

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

Re: Failure to Provide Required Well Data)
Pilgrim Springs Geothermal Well PS 13-1)
Permit No. 213-102)
)
) Other Order No. 103
) Docket No. OTH-15-014
) May 26, 2015

DECISION AND ORDER

On April 10, 2015 the Alaska Oil and Gas Conservation Commission (AOGCC) issued a Notice of Proposed Enforcement Action (Notice) to the University of Alaska Fairbanks, Alaska Center for Energy and Power (ACEP) regarding the Pilgrim Springs (PS) 13-1 geothermal well. The Notice was based upon ACEP’s failure to conduct a well inclination survey for the PS 13-1 well and proposed a \$10,000 civil penalty under AS 31.05.150(a).

ACEP requested an informal review. That review was held on May 12, 2015.

Summary of Proposed Enforcement Action

The Notice cited ACEP’s violation of 20 AAC 25.050(d), which required ACEP to conduct a wellbore inclination survey for the PS 13-1 well. This failure was also a violation of the requirements of ACEP’s Permit to Drill (PTD). For the violation, the AOGCC proposed to impose a civil penalty of \$10,000.

Well Survey and Reporting Requirements

Unless the AOGCC grants a written waiver, every well is required to have a wellbore inclination survey.

On August 9, 2013, ACEP was issued PTD 213-102 for the PS 13-1 geothermal well. As a condition of issuance of the permit, an inclination survey was specifically required for the wellbore.

Findings

1. There is no dispute that an inclination survey was required. The regulations, the PTD issued to ACEP and the letter which accompanied it explicitly required an inclination survey. The letter further specified that an inclination survey was to be completed at 500 feet and 1,000 feet MD. “Inclination survey required” was added to the Permit to Drill.

2. On March 26, 2015, the AOGCC requested both paper and digital copies of the inclination survey. ACEP responded that no inclination survey had been performed in the PS 13-1 well.
3. In September, 2013, the PS 13-1 well was drilled to 1,036.5 feet MD. The well reached its total depth on September 24, 2013. ACEP did not perform an inclination survey at either 500 or 1000 feet MD.
4. In October, 2013, ACEP obtained AOGCC approval to complete the well at a depth of 243 feet MD and perform a flow test (water).

Mitigating Circumstances

In its May 1, 2015 letter and again during the May 12 informal review ACEP offered a number of reasons for its failure to perform the inclination survey: 1) an inclination survey was not part of the standard protocol for its experienced geothermal consultant or driller, on whose guidance ACEP was relying, and the survey was overlooked, 2) the survey was not performed because of financial / logistical challenges, and 3) the AOGCC's approval of ACEP's subsequent request to complete PS 13-1 at 243 feet, an approval sought and given without disclosure that the required inclination survey had not been completed, cured the failure to perform the inclination survey.

Conclusions

1. As the operator of the PS 13-1 well, ACEP bears sole responsibility to understand and comply fully with all AOGCC regulations. ACEP failed to perform the inclination survey required by regulation.
2. As the operator of the PS 13-1 well, ACEP also bears sole responsibility to comply with all requirements imposed as a condition of issuance of a Permit to Drill.
3. Because ACEP obtained approval for the change in well completion depth without disclosing that it had not complied with the inclination survey requirement, the AOGCC's approval did not constitute a waiver of the requirement to acquire an inclination survey of the wellbore.
4. Financial challenges do not relieve ACEP of its obligation to comply with the regulations and conditions upon which the Permit to Drill was approved.

Recommendation

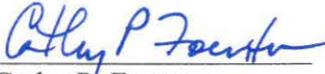
ACEP violated both the regulations and the conditions upon which its Permit to Drill was approved.

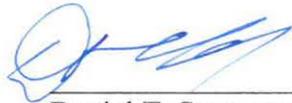
Now Therefore It Is Ordered That:

A civil penalty in the amount of \$10,000 is imposed for failure to conduct an inclination survey within PS 13-1 and provide that survey to the AOGCC in accordance with both AOGCC regulations and the conditions upon which the AOGCC issued the Permit to Drill.

As an Operator involved in an enforcement action, you are required to preserve documents concerning the above action until after resolution of the proceeding.

Done at Anchorage, Alaska and dated May 26, 2015.


Cathy P. Foerster
Chair, Commissioner


Daniel T. Seamount, Jr.
Commissioner



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.