

ELEMENT F

STATE OF ALASKA

SIGNED MEMORANDUM OF AGREEMENT  
UNDERGROUND INJECTION CONTROL  
(UIC)  
CLASS II WELLS

ALASKA OIL AND GAS CONSERVATION COMMISSION

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Anchorage, Alaska 99501-3192

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BP062560

MEMORANDUM OF AGREEMENT  
BETWEEN  
THE ALASKA OIL AND GAS CONSERVATION COMMISSION,  
AND  
THE U.S. ENVIRONMENTAL PROTECTION AGENCY, REGION 10

The Alaska Oil and Gas Conservation Commission (AOGCC) and the Environmental Protection Agency, Region 10 (EPA) hereby agree to implement the Underground Injection Control (UIC) Program, as authorized by Section 1425 of the Safe Drinking Water Act (SDWA), in accordance with the terms listed below.

1. The AOGCC will carry out the UIC program as described in the application for primacy for Class II wells, and will support the program by an appropriate level of staff and resources to assure that freshwater sources in Alaska are protected from contamination by Class II injection wells.
2. This Agreement shall remain in effect for as long as the AOGCC has primacy for the Class II UIC program.
3. This Agreement shall be reviewed annually as part of the annual program plan and grant application process. The annual program plan shall be consistent with this Agreement and may not override this Agreement.

This Agreement may be modified upon the initiative of the AOGCC or EPA. Modifications must be in writing and must be signed by the Chairman of AOGCC and the Regional



Administrator. Modifications become effective when both parties sign the Agreement. Modifications may be made by addenda attached to this Agreement, and will be consecutively numbered, signed and dated.

4. EPA is responsible for keeping the AOGCC apprised of Federal guidelines, technical standards, regulations, policy decisions, directives, and any other factors which affect the UIC program.

The AOGCC is responsible for keeping EPA apprised of any proposed, pending or enacted modifications to laws, regulations, or guidelines, and any judicial decisions or administrative actions which might affect the UIC program and the AOGCC's authority to administer the program. The AOGCC shall inform EPA of any resource allocation changes (for example, personnel budget, equipment, etc.) which might affect the AOGCC's ability to administer the program.

5. EPA shall transfer to AOGCC any pending permit applications and any other information relevant to program operations not already in possession of AOGCC when AOGCC assumes primacy. Any confidential information will be treated in accordance with 40 CFR Part 2. EPA will terminate its Class II permits at such time as the



AOGCC takes final action in its permitting process after assuming primacy.

6. The AOGCC shall provide EPA reports on the operation of the State UIC program. The content of the reports may be negotiated between EPA and the AOGCC from time to time but at a minimum shall contain:

- a. an annual update of the inventory of Class II wells; and
- b. quarterly reports on EPA Forms 7520-1, 7520-2 and 7520-3.

The first annual inventory update shall be submitted by March 1, 1987, and by March 1 of each year thereafter. Quarterly reports shall be submitted within one month after the end of each calendar quarter, the first report due no later than May 1, 1986. The reports shall be made available to the public.

7. The AOGCC will annually make application for, and to the extent eligible and subject to availability of funds, receive from EPA all program grants provided under section 1443 of the SDWA. The application shall consist of an annual work plan and applicable budget



sheets. EPA will act on the application within 30 days of its receipt and will award funds, if available to Region 10, by August 15 of each year.

8. EPA shall conduct an annual performance evaluation of the AOGCC program using the AOGCC annual report, program reports, and other requested information to determine state program consistency with the program submission, SDWA and applicable regulations, and applicable guidance and policies. The review will not only include a review of financial expenditures, but reviews on progress towards program implementation, changes in the program description, and efforts towards progress on program elements. The review may also include the examination of pertinent AOGCC files pertaining to the UIC program.

The EPA shall submit a summary of the evaluation findings to the State outlining any deficiencies in program performance, and recommendations for improving AOGCC operations. The report may also provide guidance for the development of the upcoming grant application.

