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

Re: Unauthorized Injection into the Schrader Bluff Oil Pool in Orion Development Area, L-109 (PTD 2012010), Sundry Approval 302-263, Condition of Approval Area Injection Order (AIO) 26C Unauthorized Injection of Miscible Injectant into Polaris Oil Pool in S-104 (PTD 2001960), Unauthorized Commingling of Miscible Injectant into Polaris/Aurora Oil Pool in S-104 (PTD 2001960), Sundry Approval 321-043, Condition of Approval AIO 25A (Polaris), AIO 22F (Aurora)

Docket Number: OTH-23-018
Other Order 208
Prudhoe Bay Unit
Prudhoe Bay Field
Schrader Bluff Oil Pool
Borealis Oil Pool
Polaris Oil Pool
Aurora Oil Pool
February 6, 2024

DECISION AND ORDER

On December 1, 2023, the Alaska Oil and Gas Conservation Commission (AOGCC) issued a Notice of Proposed Enforcement Action (Notice) to Hilcorp North Slope, LLC (Hilcorp) regarding the L-109 and S-104 wells. The Notice proposed a $452,100 civil penalty under AS 31.05.150(a). Hilcorp timely requested an informal review. That review was held December 12, 2023, and January 16, 2024. Hilcorp also submitted a written response dated January 18, 2024, which AOGCC has considered as part of its informal review process. This decision and order now follow.

SUMMARY OF PROPOSED ENFORCEMENT ACTION:
The Notice identified violations by Hilcorp of:

L-109 Well:
Hilcorp violated a condition of approval of Sundry Approval 302-263, issued on August 22, 2002, which restricted the L-109 well to Kuparuk (aka Borealis) injection only.

S-104 Well:
For the S-104 well, Hilcorp violated the provisions of Rule 2 (“Fluid Injection Wells”) of AIO 25A, which limited enriched gas injection in the Polaris Oil Pool to three wells (S-215i, W-208i, and W-215i) and provided procedures for obtaining enriched gas injection authority for additional wells.
By commingling enriched gas injection in the S-104 well, Hilcorp violated the provisions of Rule 7 of AIO 25A (“Multiple Completion of Water Injection Wells”), which only authorizes commingled water injection for Polaris Oil Pool injection wells. This is also a violation of a
condition of approval of Sundry Approval 321-043, issued on January 28, 2021, which approved downhole commingling in the S-104 well but restricted that approval to water only.

AOGCC regulation 20 AAC 25.215(c) (Commingling of production and injection into two or more pools) states: “injection into two or more pools within the same wellbore is not permitted unless, after request, notice, and opportunity for public hearing in accordance with 20 AAC 25.540, the commission (1) finds that the proposed injection activity will not result in waste or damage to a pool and that injection volumes can be properly allocated; and (2) issues an order providing for injection into wellbores completed to allow for simultaneous injection into two or more pools.” Hilcorp violated this regulation for the S-104 well.

The Notice proposed civil penalties of $452,100 as follows.¹

**L-109 Well:**
- $75,000 – initial violation (L-109) unauthorized injection into the Schrader Bluff-Orion Oil Pool in violation of Sundry Approval 302-263.
- $142,500 - $7,500 for each day of the 19 days L-109 was operable/injecting when unauthorized.
- $1,900 - $100 for each day of the 19 days injection was incorrectly allocated and reported for L-109.

**S-104 Well:**
- $75,000 – initial violation (S-104) unauthorized commingled enriched gas injection in violation of AIO 25A and Sundry Approval 321-043.
- $52,500 - $7,500 for each day of the 7 days S-104 was operable/injecting enriched gas when unauthorized.
- $85,200 - $100 for each day (March 1, 2021, to June 30, 2023 (852 days)) commingled injection was incorrectly allocated and reported for S-104.
- $20,000 - $100 for each day (July 16, 2020, to January 31, 2021, (200 days)) injection volumes were reported to the Aurora Oil Pool when they should have been reported to the Polaris Oil Pool.

In addition to the imposed civil penalty, the AOGCC has historically required Hilcorp to provide a detailed written explanation as to how it intends to prevent recurrence of this violation. The AOGCC has also historically required Hilcorp to demonstrate to the AOGCC’s satisfaction a more robust regulatory compliance tracking system that addresses all AOGCC-mandated obligations. For these L-109 and S-104 violations, Hilcorp has completed an internal investigation (emailed to the AOGCC dated June 27, 2023 (L-109) and August 30, 2023 (S-104)) that included a root cause analysis and actions to prevent recurrence. Thus, the AOGCC will not require an additional written explanation from Hilcorp.

