

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

ALASKA OIL AND GAS CONSERVATION COMMISSION

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ADMINISTRATIVE APPROVAL NO. 406.01 **ADMINISTRATIVE APPROVAL NO. AIO 2B.01**

Mr. John L. Hand
Supervisor, Reservoir Planning
Greater Kuparuk Area Development
ConocoPhillips Alaska, Inc.
700 G Street
Anchorage, AK 99501

Re: West Sak Small Scale Enhanced Oil Recovery Pilot Project Administrative Action Application

Dear Mr. Hand:

The Alaska Oil and Gas Conservation Commission ("Commission") has received your correspondence, dated June 18, 2003, requesting approval of a Small Scale Enhanced Oil Recovery (SSEOR) Pilot Project in the West Sak Oil Pool, Kuparuk River Unit. The pilot project will be confined to an area defined in your application. The project will assess the feasibility of miscible gas injection process in the West Sak Oil Pool. The proposed pilot project is characterized as miscible water alternating gas injection ("MWAG"). The project has been divided into three phases to demonstrate viability of the MWAG process and assess MWAG wellbore completion integrity, MWAG injectivity and MWAG gas breakthrough. Each phase is designed to acquire technical data to evaluate and answer questions necessary to determine applicability of the process and estimate economic and technical parameters. A pilot area was selected to confine injection and narrow the focus of evaluation effort. The Operator has reviewed injection parameters, fracture parameters, confinement, miscibility parameters, well mechanical condition within the pilot area, estimated miscible gas injection requirements, and 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 13 of Conservation Order 406 ("CO 406") 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 9 of Area Injection Order 2B ("AIO 2B") allows the Commission to administratively amend any rule as long as the operator demonstrates to the Commission's satisfaction that sound engineering practices are maintained and the amendment will not result in an increased risk of fluid movement into an underground source of drinking water.

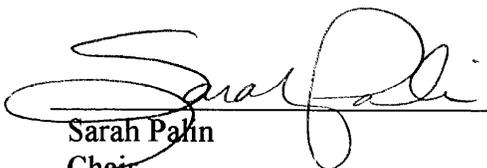
SCANNED JUN 18 2004

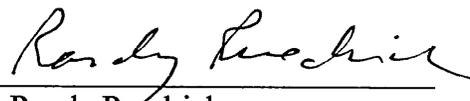
The Commission has reviewed the subject application and finds the project as described fits the conditions of a pilot project as cited in 20 AAC 25.450. The scope and goals of the project are clearly defined to allow technical evaluation of the process. The Operator has outlined operating parameters 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 406 and AIO 2B, 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 nor allow increased risk of fluid movement outside the target interval.

The pilot project is approved subject to the following conditions.

1. The pilot miscible injection project is approved for a period of three years, until August 31, 2006 within the areas outlined in Exhibit B-1, Plat of the WS-SSEOR Pilot Project, submitted June 18, 2003.
2. 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.
3. Project surveillance, integrity testing and requirements of CO 406 and AIO 2B shall ensure adequate technical data and operational surveillance to monitor containment of injected fluids.
4. 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 West Sak Oil Pool.

DONE in Anchorage, Alaska this 21st day of July 2003.


Sarah Palin
Chair


Randy Ruedrich
Commissioner

BY ORDER OF THE COMMISSION



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