

STATE OF ALASKA

SARAH PALIN, GOVERNOR

ALASKA OIL AND GAS CONSERVATION COMMISSION

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ADMINISTRATIVE APPROVAL NO. AIO 4E.22

Mr. Mark Weggeland
GPMA Resource Manager
BP Exploration (Alaska), Inc.
P.O. Box 196612
Anchorage, AK 99519-6612

RE: Request for Administrative Approval to Inject Hydrostat Test Water

Dear Mr. Weggeland,

By letter dated April 25, 2007 BP Exploration (Alaska), Inc. ("BPXA") requested authorization for the underground injection of water used for pressure testing a replacement pipeline segment between Lisburne L1 pad and the Lisburne Production Center ("LPC"), part of the Greater Point McIntyre development area ("GPMA"). Approximately 26,000 feet of 24-inch pipeline has been replaced and BPXA estimates 15,000 barrels of lake water will be necessary for hydro testing the pipeline segment. BPXA intends to use chlorinated lake water stored at LPC for fire fighting purposes ("fire water") to substitute up to 50 percent of the water necessary for hydro testing. Used hydrotest water will be injected for enhanced oil recovery in the area wells. BPXA states that a consequence of the project is the injection of up to one-third of the hydrotest water into a LPC Class II disposal well. The Alaska Oil and Gas Conservation Commission ("Commission") approves the injection of hydrotest water into GPMA wells as an enhanced oil recovery fluid. The request for injection of the hydrotest water into LPC Class II disposal wells is denied.

BPXA's request was amended by electronic mail dated May 4 and May 11 to include details about the use of fire water and the chemical composition and nonhazardous characterization of the hydrotest water to be used. Material Safety Data Sheets were provided for corrosion inhibitor and oxygen scavenger chemicals to be used in the hydrotest water. Laboratory analysis of the stored firewater was also provided.

The Commission has focused on the eligibility of fluids for enhanced recovery injection and for disposal injection. Based on a review of the information provided by BPXA, the Commission finds the following:

1. The 26,000 feet of replaced pipeline from L-1 manifold building and the L-2 junction will carry 3 phase production (oil, water, gas) to the LPC for processing. The Commission considers this to be a non-transportation gathering line and, therefore, exempt from the requirements of Section 3001(b)(2) of the Resource Conservation and Recovery Act ("RCRA").

2. The pipeline segment to be tested is an unused section of pipe; there would be no contact with fluids from downhole during the planned test.
3. The hydrotest water is nonhazardous according to RCRA regulatory criteria. The corrosion inhibitor that will be added to the hydrotest water does exhibit hazardous characteristics in its concentrated form. BPXA indicates concentration of corrosion inhibitor in the hydrotest water will be approximately 500 ppm, well below the regulatory threshold for hazardous characteristics. The oxygen scavenger is non-hazardous. The chlorine concentration in firewater (43 mg/L) is well below the hazardous waste regulatory threshold.
4. Dilution of the hydrotest water through commingling with produced water at LPC (before injection) will minimize any potential water compatibility issues and further reduce any hazardous characteristics of the corrosion inhibitor.
5. Injection into disposal wells at LPC is an unintended consequence of the operation if the disposal wells remain on line during the injection of the commingled hydrotest water and produced water stream from LPC. BPXA does have the ability to isolate disposal injection from enhanced oil recovery injection. The consequence is well work in the disposal well to clean out fill that results from cross flow between the authorized injection zones penetrated by the disposal injection wells during times of reduced flow or shut in.
6. The Commission may authorize the injection of fluids for enhanced recovery of oil and gas if the fluid is appropriate for enhanced recovery, sound engineering practices are maintained and the amendment will not result in an increased risk of fluid movement into an underground source of drinking water. Disposal under Area Injection Order 4E is limited to "Class II waste fluids."

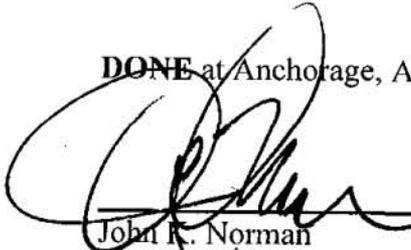
BPXA has demonstrated to the satisfaction of the Commission that the hydrotest water is consistent and compatible with fluids used in routine enhanced recovery operations in the GPMA and will not adversely impact the reservoir or production equipment. The same fluid, however, fails to meet the criteria for Class II disposal injection.

The Commission agrees in principle with the common sense approach of BPXA's request to allow the injection this hydrotest water into disposal as well as enhanced recovery and is cognizant of the additional well work that may be required because of shutting in the disposal injectors. However, we are constrained to following EPA's narrow interpretation of terms like "beneficial use", "intrinsicly derived from", and "directly associated with" that restrict fluid injection in Class II disposal wells to just those fluids that have been down hole for an intended purpose.

As provided in AS 31.05.080, within 20 days after written notice of this decision, or such further time as the Commission grants for good cause shown, a person affected by it may file with the Commission an application for rehearing. A request for rehearing is considered timely if it is

received by 4:30 PM on the 23rd day following the date of this letter, or the next working day if the 23rd day falls on a holiday or weekend. A person may not appeal a Commission decision to Superior Court unless rehearing has been requested.

~~DONE~~ at Anchorage, Alaska and dated May 23, 2007.



John K. Norman
Chairman



Daniel T. Seamont, Jr.
Commissioner



Cathy P. Foerster
Commissioner

cc: Thor Cutler
US EPA Region 10
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