

WATCHING GOVERNMENT

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Campbell Wells

U.S. petroleum industry groups are preparing for an onslaught of criticism when television network CBS airs a special news report on oil field wastes, probably in October.

The show will focus on U.S. Liquids Corp.'s Campbell Wells nonhazardous waste disposal facility near Houma, La.

In 1994, residents of the nearby Grand Bois community sued U.S. Liquids and Exxon Corp., alleging illnesses after the site received solid wastes from an Exxon field in Alabama.

The class-action lawsuit is to be tried in state court in January.

Louisiana has said Campbell Wells has fully met state exploration and production waste disposal rules. Exxon said it properly deposited residues at a licensed site.

Congress exempted E&P wastes when it reauthorized the Resource Conservation and Recovery Act in 1980. A subsequent Environmental Protection Agency study said E&P wastes "rarely pose significant threats to human health and environment."

EPA and the Interstate Oil & Gas Compact Commission have developed model E&P waste disposal rules for the states.

Spokesmen for oil groups said the questions CBS asked during interviews with state and industry officials indicated the show will advocate federal regulation of E&P wastes.

State rules

Jim Welsh, assistant commissioner of Louisiana's Office of Conservation, said that since the suit was filed, Campbell Wells has become "the most monitored facility in the state."

It has 16 ponds, covering 64 acres, for the treatment of nonhazardous

oil field wastes, including drilling muds and cuttings. There are two injection wells for liquid wastes. Solid wastes are treated and removed. There are no liquid discharges.

Welsh said the site meets all state rules, including Order 29B, which requires wastes be tested to determine the best disposal method. That regulation is so comprehensive that other states have used it as a model.

Welsh said, "We believe the thrust of what CBS is trying to do is to attack the industry's RCRA exemption. But the perception that the oil industry is not regulated in Louisiana is not true. We think our regulations governing oil field wastes are very stringent and are fully protective of the public health and the environment."

Oil groups prepare

Meanwhile, the Independent Petroleum Association of America and the American Petroleum Institute are waiting for the public relations storm to break.

API said, "There is no evidence that the local citizens' complaints are the result of exposure to any harmful materials from the Campbell Wells treatment facility, yet the industry takes these complaints very seriously."

IPAA said, "Allegations made in Louisiana have not been the industry's experience in other parts of the country. EPA studies have shown that, in general, oil field wastes are high-volume, low-toxicity wastes that, when managed properly, rarely pose a significant threat to human health."

"If the industry finds that our waste management practices are not fully protective of human health and the environment, we vow to do whatever is necessary to ensure the public's protection," IPAA said.

tendering, program.

MMS asked if a minimum volume of production should be required to be tendered in a given area before such a price would be acceptable for valuing the remainder of a lessee's production not sold at arm's-length.

It said other benchmarks that could be used are: the lessee's or its affiliate's arm's-length purchases from producers at the lease in the field or area, outright arm's-length sales by third parties, prices published by MMS based on its RIK sales, or via netback employing price information from the nearest market center or aggregation point.

MMS said several industry and state commenters said the proposed form for calculating differentials would be too burdensome on lessees.

It asked for comments on alternatives for determining the appropriate location and quality differentials to be deducted from the Nymex method, particularly the differential in cents per barrel by zone or area, in cents per mile by zone or area, or based on a percentage of the Nymex value.

It also requested comments on alternatives for determining quality differentials from the lease to the market center.

On indexing, one state suggested MMS use published spot prices instead of Nymex. MMS asked for comments on whether it could use indices and then allow a deduction for the cost of transportation to the market center where the spot price is published.

RIK opposed

Opponents to RIK testified at a recent House resources subcommittee hearing. Members of the panel are working on draft RIK legislation.

Danielle Brian, executive director of the Project on Government Oversight, said, "RIK would lock the federal government into the same powerless condition where we must accept whatever price is offered to us by the companies that control or own local pipelines."

"So we end up back where we started with one of the longest-running corporate welfare schemes of this century: posted prices."

Ed Rothschild, Citizen Action's energy policy director, said, "We are struck by the irony of the industry now wanting to get the government into the oil business after arguing vociferously about the need to get the government out of the business."

The Congressional Research Service raised the same issue.

In a report to the committee, it said RIK "would require an effective system for marketing the federal government's oil and gas shares and could lead to significant government involvement in oil and gas markets."