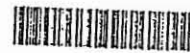
9. EPA may conduct inspections of Class II operations. The AOGCC will participate with the EPA in these inspections of Class II wells or operator records to

the fullest practicable extent. EPA shall usually notify the AOGCC at least ten days prior to any proposed inspection and EPA shall describe the well(s) or record(s) to be inspected and the purpose of such inspection. EPA shall provide the AOGCC with a copy of the inspection report. EPA reserves the right to inspect Class II operations without notification to AOGCC as provided in Section 1445 of the SDWA.

10. EPA may take federal enforcement action under Section 1423 of the SDWA in cases where the AOGCC fails to take timely and appropriate enforcement actions against a person violating the applicable requirements of the U program. EPA will follow all applicable procedures contained in Section 1423. EPA may also take federal enforcement action under Section 1431 of the SDWA, if applicable.

EPA and AOGCC will develop an enforcement agreement by July 1, 1986, in accordance with national guidance which will be prepared in cooperation with the national Underground Injection Practices Council.

11. The AOGCC shall immediately notify the Regional Administrator by telephone, or otherwise, of any major imminent hazard to public health resulting from the

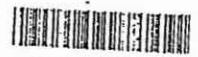


endangerment of freshwater sources by Class II well injection.

12. The AOGCC and EPA agree that Class II wells are defined as wells which inject fluids;

- a) which are brought to the surface in connection with conventional oil or natural gas production and may be commingled with waste waters from gas plants which are an integral part of production operations, unless those waters are classified as a hazardous waste at the time of injection, as defined in 40 CFR 261.3;
- b) for enhanced recovery of oil or natural gas; and
- c) for storage of hydrocarbons which are liquid at standard temperature and pressure.

Class II wells include wells which inject drilling muds or drilling fluids for the purpose of disposal. Other fluids may be commingled in Class II wells and such wells remain classified as Class II wells unless the other fluids are hazardous waste. AOGCC shall immediately notify the Regional Administrator if it learns of hazardous waste injection in what would otherwise be



considered a Class II well.

13. The AOGCC will notify EPA within 14 days of receipt of requests for freshwater aquifer exemptions. EPA will approve or disapprove all such requests within 14 days of notification and receipt of necessary materials on which to base its decision, except in those cases where the exemption is considered to be a "substantial" program revision. Substantial program revisions will be handled in accordance with 40 CFR 145.32.
  
14. The AOGCC will only allow the use of mechanical integrity tests that are listed in 40 CFR 146.8. If the AOGCC wishes to use alternative mechanical integrity tests, it shall follow the procedures for obtaining approval of such alternative tests outlined in 40 CFR 146.8(d). The AOGCC agrees to witness each year a minimum of 25% of the mechanical integrity tests required of wells which inject through freshwater sources.
  
15. The AOGCC agrees that, for UIC violations, it will not require, nor will it request a court to require, witnesses to testify or produce evidence, documentary or otherwise, before the Commission or court so as to afford transactional immunity provided by AS 31.05.070.



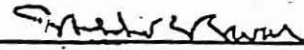
16. The AOGCC agrees that when seeking injunctive relief for UIC violations, it shall request the court, when appropriate, to order the violator to cease or curtail its oil or gas production operations.
17. The AOGCC agrees to seek the following statutory amendments in the 1986 Legislative session:
- a. AS 31.05.027 to be amended to eliminate any limitation of AOGCC jurisdiction on land of the United States.
  - b. AS 31.05.070(a) to be amended to eliminate the transactional immunity provided as a result of a person being compelled to testify or produce documents before the Commission or a court.
  - c. AS 31.05.150(a) to be amended to eliminate "wilfully" from consideration in the imposition and recovery of civil penalties.
  - d. AS 31.05.150(b) to be amended to include wilful violations of a rule, regulation or order of the Commission as cause for imposition and recovery of criminal fines.



If the 1986 Legislature fails to enact these amendments, the AOGCC will submit the amendments in subsequent Legislative sessions.



C. V. Chatterton, Chairman  
Alaska Oil and Gas  
Conservation Commission



Ernesta B. Barnes  
Regional Administrator  
U.S. Environmental Protection  
Agency, Region 10

JAN 29 1986

