

BEFORE THE
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

In the Matter of:) DOCKET NO. CAA-10-2022-0035
)
HILCORP ALASKA, LLC,) **CONSENT AGREEMENT**
)
Anchorage, Alaska,)
)
Respondent.)
)

I. STATUTORY AUTHORITY

1.1. This Consent Agreement is issued under the authority vested in the Administrator of the U.S. Environmental Protection Agency (“EPA”) by Section 113(d) of the Clean Air Act (“CAA”), 42 U.S.C. § 7413(d).

1.2. Pursuant to Section 113(d) of the CAA, 42 U.S.C. § 7413(d), and in accordance with the “Consolidated Rules of Practice Governing the Administrative Assessment of Civil Penalties,” 40 C.F.R. Part 22, EPA issues, and Hilcorp Alaska, LLC (“Respondent”) agrees to issuance of, the Final Order attached to this Consent Agreement (“Final Order”).

II. PRELIMINARY STATEMENT

2.1. In accordance with 40 C.F.R. §§ 22.13(b) and 22.18(b), issuance of this Consent Agreement commences this proceeding, which will conclude when the Final Order becomes effective.

2.2. The Director of the Enforcement and Compliance Assurance Division, EPA Region 10 (“Complainant”) has been delegated the authority pursuant to Section 113(d) of the

CAA, 42 U.S.C. § 7413(d), to sign consent agreements between EPA and the party against whom an administrative penalty for violations of the CAA is proposed to be assessed.

2.3. EPA and the United States Department of Justice jointly determined, pursuant to 42 U.S.C. § 7413(d), that although this matter involves alleged violations that occurred more than one year before the initiation of this proceeding, it is appropriate for an administrative penalty action.

2.4. On April 17, 2021, EPA notified Respondent and Alaska that EPA had found that Respondent committed a subset of the alleged violations described in Part III of this Consent Agreement.

2.5. Part III of this Consent Agreement contains a concise statement of the factual and legal basis for the alleged violations of the CAA together with the specific provisions of the CAA and the implementing regulations that Respondent is alleged to have violated.

III. ALLEGATIONS

3.1. EPA has promulgated New Source Performance Standards (NSPS) for source categories pursuant to Section 111 of the CAA, 42 U.S.C. § 7411, including standards for crude oil and natural gas facilities. These standards are codified at 40 C.F.R. Part 60, Subpart OOOOa, Standards of Performance for Crude Oil and Natural Gas Facilities for which Construction, Modification or Reconstruction Commenced After September 18, 2015 (“Subpart OOOOa”).

3.2. According to 40 C.F.R. § 60.5365a, the requirements of Subpart OOOOa apply to owners or operators of any onshore affected facilities listed in § 60.5365a(a)-(j) that are located within the Crude Oil and Natural Gas Production source category, as defined in § 60.5430a, for which construction, modification, or reconstruction is commenced after September 18, 2015. The Crude Oil and Natural Gas Production source category includes natural gas production and

processing, which includes the well and extends to, but does not include, the point of custody transfer to the natural gas transmission and storage segment.

Reporting Violation

3.3. Respondent owns and operates the Milne Point Unit on the North Slope of Alaska, and the Swanson River Unit, Kenai Gas Field, and Nikolaevsk Unit on the Kenai Peninsula in Alaska, which contain onshore affected facilities as defined in 40 C.F.R. §§ 60.5365a and 60.5430a.

3.4. Respondent submitted an Annual Compliance Report covering 20 affected facilities to EPA Region 10 for calendar year 2018 (“the 2018 Report”), as required by 40 C.F.R. § 60.5420a(b). The 20 affected facilities included well pads C, F, J, K, L and S in the Milne Point Unit, well pads 14-04, 32-15, 12-03, 33-33 and 21-33 in the Swanson River Unit, well pads 14-06, 14-07, 41-18 in the Kenai Gas Field, and Red Pad in the Nikolaevsk Unit.

