

**STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
333 West Seventh Avenue, Suite 100
Anchorage Alaska 99501-3539**

Re: BP Exploration (Alaska), Inc., as Operator of the)
Prudhoe Bay Unit; Prudhoe Bay Field;)
Well PBU H-11 Enforcement Action) AOGCC Order No. 32
December 16, 2004

DECISION AND ORDER

On October 25, 2004, the Alaska Oil and Gas Conservation Commission (“Commission”) issued a Notice of Proposed Enforcement Action under 20 AAC 25.535(b), stating that it considered that BP Exploration (Alaska) Inc. (“BPXA”) may have violated provisions of Conservation Order No. 492 and regulation 20 AAC 25.526 in connection with operating well PBU H-11 (“H-11”). The Commission proposed civil penalties under AS 31.05.150(a) in the total amount of \$117,500, as well as specified corrective actions.

BPXA responded in writing on November 10, 2004, stating that it “does not contest the proposed enforcement action, although it asks the Commission to re-evaluate portions of the proposed action.” Although BPXA specifically stated that it “does not request either a formal hearing or an informal conference in connection with this matter,” there is no procedure by which the Commission can re-evaluate a proposed enforcement action and issue an enforcement order that differs from the proposal other than through an informal review or formal hearing under 20 AAC 25.535. Consequently, the Commission will treat BPXA’s response as a request for informal review limited to a written statement, but subject to BPXA’s representation that it will not contest the outcome (assuming that the order does not impose additional sanctions).

A. Summary of Proposed Enforcement Action

In its Notice of Proposed Enforcement Action, the Commission identified an apparent violation by BPXA of Rule 2 of Conservation Order No. 492 ("CO 492") by failing to record and make available on request the results of monitoring the H-11 tubing and annulus pressures during the approximate time period of August 19, 2004, through September 8, 2004. The apparent violation of Rule 3 of CO 492 consisted in BPXA's failure to notify the Commission of OA pressure in H-11 exceeding 1,000 psig beginning on or about September 9, 2004 until September 21, 2004, on which date H-11's OA pressure was reported to the Commission by BPXA personnel in response to a Commission inquiry. The apparent violation of Rule 6 of CO 492 and 20 AAC 25.526 resulted from BPXA's failure to bleed off H-11's OA pressure before it was restarted on September 9, 2004, after having been shut-in.

The Commission proposed to order the following corrective actions by BPXA:

- (1) that within 30 days after the date of the enforcement order, BPXA provide the Commission with a detailed description of actions, planned and accomplished, to prevent recurrence of violations similar to those that the Commission believed to have occurred in connection with the start-up of H-11; and that BPXA provide the Commission with monthly progress reports until the planned actions are completed; and
- (2) that for a period of 180 days beginning 10 days after the date of the enforcement order, BPXA provide the Commission with
 - (a) 24 hour advance notice of all Prudhoe Bay Unit ("PBU") well restarts so that the Commission has an opportunity to witness the restart operations; and
 - (b) documentation of all PBU well pressure bleeds in connection with well restarts.

In addition, the Commission proposed the following civil penalties under AS 31.05.150 (a): (i) \$2,500 per day for each of 21 days for violating Rule 2 from August 19, 2004, through September 8, 2004, inclusive; (ii) \$5,000 per day for each of 12 days for violating CO 492, Rule 3 from September 9, 2004, through September 20, 2004, inclusive; and (iii) \$5,000 for violating CO 492, Rule 6, and 20 AAC 25.526. The total of the proposed civil penalties was \$117,500.

B. Conservation Order 492, Rule 2

BPXA contends that Conservation Order 492, Rule 2, does not expressly require an operator to record OA pressure observations but acknowledges that an OA pressure recording requirement may be implied by Rule 2. BPXA further maintains that it would be helpful to clarify the rule and state the requirement expressly, if the Commission intends to require it.

Although Rule 2 does not use the term "record," the Commission believes that recordation is clearly required by the provision of Rule 2 that "Monitoring results shall be made available for AOGCC inspection." It is not reasonable to interpret this provision as equating "monitoring results" with mere personal recollections. Accordingly, the Commission will impose the proposed civil penalties of \$2,500 per day for each of 21 days from August 19, 2004 through September 8, 2004, inclusive

To avoid the possibility of future uncertainty or misunderstanding, the Commission agrees that it may be desirable to revise Rule 2 to make the recording requirement express. The Commission may therefore initiate a separate proceeding to propose a rule amendment.

C. Conservation Order 492, Rule 3

BPXA claims that sustained OA pressure in well H-11 could not have been verified instantaneously and that "in many instances, it may take a week or more to determine if a well is

exhibiting sustained outer annulus pressure.” BPXA references a discussion recorded in a transcript of hearing dated May 27, 2003, in support of its position.

