

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. 007.003
HILCORP ALASKA, LLC. for)
Administrative Approval to re-) Middle Ground Shoal (MGS) Field
establish EOR Class II non-hazardous) Middle Ground Shoal A, B, C, D,E, F, G
fluid injection into wells MGS ST) Oil Pools
17595 17 (aka Baker 17; PTD)
1852170) and MGS ST 17595 16 (aka) May 28, 2013
Baker 16; PTD 1770170).)

By letter dated May 3, 2013, Hilcorp Alaska, LLC (Hilcorp) requested approval to cancel Area Injection Order (AIO) 007.002 and have Enhanced Oil Recovery (EOR) injection operations governed by provisions of the underlying AIO 007.000. The Alaska Oil and Gas Conservation Commission (AOGCC) hereby **GRANTS** the Hilcorp request for administrative approval to allow the use of Middle Ground Shoal State 17595 Wells 16 and 17 (Baker 16; Baker 17). The request to cancel AIO 007.002 is addressed by separate correspondence dated May 28, 2013.

An annual review of the performance of this injection project is required as outlined below and will be the basis for continuing approval of injection into Baker Wells 16 and 17 as currently configured.

Production and injection operations were halted on Baker Platform in June 2003 and the platform surface equipment was purged/cleaned of hydrocarbons and most of the equipment removed from the platform. AIO 7.002 authorized pumping waste liquids into the producing intervals of Baker 16 and Baker 17. Waste liquids from the purging/cleaning operation were disposed of into the producing formations in Baker 16 and Baker 17 in accordance with AIO 7.002. AOGCC records indicate that from 2003 the Baker 16 well had 10,400 bbls injected, and the Baker 17 well had 15,692 bbls injected into the peripheral areas of the production reservoir. The basis for approval of AIO 7.002 was the depleted nature of the producing intervals completed by Baker 16 and Baker 17.

The AOGCC finds the following regarding Hilcorp's application:

1. Hilcorp intends to utilize Baker 16 and Baker 17 for EOR injection which consists of pre-charging the reservoir for the planned return of oil production from the Baker platform.
2. Hilcorp's request for injection of Class II non-hazardous fluids specifically produced water from production operations and storm water from secondary containment areas on the Baker platform (deck drain fluids) is approved.

3. Re-establishment of EOR injection and resulting production on the Baker platform does not compromise overall well integrity so as to threaten human safety or the environment.
4. Restoring production from Middle Ground Shoal Oil Pools will ensure greater ultimate recovery and is in the best interests of the State of Alaska.
5. Results of this EOR test are important to the design of Hilcorp's plans for redevelopment of the Middle Ground Shoal oil pools accessed by Baker Platform wells.

AOGCC's approval to continue EOR injection is conditioned upon the following:

1. Hilcorp shall restrict injection to water only (no gas or miscible injectant);
2. Hilcorp shall perform a step rate test, baseline temperature survey, and mechanical integrity test of the inner annulus (MITIA) prior to commencing EOR injection;
3. Hilcorp shall monitor and record wellhead pressures and injection rate daily;
4. Hilcorp shall perform a MITIA every 4 years to the maximum anticipated surface pressure, or 1500 psi, or 0.25 psi/ft multiplied by the vertical depth of the packer, whichever is greater, but not to exceed a hoop stress greater than 70% of the casing's minimum yield strength. Refer to AOGCC Industry Guidance Bulletin 10-002 for additional information about performing MITs;
5. Hilcorp shall submit to AOGCC an annual surveillance report evaluating the performance of the EOR injection by April 1st of each year covering injection operations during the previous calendar year. The report shall include data sufficient to characterize the injection operation, including among other information, the following: injection and annuli pressures (i.e. daily average, maximum, and minimum pressures); fluid volumes injected; injection rates; mechanical condition of the injection wells; and integrity of confining layers. An assessment of the applicability of the injection order findings, conclusions, and rules based on actual performance shall be included with the annual performance report.

DONE at Anchorage, Alaska and dated May 28, 2013.


Cathy P. Foerster
Chair, 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 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. As provided in AS 31.05.080(b), “[t]he questions reviewed on appeal are limited to the questions presented to the AOGCC 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.