

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

Re: Failure to Provide Required Well Data) Other Order No. 104
Wells Tyex-01, Tyex-01X, Keex-02) Docket No. OTH-15-013
Permit Nos. 211-137, 211-150, 212-112) July 1, 2015

DECISION AND ORDER

On April 3, 2015 the Alaska Oil and Gas Conservation Commission (AOGCC) issued a Notice of Proposed Enforcement Action (Notice) to Linc Energy Operations Inc. (Linc) regarding wells Tyex-01, Tyex-01X, and Keex-02. The Notice was based upon numerous regulatory violations pertaining to Linc's failure to provide required information for these wells. The Notice proposed specific corrective actions and a \$20,000 civil penalty under AS 31.05.150(a).

Linc requested an informal review. That review was held via teleconference on May 6, 2015.

Summary of Proposed Enforcement Action

The Notice identified violations by Linc of 20 AAC 25.050(d) and 20 AAC 25.071. Multiple violations occurred following drilling and abandonment operations for wells Tyex-01, Tyex-01X, and Keex-02. Linc violated the provisions of 20 AAC 25.050(d) and 20 AAC 25.071 by failure to submit well inclination surveys, core analysis reports, and digital log data. Linc also violated 20 AAC 25.300 by failing to respond to AOGCC requests for the required information. The Notice proposed the following corrective actions be completed by Linc within two weeks of the date of the AOGCC's final decision:

- (1) provide analytical reports for conventional cores for the Tyex-01, Tyex-01X and Keex-2 wells;
- (2) provide inclination surveys for Tyex-01 and Tyex-01X wellbores; and
- (3) provide digital data of all log runs for the Keex-2 well.

For violating 20 AAC 25.050, 20 AAC 25.071, and 20 AAC 25.300, the AOGCC proposed to impose civil penalties on Linc under AS 31.05.150(a) as follows:

- \$10,000 for the initial violation: failure to provide well data and digital logs.
- \$10,000 for the second violation: failure to provide the information requested on January 22, 2015 and February 18, 2015.
- The total civil penalty is \$20,000.

Well Survey and Reporting Requirements

Linc holds the following Permits to Drill (PTD): PTD 211-137 for well Tyex-01 issued on October 21, 2011, PTD 211-150 for well Tyex-01X issued on November 17, 2011, and PTD 212-112 for well Keex-02 issued on October 10, 2012. Each of those Permits to Drill was accompanied by a decision letter. Both the decision letters and the permits imposed conditions on Linc's drilling of the wells. In addition, absent a written waiver from the AOGCC, 20 AAC 25.050(d) and 20 AAC 25.071 also imposed conditions on the drilling of the wells.

Findings

1. Tyex-01

The decision letter that accompanied the Permit to Drill for Tyex-01 granted no variance to the downhole surveying requirements of 20 AAC 25.050(d) or the reporting requirements of 20 AAC 25.071.

The Permit to Drill issued for Tyex-01 required a directional or inclination survey. Despite numerous opportunities to do so, Linc did not perform either a directional or inclination survey.

Although AOGCC did not require Linc to provide drill cuttings samples, AOGCC did require core, geochemical, and formation fluid samples and analyses. Neither chip samples taken from cores (core chips) nor the analytical results were submitted to the AOGCC, despite requests from AOGCC to Linc via email on October 28, 2013, January 10, 2014, January 16, 2014, February 10, 2014, April 7, 2014, January 22, 2015 and February 18, 2015. Additionally, a verbal request for the results of the core analysis was made on March 26, 2014 in a meeting between Linc and AOGCC.

2. Tyex-01X

In the cover letter dated November 14, 2011 for the Permit to Drill application for the Tyex-01X well, Linc requested to adopt by reference variance requests submitted on October 8, 2011 for (1) core chip under 20 AAC 25.071(c), (2) wellbore surveys under 20 AAC 25.050(2), and (3) records and reports under 20 AAC 25.070(2) (well survey plat).

The decision letter that accompanied the Permit to Drill for Tyex-01X granted no variance to the downhole surveying requirements of 20 AAC 25.050 or the reporting requirements of 20 AAC 25.071(c).

The Permit to Drill issued for Tyex-01X required a directional or inclination survey. Despite numerous opportunities to do so, Linc did not perform either a directional or inclination survey.

Although AOGCC did not require Linc to provide drill cutting samples, AOGCC did require that Linc provide core chips, geochemical, and formation fluid samples and analyses. Neither core chips nor analytical results were submitted to the AOGCC, despite a request from AOGCC to Linc via email on January 22, 2015 and February 18, 2015.

3. Keex-02

The decision letter that accompanied the Permit to Drill for Keex-02 granted no variance to the reporting requirements of 20 AAC 25.071 for core chips or laboratory analytical results.

After a number of requests from Linc for variances related to the running of electric and radioactivity logs and the requirement for core chip samples, AOGCC approved:

- (1) Linc's request for a waiver requiring open hole formation evaluation logs from conductor to 1,500 feet MD. Alternatively, at minimum, AOGCC required Linc to record a cased hole gamma ray log from casing shoe at 1,500 feet MD to surface; and
- (2) Linc's request for a waiver to the requirement to provide chips from each foot of recovered conventional core because the core was to be preserved whole and intact for consumption in a "bench test" gasifier test. In lieu of core chips, AOGCC required Linc to provide a complete, detailed core log and a set of associated core photos, as well as a complete set of open hole logs.

Linc, subsequently informed AOGCC that no core analysis was conducted.

Neither core chips nor analytical results were submitted to the AOGCC for conventional core recovered from Keex-02.

Mitigating Circumstances

At the informal conference Linc offered essentially two justifications for its noncompliance. First it, alleges it was acting in good faith. Second, Linc contends its compliance would not have significantly added to AOGCC's database. The first contention is not borne out by the record. The second does not mitigate Linc's disregard of the conditions imposed on the issuance of its permits to drill.

Conclusions

1. Linc failed to collect required inclination survey information for Tyex-01 and Tyex-01x.

2. Linc failed to understand and implement all conditions of approval specified in connection with the issuance of the permits to drill. Linc also failed to collect required core chips in Tyex-01 and Tyex-01X.
3. Linc did not provide required core chips for conventional core that was not analyzed, and failed to provide laboratory analyses for intervals of core that were consumed during analysis, if any analysis was done.
4. Linc failed to respond to several requests for information.

Corrective Actions

1. Linc must provide the AOGCC with all requested information by August 1, 2015, or prove to the satisfaction of the AOGCC the information does not exist.
2. Linc must provide in writing its plan to ensure that all future operations in Alaska will be conducted in full compliance with governing regulations and orders.

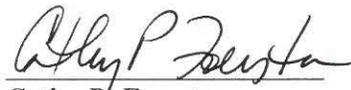
Now Therefore It Is Ordered That:

A civil penalty in the amount of \$20,000 is imposed. The total amount includes:

- \$10,000 for the initial violation: failure to provide well data and digital logs; and
- \$10,000 for the second violation: failure to provide the information requested on January 22, 2015 and February 18, 2015.

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 July 1, 2015.


Cathy D. 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.