



INTERSTATE  
**Oil & Gas**  
COMPACT COMMISSION

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Alabama

July 29, 2010

Alaska

The Honorable Nancy Pelosi  
Speaker of the House  
U.S. House of Representatives  
H-232, U.S. Capitol  
Washington, DC 20515

Arizona

Arkansas

California

Colorado

The Honorable Steny Hoyer  
Majority Leader

Florida

The Honorable James Clyburn  
Majority Whip

Illinois

Indiana

The Honorable John A. Boehner  
Minority Leader

Kansas

Kentucky

The Honorable Eric I. Cantor  
Minority Whip

Louisiana

Dear Madam Speaker and House Leadership,

Maryland

Michigan

As indicated by the attached letters from members of the Interstate Oil and Gas Compact Commission, the states remain concerned about the efforts by the House of Representatives to advance proposals to apply federal oversight to state-regulated natural resources.

Mississippi

Montana

We understand this matter will be coming to the House floor tomorrow in the form of Consolidated Land, Energy, and Aquatic Resources Act (HR 3534) introduced by Rep. Nick Rahall of West Virginia, and wish to again express state opposition to further control of either onshore oil and gas operations or offshore operations in state waters. We urge you to oppose and remove any provisions that would usurp state authorities.

Nebraska

Nevada

State regulators are highly skilled and deeply dedicated to environmental protection and safety. As the responsible parties closest to oil and gas operations, they are best equipped to detect and head off problems before they occur.

New Mexico

New York

If you need additional information from any of our 38 members states, please let me know.

North Dakota

Sincerely,  
Gerry Baker  
Associate Executive Director  
Interstate Oil and Gas Compact Commission

Ohio

Oklahoma

Pennsylvania

Attached: Letter from Nick Tew, Alabama Official Representative of the IOGCC, to Alabama Delegation to the U.S. House of Representatives

South Dakota

Letter from Commissioner Elizabeth Ames Jones, Railroad Commission of Texas, to Henry Waxman, U.S. House of Representatives

Texas

Letter from Gerry Baker, Associate Director of the IOGCC, to Tim Charters, Republican Staff Director, House Resources Committee

Utah

Virginia

West Virginia

Wyoming

COLLECTIVELY REPRESENTING THE STATES

# STATE OIL AND GAS BOARD OF ALABAMA

## OIL AND GAS BOARD

James H. Griggs, Chairman  
Charles E. (Ward) Pearson, Vice Chairman  
Rebecca Wright Pritchett, Member  
Berry H. (Nick) Tew, Jr., Secretary  
S. Marvin Rogers, Counsel



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**Berry H. (Nick) Tew, Jr.**  
Oil and Gas Supervisor

{Letter sent to Alabama's Congressional Delegation.}

July 26, 2010

«Title» «FN» «LN»  
«AD»

Dear «SAL»:

I am writing in regard to HR5626 (Blowout Prevention Act of 2010), which I understand could come to the floor of the House of Representatives during the upcoming week (July 26-30, 2010). Certain provisions in HR5626 are of great concern to me as Director of the State Oil and Gas Board of Alabama, which regulates all aspects of oil and gas exploration and production in Alabama, including natural gas production in offshore Alabama state waters.

Our program is "cradle to grave," beginning with the permitting of a well and continuing through the ultimate plugging of the well and abandonment of the drill site. This program includes evaluation, approval, and inspection of blowout preventers, as well as all other operations related to drilling, completion, production, and decommissioning of oil and gas operations under Alabama's jurisdiction.

As currently reported, certain provisions of this Bill would potentially serve to usurp State authorities over oil and gas development, both onshore and in offshore state waters, and pass these to an as yet unnamed Federal authority for oversight. This is of great concern to the states, in general, and to Alabama, specifically.

The State Oil and Gas Board of Alabama has provided safe, effective, and efficient regulation of a robust oil and gas industry in the state since 1945. Our record for protecting the public and the environment during this time has been exemplary, and we have the appropriate experience and expertise to carry out our mission of service to the state and its citizens. We have an excellent professional staff of well-trained geologists, engineers, and compliance officers to assure that all operations are conducted in a safe manner that comports with all applicable rules and regulations.

We have a comprehensive understanding of Alabama's oil and gas resources, as well as the geologic and engineering parameters that control our hydrocarbon accumulations and production thereof. Further, we have a robust and active inspection and compliance program that has proven effective for 65 years, and we constantly evaluate all of our processes and procedures in an effort to continuously institute best practices at every opportunity. The safety of Alabama's citizens and the protection of our environment are of paramount concern to us in all of our activities.

«SAL»  
July 26, 2010  
Page 2 of 2

In short, the State Oil and Gas Board of Alabama, like other state oil and gas regulatory agencies across the country, is "close to the ground" and very hands-on in our approach to regulating the oil and gas industry. I fail to see how involvement of a far-removed Federal entity will improve this process and add value to what we already do in a safe, efficient, and effective way that has stood the test of time. We have 65 years of experience doing our job and doing it well. Certain provisions of HR5626 will make our task more difficult, while not providing any additional benefits for the public good.

