

STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
333 West 7th Avenue, Suite 100
Anchorage, Alaska 99501

Re: Enforcement Action Against)
Union Oil Co. of California)

Other Order No. 26

ENFORCEMENT ORDER

IT APPEARING THAT:

1. Pursuant to 20 AAC 25.535, on February 17, 2004, the Alaska Oil and Gas Conservation Commission ("Commission") issued written notice to Union Oil Company of California ("Unocal") informing it that the Commission proposed to take enforcement action, including requiring payment of a penalty as a result of gas flaring at Baker platform in Middle Ground Shoal Field, Cook Inlet, during July 2003.
2. The Commission's written notice informed Unocal that if it failed to file a timely written response, the Commission would consider it to have accepted the proposed Commission action by default, as provided in 20 AAC 25.535(c).
3. The Commission received no response from Unocal.

FINDINGS:

1. Unocal is operator of the Baker Platform located within the Middle Ground Shoal field of Cook Inlet.
2. Unocal publicly announced its intent to shut down production at Baker Platform in October 2002.
3. The scope of Baker shut down plans was not fully disclosed to the Commission despite inquiries subsequent to Unocal's public announcement.
4. Final shut down of operations at the Baker Platform was completed by August 2003.
5. Unocal flared 612,000 cubic feet (612 Mcf) of gas while suspending operations at Baker Platform in Middle Ground Shoal during July 1-2, 2003; flaring exceeded one hour.
6. The Commission received from Unocal a "Facility Report of Produced Gas Disposition", Form 10-422, for Baker Platform, dated August 14, 2003.
7. The Commission sent Unocal a letter dated December 22, 2003, requesting additional information about the flaring associated with shut down operations.

8. Unocal responded to the Commission's request in a letter dated January 1, 2004, explaining that the gas flared at Baker Platform during July 1-2, 2003, was associated with the process of suspending operations, and normal production process and compression equipment were no longer operable because of steps involved with those operations.
9. 20 AAC 25.235(d) establishes flaring and venting that can be authorized by the Commission and not subject to a determination of waste, generally grouped into safety, lease use, and conservation categories. Flaring and venting associated with the suspension or abandonment of activities at Baker Platform do not meet the criteria set forth in AOGCC regulations as authorized flaring.
10. The royalty value of gas produced at Baker Platform during July 2003, according to the Alaska Department of Natural Resources, Division of Oil and Gas, was \$2.26 per Mcf. Based on this figure, the fair market value of the flared gas was \$1,383.12.

CONCLUSIONS:

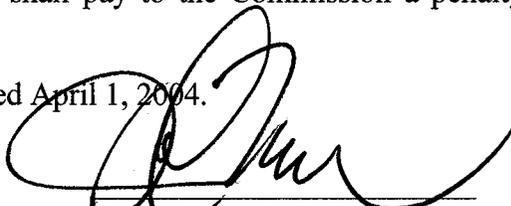
1. Unocal's flaring of 612 Mcf of gas on July 1 and 2, 2003, constituted waste.
2. For purposes of AS 31.05.150(e), the fair market value of the wasted gas was \$1,383.12.
3. Under AS 31.05.150(e), Unocal is liable to pay to the Commission a penalty of \$1,383.12.
4. Pursuant to 20 AAC 25.535(c), Unocal has accepted by default the Commission's proposed action ordering payment of a penalty.

NOW THEREFORE IT IS ORDERED:

No later than May 1, 2004, Unocal shall pay to the Commission a penalty in the amount of \$1,383.12.

DONE at Anchorage, Alaska and dated April 1, 2004.





John K. Norman, Chair
Commissioner



Daniel T. Seamant, Jr.
Commissioner

AS 31.05.080 provides that within 20 days after receipt of written notice of the entry of an order, a person affected by it may file with the Commission an application for rehearing. A request for rehearing must be received by 4:30 PM on the 23rd day following the date of the order, or next working day if a holiday or weekend, to be timely filed. The Commission shall grant or refuse the application in whole or in part within 10 days. The Commission can refuse an application by not acting on it within the 10-day period. An affected person has 30 days from the date the Commission refuses the application or mails (or otherwise distributes) an order upon rehearing, both being the final order of the Commission, to appeal the decision to Superior Court. Where a request for rehearing is denied by nonaction of the Commission, the 30-day period for appeal to Superior Court runs from the date on which the request is deemed denied (i.e., 10th day after the application for rehearing was filed).