

STATE OF ALASKA

ALASKA OIL AND GAS CONSERVATION COMMISSION

SARAH PALIN, GOVERNOR

333 W. 7th AVENUE, SUITE 100
ANCHORAGE, ALASKA 99501-3539
PHONE (907) 279-1433
FAX (907) 276-7542

ADMINISTRATIVE APPROVAL NO. DIO 32.001

Mr. Bruce D. Webb
Manager, Land and Regulatory Affairs
Aurora Gas, LLC
1400 W. Benson Boulevard, Suite 410
Anchorage, AK 99503

Re: Disposal Injection Fluids

Dear Mr. Webb:

Disposal Injection Order (DIO) 32 approved the injection of Class II waste fluids into the Beluga Formation within Aspen Well No. 1 (Aspen 1). By letter dated November 21, 2008, Aurora Gas LLC (Aurora) requested approval to dispose of freeze protect fluids proposed for use in Aspen 1. Aurora also requested the Commission to delineate the fluids eligible for Class II disposal in Aspen 1. Your request to inject freeze protect fluids – namely methanol, and triethylene glycol (used and unused) is **APPROVED**.

Aspen 1 is at the time of this approval Aurora's only Class II disposal injection well in Alaska. The well is proximate to Aurora's exploration and gas production activities at the Three Mile Creek Unit, Lone Creek gas field, and Nicolai Creek Unit located on the west side of Cook Inlet. Confinement of fluids to the intended injection zone in Aspen 1 was evaluated and deemed sufficient for approval of DIO 32. Well integrity has been demonstrated by a successful mechanical integrity test performed on September 1, 2008 and the well head pressures that are monitored during injection. Results of the baseline temperature survey and a subsequent temperature survey performed on November 14, 2008 confirm all injected fluids to date are entering and remain confined to the intended injection zone.

Protecting the injection well and associated surface piping is necessary to ensure continued mechanical integrity of the Aspen 1 waste disposal injection operation, particularly given the periodic batch injection performed. The addition of small amounts of methanol or triethylene glycol (freeze protect fluids) following batch injection (particularly during winter months) will have no detrimental effect on the confinement of fluids. Well integrity and correlative rights will not be negatively impacted because of the proposed inclusion of small amounts of freeze protect fluids in the disposal injection fluid stream. Waste will also not occur because of the addition of small amounts of freeze protect fluids.

DIO 32 authorizes the disposal injection of Class II waste fluids generated during drilling, production and workover operations. In general, fluids eligible for Class II disposal injection can be described as those waste fluids that have been brought to the surface, fluids in contact with those brought to surface (e.g., used for treating the produced fluids), and fluids placed in the well for a specific purpose such as freeze protection fluids. At Aurora's request the Commission provides the following clarification to DIO 32:

RULE 2: Fluids

The waste fluids authorized for injection in Aspen 1 include produced water, drilling, completion and workover fluids, rig wash; drilling mud slurries; and other Class II fluids generated from drilling, production, workover and completion operations.

DONE at Anchorage, Alaska and dated December 11, 2008.



Daniel T. Seamount, Jr.
Chair



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.