

STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
3001 Porcupine Drive
Anchorage Alaska 99501-3192

Re: AOGCC Motion to review well testing)	Conservation Order No. 362
and allocation procedures for producing pools)	Prudhoe Bay Field
in the Greater Pt. McIntyre Area for royalty)	Lisburne Oil Pool
accounting, taxation and conservation purposes.)	West Beach Oil Pool
)	N. Prudhoe Bay Oil Pool
)	Niakuk Oil Pool
)	Point McIntyre Oil Field
)	Pt. McIntyre Oil Pool
)	Stump Island Oil Pool

September 12, 1995

IT APPEARING THAT:

1. The Alaska Oil and Gas Conservation Commission, acting on its own motion, gave notice of intent to hold a public hearing to examine the appropriateness of well testing and allocation procedures for measuring produced fluids from pools in the Greater Pt. McIntyre Area ("GPMA") for royalty accounting, taxation and conservation purposes.
2. Notice of public hearing was published in the Anchorage Daily News on March 31, 1995.
3. The public hearing was held May 3, 1995 beginning at 1:30 p.m. at the Commission's office, 3001 Porcupine Drive, Anchorage, Alaska.
4. Hearing participants included ARCO Alaska, Inc. ("ARCO"), BP Exploration (Alaska) Inc. ("BPXA"), Exxon Company, USA ("Exxon"), the Alaska Department of Natural Resources ("ADNR") and the Alaska Department of Revenue ("ADOR").
5. Representatives of ARCO, BPXA and ADOR gave sworn testimony.
6. Written comments were received from ARCO, April 13, 1995, ADNR, April 26, 1995, ADOR, April 26, 1995, Exxon, April 28, 1995 and a concerned citizen, April 9, 1995. In addition, a letter to ARCO from ADNR, dated April 21, 1995, was included in the hearing record.

FINDINGS:

1. Production from the Lisburne Oil Pool, West Beach Oil Pool, N. Prudhoe Bay Oil Pool, Niakuk Oil Pool, Pt. McIntyre Oil Pool and Stump Island Oil Pool is

commingled on the surface and processed at the Lisburne Production Center (LPC). Together these pools make up the GPMA.

2. The State of Alaska, as represented by ADNR, owns all land in the GPMA. ADNR has issued oil and gas leases in the GPMA subject to different royalty and tax severance rates. Royalty rates vary from 5 percent to 12.5 percent on individual leases. Severance taxes vary from about 12 percent for the Pt. McIntyre Oil Pool to at or near zero for each of the other pools. The ADOR collects severance taxes.
3. The mineral interest owners of lands leased in the GPMA are ARCO, BPXA and Exxon.
4. ARCO is operator of the Lisburne Oil Pool, West Beach Oil Pool, N. Prudhoe Bay Oil Pool, Pt. McIntyre Oil Pool and Stump Island Oil Pool. BPXA is operator of the Niakuk Oil Pool.
5. ARCO is operator of the LPC.
6. Production from each pool in the GPMA is not metered directly. Water, oil and gas must be separated for accurate metering. Fluid separation occurs at the LPC. The separate fluid streams leaving the LPC are metered.
7. Production from each pool in the GPMA is approximated using twice monthly production tests. Production is allocated to each producing well in the respective pools by the following procedures:
 - i. Conduct well tests to determine production rates for each well.
 - ii. Calculate each well's theoretical monthly production ("TMP") based on well test rate(s) and actual time on production.
 - iii. Sum the TMP volume for all wells in all pools.
 - iv. Determine an allocation factor as the ratio of the metered volume to the TMP for all wells in all pools (i.e., metered/TMP)
 - v. Calculate each well's actual monthly production ("AMP") volume as:
$$\text{AMP} = \text{TMP} \times \text{Allocation Factor}$$
8. Natural Gas Liquid ("NGL") is allocated to each pool based on actual gas production volumes and NGL process simulations.
9. Wells that have been shut in and cannot meet the twice monthly test frequency are tested within five days of startup.

