

# 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 34.001

Mr. Lyndon Ibele  
Production Coordinator  
Marathon Oil Company  
P.O. Box 196168  
Anchorage, AK 99519-6168

Re: Disposal Injection Fluids  
DIO 34

Dear Mr. Ibele:

Disposal Injection Order (DIO) 34 approved the injection of Class II waste fluids into the Sterling formation within Kenai Unit (KU) Well 12-17. Verbally on December 10, 2008 and by electronic mail on December 12, 2008, Marathon Oil Company (Marathon) requested clarification concerning the fluids eligible for Class II disposal injection. Marathon's specific request to include precipitation that accumulates within containment areas and pad storm water retention basins associated with exploration and development activities is **APPROVED**.

In its DIO application, Marathon provided a partial list of fluids it considers eligible for Class II disposal injection based on an exemption to the Resource Conservation Recovery Act (RCRA), i.e., EPA Publication 530-K-95-003 (May 1995), *Crude Oil and Gas Exploration and Production Wastes: Exemption from RCRA Subtitle C Regulations*. Typical waste streams Marathon considers RCRA exempt and Class II disposal eligible include drilling, completion, workover fluids; glycol dehydration wastes; drilling mud slurries; tank bottoms; pipe scale (including naturally occurring radioactive material); precipitation within containment areas and pad storm water retention basins; drum rinsate; equipment wash water; and soil and organic materials that are contaminated with crude oil or natural gas liquids.

Rule 2 of DIO 34 authorizes the disposal injection of "Class II oil field waste fluids generated during drilling, production or workover operations." The Commission's use of the broad term "Class II oil field waste fluids" is intended to cover those fluids obviously eligible for Class II disposal injection (fluids returned to surface from downhole), and to allow for other fluids to be injected into KU 12-17 that the Commission deems appropriate on a case by case basis. The Commission agrees with Marathon's position that the fluids listed in the RCRA exemption are eligible for Class II disposal injection.

Marathon operates several production pads and facilities on the Kenai Peninsula, each with a variety of secondary containment areas designed to capture any release of solid and liquids that could result in pollution. Secondary containment areas include but are not limited to areas around drilling rigs; grind and inject equipment; drilling and production material storage; well cellars; reserve pits; and pad storm water retention basins. Materials within these secondary containment areas include both fluids that have been downhole or are intended to be placed in the well to accomplish a specific purpose. The volume of

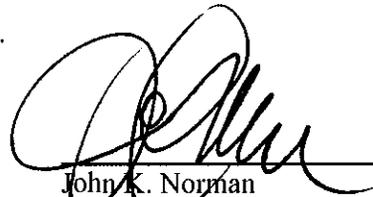
precipitation that collects within these areas can be significant. Recovered fluids from secondary containment areas can provide some beneficial reuse (e.g., periodic flushes of KU 12-17; make-up water for injected solids-laden slurries).

Confinement of fluids to the intended injection zone in KU 12-17 has been evaluated and is a basis for approved DIO 34. Well integrity has been demonstrated by evaluating the well construction (cement and casing). Required pressure testing of the well's tubing-casing annulus prior to injection and monitoring the well's tubing and annuli pressures during injection will confirm the well's mechanical integrity. The disposal injection of precipitation and any spilled materials recovered from secondary containment areas – as noted above – into KU 12-17 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 the recovered precipitation and any spilled materials in the disposal injection fluid stream. Waste will also not occur because of the addition of recovered fluids from the secondary containment/production impoundment areas.

Approval applies only to this specific request and is not intended to provide for a blanket authorization to inject these or similar non-hazardous fluids down other Class II disposal wells.

**DONE** at Anchorage, Alaska and dated December 17, 2008.

  
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.