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Oil industry safety check is state's most extensive

PIPELINES, MORE: \$4.1 million project to assess levels of risk.

By ERIC LIDJI
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All the pipelines in Alaska laid end to end would run from Deadhorse to Dallas with pipe to spare. The state wants someone to walk those lines, and along the way check up on other key oil sites in Alaska, to find out what's in good shape and what isn't.

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Following through on a budget request the Palin administration made last year, the state plans to spend \$4.1 million to assess the risk of failure at production facilities, storage systems, wells, marine terminals, pipelines and flowlines from the North Slope to Valdez to Cook Inlet.

The goal is to get a sense of which facilities might be the most likely to have problems in the future and to figure out what can be done to prevent those problems from happening.

The assessment would be the most comprehensive ever undertaken in Alaska, and many officials believe one of the largest of its kind for a major oil region.

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While the project will involve numerous state agencies, the Alaska Department of Environmental Conservation will lead the effort through its Division of Spill Prevention and Response.

The project will start this summer and wrap up by June 2010.

Private companies built and own the oil and gas infrastructure, but those facilities sit on federal, state or Native land.

The risk assessment will look not only at the infrastructure in Alaska, but at the systems in place to manage and protect it, meaning the state plans to check the oversight measures created by the industry.

The decision to evaluate oil and gas infrastructure in Alaska can be traced directly back to the high profile oil spills on the North Slope.

In requesting funding for the project back in May, Gov. Sarah Palin tied the risk assessment to the new Petroleum Systems Integrity Office created a few weeks earlier in part as a response to corrosion discovered at the BP-run Prudhoe Bay oil field in 2006.

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The risk assessment should improve state oversight, said Allison Iversen, who became the new coordinator of the PSIO on March 17.

The state has statutory and legal authority to oversee infrastructure on state units and leases, but Iversen believes a shared goal of keeping operations moving will foster cooperation between the state and the industry.

WAKE OF THE OIL SPILLS

The assessment comes at awkward time.

In February, the state Department of Law indicated it planned to sue BP to recover oil revenue lost in 2006 during a major spill in March and a partial shutdown of production at Prudhoe Bay in August. Those incidents led to federal and state lawsuits, congressional hearings and large fines.

Speaking recently before the Anchorage Chamber of Commerce, BP Alaska president Doug Suttles said his company learned about the pending lawsuit from media reports and called the lawsuit "another example" of what BP sees as an increasingly hostile business environment in Alaska, propelled by recent tax increases.

"We're ... one of the biggest taxpayers in the state of Alaska and have been for many years, and the attacks we come under are quite extraordinary," Suttles said.

The state is well aware that the lawsuit and the risk assessment could overlap, according to Betty Schorr, manager of the Industry Preparedness Program within the Department of Environmental Conservation.

"It crossed our mind," Schorr said. "We hope (the companies) see it as a separate and distinct project, and that's all we can hope for."

BP TO PLAY ALONG

Following the events of 2006, BP created a "technical directorate" charged with being an independent agency overseeing safety and integrity for facilities.

The new agency was designed to narrow the distance between the people who recognize problems and the decision-makers who can do something about those problems.

BP won't know how it feels about the risk assessment until it sees the "methodology" being used, according to spokesman Steve Rinehart.

"We have established integrity management systems and processes for safely managing our operations," he said. "If they feel it's necessary, that's their judgment to make."

Asked if BP saw the comprehensive risk assessment as simply a way for the state to examine BP, Rinehart said, "We will take this effort on good faith and on face value. If they are interested in more information about maintenance and systems, about processes, about integrity, about our management and safety culture, these are things we are proud of, but things we are always looking for ways to make better. We don't shy away from having a conversation about it."

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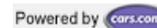
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