

BP Exploration (Alaska) and Alaska Oil & Gas Association

Testimony regarding AOGCC's consideration to rescind part or all the Safety Valve System Rules in Existing Conservation Orders

Public Hearing December 6, 2010

Harry Engel, BP Engineering Team Leader and Chairman of the Alaska Oil & Gas Association AOGCC Task Group

Good afternoon Chairman Seamount and Commissioners Norman and Foerster. My name is Harry Engel. This afternoon I will be wearing 2 hats, first representing BP Exploration (Alaska) regarding the subject of this public hearing and then representing the Alaska Oil & Gas Association (AOGA) as Chairman of the AOGCC Task Group on several related topics.

I am the Engineering Team Leader responsible for Integrity Management in BP's Alaska Wells organization. My responsibilities span all of BP's Well operations in Alaska. I hold undergraduate degrees in Civil and Environmental Engineering and have over 30 years experience in the oil & gas industry, primarily associated with drilling and well intervention activities. My assignments have included drilling engineering, well site leader roles and various Health, Safety and Environmental management positions. The majority of my experience has been in most of the operating areas in Alaska. I have also worked in the Rocky Mountains and have had several temporary international assignments.

I submitted written comments on December 3, 2010 to the AOGCC concerning the proposed changes to the safety valve system rules in existing Conservation Orders and have provided additional copies this afternoon. I request that my December 3, 2010 letter be included in the public record concerning this subject.

We agree with the intent to rescind language from conservation orders that is redundant to the recently adopted changes to the safety valve regulations, and we commend the AOGCC for taking this step to simplify and standardize the SVS requirements. We also agree with nearly all of the proposed specific changes, however, we question the proposed language in two of the conservation orders included in the public notice, the Prudhoe Bay Borealis oil pool, CO 471 and Milne Point Schrader Bluff oil pool, CO 477.

During the process leading up to the new SVS regulations there was extensive discussion related to the potential requirement for subsurface safety valves (SSSV) in water-alternating-gas or WAG wells. The new SVS regulations specifically require SSSV in gas only injection wells but not in WAG wells. Miscible injection (MI) wells referenced in the proposed changes to the two Conservation Orders could be MI only or MI WAG wells. Per the new SVS regulations, MI only injection wells are required to have a SSSV as "gas-only injection wells", yet MI WAG wells do not require a SSSV. Maintaining the requirement for SSSV in WAG wells at Prudhoe Bay Borealis and Milne Point Schrader Bluff Oil Pools seems inconsistent with the intent of standardizing the SVS regulations. It is not apparent why these pools would have differential SSSV requirements

compared to nearby pools. We respectfully request the Commission rescind, without replacement the existing language in the Milne Point Schrader Bluff and Prudhoe Bay Borealis Conservation Orders related to SSSV.

At this point I would be happy to address any questions.

Now I would like to represent the Alaska Oil & Gas Association (AOGA) as Chairman of the AOGCC Task Group on several related topics that are of interest to AOGA member companies.

The main topic I would like to present is the transition period for operators to design, order, fabricate, transport, install and test necessary equipment to comply with the new SVS regulations that became effective December 3, 2010.

The interpretation of 20 AAC 25.265 (f) could significantly impact the number of wells required to have a SSSV and the type of valve installed before the next tubing workover. Section (f) refers to wells completed before December 3, 2010 that are subject to section (d) and that are not equipped with functional hardware that would allow installation of a subsurface safety valve. These wells must comply with section (d) no later than the date of the next tubing workover. Section (d) requires a fail-safe automatic surface controlled subsurface safety valve. It's reasonable to interpret that if a well does not have the functional hardware necessary to install a surface controlled subsurface safety valve, the operator would be

required to install a surface controlled subsurface safety valve no later than the next tubing workover.

It is not clear if the Commission would expect an operator to install non-surface controlled subsurface safety valves in wells that have a suitable profile for that type of SSSV in the tubing. We would appreciate clarity related to this issue due to the impact on the number of appropriate valves that would need to be designed, fabricated and installed.

Considering the timing to design, order, fabricate, transport, install and test necessary the equipment to comply with the new regulations, we request the Commission formally document a one year transition period for operators to comply with the regulations.

The next item I would like to address relates to a proposed Industry Guidance Bulletin. It would be appreciated if the Commission could provide an update on the effort to prepare the Bulletin related to testing, reporting, calculation of SVS pad failure rates and potential consequences.

Lastly I would like to make a recommendation for consideration for a future revision to the SVS regulations. The regulations effectively define a “safety valve system” in sections 20 AAC 25.265 (b) and (c). These sections reference surface safety valves, actuators, low pressure detection devices and other surface related components. Subsurface safety valves are mentioned in section (d) yet not specifically referenced as being included as part of the entire safety valve system. Therefore it appears one could interpret that subsurface safety valves are not included in the definition of a “safety valve system”. This could possibly impact the applicability of section (c)(8) which provide a one year period after December 3, 2010 to gain Commission approval to operate components of a safety valve system that do not meet the requirements of section (c) items 1-7. This section applies to surface safety equipment only. It could also possibly impact the calculation of SVS test results depending upon if the SSSV is included in the calculation. A clear definition of a “safety valve system” would avoid potential confusion.

Thank you for the opportunity to provide comments.