I would ask that careful consideration be given to this bill and that provisions that potentially usurp state authorities over oil and gas operations be removed. I am available to discuss this with you or your staff. My direct line is 205.247.3679 and my cell is 205.454.8488. Thank you for your consideration of this matter and for your service to Alabama and the Nation.

Sincerely,

Berry H. (Nick) Tew, Jr., Ph.D.  
State Geologist and  
Oil and Gas Supervisor

itb



## RAILROAD COMMISSION OF TEXAS

ELIZABETH AMES JONES

COMMISSIONER

July 23, 2010

Honorable Henry A. Waxman  
United States Congressman  
2204 Rayburn House  
Washington, D.C. 20515

Re: H.R. 5626, Blowout Prevention Act of 2010, As Reported

Dear Mr. Chairman:

I write to express my concern over the passage of HR 5626, Blowout Prevention Act of 2010, which was reported out of the House Energy and Commerce Committee on July 15, 2010. This bill is bad for the energy security of our country as it seeks to put needless hurdles in front of experienced state oversight of drilling for oil and natural gas, both onshore and offshore. For the first time in 100 years of regulating the energy industry in Texas, the Railroad Commission of Texas, the permitting agency for all of Texas's oil and natural gas wells, would be required to have our safety requirements approved before issuing permits for both our onshore wells and offshore wells out to 3 leagues offshore. The proposed federal oversight authority of RRC regulations is a yet to be identified "appropriate federal official."

Because our rules are based on state statute, this bill effectively undermines the state legislative process and jurisdiction. It is a violation of the 10<sup>th</sup> Amendment, it is bad public policy, it puts a process in place that allows for the failed federal oversight system to be in charge of a successful state system, and it adds unnecessary costs to domestic production in a very competitive international market.

If the federal government insists on getting involved in onshore and states' waters project, I would suggest that the Railroad Commission of Texas, and other experienced state energy regulatory agencies, band together and create a cooperative to assist the federal government in regulating the drilling in the Outer Continental Shelf off our respective coastlines. Those of us on the frontlines of energy exploration and production have the most to lose in the face of a tragic accident like the BP Blow-out, and we are highly incentivized to make sure sound drilling procedures are put in place, offshore and onshore.

Texas's oil and natural gas sector is vital to more than the Texas economy. It is critical to the energy security of America. Texas is the largest oil and natural gas producing state in the country. Most of the technology that has allowed companies to tap into previously unreachable clean-burning natural gas has been developed in Texas gas fields, by American companies - the majority of which are considered "independents" that drill over 80% of the wells in this country. In other words, we know what we are doing and have a proven record of success in production and environmental protection.

Besides being bad public policy, overreaching and overly broad, HR 5626 is premature. Several investigations have yet to be completed, including the Marine Board of Investigation, President Obama's BP Deepwater Horizon Spill and Offshore Drilling Commission, the U.S. Chemical Safety and Hazard Investigation Board, and investigations by various Congressional Committees. Development of a program after the conclusion of these investigations would allow more targeted solutions to the specific problems that resulted in the BP blowout.

The effects of this legislation will be far-reaching and potentially catastrophic to more than the energy industry as it sets precedent for any industry that is regulated at the state level.

**Here is some of the most disturbing language in the bill.** The requirements of the Act would apply to "covered wells," which includes all "oil or gas exploration or production" wells located on the Outer Continental Shelf *and all other onshore and offshore "oil or gas exploration and production" wells, except for marginal wells, which, based on criteria developed by the authorized federal official could, in the event of a blowout, lead to extensive and wide-spread harm to public health and safety or the environment.* These wells would be located in states that the federal official determines "cannot effectively regulate" the wells. Therefore, although the briefing memorandum and the testimony make the bill appear to address safety and well control in only offshore drilling, the proposed legislation also could cover drilling, BOPs, well design, cementing, testing and monitoring of *all* wells, including wells on state and tribal lands and wells in state waters.

The BP blowout occurred under extraordinary conditions in extremely deep water. The regulation of wells in more ordinary conditions is unnecessary and unwarranted. Imposition of unnecessary regulations designed to prevent another deepwater blowout is not appropriate for shallow water and onshore oil and gas drilling. These regulations will effectively suffocate the oil and gas industry, many of which in Texas are relatively small businesses.

**Regarding the definition of a "covered well."** This includes the phrase "could, in the event of a blowout, lead to extensive and wide-spread harm to public health and safety or the environment." The bill, however, leaves the task of determining the criteria of the word "COULD, in the event of a blow-out" to the "appropriate federal official." **Because**

**this phrase helps determine the true scope of the Act, it should have been defined in the Act.**

In addition, the bill uses the broad term “oil or gas exploration and production.” Therefore, it is conceivable that the federal official could expand the reach of this bill, which purportedly deals exclusively with blowout prevention during drilling, to *all* activities associated with exploration and production of oil and natural gas in all areas of the nation.

