

ARCO Alaska, Inc.
Post Office Box 100360
Anchorage, Alaska 99510-0360
Telephone 907 276 1215

COMM	
COMM	
RES ENG	H
SR ENG	B
SR ENG	
ENG ASST	
ENG ASST	
SR GEOL	A
GEOL ASST	
GEOL ASST	No
STAT TECH	2
STAT TECH	S
FILE	

July 12, 1994

Mr. David W. Johnston, Chairman
Alaska Oil and Gas Conservation Commission
3001 Porcupine Drive
Anchorage, AK 99501-3192

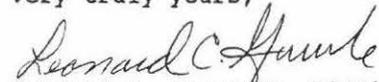
RE: Drillsite 5-23 59-79

Dear Commissioner Johnston:

ARCO Alaska, Inc. has reviewed the Commission's June 15, 1994 order which levies a \$5,586 penalty under the authority of AS 31.05.150(e) and a \$35,000 penalty under the authority of AS 31.05.150(a). ARCO Alaska, Inc. will not appeal the Commission's order imposing these penalties. Enclosed please find ARCO's check in the amount of \$40,586 in payment of these penalties.

ARCO's payment of these penalties is not an admission that its actions were negligent. However, this incident demonstrated that ARCO's wellhead safety procedures could be improved. Consequently, as previously discussed, ARCO has revised its procedures to prevent this type of incident in the future. The Commission's recent revisions to Rule 5 of Conservation Order 145 will also serve to prevent a reoccurrence of this type of incident.

Very truly yours,


Leonard C. Gurule/H. William Johnson
Prudhoe Bay Field Manager

/cs

johnston.ltr

RECEIVED

JUL 13 1994

Alaska Oil & Gas Cons. Commission
Anchorage

Alaska, Inc. 

00213098

Prudhoe Bay Unit Disbursement Account
P.O. Box 102776
Anchorage, AK 99510

Date: 07/12/94 Check #: 00213098
Pay Entity: 0201 Vendor #: N00072020253

DATE	INVOICE NUMBER	VOUCHER	SOURCE ID	GROSS	DISCOUNT/ADJUSTMENTS	NET
07/12/94	VR0712948JH01 DRILLSITE 5-23 PENALTY	C002P 0794	8JH	40586.00		40586.00
RECEIVED						
JUL 13 1994						
Alaska Oil & Gas Cons. Commission Anchorage						
TOTAL				40586.00		40586.00

Questions regarding this remittance can be made by locating the first two characters in the SOURCE ID column and calling or writing:
A 907/263-4366 ATO-800, POB 100360, Anch., AK 99510-0360
H 907/265-6196 P.O. BOX 103560, Anchorage, AK 99510-3560
I 907/263-4911 P.O. BOX 103560, Anchorage, AK 99510-3560
J 907/263-4913 P.O. BOX 103240, Anchorage, AK 99510-3240

SP 907/265-6318 ATO-925, POB 100360, Anch., AK 99510-0360
SX 907/263-4418 P.O. BOX 103240, Anchorage, AK 99510-3240
SY 907/263-4911 P.O. BOX 103560, Anchorage, AK 99510-3560
SZ 907/263-4911 P.O. BOX 103560, Anchorage, AK 99510-3560

Detach check before depositing

RCO Alaska, Inc. 

Prudhoe Bay Unit Disbursement Account
P.O. Box 102776
Anchorage, AK 99510

73-426
339

Prudhoe Bay Unit Disbursement Account
The First National Bank of Chicago-0710
Chicago, Illinois, Account 09-97609
Payable Through
Republic Bank, Shelbyville, Kentucky
00213098

00213098

Pay FORTY THOUSAND FIVE HUNDRED EIGHTY-SIX DOLLARS AND NO CENTS

To the order of:

STATE OF ALASKA, DEPT OF REVENUE
ALASKA OIL & GAS CONSERV COMM
3001 PORCUPINE DRIVE
ANCHORAGE AK 995013192

Date 07-12-94

Amount *****40,586.00*

Void after 90 days

Martin C. Reschke
18011

⑈0000213098⑈ ⑆083904262⑆ 09 97609⑈



WALTER J. HICKEL, GOVERNOR

**ALASKA OIL AND GAS
CONSERVATION COMMISSION**

3001 PORCUPINE DRIVE
ANCHORAGE, ALASKA 99501-3192
PHONE: (907) 273-1433
TELECOPY: (907) 276-7542

March 15, 1994

John Whitehead
ARCO Alaska, Inc.
P.O. Box 100360
Anchorage, Alaska 99510-0360

Re: Drill Site 5-23 Oil Spill

801-79

Dear Mr. Whitehead:

The Commission is reviewing the Drill Site 5-23 oil spill on December 30, 1993 for possible imposition of penalties under AS 31.05.150. The spill occurred when high winds caused failure of the 5-23 flow line. Spill size was approximately 365 to 400 barrels of crude oil and 4.0 and 5.3 MMSCF of gas. The Commission concludes the initial cause of the spill was force majeure.