COUNT 1

3.5. The version of 40 C.F.R. § 60.5420a(b)(7) in effect at all times relevant to this Consent Agreement and at the time the 2018 Report was submitted required owners or operators of affected facilities to include records of each fugitive emissions component monitoring survey in their annual reports. The records were to include the date of the survey and the beginning and end times of the survey (40 C.F.R. § 60.5420a(b)(7)(i) and (ii)), as well as information about ambient temperature, sky conditions, and maximum wind speed at the time of the survey (40 C.F.R. § 60.5420a(b)(7)(iv)). Records were also required to include any deviations from the monitoring plan or a statement that there were no deviations from the monitoring plan (40 C.F.R. § 60.5420a(b)(7)(vi)), and the number and type of fugitive emissions components that were not repaired as required (40 C.F.R. § 60.5420a(b)(7)(viii)).

3.6. The 2018 Report failed to provide complete information regarding the dates and times of Respondent's leak detection and repair ("LDAR") inspection activities. Respondent reported LDAR inspections as taking place at two different facilities in the Milne Point Unit at the same time, significantly underreported actual time spent conducting LDAR inspections, and failed to include the correct dates of some inspections, in violation of 40 C.F.R. § 60.5420a(b)(7)(i) and (ii).

3.7. Weather conditions were not documented at the time Respondent conducted fugitive emissions surveys of Pads C, F and L at the Milne Point Unit in October 2018, in violation of 40 C.F.R. § 60.5420a(b)(7)(iv).

3.8. The 2018 Report failed to identify deviations associated with four late repairs, three late resurveys, and failures to collect weather data while conducting three LDAR inspections at affected facilities, in violation of 40 C.F.R. § 60.5420a(b)(7)(vi).

3.9. The 2018 Report failed to report the number and type of fugitive emissions components not repaired as required by 40 C.F.R. § 60.5397a(h) at the affected facilities, in violation of 40 C.F.R. § 60.5420a(b)(7)(viii).

3.10. The 2018 Report was therefore incomplete, in violation of 40 C.F.R. § 60.5420a(b).

Inspection and Monitoring Violations

3.11. In addition to the affected facilities listed in paragraph 3.3, Respondent owns and operates the Beaver Creek Unit on Kenai Peninsula in Alaska, which also contain onshore affected facilities as defined in 40 C.F.R. §§ 60.5365a and 60.5430a.

COUNT 2

3.12. The version of 40 C.F.R § 60.5397a(f)(1) in effect at all times relevant to this

Consent Agreement required owners or operators of affected facilities to conduct an initial monitoring survey within 60 days of the startup of production for each collection of fugitive emissions components at a new well site.

3.13. According to Respondent's 2019 Annual Compliance Report, production at the Beaver Creek Unit, Pad 4 facility commenced on July 6, 2019 and the initial fugitive monitoring survey was performed on November 19, 2019, approximately 136 days after starting production.

3.14. Respondent did not conduct an initial fugitive monitoring survey at the Beaver Creek Unit within 60 days of startup of production, in violation of 40 C.F.R § 60.5397a(f)(1).

COUNTS 3-5

3.15. The version of 40 C.F.R § 60.5397a(h)(3) in effect at all times relevant to this Consent Agreement required owners or operators of affected facilities to survey each repaired or replaced fugitive emissions component as soon as practicable, but no later than 30 days after being repaired, to ensure that there are no fugitive emissions.

3.16. Respondent made three repairs of fugitive emissions components at the Milne Point Unit C-Pad on November 26 and 27, 2018, and then resurveyed the repairs on January 7, 2019 which was 41 and 42 days after repairs were made, respectively.

3.17. Respondent therefore failed to resurvey each repaired or replaced fugitive emissions component no later than 30 days after being repaired, in violation of 40 C.F.R § 60.5397a(h)(3).