**The proposed legislation is another example of federal preemption of state authority.** As noted above, although advertised to cover only offshore wells in federal waters, the bill, in fact, would create a regulatory program for all domestic oil and gas wells, except for marginal wells, thereby usurping state authority.

The proposed legislation would allow the federal official to delegate the regulatory program to a state if he or she determined that the state was able to “effectively regulate.” However, the federal official could “preempt” state regulation with respect to much oil and gas exploration and production activity if he or she determined that the state “cannot effectively regulate the well.” For example, it is possible that the authorized federal official could determine that a state cannot effectively regulate a covered well because the state does not have provisions for citizen suits.

In addition, the bill only establishes the framework for the regulations to be adopted by the “appropriate federal official.” Whatever the form of the final regulations, the state program would need to be sufficiently equivalent to garner the approval of the “appropriate federal official.” And because the bill requires the “appropriate federal official” to review and possibly revise the regulations every five years, the states also would possibly need to revise their regulations and reapply for approval of the state plan on a continuing basis.

The addition of provisions in Section 15 purportedly ‘fixed’ the bill before it was reported out of committee. These additions allow a state to file an action in United States District Court challenging a decision by the federal official to regulate wells as covered wells. **However, I see no reason to ask the federal government for permission to regulate oil and gas exploration and production within our borders when we have been doing so effectively for over 100 years.**

To sum it up, HR 5626 profoundly usurps state authority over oil and gas exploration and production and puts it the hands of an unknown “appropriate federal official” whose colleagues had oversight at the time of the BP blowout. This bill invites court challenges to RRC rules by giving standing to citizens to sue in Federal Court. This is contrary to our rules now, and court challenges will add roadblocks to the exploration and drilling permitting process. It will drive up the drilling costs of wells at a time when American

consumers can least afford the increased energy costs or the declining supply that will necessarily result.

Thank you for your attention to this serious matter. The many oil and gas producing states like Texas will be harmed by this bill in its present form. The United States of America is similarly harmed by this bill in its present form, and I hope you will reconsider your positions. I stand ready to assist you craft the proper way the federal government can oversee the drilling operations in federal waters and on federal lands as well.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "Elizabeth Ames Jones". The signature is written in a cursive, flowing style.

Elizabeth Ames Jones  
Commissioner  
Railroad Commission of Texas



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**Oil & Gas**  
COMPACT COMMISSION

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Alabama To Tim Charters, Republican Staff Director, House Resources Committee,

Alaska Thank you for your consideration of the following:

Arizona **Response of Interstate Oil and Gas Compact Commission to HR 5626, "Blowout Prevention Act of 2010"**

Arkansas  
California  
Colorado  
Florida  
Illinois  
Indiana  
Kansas  
Kentucky  
Louisiana  
Maryland  
Michigan  
Mississippi  
Montana  
Nebraska  
Nevada  
New Mexico  
New York  
North Dakota  
Ohio  
Oklahoma  
Pennsylvania  
South Dakota  
Texas  
Utah  
Virginia  
West Virginia  
Wyoming

The Interstate Oil and Gas Compact Commission (IOGCC) has deep concerns about the speed at which Congress is attempting to legislate oil and gas regulatory processes with its consideration of HR 5626. There are many questions about this legislation that should be answered before it is given further consideration. The IOGCC urges Congress to delay action until more definitive information can be obtained and provided to legislators. There must be thoughtful regulatory processes in place going forward that will serve this country well for the long term; not knee-jerk reactions to the current disaster in the Gulf.

Several groups and Congressional staff members have expressed concerns that this legislation could be interpreted or expanded to onshore wells. Among the concerns are:  
the definition of wells covered by the legislation,  
the prescriptive approach to legislative operating processes and equipment design,  
the additional federal bureaucracy put in place, and  
the unnecessary duplication of regulatory efforts

Since its inception the IOGCC, the oldest and largest state compact in the nation, has been tasked with providing a unified voice for the 38 member states. The Commission's member states have established effective regulation of the oil and natural gas industry specific to each state through a variety of programs designed to gather and share information, technology and best regulatory methods for the past 75 years.

The states have a proven history without federal oversight. Regulatory requirements and inspections of well sites are important components in each state. Prevention of accidents and environmental protection are the highest priorities in state regulatory programs. States are best prepared and quickest to react to situations that threaten environmental or human health.

The oil and natural gas producing states have never ceded powers and authority to the federal government regarding oil and natural gas regulations. The federal government lacks both justification and expertise in oversight of oil and natural gas production within the individual states.

There is no "one size fits all" solution to regulating oil and natural gas production. Each state faces individual circumstances for regulating production such as climate, geology and topography for regulating production. Highly experienced officials and inspectors provide oversight of these regulations.

The IOGCC member states work together to provide the best regulatory practices available while protecting the environment and this nation's energy security. The IOGCC intends to provide information to Congress from its member states prior to further consideration of this bill.

Sincerely,

Gerry Baker  
Associate Executive Director  
Interstate Oil and Gas Compact Commission