10. The operator determines optimum test duration and stabilization time on a well by well basis.
11. Water volumes are determined by API/MPMS approved methods, or by industry proven, on-line water cut measurement devices approved by the Commission.
12. API gravity is determined by API/MPMS approved methods for each producing well annually.
13. Gas samples are taken and analyzed for composition from each non gas lifted producing well annually.
14. The operator holds allocation process reviews with the Commission twice each year.
15. The Commission may require the gauging or other measurement of oil and gas to determine the quality and quantity. AS 31.05.030.
16. On April 26, 1995, ADOR wrote the Commission stating that a 10 percent allocation error at the LPC (where 10 percent of Pt. McIntyre oil is misallocated) would cost the state \$2 million annually. With technical assistance from the Commission, ADOR stated it has developed a surveillance tool and procedure for measuring well-by-well volumes.
17. ADOR testified the well testing process is acceptable and working satisfactory, and that the Commission need not do anything more to improve the process on the account of ADOR.
18. ADOR testified that some flexibility in the testing frequency may be appropriate for wells with stable production profiles in order that additional test separator time can be directed toward wells with variable or cyclical production.
19. On April 26, 1995, ADNDR wrote the Commission stating it was generally satisfied with current production allocation, reporting requirements and verification opportunity for determining the volumes of fluids produced through the LPC.
20. ADNDR did not participate further in the hearing, except to send an observer.

CONCLUSIONS:

1. Current well testing and allocation procedures are adequate for the Commission to ascertain appropriate production volumes for each pool and determine issues of waste, correlative rights and ultimate recovery.
2. The Alaska Department of Natural Resources is satisfied with current well testing and allocation procedures for royalty accounting purposes.

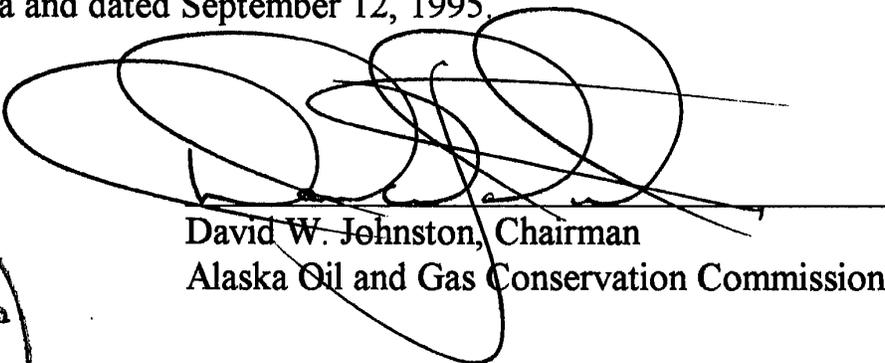
3. The Alaska Department of Revenue is satisfied with current well testing and allocation procedures for severance taxation accounting purposes.
4. Except for allowing additional flexibility in well test frequency for individual wells with stable production, there is no need to revise current well testing and allocation procedures for pools in the GPMA at this time.

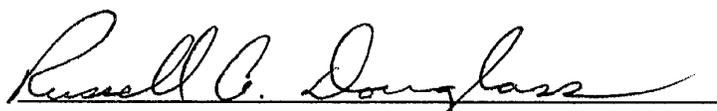
NOW THEREFORE IT IS ORDERED:

Produced fluids from the Lisburne Oil Pool, West Beach Oil Pool, N. Prudhoe Bay Oil Pool, Niakuk Oil Pool, Pt. McIntyre Oil Pool and Stump Island Oil Pool may continue to be commingled on the surface for processing at the Lisburne Production Center. Production from each pool may be assigned on the basis of twice monthly well tests, using procedures described in individual conservation orders for those pools or in this order. The Commission may approve a different test frequency for individual wells upon application.

DONE at Anchorage, Alaska and dated September 12, 1995.




 David W. Johnston, Chairman
 Alaska Oil and Gas Conservation Commission


 Russell A. Douglass, Commissioner
 Alaska Oil and Gas Conservation Commission

AS 31.05.080 provides that within 20 days after receipt of written notice of the entry of an order, a person affected by it may file with the Commission an application for rehearing. A request for rehearing must be received by 4:30 PM on the 23rd day following the date of the order, or next working day if a holiday or weekend, to be timely filed. The Commission shall grant or refuse the application in whole or in part within 10 days. The Commission can refuse an application by not acting on it within the 10-day period. An affected person has 30 days from the date the Commission refuses the application or mails (or otherwise distributes) an order upon rehearing, both being the final order of the Commission, to appeal the decision to Superior Court. Where a request for rehearing is denied by nonaction of the Commission, the 30 day period for appeal to Superior Court runs from the date on which the request is deemed denied (i.e., 10th day after the application for rehearing was filed).