

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

Re: Failure to complete a Mechanical Integrity Test (MIT)
Milne PT Unit SB G-19 (PTD 2041920)
Area Injection Order 10B, Milne Point Unit (MPU)

Other Order No. 89
January 21, 2014

FINAL DECISION AND ORDER

On November 20, 2013, the Alaska Oil and Gas Conservation Commission (AOGCC) issued a Notice of Proposed Enforcement Action (Notice) to BP Exploration (Alaska) Inc. (BPXA) regarding the Milne PT Unit SB G-19 (MPG-19) well. The Notice advised that BPXA failed to complete a Mechanical Integrity Test (MIT) in MPG-19 well. The Notice proposed a \$11,500 civil penalty under AS 31.05.150(a).

In reply to the notice of enforcement, BPXA provided a letter dated December 10, 2013 not contesting the proposed enforcement action and enclosed a check in the amount of \$11,500 in payment of the civil fine.

A. Summary of Proposed Enforcement Action

The Notice identified a violation by BPXA of Rule 4 of Area Injection Order 10B (AIO 10B) ("Demonstration of Tubing - Casing Annulus Mechanical Integrity"). A violation occurred every day after March 17, 2013 that BPXA injected into MPG-19 without completing an MIT, specifically September 1, 2, and 3 2013. The AOGCC proposed payment by BPXA of a civil penalty under AS 31.05.150(a) in the amount of \$11,500 (\$10,000 for the initial violation - failure to perform the required MIT of the injection well in compliance with

testing protocols specified in Rule 4 of AIO 10B, and \$500 for each day September 1, 2013 to September 3, 2013 (3 days) for injecting in a well out of compliance with MIT regulations)

B. Demonstration of Tubing/Casing Annulus Mechanical Integrity

Rule 4 of AIO 10B states "*A schedule must be developed and coordinated with the Commission that ensures that the tubing-casing annulus for each injection well is pressure tested prior to initiating injection, following well workovers affecting mechanical integrity, and at least once every four years thereafter.*"

The last AOGCC-witnessed MIT occurred March 17, 2009. Therefore an MIT was required on or before March 17, 2013. No MIT was timely performed. The well was out of compliance, but continued injection for 3 days, from September 1, 2013 to September 3, 2013 inclusive.

BPXA failed to demonstrate the mechanical integrity of injection well MPG-19 within the required four year cycle, a violation of State regulations and AIO 10B.

C. Violation

An MIT on MPG-19 was required no later than March 17, 2013. By email dated September 5, 2013 BPXA notified the AOGCC that MPG-19 was returned to injection on September 1, 2013. In the BPXA October 16, 2013 letter in response to the AOGCC investigation, BPXA provided data specifying that injection occurred on September 1, 2, and 3, 2013 (3 days) before BPXA shut in the well.

D. Mitigating Circumstances

The AOGCC considered the factors in AS 31.05.150(g) in determining the appropriate penalty. The penalty was reduced due to BPXA's general history of satisfactory compliance and practices, an aquifer exemption for the MPU, the lack of actual or potential threat to public health or the environment, and BPXA's immediate shut-in of the MPG-19 once BPXA determined the well was out of compliance.

E. Findings and Conclusions

The AOGCC finds that BPXA violated the regulations and the Rules in AIO 10B governing the Demonstration of Tubing-Casing Annulus Mechanical Integrity. Mitigating circumstances outlined above were considered in the AOGCC's Notice of Enforcement Action and its assessment as to the appropriate civil penalty, which was decreased from the maximums provided by statute. BPXA did not contest the AOGCC's proposed enforcement action, paid the civil fine, and established and implemented training and process protocols for employees and contractors governing injection operations and management of change. The AOGCC finds BPXA's new training and process protocols to be satisfactory effort to help prevent further occurrence of this violation of failure to complete a Mechanical Integrity Test.

NOW THEREFORE IT IS ORDERED THAT:

BPXA shall:

1. Comply with the AOGCC's regulations, orders, approved administrative actions, and approval conditions relating to injection for enhanced recovery purposes.

2. Implement and update as necessary the training and process protocols governing Mechanical Integrity Testing and injection operations and management of change outlined in BPXA's October 16, 2013 letter.
3. Maintain and make available for AOGCC inspection records to substantiate completed training for BPXA personnel as outlined in BPXA's October 16, 2013 letter.

Done at Anchorage, Alaska and dated January 21, 2014.



Cathy P. Foerster, Chair, Commissioner
Alaska Oil and Gas Conservation Commission

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

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

RECONSIDERATION AND APPEAL NOTICE

As provided in AS 31.05.080(a), within 20 days after written notice of the entry of this order or decision, or such further time as the AOGCC grants for good cause shown, a person affected by it may file with the AOGCC an application for reconsideration of the matter determined by it. If the notice was mailed, then the period of time shall be 23 days. An application for reconsideration must set out the respect in which the order or decision is believed to be erroneous.

The AOGCC shall grant or refuse the application for reconsideration in whole or in part within 10 days after it is filed. Failure to act on it within 10-days is a denial of reconsideration. If the AOGCC denies reconsideration, upon denial, this order or decision and the denial of reconsideration are FINAL and may be appealed to superior court. The appeal MUST be filed within 33 days after the date on which the AOGCC mails, OR 30 days if the AOGCC otherwise distributes, the order or decision denying reconsideration, UNLESS the denial is by inaction, in which case the appeal MUST be filed within 40 days after the date on which the application for reconsideration was filed.

If the AOGCC grants an application for reconsideration, this order or decision does not become final. Rather, the order or decision on reconsideration will be the FINAL order or decision of the AOGCC, and it may be appealed to superior court. That appeal MUST be filed within 33 days after the date on which the AOGCC mails, OR 30 days if the AOGCC otherwise distributes, the order or decision on reconsideration.

In computing a period of time above, the date of the event or default after which the designated period begins to run is not included in the period; the last day of the period is included, unless it falls on a weekend or state holiday, in which event the period runs until 5:00 p.m. on the next day that does not fall on a weekend or state holiday.