

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

Re: Failure to Notify of Changes to) Other Order 199
Approved Permit, Milne Point Unit I-27)
) Docket Number: OTH-23-015
)
) May 31, 2023

DECISION AND ORDER

On May 4, 2023, the Alaska Oil and Gas Conservation Commission (AOGCC) issued a Notice of Proposed Enforcement Action (Notice) to Hilcorp Alaska, LLC (Hilcorp) for failing to notify of changes to the type of well completion in accordance with approved Permit to Drill (PTD) 2210130. The Notice proposed a specific corrective action and a \$267,500 civil penalty under AS 31.05.150(a).

Summary of Proposed Enforcement Action:

The Notice proposed a civil penalty for changing the type of artificial lift approved by AOGCC in the PTD. The Notice also proposed that Hilcorp submit a detailed written explanation that describes how recurrence of this violation will be prevented in future operations.

Violation - Failure to Comply with PTD Approval Conditions:

On February 8, 2021, the AOGCC conditionally approved PTD 2210130, authorizing Hilcorp to drill well Milne Point Unit (MPU) I-27. The well was spudded on April 14, 2021. Drilling and Completion operations permitted under this PTD ended on April 29, 2021. The approved PTD included an electrical submersible pump artificial lift completion.

AOGCC investigation indicates Hilcorp installed a jet pump artificial lift completion in MPU I-27 without AOGCC approval, in violation of 20 AAC 25.507(“Change of approved program”).

Mitigating Circumstances:

The factors in AS 31.05.150(g) were considered in determining the appropriate penalty. Hilcorp’s lack of good faith in its attempts to comply with the approved PTD, awareness that the well completion was different than required without making any attempt to address the discrepancy with AOGCC, the potential seriousness of the violation, benefits derived from the violation, track record of regulatory non-compliance and need to deter similar behavior in future operations are the factors which most heavily influenced AOGCC’s decision and the penalty being assessed.

AOGCC has issued more than 60 enforcement actions against Hilcorp which include provisions for Hilcorp to identify corrective actions that, when implemented, will prevent recurrence of the violation or incident. Of those enforcement actions, several were issued for making changes to approved permits without prior approval. Repeat violations such as failing to notify of changes to the Permit-to-Drill regarding the approved type of artificial lift completion at MPU I-27 call into

question the seriousness and effectiveness of Hilcorp's efforts to improve its regulatory compliance.

Mitigating circumstances include no injury to the public or the environment.

Findings and Conclusions:

Hilcorp neither requested informal review nor a public hearing regarding the notice of proposed enforcement. By letter dated May 17, 2023, Hilcorp sent a check in the amount of the proposed fine. In a letter dated May 19, 2023, Hilcorp offered four actions to prevent recurrence:

- Review the Notice and the conditions which led to the incident with Hilcorp Alaska Operations Engineers, Drilling Engineers, and the Regulatory Technicians.
- Update training for sundry requirements including the sundry change form and knowledge quiz questions. Once completed this will be reissued to all Hilcorp Alaska Operations and Drilling Engineers
- Issue an internal bulletin regarding the violation, the conditions which led to the incident, and the requirements for PTD/Sundry Change Form. Distribution will be to drilling and interventions foreman and wellsite supervisors.
- Update the PTD/Sundry Change Form to address approval levels and notifications. Distribution will be to Hilcorp Alaska Operations Engineers, Drilling Engineers, and the Regulatory Technicians.

Hilcorp's steps for preventing recurrence lack detail and appear to be narrowly focused to operations and regulatory personnel in Hilcorp Alaska and ignore the potential for similar events to occur at Hilcorp North Slope LLC operations, fail to identify management oversight shortcoming in assuring compliance with permit specifics (e.g., type of artificial lift completion), and fail to provide a corporate structure to avoid a similar repeat violation. These omissions make it unlikely to prevent recurrence of this type of violation.

The AOGCC finds that Hilcorp failed to comply with 20 AAC 25.507. Hilcorp has not disputed the findings in the Notice of Proposed Enforcement and has paid the civil penalty proposed by AOGCC. Hilcorp has not provided any information that would warrant changing the proposed penalty amount.

Now Therefore It Is Ordered That:

Hilcorp is assessed a civil penalty in the amount of **\$267,500** (which has already been paid) for failing to comply with the approval conditions in PTD 2210130. The corrective actions identified by Hilcorp in its May 19, 2023, letter are insufficient, therefore within 10 days of the date of AOGCC's final decision, Hilcorp shall provide additional information that demonstrates how it intends to prevent recurrence of this violation. The written explanation is sought pursuant to 20 AAC 25.300.

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

Done at Anchorage, Alaska and Dated May 31, 2023.

Brett W. Huber, Sr. Digitally signed by Brett W. Huber, Sr.
Date: 2023.06.01 08:10:56 -08'00'

Brett W. Huber, Sr.
Chair, Commissioner

Jessie L. Chmielowski Digitally signed by Jessie L. Chmielowski
Date: 2023.05.31 10:32:24 -08'00'

Jessie L. Chmielowski
Commissioner

Gregory Wilson Digitally signed by Gregory Wilson
Date: 2023.05.31 10:23:15 -08'00'

Gregory C. Wilson
Commissioner

cc: AOGCC Inspectors
Phoebe Brooks (AOGCC)
Mel Rixse (AOGCC)

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.