

STATE OF ALASKA

SARAH PALIN, GOVERNOR

ALASKA OIL AND GAS CONSERVATION COMMISSION

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ADMINISTRATIVE APPROVAL NO. DIO 35.001

Ms. Sharon Sullivan
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Re: Disposal Injection Fluids
DIO 35

Dear Ms. Sullivan:

Disposal Injection Order (DIO) 35 approved the injection of Class II waste fluids into the Sterling formation within Ivan River Unit (IRU) Well 13-31. On December 10, 2008 Union Oil Company of California (Union) requested clarification concerning the fluids eligible for Class II disposal injection. Union's specific request to include precipitation accumulating within production impoundment areas associated with exploration and development activities is **APPROVED**.

In its DIO application, Union 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*.¹ Included in Union's request was the broad category "other associated wastes". Union delineates "other associated wastes" by noting the fluids are "generated in connection with oil and gas development activities" and by using phrases such as "intrinsically derived from primary field operations".

Rule 2 of DIO 35 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 IRU 13-31 that the Commission deems appropriate on a case by case basis. The

¹RCRA exempt oil and gas wastes include drill cuttings, mud, produced fluids reserve pit waste, rig wash, formation materials, completion fluids, workover fluids, stimulation fluids and solids, tracer materials, glycol dehydration wastes, naturally occurring radioactive material scale slurries, precipitation accumulating within production impoundment areas, tank bottoms, production chemicals used in wells.

Commission agrees with Union's position that the fluids listed in the RCRA exemption are eligible for Class II disposal injection.

Union operates several production pads and facilities on the west side of Cook Inlet, 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; and reserve pits. 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 provide some beneficial reuse (e.g., periodic flushes of IRU Well 13-31; make-up water for injected solids-laden slurries).

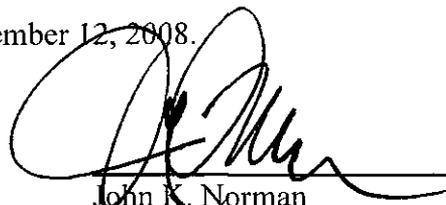
Confinement of fluids to the intended injection zone in IRU 13-31 has been evaluated and is a basis for approved DIO 35. Well integrity has been demonstrated by evaluating the well construction (cement and casing). Required pressure testing of the well's tubing-casing annulus prior to injection and monitoring 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 (including but not limited to areas around drilling rigs, grind and inject equipment, drilling and production material storage, and well cellars) into IRU 13-31 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.

IRU 13-31 is one of two Class II disposal injection wells operated by Union on the west side of Cook Inlet. The Commission approved a similar request regarding the disposal injection of precipitation collected from various areas into IRU Well 14-31 (administrative approval DIO 23.002, dated October 29, 2008). A consistent approach to the fluids eligible for injection in both IRU disposal wells will minimize confusion for the Union personnel.

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 12, 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.