

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

Re: Failure to Test Well Safety Valve System  
Noncompliant Safety Valve System  
Hansen Field

Other Order 139  
Docket Number: OTH-17-055  
April 26, 2018

**DECISION AND ORDER**

On December 13, 2017 the Alaska Oil and Gas Conservation Commission (AOGCC) issued a Notice of Proposed Enforcement Action (Notice) to BlueCrest Alaska Operating LLC (BlueCrest) regarding two Hansen Field wells. The Notice advised that BlueCrest failed to complete a well safety valve system performance test on Hansen H-16 (PTD 2160760) and failed to obtain approval for the alternative closure of the subsurface safety valve in Hansen 1A (PTD 2030040). The Notice proposed a \$20,000 civil penalty.

BlueCrest requested an informal review. That review was held January 9, 2018.

**Summary of Proposed Enforcement Action:**

The Notice identified two violations by BlueCrest of 20 AAC 25.265 (“Well safety valve systems”). The first violation occurred April 5, 2016 when Hansen 1A commenced production without the approval of an alternate closure for the subsurface safety valve.<sup>1</sup> The second violation occurred July 6, 2017 when BlueCrest failed to perform a safety valve system performance test on Hansen H-16. The AOGCC proposed payment by BlueCrest of a civil penalty under AS 31.05.150(a) in the amount of \$20,000 (\$10,000 for each initial violation).<sup>2</sup>

---

<sup>1</sup> April 5, 2016 was the initial well safety valve system test as required by 20 AAC 25.265(h)(4).

<sup>2</sup> 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:**

BlueCrest submitted a written response on January 8, 2018.<sup>3</sup> At the January 9, 2018 informal review BlueCrest presented a summary of well operations at Hansen, results of its internal review, and a summary of its implemented and intended solutions to prevent a recurrence of the violations. BlueCrest sought clarification regarding the proposed enforcement but did not dispute the violations.

**Discussion:**

20 AAC 25.265(o) requires: *“Unless notice and a hearing are required under (d)(3) of this section, upon written request from the operator, the commission may approve (1) a variance from a requirement of this section if the variance provides at least an equally effective means of complying with the requirement; or (2) a waiver of a requirement of this section if the waiver does not promote waste, is based on sound engineering and geoscience principles, will not jeopardize the ultimate recovery of hydrocarbons, does not jeopardize correlative rights, and does not result in an increased risk to health, safety, or the environment, including freshwater.”*

Safety valve system testing of Hansen 1A on March 23, 2017 established a failure of the subsurface safety valve to close in response to low pressure detected in the well’s flowline. BlueCrest confirmed that the subsurface safety valve in Hansen 1A is not linked to the low-pressure detection device as required by AOGCC regulations but instead closes only on a plant or site emergency shut down. BlueCrest’s failure to request a variance or waiver from the safety valve system regulations violated State regulations.

20 AAC 25.265(h)(4) requires: *“A new well requiring a safety valve system may not be operated unless it passes a performance-test not later than five days after placing the well in service.”*<sup>4</sup>

On July 1, 2017 BlueCrest notified AOGCC of its intent to test the Hansen H-16 well safety valve system “prior to bringing it online” – and the test was scheduled for July 3, 2017. A second notice on July 3, 2017 rescheduled testing until July 6, 2017 due to “operations not progressing as

---

<sup>3</sup> Received by email from BlueCrest. The attached letter was incorrectly dated January 8, 2017

<sup>4</sup> A safety valve system “performance-test” includes a function pressure-test of the system’s valves and a function-test of the mechanical or electrical detection device. A function pressure-test means to actuate a component and demonstrate its proper functioning and to demonstrate its ability to effect a pressure seal. A function test means to actuate a component to demonstrate its proper functioning without subjecting it to pressure. (20 AAC 25.990)

expected.” AOGCC deferred witness of the pre-production safety valve system test on July 5, 2017 to coincide with the test that would occur within five days after commencing production. BlueCrest’s Operation Log Book entry for July 2-3, 2017 shows BlueCrest function-tested the H-16 safety valve system on July 2, 2017:

*“Function tested high and low pressure pilots. SSVs shut at correct flowline pressure and will reopen and latch.”*

BlueCrest has not provided a record of a safety valve system performance test. Hansen H-16 produced without a properly tested safety valve system until the AOGCC-witnessed test occurred on November 9, 2017. BlueCrest’s failure to perform the initial safety valve system performance test as required violated 20 AAC 25.265.

**Mitigating Circumstances:**

In determining the amount of the penalty, AOGCC has considered the extent to which BlueCrest was acting in good faith in attempting to comply, the extent to which BlueCrest acted in a willful or knowing manner, the need to deter similar behavior by BlueCrest and others similarly situated at the time of the violation or in the future, and BlueCrest’s history of compliance issues.<sup>5</sup> AOGCC also determined that the failure to conduct the initial safety valve system performance test and the failure to report those test results for the Hansen H-16 safety valve system constitute a single violation. No new mitigating circumstances were presented during the informal meeting or in BlueCrest’s response to the Notice.

**Findings and Conclusions:**

The AOGCC finds that BlueCrest’s actions violated 20 AAC 25.265. BlueCrest acknowledges that it failed to submit, and cannot provide a record of, Hansen H-16 passing a safety valve system performance test within five days of startup.

---

<sup>5</sup> AS 31.05.150(g) sets forth the criteria for determination of a civil penalty.

**Now Therefore It Is Ordered That:**

BlueCrest is assessed a civil penalty in the amount of **\$20,000** for violating safety valve system requirements found in 20 AAC 25.265.<sup>6</sup> If BlueCrest chooses not to appeal this Order the fine must be paid within 30 days of issuance of this order. If BlueCrest appeals, the fine will be held in abeyance until the appeal process is complete.

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

**Done** at Anchorage, Alaska and Dated April 26, 2018.

//signature on file//  
Hollis S. French  
Chair, Commissioner

//signature on file//  
Cathy P. Foerster  
Commissioner

//signature on file//  
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.

---

<sup>6</sup> Penalty amount arrived at considering failure to perform the required safety valve system performance test (and report the test results as required), and failure to request a variance for the alternative closure of the subsurface safety valve on existing Hansen wells as separate initial violations, penalized at \$10,000 per violation.