

STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
333 West 7th Avenue
Anchorage, Alaska 99501

Re: THE APPLICATION OF BP Exploration) Docket Number: CO-15-010
(Alaska) Inc. for an order authorizing the) Conservation Order 721
downhole commingling of production in)
Prudhoe Bay Unit well K-322 Lisburne) Prudhoe Bay Unit
Oil Pool and Prudhoe Oil Pool Prudhoe) Lisburne Oil Pool
Bay Unit, North Slope Borough, Alaska) Prudhoe Oil Pool
) North Slope Borough, Alaska
)
) February 18, 2016

IT APPEARING THAT:

1. By application dated September 30, 2015, and in accordance with 20 AAC 25.215(b), BP Exploration (Alaska) Inc. (BPXA), in its capacity as operator of the Prudhoe Bay Unit (PBU), requested authorization to commingle production from the Lisburne Oil Pool (LOP) and Prudhoe Oil Pool (POP) in the proposed PBU well K-322.
2. Pursuant to 20 AAAC 25.540, the Alaska Oil and Gas Conservation Commission (AOGCC) tentatively scheduled a public hearing for November 10, 2015. On October 7, 2015, the AOGCC published notice of the opportunity for that hearing on the State of Alaska's Online Public Notice website and on the AOGCC's website, electronically transmitted the notice to all persons on the AOGCC's email distribution list. On October 8, 2015, the AOGCC mailed printed copies of the notice to all persons on the AOGCC's mailing distribution list and published the notice in the Anchorage Dispatch News.
3. No protest to the application or request for hearing was received.
4. The hearing was vacated on November 2, 2015.
5. On December 17, 2015, the AOGCC sent an email to BPXA requesting clarification on items in the application.
6. On January 19, 2016, BPXA responded to the AOGCC's December 17, 2015 email and proposed a different methodology for production allocation.

FINDINGS:

1. BPXA is proposing to drill and complete the PBU K-322 well to target the Wahoo sands in the LOP. The proposed well would penetrate the gas cap of the POP on its way to the LOP.
2. The primary target for the well is the LOP, but it would be perforated also in the POP to be able to use the gas from the POP gas cap as a form of in-situ gas lift to help lift the LOP production to the surface. In the event that in-situ gas lift does not work the well will also be setup to utilize conventional gas lift.
3. The proposed well would be completed with a sliding sleeve with an interchangeable orifice over the POP perforations so that the volume of gas coming from the POP could be regulated to a fixed amount.

4. The PBU K-322 well would be tested on a regular basis and production allocated to it in accordance with the established well testing and allocation methodologies for the PBU.
5. The formation gas rate from the LOP is anticipated to be small and therefore all NGLs allocated to the PBU K-322 well would be allocated to the POP.
6. The gas production from the POP will be determined based on the calculated pass through rate for the orifice in place. LOP gas would be allocated by subtracting the gas allocated to the POP from the total amount of gas allocated to the well based on the periodic well testing.
7. All oil and water produced by the PBU K-322 well would be allocated to the LOP.

CONCLUSIONS:

1. Commingling of production from the LOP and the POP in the PBU K-322 wellbore should not harm ultimate recovery from either pool.
2. BPXA's proposed production allocation methodology provides a proper means by which to allocate production to the LOP and POP.

NOW THEREFORE IT IS ORDERED:

Commingling of production from the Lisburne Oil Pool and Prudhoe Oil Pool within the wellbore of the Prudhoe Bay Unit K-322 well is hereby approved, subject to the following conditions, in accordance with 20 AAC 25.215(b)(2).

Condition 1 – The well must be completed with the sliding sleeve and interchangeable orifice over the POP perforations, as described in the application,.

Condition 2 – The PBU K-322 well must be periodically tested in accordance with the established well testing and allocation procedures to allocate a total production volume for the well. Production to the LOP and the POP shall be allocated as follows:

NGLs – allocated 100% to the POP

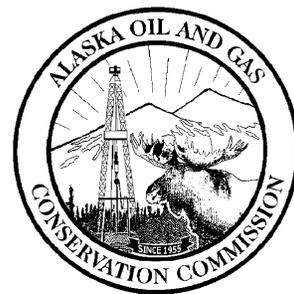
Oil – allocated 100% to the LOP

Water – allocated 100% to the LOP

Gas – POP Formation Gas Rate = Orifice Gas Pass through Rate, LOP Formation Gas Rate = Total Gas Rate - Orifice Gas Pass Through Rate

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Cathy P. Foerster
Chair, Commissioner

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Daniel T. Seamount, Jr.
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 AOGCC grants for good cause shown, a person affected by it may file with the AOGCC 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 AOGCC 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 AOGCC 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 AOGCC mails, **OR 30** days if the AOGCC 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 AOGCC 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 AOGCC, and it may be appealed to superior court. That appeal **MUST** be filed within **33** days after the date on which the AOGCC mails, **OR 30** days if the AOGCC otherwise distributes, the order or decision on 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.