

STATE OF ALASKA

SEAN PARNELL, GOVERNOR

ALASKA OIL AND GAS CONSERVATION COMMISSION

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ADMINISTRATIVE APPROVAL DISPOSAL INJECTION ORDER 37,002

Mr. William Van Dyke
Petrotechnical Resources Alaska
3601 C Street, Suite 822
Anchorage, AK 99503

RE: Request for Administrative Approval
South Barrow #15 (PTD 1000450)
East Barrow Gas Field

Dear Mr. Van Dyke:

Petrotechnical Resources Alaska (PRA), acting on behalf of the North Slope Borough, requests approval to dispose of small volumes of diesel in conjunction with freeze protecting exposed valves at the base of eight upright tanks used for the temporary storage of liquid drilling wastes. The drilling wastes are generated from drilling activities within the Barrow Gas Fields which commenced in September 2011. In accordance with Rule 8 of Disposal Injection Order (DIO) 37, the Alaska Oil and Gas Conservation Commission (AOGCC) hereby grants PRA's request for administrative approval to dispose of the diesel freeze protect fluids in South Barrow #15.

Liquid drilling wastes generated from current drilling activities in the Barrow Gas Fields are stored in a central tank farm prior to batch disposal injection into South Barrow #15. Although the tanks are heated, the exposed valve located at the base of each tank is susceptible to freezing, and to date at least one valve has failed. Displacing liquid drilling wastes from the valve with diesel will prevent a freeze-related failure of the internal components of the valve. PRA estimates each valve will require approximately ten gallons to freeze protect, repeated each time the tank is emptied and refilled during the disposal cycle and that the total volume of diesel used will be approximately one percent of the expected total liquid drilling waste injected into South Barrow #15.

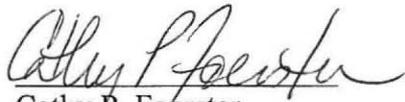
The request to dispose of diesel freeze-protect fluids with the drilling waste is justified by the following:

- Testing demonstrated that South Barrow #15 has the necessary mechanical integrity to operate as an Underground Injection Control Program Class II disposal injector;
- The confinement of disposed fluids has been demonstrated by baseline and subsequent surveys and ongoing injection performance monitoring;

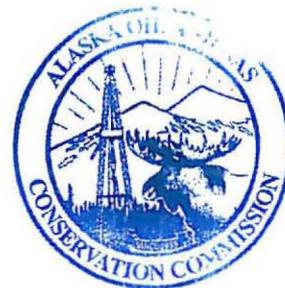
- Addition of the small volume of diesel – commingled with the drilling waste when the each tank is emptied and then injected into South Barrow #15 – will have no impact on confinement or the integrity of the injection zone;
- Separating the diesel from the waste stream for disposal at another North Slope facility would be technically and economically challenging with no derived environmental benefit; rather, the numerous additional handling and staging requirements would increase the potential for a surface spill;
- The purpose for using diesel is freeze protecting a critical valve in the storage system, not disposal of the commercial product; and
- Diesel is the best suited product available for freeze protecting the valves, and is routinely used in the freeze protection of North Slope hydrocarbon systems, notably exploration, development, production and injection wells that are shut down for an extended period of time.

This approval is limited to the disposal of small volumes of diesel necessary for freeze protecting the isolation valves at the base of the eight upright tanks used for temporary storage of liquid drilling wastes, as outlined in PRA's letter dated March 5, 2012.

DONE at Anchorage, Alaska and dated March 13, 2012.


Cathy P. Foerster
Chair, Commissioner


Daniel T. Seamount, 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. 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.