

1. **NATURAL GAS: BJ Services acknowledges violating EPA fracturing agreement** (02/19/2010)

Mike Soraghan, E&E reporter

Two of the world's largest oil-field services companies have acknowledged to Congress that they used diesel in hydraulic fracturing after telling federal regulators they would stop injecting the fuel near underground water supplies.

Halliburton and BJ Services acknowledged to the House Oversight and Government Reform Committee in January 2008 that they had used diesel in the controversial process that has expanded access to vast natural gas plays.

BJ Services acknowledged it had violated a December 2003 "memorandum of agreement" that it and other companies signed with U.S. EPA agreeing to limit the amount of diesel they use in fracturing.

The chairman of the oversight panel at the time, Democrat Henry Waxman (Calif.) is now chairman of the Energy and Commerce Committee, which launched an investigation yesterday into fracturing practices.

The companies' acknowledgement was included in a memo from Waxman to committee members that was released to the public yesterday with the announcement of the probe. Waxman said that after sending questions to major fracturing companies, a BJ Services attorney reported that the company used 1,706 gallons of diesel-based slurry in two dozen coalbed methane fracturing jobs in Arkansas and Oklahoma from 2005 to 2007.

"In a letter to the Oversight Committee, counsel for BJ Services acknowledged that these events 'were in violation of the MOA' and expressed a commitment to uncovering how they occurred," Waxman's memo states. The letter also says, "BJ Services subsequently sent a reminder to 'all employees who design or perform fracturing operations about the requirements of the MOA.'"

As part of the same oversight committee investigation, Halliburton reported using fluids containing diesel fuel from 2005 to 2007 to fracture oil and gas wells in 15 states. Specifically, Halliburton reported using more than 807,000 gallons of seven diesel-based fluids over the three-year period.

Waxman's memo says the companies didn't specify whether the fluids were injected into wells located in or near underground sources of drinking water, which could create contamination risks. In addition, the memo says, it could be a violation of the Safe Drinking Water Act if the fluids contain diesel fuel.

Hydraulic fracturing blasts sand, water and chemicals deep into a wellbore to break compact rock. Though the industry has used the process for decades, questions about drinking have mounted in the past few years as the process has opened up vast reserves in new areas, such as Texas and New York.

Halliburton officials said the suggestions that its use of diesel may have violated the agreement are "completely inaccurate."

"The terms of the MOA specifically cover coalbed methane gas development activities occurring in association with Underground Sources of Drinking Water, and not [fracturing] projects in other

unconventional gas development activities or conventional formations," company spokeswoman Diana Gabriel said in a written statement to E&E. "Halliburton is firmly committed to full compliance with the MOA and has, in fact, voluntarily gone further to cease the use of diesel in its liquid gel concentrates regardless of the type of [fracturing] job in which they are used."

But BJ Services' admission that it may have violated the agreement raises the question of whether it injected diesel into drinking water. The agreement covers only fracturing in coalbed methane wells in underground sources of drinking water.

BJ Services didn't respond by press time to E&E's request for comment, but told the *Houston Chronicle* it had reported the incidents to the EPA on its own.

Jeff Smith, chief financial officer of BJ Services, told the newspaper some of the company's units "inadvertently performed a few jobs" with diesel, with the last one occurring in 2007.

"The company self-reported the incidents to the EPA and took measures to stop it from happening in the future. The company's technology center in Tomball also figured out a way to replace diesel in frac jobs with mineral oil-based products instead, to improve the ecological footprint of the fracking fluids," Smith told the *Chronicle*, which published his statement in a blog.

MOU key to regulatory exemption

The agreement not to use diesel was aimed at calming fears about groundwater contamination when Congress decided to exempt fracturing from federal drinking water laws in the 2005 energy bill. The agreement was signed by Halliburton, BJ Services and Schlumberger, which then did nearly all the fracturing work in the United States. It included no enforcement penalties.

Congressional Republicans were responding to industry requests to head off potential federal regulation and leave it to the states. But Democrats consistently complained that their efforts would allow oil companies to inject diesel into drinking water. So in the final version of the bill, fracturing was exempted from the Safe Drinking Water Act unless diesel was used.

At the time, industry representatives said use of diesel was rare in any type of fracturing and specifically not used near drinking water sources.

"Diesel itself had been used so rarely and so specifically in formations that are not classified as drinking water sources, and there has been no evidence of any contamination of water because of diesel or its use in fracturing fluids," Bill Whitsitt of the Domestic Petroleum Council said in 2004.

Rep. Diana DeGette (D-Denver), vice chairwoman of Waxman's committee, has introduced legislation ([H.R. 2766](#)) that would require drilling companies to disclose the chemicals used in their fracturing fluids under the Safe Drinking Water Act. She has said she is not trying to ban the practice, but her proposal has run into staunch opposition from the industry, which maintains that the drilling practice is safe and fairly regulated by the states. Sen. Bob Casey (D-Pa.) has introduced companion legislation in the Senate.

Last year, Congress ordered EPA to study the impact of fracturing on drinking water, which would follow on a 2004 EPA study that found no risk of contamination of drinking water from fracturing in coalbed methane wells. The report, though, did cite the use of diesel in fracturing as a concern.

Yesterday, Waxman and Rep. Ed Markey (D-Mass.) announced their investigation by sending letters to eight oil-field services firms seeking data and documents on the types and quantities of chemicals used in hydraulic fracturing fluids, the proximity of injections to underground drinking water sources, questions about the technique's environmental and health impacts, and the chemical contents of wastewater produced by fracturing operations.

"Hydraulic fracturing could help us unlock vast domestic natural gas reserves once thought unattainable, strengthening America's energy independence and reducing carbon emissions,"

Waxman said in a statement. "As we use this technology in more parts of the country on a much larger scale, we must ensure that we are not creating new environmental and public health problems."

But some in the industry see political maneuvering behind Waxman's investigation and its timing, since the EPA is already doing a study.

"While an inquisition targeting chemicals is a hell of a lot sexier than a fact-based dialogue on pathways of exposure, it unfortunately misses the point," said Chris Tucker of the industry group Energy in Depth.

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