

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

Re: ConocoPhillips Alaska, Inc., as Operator of the)
Colville River Unit; Alpine Field;)
Well CRU CD1-19A Enforcement Action) AOGCC Order No. 36
December 22, 2005

DECISION AND ORDER

On September 6, 2005 the Alaska Oil and Gas Conservation Commission issued a Notice of Proposed Enforcement Action under 20 AAC 25.535(b), stating that it considered that ConocoPhillips Alaska, Inc. (“CPAI”) may have violated provisions of Area Injection Order No. 18B in connection with operating well Colville River Unit (“CRU”) CD1-19A. The Commission proposed specific corrective actions under AS 31.05.150(a). The Proposed Decision and Order was sent to CPAI on November 23, 2005 (received by CPAI on November 29, 2005). CPAI did not file a written request for a hearing, instead providing written response to the terms and conditions detailed in the Commission’s proposed Decision and Order.

A. Summary of Proposed Enforcement Action

In its Notice of Proposed Enforcement Action, the Commission identified an apparent violation by CPAI of Rule 6 of Area Injection Order No. 18B (“AIO 18B”) by failing to perform required mechanical integrity tests (“MIT”). The well was approved for disposal service in accordance with Commission regulations and the Underground Injection Control (“UIC”) requirements. As a Class II disposal well, and as further described by CPAI as a slurry injector, the well was required to be tested for mechanical integrity every 2 years.

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

- (1) that within 30 days after the effective date of the enforcement order, CPAI must correct deficiencies in or develop a tracking capability to ensure the completion of an MIT within the time interval as required by regulation, order or other Commission directive; and
- (2) report on a monthly basis well pressure data (tubing, inner annulus, and outer annulus) for Well CD1-19A.
- (3) The Commission proposed no civil penalty under AS 31.05.150(a).

B. Surveillance and Reporting Requirements for Injectors

Commission requirements for demonstrating and monitoring mechanical integrity of injection wells in the CRU are documented in 20 AAC 25.252 and AIO 18B. Included are requirements for monitoring well pressures on a weekly basis. An annual performance report is required for CRU slurry injection wells. Injector surveillance data, including pressures, are required in an annual report. Commission records include copies of Annual Performance Reports for 2002, 2003, 2004 and 2005. Summaries of tubing and inner annulus pressure data for Well CD1-19A are presented in the Annual Performance Reports.

CPAI notified the Commission by electronic mail dated August 30, 2005 that Well CD1-19A had not been tested as required for mechanical integrity. Included with that notification were 8 months of well pressure data (tubing, inner annulus, outer annulus) for Well CD1-19A. Well data provided by CPAI clearly indicate there is no pressure communication within the well. On September 4, 2005 CPAI conducted an MIT of Well CD1-19A that was witnessed by a Commission inspector. An acceptable level of well integrity was demonstrated by passing this MIT.

C. Informal Meeting

In response to the Commission's Notice of Proposed Enforcement Action, CPAI requested an informal review as provided in 20 AAC 25.535(c). CPAI met with the Commission on October 14, 2005. Discussion during this informal meeting concentrated on two areas of mechanical integrity demonstrations CPAI identified as being specific to the CD1-19A decision: test cycle for mechanical integrity demonstrations and definition of a slurry well.

MIT Cycle. AOGCC establishes the MIT cycle for disposal wells in 20 AAC 25.252. Supplementing the regulation is AIO 18B, providing additional obligations for wells injecting solid waste slurries. Specifically, AIO 18B, Rule 6 requires an MIT to be performed every 2 years in wells injecting solid waste streams. The Commission relies on the well completion report (new completion) or subsequent report of sundry operations (conversion of an existing completion to injection) to determine what test cycle is required for the MIT. In the well completion report for CD1-19A dated September 5, 2000 CPAI clearly identifies the well as a "cuttings disposal well" (i.e., slurry injector). The Commission subsequently established a 2-year test cycle for CD1-19A.

The timing of an MIT was also discussed during the informal meeting. CPAI indicated that historical precedent allows a MIT to be performed any time during the year it is due, noting the flexibility in timing allows for MITs to be preferentially done during the summer months. While the Commission agrees the preference from a human safety and efficiency standpoint is to do MITs during the more temperate summer months, there is no guidance to suggest anything other than the literal interpretation of 4 years in setting the due date for subsequent tests. A 4-year MIT means the test must be performed on or before the 4-year anniversary of the most recent test unless the Commission has approved an alternate test schedule.