ARCO Alaska, Inc., however, appears to have aggravated the spill because it shut-in the well at the well house and disabled the well's safety valve system. ARCO's failure to secure the well at the well head appears inconsistent with sound engineering practices and may violate 20 AAC 25.526, as well as its own operating procedures. Disabling the safety valve system is a violation of Commission regulations, 20 AAC 25.265. Both actions appear negligent. Further, ARCO may have engaged in these actions knowing that each was a violation of Commission regulations.

The Commission may impose a civil penalty of \$5000.00 per day on persons who negligently violate the statutes and regulations of the Commission. AS 31.05.150(a).

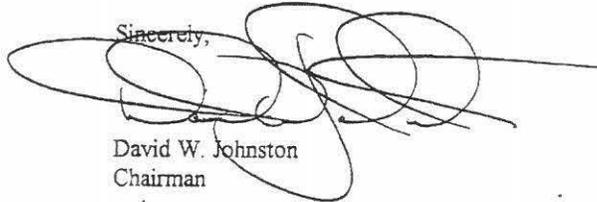
It is also within the power of the Commission to define all vented gas related to this incident as waste under AS 31.05.170. Should the Commission conclude, based on the evidence presented, that either a willful or negligent act(s) by ARCO or its employee contributed to the incident, then a penalty may be assessed on every 1000 cubic feet of natural gas vented or otherwise determined to be waste. The penalty is based upon the fair market value of natural gas at the point of waste. AS 31.05.170(e).

Before the Commission makes a determination concerning possible imposition of penalties, we are providing you, or anyone else, with an opportunity to provide any additional information to show whether or not the incident was the result of a willful or negligent act(s) and if the gas vented as a result of the incident should be considered

waste. Any information you would like to have us consider must be presented in writing or in person before 4:30 PM on April 8, 1994. This will be your final opportunity to comment before we render a decision in this matter.

Although penalties are being considered, the Commission wants to compliment you and the rest of the ARCO incident staff for their handling of this case and their forthrightness in reporting the incident to the Commission. The Commission notes that ARCO's response and follow-up to this incident has been reasonable and responsible. We believe ARCO thoroughly investigated the incident and reported all its findings and conclusions to the Commission. We believe the action plan adopted by ARCO, if enforced, will help prevent a similar incident in the future.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

David W. Johnston
Chairman

cc. Rob Mintz, Dept. of Law

**ALASKA OIL AND GAS
CONSERVATION COMMISSION**

3001 PORCUPINE DRIVE
ANCHORAGE, ALASKA 99501-3192
PHONE: (907) 279-1433
TELECOPY: (907) 276-7542

March 15, 1994

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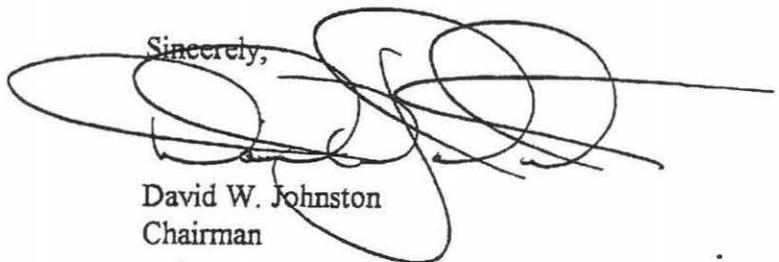
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Chairman

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Anchorage

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- SZ 907/263-4911 P.O. BOX 103560, Anchorage, AK 99510-3560

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RCO Alaska, Inc. 

Prudhoe Bay Unit Disbursement Account
P.O. Box 102776
Anchorage, AK 99510

73-426
839

Prudhoe Bay Unit Disbursement Account
The First National Bank of Chicago-0710
Chicago, Illinois, Account 09-97609
Payable Through
Republic Bank, Shelbyville, Kentucky
00213098

00213098

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ALASKA OIL & GAS CONSERV COMM
3001 PORCUPINE DRIVE
ANCHORAGE AK 995013192

Date 07-12-94

Amount *****40,586.00*

Void after 90 days

Martin C. Reshute
TR011

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND. THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK. HOLD AT AN ANGLE TO VIEW.

⑈0000213098⑈ ⑈083904262⑈ 09 97609⑈