

## Remediation of Federal Legacy Wells in the National Petroleum Reserve-Alaska

### *Witnesses:*

#### **Bud Cribley**

Alaska State Director, Bureau of Land Management, Department of Interior

#### **Cathy Foerster**

Chair, Alaska Oil and Gas Conservation Commission

#### **Charisse Millett**

Alaska House of Representatives

### *Committee Members Present:*

Jeff Bingaman (D-NM), Chairman

Lisa Murkowski (R-AK), Ranking Member

Joe Manchin (D-WV)

On July 12, 2012 the Senate Committee on Energy and Natural Resources held a hearing to discuss the remediation of federal legacy wells within the National Petroleum Reserve-Alaska (NPRA). Between 1944 and 1982 the United States Geological Survey (USGS) and U.S. Navy were commissioned by the federal government to drill 136 oil and natural gas exploratory wells on Alaska lands. Since that time the wells have been abandoned and few have been properly capped. Many citizens of Alaska are concerned that the uncapped legacy wells could pose a hazard to wildlife, the environment, and human safety.

Chairman Jeff Bingaman (D-NM) opened the hearing with a brief history of federal oil and natural gas exploration in Alaska. He noted that President Warren Harding originally established the NPRA as a naval petroleum reserve in 1923 for defense purposes until 1976 when jurisdiction over the 136 legacy wells and boreholes was transferred to the Department of the Interior (DOI). Presently, the Bureau of Land Management (BLM) reports that 41 legacy wells remain within the NPRA and are subjected to constant monitoring. Bingaman commented that the BLM has done significant work to manage the wells subject to coastal erosion, however acquiring the resources necessary to completely remediate all well sites has been a challenge due to fiscal constraints. He added that \$16 million has been made available through the American Recovery and Reinvestment Act (P.L. 111-5) for well remediation of the Drew Point Well Site in the NPRA.

In her opening statement, Ranking Member Lisa Murkowski (R-AK) commented on the importance of well remediation to the state of Alaska and the need to encourage the federal government to behave as a "responsible operator." Senator Murkowski recited a statement by Charlotte Brower, Mayor of Alaska's North Slope Borough (NSB), who said the NSB and BLM should act as a "steward of the land" and prioritize remediation of the impacts of oil and gas exploration. The mayor said the BLM is committed to capping wells but is operating under an unfunded mandate. Murkowski commented that only 16 of the 136 drilled wells in the NPRA were properly capped, seven of which were fixed by the NSB, the remaining are in various conditions of non-compliance with state environmental standards, and three wells are "missing." Murkowski emphasized how "dire the situation is in the NPRA" and concluded that there is a need to shed light on the "hypocrisy" of the federal government's failure to meet the same environmental standards private companies are required to operate under.

Bud Cribley, Alaska State Director for the Bureau of Land Management, testified that the BLM actively monitors well conditions at 41 sites and has plugged and remediated 18 wells. He described the NPRA as a 23 million acre, roadless area located 200 miles north of the Arctic Circle that exists in a "sensitive ecological balance" and holds significant potential for oil and gas recovery. Cribley said the BLM completed an inventory report in 2004, which identified a number of legacy wells that presented a potential risk to human health, safety and the environment, and identified many wells that exhibited no significant threat. The 2004 report, *Alaska Legacy Wells Summary Report: National Petroleum Reserve-Alaska*, led to the capping of several wells near Umiat, Alaska at a relatively low cost. Cribley described BLM monitoring and remediation efforts of the JW Dalton, Atigaru, Drew Point, and East Teshekpuk well sites that were subject to severe coastal erosion from winter storms. He informed the committee that the BLM plans to complete an updated Legacy Well Summary Report and a Strategic Plan by the end of 2012, which will prioritize remediation of 13 well sites over the next three years. He concluded that the BLM is collaborating extensively with state authority, tribal

governments, and the Alaska Oil and Gas Conservation Commission (AOGCC) to determine the future course of action for well remediation.

In her testimony, Alaska Representative Charisse Millett (R-Anchorage) emphasized that well remediation has become a “70-year-old problem.” She mentioned her sponsorship of House Joint Resolution 29 (HJR 29) urging the BLM to plug legacy wells properly, which passed unanimously during an Alaska legislative session. Millett stated that many wells are filled with contaminants, two are known to leak natural gas into the atmosphere, three are missing, one is located under a landslide, and two are at the bottom of lakes. She said the wells threaten wildlife, human safety, and the pristine Arctic environment. Millett told the committee that the federal government has received about \$9.4 billion from lease sales in the NPRA and the outer continental shelf of Alaska, and “not one penny has been used to plug...legacy wells in NPRA.” Millett said the fines would exceed \$8 billion if the state government could fine the federal government for non-compliance, as is done with private industry. Representative Millett provided potential, alternative solutions for well remediation. She said the federal government could contribute a portion of offshore Alaska and NPRA lease sales toward cleaning up the legacy wells, or the federal lands could be handed over to the state of Alaska.