Definition of Slurry Injector. Regarding CD1-19A, CPAI argued the point that declaring a well as a slurry injector should be reserved for full time solid slurry injection such as done at the Prudhoe Bay field Grind and Inject facility. Their argument is that many disposal wells will accept some solids through the routine practice of waste injection. They further noted that the absence of a specific definition in Commission regulations for “slurry” suggests the reliance on industry use of the term, which would exclude intermittent use such as done at CD1-19A. CPAI did not provide the Commission with a specific reference to an industry practice or definition that supports this position. The Commission disagrees with CPAI’s interpretation. More frequent testing of slurry injectors is based on the potential for erosion of the well’s primary barrier (injection tubing), increasing the potential for a well integrity failure. Commission rules do not distinguish between intermittent or continuous slurry injection. The Commission also recognizes that it would be impractical to adjust the test cycle (oscillating between 4 years and 2 years) to reflect intermittent slurry injection and to be consistent with the intent of AIO 18B, Rule 6. To do so would create confusion that could easily have the unintended consequence of misleading the operator into noncompliance with Commission requirements. Wells injecting slurry (regardless of the slurry injection frequency) must be tested for mechanical integrity every 2 years.

D. Corrective Actions

The Commission is not assessing monetary penalties in light of several mitigating factors that appear in the present situation. First, the Commission acknowledges the good faith of CPAI. Particularly noteworthy was the voluntary self-disclosure that CD1-19A had not been tested for mechanical integrity since 2001. The Commission also acknowledges that pressure data for

CD1-19A demonstrates there is no pressure communication. In considering the lack of injury to the public or environment resulting from the violation, the Commission is convinced (based on actual well data and a passing MIT on September 4, 2005) that the risks during the 4+ years of operation were minimal. Because of the well design (multiple casing strings with pressure ratings exceeding injection pressure available to contain pressure communication or leakage), there was never any danger of annulus overpressure and no misinjection of fluids occurred. The Commission also recognizes that CPAI took timely action to perform a MIT after discovering the deficiency, and to correct the test frequency in its MIT database.

E. Findings and Conclusions

CPAI acknowledged that CRU CD1-19A was not tested for mechanical integrity as required between March 31, 2001 and September 4, 2005. The mechanical integrity of CD1-19A has been confirmed by historical pressure data; however, the only Commission-approved demonstration of integrity for this injection well is a formal MIT every 2 years. The applicable regulatory requirements for demonstrating ongoing well integrity of an injection well were violated, and CPAI does not dispute that fact.

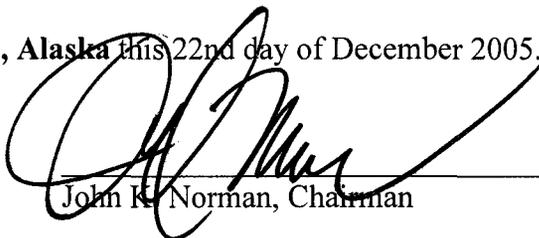
In the Commission's September 6, 2005 notice, monthly reporting of well pressures in CD1-19A was proposed as part of the corrective actions. The Commission has decided that this action is not necessary given the extent of reporting already required under AIO 18B, and the lack of well integrity concerns to date. However, the Commission believes it is appropriate to require CPAI to take specific corrective measures to prevent future violations of the sort that occurred in this case.

For the reasons stated above, the Commission finds that CPAI violated AIO 18B, Rule 6, and regulation 20 AAC 25.252(d).

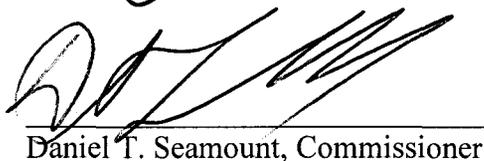
NOW THEREFORE IT IS ORDERED THAT:

1. Within 30 days from the date of this Decision and Order, CPAI shall submit to the Commission in writing a proposed program that provides for adequate tracking of MIT requirements for injection wells that handle slurry, regardless of injection frequency, to ensure the completion of an MIT within the time interval required by regulation, order or other Commission directive; and
2. Within 30 days from the date the Commission approves (or requires modifications to) CPAI's proposed program, CPAI shall provide the Commission with documentation that the program as approved or modified has been implemented.

Done at Anchorage, Alaska this 22nd day of December 2005.



John K. Norman, Chairman



Daniel T. Seamount, Commissioner

