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House Resources Subcommittee on Energy & Minerals Resources**

"HR 2187; NOSR 3 Environmental Restoration"

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Madame Chairman and members of the Committee, I appreciate the opportunity to appear here today to discuss HR 2187, a bill to make available certain mineral leasing receipts for environmental restoration work at the Naval Oil Shale Reserve (NOSR) 3 near Rifle in Garfield County, Colorado. I am accompanied by Carlton Lance, BLM Colorado's Hazardous Materials Management Program lead.

The Department of the Interior supports this legislation, but recommends that the bill be amended to establish a two step process for access to monies from the fund. For the first step, we recommend that the bill be amended to grant BLM access to up to \$1.5 million from the fund for completion of the additional analysis, site characterization, and geotechnical studies. The completion of these studies is required to determine the ultimate cleanup necessary for the site. For the second step, the bill would require the Secretary to submit the findings of the study to the Congress before obligating funds for the cleanup work. Specifically, we recommend that the bill be amended to specify that sixty days after these findings have been submitted to Congress, the Secretary would then have access to the fund for the cleanup activities at NOSR 3 without need of any further Congressional action. However, should the total estimated cost exceed the available fund balance, BLM should be prohibited from taking any further action. This will give the Administration and Congress an opportunity to consult on the cost and funding of the proposed cleanup work. The Administration believes that, because the cleanup method remains uncertain, prudence dictates that the Administration and this Congress should be apprised of the potential costs before the cleanup work begins.

BLM wants to begin necessary on-the-ground environmental restoration activities at NOSR 3 as soon as possible, but cannot do so until this preliminary work is completed. Due to language in existing law that transferred administration of NOSR 3 from the Department of Energy (DOE) to the Department of Interior (DOI) in 1997, enactment of legislation is necessary to provide BLM with access to existing funds in a Treasury account specifically designated for these environmental restoration purposes.

Background

NOSR 3 is a 21,000-acre reserve created by executive order in 1924 and located in the southeastern portion of the Piceance Basin in northwestern Colorado. The site - like NOSR 1 which is also in Colorado and NOSR 2 in Utah - was originally created as a future source of fuel supplies for the U.S. Navy and to preserve the resource. The reserves were originally managed by the Department of Defense and were eventually transferred to DOE.

In the early 1980s, private oil and gas companies began to develop natural gas reserves in the surrounding areas and, in 1985, DOE initiated a natural gas drilling program in NOSR 3. In 2000, production from 76 wells on approximately 7,000 acres at NOSR 3 was roughly 8.7 million cubic feet of gas per day. Sold competitively on the open market in 2000, those sales generated approximately \$1 million in revenues for the United States. Future revenue growth at NOSR 3 is also expected - with 26 Applications for Permit to Drill (APDs) pending at the site and industry projections for 140 additional wells to be drilled within the next three years.

In addition to mineral resources, NOSR 3 contains substantial surface resources as well, including recreational, livestock grazing, watershed, paleontological, wildlife habitat and visual resources. It also includes natural habitats for several sensitive plants and animals.

Transfer of NOSR 3 Administrative Authority

Congress, in the National Defense Authorization Act for Fiscal Year 1998 (PL 105-85), transferred administrative jurisdiction of NOSR 3 from DOE to DOI. Included in the legislation authorizing the transfer is language specifying that all receipts from sales, bonuses, and royalties be placed into a treasury account to be used for reimbursement of environmental restoration, waste management, and environmental compliance costs incurred by the United States. The 1998 measure specifies that enactment of additional legislation is necessary for the Federal Government to formally access the funds for the environmental cleanup activities. Furthermore, the 1998 Act also provides that no monies received from BLM leases may be shared with the State of Colorado until costs (including environmental restoration costs) incurred by the United States related to the site have been reimbursed. To date, approximately \$8.5 million in lease sales have been deposited into this special treasury account. The account continues to grow with additional lease royalties and future sales.

Environmental Cleanup Issues

The primary current environmental concern at the NOSR 3 site is a spent shale pile that was developed through 40 years of deposition from oil shale mining and processing activities. The pile consists of approximately 300,000 cubic yards of material, and is roughly 1,000 feet in length and 350 feet high. It is located in a narrow ravine adjacent to West Sharrard Creek - a tributary which flows to the Colorado River in less than two miles. The Colorado Department of Public Health and Environment (the primary environmental regulator for the state) and BLM's contractor, Dynamac, have conducted analyses of the site and have concluded that the pile is the source of arsenic and other heavy metals contamination leaching into surface and groundwater. The pile's constituents also have been determined to be hazardous through direct physical contact. In addition, there are potential questions regarding the physical stability of the pile due to its steep slope, lack of vegetation, and proximity to the West Sharrard Creek. According to the Colorado Department of Public Health and Environment, these findings are considered threats to human health and the environment. Ancillary facilities in the area, such as open adits, sheds, and gravel roads, also require remedial actions.

Restoration Proposals

In 2000, BLM contracted with Dynamac Corporation to conduct an initial evaluation of the site and provide various restoration alternatives and cost scenarios. The following four alternatives were proposed and analyzed: 1) removal and disposal at an off-site Treatment Storage and Disposal Facility (TSDF); 2) removal and disposal to an on-site location; 3) in-place stabilization; and 4) beneficial reuse. A future detailed analysis of these proposed alternatives will have to be completed in accordance with CERCLA and a preferred alternative selected before BLM can report its findings to Congress. If the cost of the preferred alternative does not exceed the balances available in the designated account, BLM will then access the necessary funds and proceed with work under the oversight of the State of Colorado. Preliminary costs for the various alternatives range from a high of \$19.8 million for removal to an off-site TSDF location, down to \$1 million either for in-place stabilization or beneficial reuse. Additional site characterization is necessary to provide conclusive estimates of the remediation work necessary at the site and their costs.

Conclusion

Enactment of legislation is necessary to allow BLM to proceed with the pressing environmental cleanup projects at the NOSR 3 site. In turn, completion of these necessary tasks will put the Federal Government

and the State of Colorado one step closer to sharing in the benefits of the receipts from the development of natural gas at NOSR 3.

Madame Chairman, thank you for your consideration of this important legislation. I would be pleased to answer any questions that you or the other members of the Committee may have.