

STATE OF ALASKA

SARAH PALIN, GOVERNOR

ALASKA OIL AND GAS CONSERVATION COMMISSION

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ADMINISTRATIVE APPROVAL AIO 5.016

Mr. J. Hal Martin
Optimization Engineer
Union Oil Company of California
P.O. Box 196247
Anchorage, AK 99519-6247

RE: TBU D-15RD2 (PTD 1800050) Request for Administrative Approval
McArthur River Field, Hemlock Oil Pool
McArthur River Field, Middle Kenai G Oil Pool

Dear Mr. Martin:

In accordance with Rule 9 of Area Injection Order (AIO) 5.000, the Alaska Oil and Gas Conservation Commission (AOGCC or Commission) hereby grants Chevron North America Exploration and Production (Chevron)'s request for administrative approval to continue water injection in the subject well.

Trading Bay Unit (TBU) D-15RD2 developed tubing by inner annulus (IA) communication in March 2007. The well was shut in and a static temperature survey was run to confirm that injected water is confined to the intended Hemlock and Middle Kenai G Oil Pools. A 45-day injection test was approved by the Commission on December 26, 2007 to further evaluate the mechanical integrity of the well. Injection in TBU D-15RD2 commenced March 1 and was suspended on April 4, 2008. A follow-up static temperature survey was run to assess the well's mechanical integrity. Information provided by Chevron subsequent to the injection test indicates that while the well pressures show tubing by inner annulus communication, all injected water is exiting the wellbore at the intended downhole location.

Chevron does not intend to perform repairs at this time to eliminate the tubing by IA communication in TBU D-15RD2. Reported results of Chevron's diagnostic procedures and wellhead pressure trend plots indicate that TBU D-15RD2 exhibits at least two competent barriers to the release of well pressure. The Commission believes that the well's condition does not compromise overall well integrity so as to threaten human safety or the environment. AOGCC's administrative approval to continue water injection only in TBU D-15RD2 is conditioned upon the following:

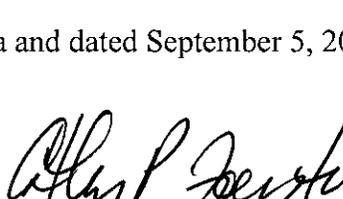
1. Chevron shall record wellhead pressures and injection rate daily;
2. Chevron shall submit to the AOGCC a monthly report of well pressures, injection rates, and pressure bleeds for all annuli;

3. Chevron shall perform a temperature survey every 2 years and provide data and interpreted results to the Commission;
4. Chevron shall limit the surface injection and IA pressures to 3250 psi, and limit the outer annulus pressure to 500 psi;
5. Chevron shall immediately shut in the well and notify the AOGCC if there is any change in the well's mechanical condition;
6. After well shut in due to a change in the well's mechanical condition, AOGCC approval shall be required to restart injection; and
7. The anniversary date for the temperature survey is April 5, 2008.

DONE at Anchorage, Alaska and dated September 5, 2008.



Daniel T. Seamount, Jr.
Chairman



Cathy P. Foerster
Commissioner



John K. Norman
Commissioner



RECONSIDERATION AND APPEAL NOTICE

As provided in AS 31.05.080(a), within 20 days after written notice of the entry of this order or 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 reconsideration of the matter determined by it. If the notice was mailed, then the period of time shall be 23 days. An application for reconsideration must set out the respect in which the order or decision is believed to be erroneous.

The Commission shall grant or refuse the application for reconsideration in whole or in part within 10 days after it is filed. Failure to act on it within 10-days is a denial of reconsideration. If the Commission denies reconsideration, upon denial, this order or decision and the denial of reconsideration are FINAL and may be appealed to superior court. The appeal MUST be filed within 33 days after the date on which the Commission mails, OR 30 days if the Commission otherwise distributes, the order or decision denying reconsideration, UNLESS the denial is by inaction, in which case the appeal MUST be filed within 40 days after the date on which the application for reconsideration was filed.

If the Commission grants an application for reconsideration, this order or decision does not become final. Rather, the order or decision on reconsideration will be the FINAL order or decision of the Commission, and it may be appealed to superior court. That appeal MUST be filed within 33 days after the date on which the Commission mails, OR 30 days if the Commission otherwise distributes, the order or decision on reconsideration. As provided in AS 31.05.080(b), "[t]he questions reviewed on appeal are limited to the questions presented to the Commission by the application for reconsideration."

In computing a period of time above, the date of the event or default after which the designated period begins to run is not included in the period; the last day of the period is included, unless it falls on a weekend or state holiday, in which event the period runs until 5:00 p.m. on the next day that does not fall on a weekend or state holiday.