COUNTS 6-17

3.18. According to Respondent's 2019 and 2020 Annual Compliance Reports, Respondent performed surveys of repaired or replaced fugitive emissions components more than 30 days after the repairs were made at the following affected facilities that Respondent owns and

operates in the Greater Prudhoe Bay oil field of Alaska: DS L2 (1 component resurveyed late), P Pad (7 components resurveyed late), Z Pad (4 components resurveyed late).

3.19. Respondent therefore failed to survey each repaired or replaced fugitive emissions component no later than 30 days after being repaired, in violation of 40 C.F.R. § 60.5397a(h)(3).

Repair Violations

3.20. The version of 40 C.F.R. § 60.5397a(h) in effect at all times relevant to this Consent Agreement required owners or operators of affected facilities to (1) repair or replace identified sources of fugitive emissions as soon as practicable, but no later than 30 calendar days after detection of the fugitive emissions, or (2) where a repair or replacement is technically infeasible; would require a vent blowdown, a compressor station shutdown, a well shutdown or well shut-in; or would be unsafe to repair during operation of the unit, complete the repair or replacement during the next scheduled compressor station shutdown, well shutdown, well shut-in, after a planned vent blowdown, or within 2 years, whichever is earlier.

COUNT 18

3.21. The 2018 Report stated that Respondent discovered a leak at Milne Point Unit B-Pad during a survey on October 18, 2018 and repaired it on November 19, 2018, 32 days later.

3.22. Therefore, Respondent failed to repair or replace identified sources of fugitive emissions as soon as practicable, but no later than 30 calendar days after detection of the emissions, in violation of 40 C.F.R. § 60.5397a(h)(1).

COUNTS 19-36

3.23. In its 2020 Annual Compliance Report (“the 2020 Report”), Respondent reported the following 18 late repairs or replacements of identified sources of fugitive emissions at affected facilities that Respondent owns and operates in the Greater Prudhoe Bay oil field of

Alaska:

- a. Three sources of fugitive emissions identified at Drill Site 1 were not repaired within 30 days of discovery. Two were repaired at least one day late, and a third was identified on November 16, 2019 and repaired on March 5, 2020, 110 days later.
- b. One source of fugitive emissions identified at Drill Site 4 on August 16, 2019 was repaired on September 17, 2019, 32 days later.
- c. Three sources of fugitive emissions identified on June 11, 2020 at Drill Site 7 were repaired on July 21, 2020, 40 days later.
- d. One source of fugitive emissions identified at Drill Site PM1 on August 25, 2019 was repaired on January 24, 2020, 152 days later.
- e. One source of fugitive emissions identified at C Pad on August 6, 2019 was repaired on September 13, 2019, 38 days later.
- f. Two sources of fugitive emissions identified at F Pad were not repaired or replaced within 30 days of discovery. One was identified on August 13, 2019 and repaired on January 10, 2020, 150 days later, and the second was identified on August 28, 2019 and repaired on December 22, 2019, 116 days later.
- g. One source of fugitive emissions identified at M Pad on October 7, 2019 was repaired on November 11, 2019, 35 days later.
- h. Two sources of fugitive emissions identified at S Pad on September 24, 2019 were repaired 88 and 89 days later, on December 21 and December 22, 2019, respectively.
- i. Three sources of fugitive emissions identified on or before August 3, 2019 at V

Pad were repaired on September 21, 2019, at least 49 days later.

- j. One source of fugitive emissions identified at W Pad on October 1, 2019 was repaired on November 1, 2019, 31 days later.

3.24. Therefore, Respondent failed to repair or replace identified sources of fugitive emissions as soon as practicable, but no later than 30 calendar days after detection of the emissions, in violation of 40 C.F.R. § 60.5397a(h)(1).

