

STATE OF ALASKA

SARAH PALIN, GOVERNOR

ALASKA OIL AND GAS CONSERVATION COMMISSION

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ADMINISTRATIVE APPROVAL AREA INJECTION ORDER 2B.015 (Amended)

Mr. Brent Rogers
Problem Wells Supervisor
ConocoPhillips Alaska, Inc.
P.O. Box 100360
Anchorage, AK 99510-0360

RE: KRU 1Y-05 (PTD 183-087)
Kuparuk River Oil Pool

Dear Mr. Rogers:

In accordance with Rule 9 of Area Injection Order (AIO) 02B.000, the Alaska Oil and Gas Conservation Commission (AOGCC or Commission) hereby grants ConocoPhillips Alaska Inc. (CPAI)'s request for an amended administrative approval to continue water injection in the subject well. Specific to this amendment is approval to replace the tubing mechanical integrity test (MIT-T) requirement with a water flow log.

The Commission approved AIO 2B.015 for Kuparuk River Unit (KRU) 1Y-05 on September 16, 2006. The well exhibited a production casing leak above the uppermost packer; CPAI demonstrated to the Commission's satisfaction that KRU 1Y-05 could be operated safely with certain conditions restricting injection operations and increased monitoring and surveillance. CPAI reported an MIT-T failed on July 14, 2008. The test was performed for compliance with AIO 2B.015. Commission records indicate the well has been shut in since July. CPAI diagnostic testing following the failed MIT-T included a water flow log, a temperature survey, and a leak detect log. The upper straddle zone packer was identified by diagnostics as the leak source for the failed MIT-T. No upward fluid movement between the upper straddle packer and the production casing leak (above the packer) was evident from the evaluation work completed by CPAI. Based on the results of diagnostic tests, CPAI has elected not to perform corrective action on KRU 1Y-05 to restore full integrity. On September 2, 2008 CPAI requested Commission approval to substitute a water flow log for the required MIT-T with the same frequency (every 2 years).

The Commission's review of diagnostic test results agrees with CPAI's assessment that there is no evidence of fluid movement out of the approved injection zone penetrated by KRU 1Y-05. Further, the failed MIT-T represents a deterioration of the well's mechanical integrity requiring Commission approval to continue injecting. Regulation 20 AAC 25.450 gives the Commission authority to approve less stringent well integrity and operating requirements when there are no

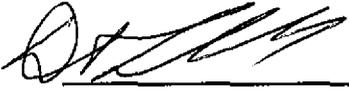
mile area beyond and lying directly below the Kuparuk River Unit oil and gas producing field.” Replacing the MIT-T requirement with a water flow log in conjunction with the other conditions included in AIO 2B.015 will allow CPAI and the Commission to continue effective monitoring of injector well integrity and fluid movement to assure compliance with regulatory obligations.

Administrative approval to continue water injection only in KRU 1Y-05 is conditioned upon the following:

1. CPAI shall record wellhead pressures and injection rate daily;
2. CPAI shall submit to the AOGCC a monthly report of well pressures, injection rates, and pressure bleeds for all annuli;
3. CPAI shall perform a water flow log every two years;
4. CPAI shall perform an MIT-OA every two years;
5. CPAI shall immediately shut in the well and notify the AOGCC if there is any change in the well's mechanical condition;
6. After well shut in due to a change in the well's mechanical condition, AOGCC approval shall be required to restart injection; and
7. The MIT anniversary date is July 23, 2006.



DONE at Anchorage, Alaska and dated October 21, 2008.


Daniel T. Seamount, Jr.
Chair


Cathy P. Foerster
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.