



**Memorandum of Understanding  
between the  
Bureau Of Safety and Environmental Enforcement –  
U.S. Department of the Interior  
and the  
Alaska Oil and Gas Conservation Commission**

Effective Date: December 14, 2018

**Subject:** SHARED STATE/FEDERAL INSPECTION OVERSIGHT OF NORTHSTAR  
PRODUCTION ISLAND, BEAUFORT SEA, ALASKA

**A. Purpose**

The parties to this Memorandum of Understanding (MOU) are the Alaska Oil and Gas Conservation Commission (AOGCC) and the Bureau of Safety and Environmental Enforcement (BSEE) (together, participating agencies). The purpose of this MOU is to document and memorialize the approach currently being followed by the participating agencies with regard to inspection oversight of production operations and equipment at Northstar production island (Northstar). As such, this MOU seeks to increase transparency around how each agency chooses to implement its respective inspection oversight authority and responsibilities.

**B. Background**

The regulatory context for Northstar operations is quite complex. The State of Alaska, the Federal government, and various owners and operators have cooperated in managing the evolution and implementation of the regulatory framework since the leases were first sold in a joint Federal/State Beaufort Sea lease sale held in December 1979.

BSEE and AOGCC have concurrent regulatory authority over many aspects of the oversight of oil and gas development and production operations on Northstar, an artificial gravel island currently owned and operated by Hilcorp Alaska, LLC (HAK). This is due to the fact that Northstar is physically located on State of Alaska submerged lands (i.e., inside the 3-mile Outer Continental Shelf, or OCS, demarcation), but it hosts multiple wells that extend into and produce resources from Federal leases on the OCS. Northstar is situated within the Northstar Unit, a joint Federal/State unit formed effective January 24, 1990.

The Northstar Unit comprises three participating areas: Northstar, Hooligan, and Fido. Because State and Federal resources are commingled in the oil and gas produced from these participating areas, with agreed upon allocations by participating area, Federal and/or State resources potentially flow through any of the producing wells. For this reason, AOGCC regulates operations and production associated

with all 34 wells at Northstar. In addition, BSEE currently regulates the operations and production associated with seven of those 34 wells that physically extend into the Federal OCS, numbered NS-06, NS-09, NS-12, NS-22, NS-30, NS-32, and NS-34A.

In addition to oversight of Federal well operations and Federal production, BSEE responsibilities include the royalty measurement at Northstar, which includes measurement of both State and Federal production (commingled but allocated according to agreed upon percentages), and implementation of BSEE's Safety and Environmental Management System (SEMS) requirements, which apply to HAK as an OCS operator.

By convention and historical practice, as described herein, oversight of the remainder of Northstar operations that are not directly related to Federal royalties, the Federal portion of the oversight of the seven Federal wells, and SEMS, is generally the responsibility of AOGCC.

### **C. Authorities**

The AOGCC enters this agreement under the authority of the Alaska Oil and Gas Conservation Act. Applicable AOGCC regulations are found at Title 20, Chapter 25 of the Alaska Administrative Code.

The BSEE enters this agreement under the authority of the Outer Continental Shelf Lands Act, or OCSLA.<sup>1</sup> Applicable BSEE regulations are found under relevant Parts of Title 30 of the Code of Federal Regulations, Chapter II.

This MOU does not cover BSEE's separate oil spill preparedness responsibilities for Northstar under the Oil Pollution Act of 1990, as implemented through 30 CFR Part 254.

### **D. Agency Responsibilities**

AOGCC oversees oil and gas drilling, development, and production, reservoir depletion, and metering operations on all lands subject to the State's police powers. It acts to prevent waste, protect correlative rights, improve ultimate recovery, and protect underground freshwater.

BSEE oversees safety, environmental protection, and conservation of resources related to the exploration for and development of offshore resources on the Outer Continental Shelf. BSEE uses its authority to prevent waste and ensure a fair return for the tax payer, improve ultimate recovery, and ensure that industry maintains the appropriate standards for safety and environmental protection in exploring for, developing, and producing resources from the OCS.

This MOU will guide the participating agencies in coordinating their inspection oversight of operations on Northstar. The participating agencies will execute their inspection oversight responsibilities at Northstar as follows.

### **BSEE**

BSEE will continue to conduct inspections related to all seven Northstar Federal wells (currently including NS-6, NS-9, NS-12, NS-22, NS-30, NS-32, and NS-34A). BSEE will continue to inspect

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<sup>1</sup> 43 USC §§ 1331 *et seq.*

equipment and operations associated with Federal wells from bottomhole through Safety and Pollution Prevention Equipment (SPPE) and safety devices that protect the wellhead. Regulated SPPE and safety devices are set forth in BSEE regulations at 30 CFR Part 250, Subpart H, and include, but are not limited to, such items as surface and subsurface safety valves and their actuators, pressure safety devices, and flow safety valves. BSEE has specific procedures in place with the operator for how it conducts such inspections and on what frequency. BSEE will make this information available to AOGCC at any time upon request.