COUNTS 37-49

3.25. In its 2020 Annual Compliance Report (“the 2020 Report”), Respondent also reported that in the following 13 instances, it failed to repair or replace identified sources of fugitive emissions at the time of scheduled shutdowns at affected facilities that it owns and operates in the Greater Prudhoe Bay oil field of Alaska:

- a. One source of fugitive emissions identified at Drill Site 9 was placed on Respondent’s delay-of-repair list but was not repaired during the next planned shutdown.
- b. Three sources of fugitive emissions identified at D Pad were placed on Respondent’s delay-of-repair list but were not repaired during the next planned shutdown.
- c. One source of fugitive emissions identified at F Pad was placed on Respondent’s delay-of-repair list but was not repaired during the next planned shutdown.
- d. One source of fugitive emissions identified at K Pad was placed on Respondent’s delay-of-repair list but was not repaired during the next planned shutdown.
- e. Four sources of fugitive emissions identified at P Pad were placed on Respondent’s delay-of-repair list but were not repaired during the next planned

shutdown.

- f. Three sources of fugitive emissions identified at W Pad were placed on Respondent's delay-of-repair list but were not repaired during the next planned shutdown.

3.26. Therefore, Respondent failed to repair or replace identified sources of fugitive emissions during the next scheduled shutdown after detection of the emissions, in violation of 40 C.F.R. § 60.5397a(h)(2).

ENFORCEMENT AUTHORITY

3.27. Section 113 of the CAA, 42 U.S.C. § 7413, authorizes EPA to assess administrative penalties for violations of Subpart OOOOa.

3.28. Under Section 113(d) of the CAA, 42 U.S.C. § 7413(d), and 40 C.F.R. Part 19, EPA may assess a civil penalty of not more than \$48,762 per day of violation.

IV. TERMS OF SETTLEMENT

4.1. Respondent admits the jurisdictional allegations of this Consent Agreement.

4.2. Respondent neither admits nor denies the specific factual allegations contained in this Consent Agreement.

4.3. In determining the amount of penalty to be assessed, EPA has taken into account the factors specified in Section 113(e)(1) of the CAA, 42 U.S.C. § 7413(e)(1). After considering these factors, EPA has determined and Respondent agrees that an appropriate penalty to settle this action is \$180,580 (the "Assessed Penalty").

4.4. Respondent agrees to pay the Assessed Penalty within 30 days of the effective date of the Final Order.

4.5. Payments under this Consent Agreement and the Final Order may be paid by check (mail or overnight delivery), wire transfer, ACH, or online payment. Payment instructions are available at: <http://www2.epa.gov/financial/makepayment>. Payments made by a cashier's check or certified check must be payable to the order of "Treasurer, United States of America" and delivered to the following address:

U.S. Environmental Protection Agency
Fines and Penalties
Cincinnati Finance Center
P.O. Box 979077
St. Louis, Missouri 63197-9000

Respondent must note on the check the title and docket number of this action.

4.6. Concurrently with payment, Respondent must serve photocopies of the check, or proof of other payment method, described in Paragraph 4.5 on the Regional Hearing Clerk and EPA Region 10 at the following addresses:

Regional Hearing Clerk
U.S. Environmental Protection Agency
Region 10
R10_RHC@epa.gov

John Pavitt
U.S. Environmental Protection Agency
Region 10
pavitt.john@epa.gov

4.7. If Respondent fails to pay any portion of the Assessed Penalty in full by its due date, the entire unpaid balance of penalty and accrued interest shall become immediately due and owing. If such a failure to pay occurs, Respondent may be subject to a civil action pursuant to Section 113(d)(5) of the CAA, 42 U.S.C. § 7413(d)(5), to collect the Assessed Penalty under the CAA. In any collection action, the validity, amount, and appropriateness of the Assessed Penalty shall not be subject to review.

4.8. If Respondent fails to pay any portion of the Assessed Penalty in full by its due date, Respondent shall be responsible for payment of the following amounts:

a. Interest. Any unpaid portion of the Assessed Penalty shall bear interest at the rate established pursuant to 26 U.S.C. § 6621(a)(2) from the effective date of the Final Order, provided, however, that no interest shall be payable on any portion of the Assessed Penalty that is paid within 30 days of the effective date of the Final Order contained herein.

b. Attorneys' Fees, Collection Costs, Nonpayment Penalty. Pursuant to 42 U.S.C. § 7413(d)(5), should Respondent fail to pay the Assessed Penalty and interest on a timely basis, Respondent shall also be required to pay the United States' enforcement expenses, including but not limited to attorneys' fees and costs incurred by the United States for collection proceedings, and a quarterly nonpayment penalty for each quarter during which such failure to pay persists. Such nonpayment penalty shall be ten percent of the aggregate amount of Respondent's outstanding penalties and nonpayment penalties accrued from the beginning of such quarter.

