seek funding to properly address those sites that pose a threat to public health and safety and the environment and to conduct our work in a fiscally responsible manner.

I will be glad to answer any questions.