BSEE will continue to implement the relevant provisions of 30 CFR Part 250, Subparts K and L in inspecting royalty metering of all produced oil (which includes the Federal allocated portion), and the flaring and venting of gas.

Finally, BSEE will continue to oversee the implementation of SEMS by the operator, and BSEE will pursue safety oversight in the form of inquiries, investigations, and enforcement actions related to BSEE's inspection responsibilities at Northstar.

### **AOGCC**

AOGCC will continue to conduct inspections related to all 34 wells on Northstar. Further, AOGCC will continue to inspect the remainder of Northstar operations that are subject to its jurisdiction, including oil, gas, and water processing and related safety systems, royalty metering of all produced oil (including the State's allocated portion), and the flaring and venting of gas.

### **E. Coordination of Inspection Oversight**

Except where timing, logistics, or regulatory needs or requirements dictate otherwise, the participating agencies will coordinate inspection activities at Northstar by notifying each other of upcoming inspections. The participating agencies will also coordinate inspection presence and share findings and observations – to the extent allowed by law and agency policy – to further regulatory goals, and to assist one another when either agency desires to, but is unable to, field an inspection presence.

If during the course of any inspection, one agency identifies a potential violation of the other agency's regulations, the agency that identified the potential violation will notify the appropriate representative of the other agency and make available any supporting observations and information.

While neither agency will take enforcement action on behalf of the other, the two agencies will coordinate enforcement actions at Northstar, whenever the enforcement action relates to the Federal wells, flaring or venting of gas, or the royalty metering of produced oil. This coordination will take place at the time and in the manner most appropriate and convenient to the lead enforcement agency in the matter, but in all cases such coordination will take place as early in the process as practical. It is recognized that, for reasons primarily of safety and environmental protection, certain enforcement actions may need to be initiated immediately without prior coordination.

BSEE and AOGCC commit to maintain and foster open dialogue regarding regulatory operations at Northstar, and to work together to resolve any ambiguity or dispute that may arise concerning the approach to State/Federal inspection oversight at Northstar. Such dialogue and coordination will continue to occur primarily at the inspector and supervisory inspector level, with the support and oversight of participating agency leadership as needed.

**F. General Provisions**

Nothing in this MOU alters, amends, or affects in any way the statutory and regulatory authority of BSEE or the AOGCC. Further, this MOU does not define the extent of Federal or State jurisdiction or authority at Northstar.

As required by the Antideficiency Act, 31 U.S.C. §§ 1341 and 1342, all commitments made by BSEE in this MOU are subject to the availability of appropriated funds and budget priorities. Nothing in this MOU, in and of itself, obligates BSEE to expend appropriations or to enter into any contract, assistance agreement, or interagency agreement, or to incur financial obligations.

This MOU is not intended to, nor does it, create any right, benefit, or trust responsibility, substantive or procedural, enforceable at law or equity by any person or party against the United States, its agencies, its officers, or any other person. This MOU neither expands nor is in derogation of those powers and authorities vested in the participating agencies by applicable law. Nothing in this MOU is intended to conflict with current law or regulation or the directives of the AOGCC or BSEE. If a term of this MOU is inconsistent with such authority, that term is invalid, but the remaining terms and conditions of this MOU will remain in full force and effect.

**G. Amendments to the MOU**

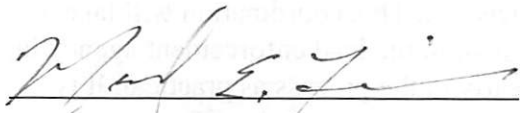
Because it is a reflection of existing practices, this MOU does not create any new policy for either agency, and it does not change existing inspection practices. However, if either participating agency chooses to revise its inspection approach for Northstar in the future, this MOU will need to be reviewed and, possibly, revised.

This MOU may be amended by mutual agreement of the participating agencies.

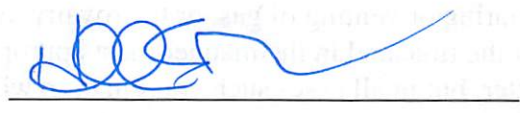
**H. Termination**

This MOU may be terminated by either of the participating agencies after providing 30-days advance written notice to the other agency.

**I. Signatures**



Mark Fesmire, PE JD  
Regional Director, Alaska Region  
Bureau of Safety and Environmental Enforcement  
U.S. Department of the Interior



Hollis French  
Chair  
Alaska Oil and Gas Conservation Commission  
State of Alaska