It is the expectation with every enforcement action that Hilcorp identify, implement, and continue to assess the effectiveness of compliance improvement initiatives.

¹ AS 31.05.150(a) provides for not more than $100,000 for the initial violation and not more than $10,000 for each day thereafter on which the violation continues.
Informal Review:
Hilcorp met with AOGCC staff on December 12, 2023, and January 16, 2024, to review and discuss the Notice and have opportunity to update the status and results of its internal investigation. Hilcorp also provided information to AOGCC on January 4, 2024, and a written statement dated January 18, 2024. Hilcorp did not dispute the violations alleged in the Notice. Hilcorp questioned the penalty amount, suggesting the penalty amount be reduced. Hilcorp also specified that its number of non-compliance events measured against proxy data for Hilcorp activity levels shows a downward trend of incidents since 2012. While it is always AOGCC’s goal to have zero violations, and consequently zero repeat violations, AOGCC does acknowledge the overall downward trend in Hilcorp’s violations as Hilcorp noted during the informal review. It is encouraging to see that Hilcorp is monitoring its compliance history and seeing improving performance in this area. Hilcorp has initiated continued engagement with AOGCC through a data request for historical enforcement and violation records and AOGCC is providing the requested information, where available.

While Hilcorp’s overall violations are trending down, the specific violations in this case relating to Hilcorp’s Underground Injection Control Class II practices, do demonstrate repeated instances of failure to comply with AOGCC imposed conditions on a permit or order or failing to obtain prior AOGCC approval before making changes to an approved permit or order, and warrant the imposition of civil penalties as proposed in the Notice.

The factors in AS 31.05.150(g) have been considered in the determination of penalties for the violations. The penalty does reflect amounts based on per-day assessments. The AOGCC issues injection orders, drilling and sundry permits for enhanced oil recovery projects with specific rules and conditions of approval to ensure injection activities are done safely, in a manner that protects the environment, and won’t cause waste. Injection that violates the injection orders, conditions of approval, and statewide regulations, have necessarily not been reviewed nor approved by AOGCC, and thus has the potential to cause damage to the reservoir(s) that may result in waste of resources and could result in an increased risk of losing containment of the injected fluid(s). Hilcorp’s failures to comply with the fundamental AOGCC regulation, Order, reporting, and Sundry Approval requirements raises the potential for similar behavior with more serious consequences. Consideration of the civil penalty includes Hilcorp’s history of compliance/noncompliance and the need to deter similar behavior(s). Other considerations include no injury to the public or the environment, and Hilcorp’s notification to the AOGCC once Hilcorp determined the well(s) non-compliance(s). The effort made by Hilcorp to correct the violations and prevent future violations and Hilcorp’s cooperation with the investigation were also considered in the setting of the penalty amount. AOGCC tracks and periodically audits for compliance. Nothing above should imply that AOGCC is partially responsible for Hilcorp’s violations, or infer that the penalty amount assessed for days in non-compliance should be reduced for action/inaction on AOGCC’s part.

FINDINGS AND CONCLUSIONS:
Since Hilcorp did not dispute the alleged violation in the Notice, the section titled “Basis for Finding the Violation or Noncompliance” from the Notice is incorporated by reference into this Decision and Order.

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2 AS 31.05.150(g) requires AOGCC to consider nine criteria in setting the amount of a civil penalty.
The AOGCC finds that Hilcorp committed the violations as initially alleged in the Notice and restated in the “Summary of Proposed Enforcement Action” above. 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 **$452,100** for the violations detailed within this Order. If this Order is not appealed, the fine must be paid within 30 days of issuance. If appealed, the fine will be held in abeyance until the appeal process is complete.

In addition to the civil penalty, Hilcorp is required to improve its regulatory compliance by implementing the corrective actions as detailed in the Hilcorp internal investigation reports as emailed to the AOGCC dated June 27, 2023 (L-109) and August 30, 2023 (S-104) that included a root cause analysis and actions to prevent recurrence.

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 February 6, 2024.**

Brett W. Huber, Sr. Jessie L. Chmielowski
Chair, Commissioner Commissioner

cc: James Robinson, US Environmental Protection Agency, Region 10
Jim Regg, AOGCC Supervisor, Inspections
AOGCC Inspectors
Dave Roby, AOGCC Sr. Reservoir Engineer
RECONSIDERATION AND APPEAL NOTICE

Pursuant to 20 AAC 25.535(d), this order becomes final 11 days after it is issued unless within 10 days after it is issued the person files a written request for a hearing, in which case the proposed decision or order is of no effect. If the person requests a hearing, the commission will schedule a hearing under 20 AAC 25.540.

As provided in AS 31.05.080(a), within 20 days after this order becomes final as discussed above, 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.