4.9. The Assessed Penalty, including any additional costs incurred under Paragraph 4.8, represents an administrative civil penalty assessed by EPA and shall not be deductible for purposes of federal taxes.

4.10. The undersigned representative of Respondent certifies that he or she is authorized to enter into the terms and conditions of this Consent Agreement and to bind Respondent to this document.

4.11. Except as described in Paragraph 4.8, each party shall bear its own costs and attorneys' fees in bringing or defending this action.

4.12. For the purposes of this proceeding, Respondent expressly waives any affirmative defenses and the right to contest the allegations contained in this Consent Agreement and to appeal the Final Order.

4.13. The provisions of this Consent Agreement and the Final Order shall bind Respondent and its agents, servants, employees, successors, and assigns.

4.14. Respondent consents to the issuance of any specified compliance or corrective action order, to any conditions specified in this consent agreement, and to any stated permit action.

4.15. The above provisions in Part IV are STIPULATED AND AGREED upon by Respondent and EPA Region 10.

DATED:

FOR RESPONDENT:

LUKE SAUGIER, Senior Vice President
Hilcorp Alaska, LLC

DATED:

FOR COMPLAINANT:

EDWARD J. KOWALSKI, Director
Enforcement and Compliance Assurance Division
EPA Region 10

BEFORE THE
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

In the Matter of:)	DOCKET NO. CAA-10-2022-0035
)	
HILCORP ALASKA, LLC,)	FINAL ORDER
)	
Anchorage, Alaska,)	
)	
Respondent.)	
)	

1.1. The Administrator has delegated the authority to issue this Final Order to the Regional Administrator of EPA Region 10, who has redelegated this authority to the Regional Judicial Officer in EPA Region 10.

1.2. The terms of the foregoing Consent Agreement are ratified and incorporated by reference into this Final Order. Respondent is ordered to comply with the terms of settlement.

1.3. The Consent Agreement and this Final Order constitute a settlement by EPA of all claims for civil penalties under the CAA for the violations alleged in Part III of the Consent Agreement. In accordance with 40 C.F.R. § 22.31(a), nothing in this Final Order shall affect the right of EPA or the United States to pursue appropriate injunctive or other equitable relief or criminal sanctions for any violations of law. This Final Order does not waive, extinguish, or otherwise affect Respondent’s obligations to comply with all applicable provisions of the CAA and regulations promulgated or permits issued thereunder and any applicable implementation plan requirements.

1.4. This Final Order shall become effective upon filing with the Regional Hearing Clerk.

SO ORDERED this _____ day of _____, 2022.

RICHARD MEDNICK
Regional Judicial Officer
EPA Region 10

Certificate of Service

The undersigned certifies that the original of the attached **CONSENT AGREEMENT AND FINAL ORDER, In the Matter of: HILCORP ALASKA, LLC, Docket No.: CAA-10-2022-0035**, was filed with the Regional Hearing Clerk and served on the addressees in the following manner on the date specified below:

The undersigned certifies that a true and correct copy of the document was delivered electronically to:

Danielle Meinhardt
Assistant Regional Counsel
U.S. Environmental Protection Agency, Region 10
meinhardt.danielle@epa.gov

Further, the undersigned certifies that a true and correct copy of the aforementioned document was deliver electronically to:

Luke Saugier
Senior Vice President
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, Alaska 99503

lsaugier@hilcorp.com
cc: dkemppel@hilcorp.com

Regional Hearing Clerk
EPA Region 10