Cathy Foerster, Chair of the Alaska Oil and Gas Conservation Commission-Anchorage, told the committee that the AOGCC expects the federal government to clean up the legacy wells and comply with Alaska environmental standards. She said the DOI has not provided the AOGCC with accurate downhole data for 75 of the 136 wells or surface data for 81 wells. Many of the legacy wells are surrounded by debris and metal, release chemicals that could significantly contaminate the surrounding tundra and atmosphere, and 17 continue to hold diesel fuel and could blowout. The condition of the wells should be considered “a crime against the environment,” said Foerster. There are no documented BLM standards for proper plugging and abandonment of wells, contrary to the specific guidelines followed by agencies such as the National Park Service or the Bureau of Safety and Environmental Enforcement (BSEE). Foerster explained that the BLM does have a one-year time frame for plugging wells, which the organization has not complied with in the NPRA. She concluded that it is “long past time to take responsibility for and clean up these 120 messes.”

Chairman Bingaman began the discussion period by asking Bud Cribley to describe the availability of well and borehole data. Cribley responded that the BLM has collaborated closely with the AOGCC and provided them with all available data, however there are not accurate, historical records for many of the wells. Bingaman asked the panel why there is disagreement between the AOGCC claim that 16 wells have been plugged and the BLM who claims 19 wells have been plugged. Cathy Foerster said this is because only 16 of the plugged wells comply with Alaskan regulations. Bingaman concluded that this state issue “cries out for an earmark.”

Ranking Member Lisa Murkowski asked the panel continued Bingaman’s questioning of data access and asked if the AOGCC has the data they need. Foerster said that a lack of data leads her to question the BLM’s claim that the wells without reliable data will not pose environmental or health risks. Murkowski then asked if there had been discussion between Alaska and the BLM about the alternative recommendations Representative Millett outlined. Millett claimed the BLM was not interested in her suggestions to use revenues from lease sales for well remediation. Cribley disagreed and said the BLM is open to looking at all the possible options. He described the BLM Strategic Plan to clean up 13 wells over the next three funding cycles and that the plan tries to remain realistic within the current budget environment.

Senator Joe Manchin (D-WV) questioned why the federal government should be treated differently than private operators in regards to environmental and safety regulations. Foerster reiterated that the current situation would not exist if a private company had drilled the wells because the state government and federal agencies hold private industry accountable. She added that the state has asked the Environmental Protection Agency (EPA) for help, however an investigator within the Environmental Crime Division of the agency informed her that the statute of limitations had expired. Senator Manchin asked the panel to explain how money for federal oil and gas exploration flows between the federal and state government. Cribley informed Manchin that the state receives 50 percent of the \$250 million that has been generated over the last ten years from NPRA bonus bids. The BLM therefore brought in \$125 million and spent \$86 million of the revenue on legacy well remediation.

In a second round of questioning, Senator Murkowski inquired about the price discrepancy in remediation efforts, stating that the average cost of BLM well remediation has been \$2 million and the average cost for NSB well clean up is \$700,000. Millet added saying the BLM spent \$86 million to remediate 19 wells, whereas the NSB fixed seven wells at \$300,000 for each well. Cribley attributed the discrepancy to the type of wells the BLM is remediating. He said the NSB plugged wells within driving distance, whereas the BLM plugged wells in isolated areas that could only be operated on during winter months. This difference made the work for the BLM more challenging and costly. Murkowski asked Cribley to describe how the BLM prioritizes which wells to fix. Cribley replied that the BLM first considers the potential hazards to environmental and health human, and then looks at wells nearby the first site to reduce overhead costs. Foerster added that remediating wells within a close proximity is a strategic way to reduce costs associated with the mobilization and demobilization of equipment. Murkowski concluded that it should not take an act of Congress to have the DOI “step up to their responsibility” and the federal government should develop a “game plan” for future legacy well remediation efforts in the NPRA.

Witness testimonies and an archived webcast of the hearing can be found on the Committee web site.

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