

STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
333 West 7th Avenue, Suite 100
Anchorage, Alaska 99501

Re: **THE APPLICATION OF**) Area Injection Order No. 5.018
HILCORP ALASKA, LLC. for)
Administrative Approval allowing) Trading Bay Unit
well Trading Bay Unit G-12RD3) McArthur River Field
(PTD 2020550) to continue in water) Hemlock Oil Pool
only injection service with a known) Middle Kenai G Oil Pool
tubing x inner annulus pressure)
communication.) February 13, 2014

By letter dated February 3, 2014 Hilcorp Alaska, LLC (Hilcorp) requested administrative approval to continue water only injection in the Trading Bay Unit G-12RD3 well.

In accordance with Rule 9 of Area Injection Order (AIO) 005.000, Hilcorp's request is GRANTED.

Hilcorp reported a Tubing x Inner Annulus pressure communication to the Alaska Oil and Gas Conservation Commission (AOGCC) on April 26, 2013 while on seawater injection service and the well was shut in. Diagnostics were performed and a dummy gas lift valve with extended packing was installed in the suspected leaking mandrel. Hilcorp shut in the well again after a short injection period due to a smaller communication. Due to the low leak rate Hilcorp believes a workover to replace the tubing would be required to eliminate the communication. A passing mechanical integrity test of the Inner Annulus (MITIA) on February 28, 2013 indicated at least two competent barriers to the release of well pressure. The well has integrity of the 7" production casing cemented to surface, as well as the 9 5/8" casing and the 13 3/8" casing cemented to surface. Accordingly, the well's condition does not compromise overall well integrity so as to threaten human safety or the environment.

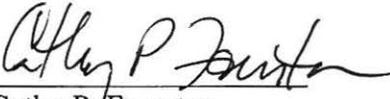
Rule 9 of AIO 5.000 allows administrative amendment of any rule stated as long as the operator demonstrates to the AOGCC's satisfaction that sound engineering practices are maintained and the amendment will not result in an increased risk of fluid movement into an underground source of drinking water.

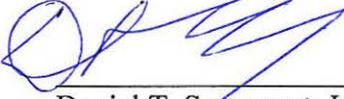
Finding 4 of AIO 5.000 states that the portion of aquifers beneath the Cook Inlet described by a ¼ mile area beyond and lying directly below the Trading Bay Unit are exempted for Class II injection activities by 40 CFR 147.102(b)(2)(B) and 20 AAC 25.440(c).

AOGCC's approval to continue water injection only in Trading Bay Unit G-12RD3 is conditioned upon the following:

1. Hilcorp shall record wellhead pressures and injection rate daily;
2. Hilcorp shall submit to the AOGCC a monthly report of well pressures, injection rates, and pressure bleeds for all annuli with any bleeds flagged;
3. Hilcorp shall install, maintain and operate automatic well shut-in equipment linked to the well's inner annulus (IA) pressure. The actuation pressure shall not exceed 3,250 psi for the inner annulus. Testing of the shut in equipment shut-down valve and mechanical or electrical pressure devices shall be performed upon install, and every 6 months thereafter. Ideally in conjunction with production well pilots and safety valves. Hilcorp shall provide to the AOGCC the testing procedure to be used to verify integrity of the well shut-in equipment linked to the inner annulus pressure;
4. Hilcorp shall limit the wells IA operating pressure to 3,250 psi;
5. Hilcorp shall perform baseline temperature surveys to verify containment of wellbore fluids to the desired intervals.
6. Hilcorp shall immediately shut in the well and notify the AOGCC if there is any change in the well's mechanical condition;
7. After well shut in due to a change in the well's mechanical condition, AOGCC approval shall be required to restart injection; and
8. This administrative approval shall expire 12 months after the effective date shown below.

DONE at Anchorage, Alaska and dated February 13, 2014.


Cathy P. Foerster
Chair, Commissioner


Daniel T. Seamont, Jr.
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 AOGCC grants for good cause shown, a person affected by it may file with the AOGCC 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 AOGCC 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 AOGCC 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 AOGCC mails, **OR 30** days if the AOGCC 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 AOGCC 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 AOGCC, and it may be appealed to superior court. That appeal **MUST** be filed within **33** days after the date on which the AOGCC mails, **OR 30** days if the AOGCC otherwise distributes, the order or decision on 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.