

ADMINISTRATIVE APPROVAL NO. 477.006
ADMINISTRATIVE APPROVAL NO. AIO 10B.002

Ms. Janice Vosika
Milne Point Delivery Manager
BP Exploration Alaska, Inc.
900 East Benson Boulevard
P.O. Box 196612
Anchorage, AK 99519-6612

Re: Schrader Bluff Oil Pool
Small Scale Enhanced Oil Recovery Pilot Project
Administrative Action Application

Ms. Vosika:

The Alaska Oil and Gas Conservation Commission (“Commission”) has received your correspondence, dated June 28, 2005, requesting approval of a Small Scale Enhanced Oil Recovery (SSEOR”) Pilot Project in the Schrader Bluff Oil Pool, Milne Point Unit (“MPU”). The Commission requested additional information by letter dated July 22, 2005 and you provided the requested information on August 5, 2005. The pilot project will be confined to the area defined in your application. The project will assess the feasibility of injecting lean MPU gas into the Schrader Bluff Oil Pool to increase production and recovery. The proposed pilot operation is characterized as a “Viscosity Reduction Water Alternating Gas” injection (“VR-WAG”) enhanced recovery project.

This pilot project will demonstrate viability of the VR-WAG process, determine gas injectivity and interaction time, and determine the incremental recovery of viscous oil from the Schrader Bluff Oil Pool. The project is designed to acquire technical data to evaluate and answer questions necessary to determine applicability of the process and measure economic and technical parameters. A pilot area has been selected to confine injection and narrow the focus of the evaluation efforts. The Operator has reviewed injection and fracture parameters, confinement, potential miscibility parameters, well mechanical condition within the pilot area and estimated lean gas injection requirements, and has made preliminary recovery estimates.

In accordance with 20 AAC 25.450 (b), the Commission has discretionary authority to approve “...pilot projects for enhanced recovery using a technology not proved feasible under conditions in which it is being tested ...”. Rule 11 of Conservation Order 477 (“CO 477”) allows the Commission to waive the requirements of any rule or administratively amend the order as long as the change does not promote waste, jeopardize correlative rights, and is based on sound engineering principles. Rule 8 of Area Injection Order 10B (“AIO 10B”) allows the Commission to administratively amend any rule as long as the operator demonstrates to the Commission’s satisfaction that sound engineering and geoscience practices are maintained and the amendment will not result

in an increased risk of fluid movement into an underground source of drinking water.

The Commission has reviewed the subject application and additional supplied information and finds the project as described fits the conditions of a pilot project as cited in 20 AAC 25.450. The scope and goals of the project are clearly defined to allow technical evaluation of the process. The Operator has outlined operating parameters consistent with containment of injection and prevention of extraneous movement of injected fluids. Preliminary studies indicate the potential to recover additional oil with successful implementation of the project. Reservoir surveillance required by CO 477 and AIO 10B, operating parameter surveillance, and mechanical integrity tests will demonstrate performance of the enhanced oil recovery project, disclose possible abnormalities and indicate integrity problems. The project as described will not cause waste or allow increased risk of fluid movement outside the target interval or into freshwater sources.

The MPU Schrader Bluff Small-Scale EOR pilot project is approved subject to the following conditions.

1. The pilot VR-WAG injection project is approved for a period of three years, until September 30, 2008, within the areas outlined in Exhibit B-1, Plat of the Proposed Schrader Bluff Small-Scale EOR Pilot Project, submitted June 28, 2005.
2. Report of Sundry Operations, Form 10-404, must be submitted for each injection well when gas is initially injected.
3. An annual project technical review is required to document project performance and progress toward proving feasibility of the process including:
 - a. project performance and objectives achievement,
 - b. injection performance and EOR response, and
 - c. technical issues, anomalies and changes in scope.
4. Project surveillance, integrity testing and requirements of CO 477 and AIO 10B and their associated administrative actions shall ensure adequate data to evaluate applicable technical concepts and operational surveillance to monitor containment of injected fluids.
5. An opportunity for public hearing will be scheduled at the end of the pilot project to weigh the benefits of further pilot operations or create rules to guide expansion of the process within the Schrader Bluff Oil Pool.

As provided in AS 31.05.080(a), within 20 days after written notice of this 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 rehearing. A request for rehearing is considered timely if it is received by 4:30 PM on the 23rd day following the date of this letter, or the next working day if the 23rd day falls on a holiday or weekend. A person may not appeal a Commission decision to Superior Court unless rehearing has been requested.

DONE at Anchorage, Alaska and dated September 12, 2005.

John K. Norman
Chairman

Daniel T. Seamount, Jr.
Commissioner

Cathy P. Foerster
Commissioner