

STATE OF ALASKA

ALASKA OIL AND GAS CONSERVATION COMMISSION

SARAH PALIN, GOVERNOR

333 W. 7th AVENUE, SUITE 100
ANCHORAGE, ALASKA 99501-3539
PHONE (907) 279-1433
FAX (907) 276-7542

ADMINISTRATIVE APPROVAL 2B.025

Ms. MJ Loveland
Problem Well Supervisor
ConocoPhillips Alaska, Inc.
P.O. Box 100360
Anchorage, AK 99510-0360

RE: KRU 3N-08A (PTD 1860680) Request for Administrative Approval

Dear Ms. Loveland:

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 administrative approval to continue water injection in the subject well.

Kuparuk River Unit ("KRU") 3N-08A exhibits tubing by inner annulus communication. Despite passing all positive pressure diagnostic tests and a drawdown test, the well exhibits inner annulus re-pressurization several days following pressure bleeds. The Commission finds that CPAI does not intend to perform repairs at this time, deferring until location of the communication can be determined. Reported results of CPAI's diagnostic procedures and wellhead pressure trend plots indicate that KRU 3N-08A exhibits at least two competent barriers to the release of well pressure.

The recent pressure history provided by CPAI shows that the inner annulus pressure equalizes with the injection pressure. CPAI requests the Commission approve inner annulus pressure equalized up to an injection pressure of 3000 psi, which is approximately 60 percent of the production casing's minimum internal yield pressure rating. Should the well develop communication to the outer annulus, the 3000 psi injection pressure would represent 85 percent of the surface casing's minimum internal yield pressure rating.

Outer annulus pressures must be monitored and engineering controls must be installed to assure ongoing integrity of the surface casing. With such in place, the Commission believes that the well's condition would not compromise overall well integrity so as to threaten human safety or the environment.

AOGCC's administrative approval to continue water injection only in KRU 3N-08A 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 an MIT-IA every 2 years to the maximum anticipated injection pressure;
4. Within 30 days of the effective date of this approval, CPAI shall install, maintain and operate automatic well shut-in equipment linked to the well's outer annulus pressure. The actuation pressure shall not exceed 1,000 psi. Testing of the shut-in equipment shall be performed in conjunction with production well pilots and safety valves;
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 December 23, 2007.

A review of the well history indicates KRU 3N-08A has been operated under an internal CPAI well integrity waiver since at least March 2000. The history suggests that a Commission approved waiver was considered at the time by CPAI but there is no evidence that such was ever pursued. Discussions between the Commission and CPAI in September 2004 subsequent to a mechanical integrity test again centered on elevated inner annulus pressure and the CPAI-issued waiver. No information about the well's mechanical condition (including pressures affecting the well) has been provided to the Commission until MIT results were submitted on December 26, 2007 for recent tests completed by CPAI (not witnessed by the Commission).

CPAI is reminded that AIO 2B, Rule 7 states:

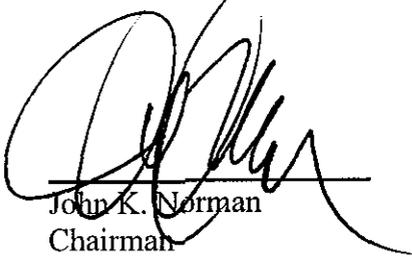
"Whenever operating pressure observances or pressure tests indicate pressure communication or leakage of any casing, tubing or packer, the operator must notify the Commission on the first working day following the observation, obtain Commission approval of a plan for corrective action, and when an USDW is not endangered, obtain Commission approval to continue injection."

Failure to pursue proper approvals for the continued operation of injection wells with an indication of pressure communication or leakage may result in enforcement actions.

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 reconsideration. A request for reconsideration 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 reconsideration has been requested.

DONE at Anchorage, Alaska and dated January 24, 2008.



John K. Norman
Chairman



Cathy P. Foerster
Commissioner