CO 492, Rule 3 requires that an operator provide notice of sustained annulus pressures to the Commission within three working days. The Commission believes that a time period of three days is generally sufficient to assess the cause of anomalously high well annulus pressure observations and that it was sufficient in this instance. BPXA’s Hearing Transcript citations address the relationship between relatively high annulus pressure observations and pressure bleed rates, in the context of BPXA’s internal guidelines for bleeding down annulus pressures. However, during the relevant period BPXA performed no pressure bleeds on Well H-11. Had BPXA performed timely H-11 annulus pressure bleeds in accordance with its guidelines, either to diagnose anomalously high OA pressure observations or for other reasons, BPXA would have been able to determine whether H-11’s outer annulus pressure met the definition of “sustained.”

BPXA also points out that Rule 3 does not require that an operator provide notice of sustained annulus pressure to the Commission earlier than three working days after identifying the situation. The Commission concurs, and the civil penalty calculation will be corrected accordingly.

Finally, BPXA contends that the Commission had actual notice of H-11 OA pressure, provided by a Commission Petroleum Inspector’s observation. The inspector was conducting surface safety valve testing on H Pad when he noted H-11’s OA pressure.

Rule 3 requires an operator to provide the Commission notice of well annulus pressure observations above a specified threshold. The happenstance of a Commission Inspector’s detecting pressure above that threshold simply does not excuse the operator from complying with its obligation under the rule. Among other problems with BPXA’s argument, an Inspector doing

field work on the North Slope should not be expected to have to verify with the Commission whether the Commission has received notice from the operator or whether the operator is relying on the inspector to substitute for that notice.

The Commission will impose civil penalties for violating Rule 3 of \$5,000 per day for each of 9 days from September 12, 2004, through September 20, 2004, inclusive.

D. Conservation Order No. 492, Rule 6

BPXA does not contest this portion of the proposed enforcement order.

E. Corrective Actions

BPXA accepts the Commission's proposed requirement that BPXA provide documentation of corrective actions but suggests that the requirement be clarified as providing for documentation in "Logbook," BPXA's well data recording system. The Commission concurs with this recommendation.

BPXA objects to the Commission's proposed requirement of 24 hours advance notice of all PBU well restarts as being impractical. The Commission agrees that a blanket 24 hour notice requirement may not be practical in all cases and therefore withdraws this aspect of the required corrective actions. The Commission agrees to consider potential alternative procedures outside of this enforcement proceeding.

F. Findings and Conclusions

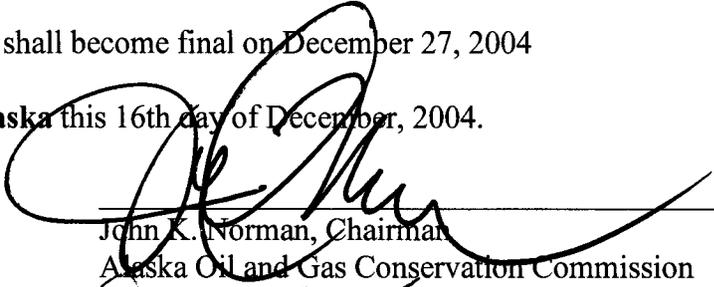
For the reasons stated above, the Commission finds that BPXA violated Rules 2, 3, and 6 of Conservation Order No. 492 and regulation 20 AAC 25.526, and the Commission concludes that civil penalties in the total amount of \$102,500 are appropriate and that the corrective actions set out below should be ordered.

NOW THEREFORE IT IS ORDERED THAT:

1. BPXA shall pay to the Commission civil penalties of \$102,500 within 30 days after the date this Decision and Order becomes final;
2. BPXA shall comply with the following corrective actions:
 - a. Within 30 days from the date this Decision and Order becomes final, BPXA shall provide the Commission with a detailed description of actions, planned and accomplished, to prevent recurrence of violations similar to those found in connection with the start-up of H-11. BPXA shall provide the Commission with monthly progress reports until all planned actions are accomplished.
 - b. For a period of 180 days beginning 10 days after the date this Order and Decision becomes final, BPXA shall document PBU well pressure bleeds performed in connection with well restarts in Logbook.
3. This Decision and Order shall become final on December 27, 2004

Done at Anchorage, Alaska this 16th day of December, 2004.




John K. Norman, Chairman
Alaska Oil and Gas Conservation Commission


Daniel T. Seamount, Jr., Commissioner
Alaska Oil and Gas Conservation Commission

12.16.04
Feldman - hand
Johnson - hand