

STATE OF ALASKA

ALASKA OIL AND GAS CONSERVATION COMMISSION

SEAN PARNELL, GOVERNOR

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ADMINISTRATIVE APPROVAL NO. DIO 25.001

Mr. Kevin Skiba
Regulatory Compliance Representative
Marathon Alaska Production LLC
P.O. Box 1949
Kenai, AK 99611

Re: Mechanical Integrity Test Time Interval Revision
DIO 25 – Sterling Unit 43-09 (1630110)

Dear Mr. Skiba:

Marathon submitted an Application for Sundry Approvals (Form 10-403) dated April 11, 2011 requesting the 2-year Mechanical Integrity Test (MIT) interval in Rule 3 of Disposal Injection Order (DIO) 25 be changed to the standard 4-year test interval contained in 20 AAC 25.252 (d). Since the MIT interval is set forth in a Commission order, Marathon's request cannot be granted via Sundry Approval. The Commission will treat the request as an application for administrative approval under Rule 7 of DIO 25. Marathon's request to change the MIT interval is **GRANTED**. This request is granted based upon Marathon's representation that no solids-laden fluids have been injected into the well to date and that it has no plans to inject solids into this well.

In addition, the Commission has revised the text of Rules 3, 4 and 5 to conform to the integrity requirements incorporated into more recent injection orders.

NOW, THEREFORE, as provided by Rule 7 of DIO 25, Rules 3, 4 and 5 are revised as follows:

RULE 3: Demonstration of Mechanical Integrity

The mechanical integrity of an injection well must be demonstrated before injection begins, and before returning a well to service following a workover affecting mechanical integrity. After injection is commenced for the first time in a well, when injection conditions (temperature, pressure, rate, etc.) have stabilized, a Commission-witnessed MIT must be performed. Subsequent tests must be performed at least once every four years (except at least once every two years for a slurry injection well). The Commission must be notified at least 24 hours in advance to enable a representative to witness mechanical integrity tests. Unless an alternate means is approved by the Commission, mechanical integrity must be demonstrated by a tubing/casing annulus pressure test using a surface pressure of 1,500 psi or 0.25 psi/ft multiplied by the vertical depth of the packer, whichever is greater, that shows stabilizing pressure and does not change more than 10 percent during a 30 minute period. Results of mechanical integrity tests must be readily available for Commission inspection.

RULE 4: Well Integrity Failure and Confinement

Whenever any pressure communication, leakage or lack of injection zone isolation is indicated by the injection rate, an operating pressure observation, a test, a survey, a log, or any other evidence, the operator shall immediately notify the Commission, obtain Commission approval to continue injection and submit a plan of corrective action on Form 10-403 for Commission approval. A monthly report of daily tubing and casing annuli pressures and injection rates must be provided to the Commission for all injection wells indicating any well integrity failure or lack of injection zone isolation.

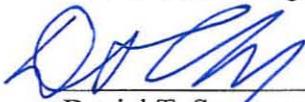
RULE 5: Surveillance

The operator shall run a baseline temperature log and perform a baseline step-rate test prior to initial injection. A subsequent temperature log must be run one month after injection begins to delineate the receiving zone of the injected fluids. Surface pressures and rates must be monitored continuously during injection for any indications of anomalous conditions. Results of daily wellhead pressure observations in the injection well must be documented and available to the Commission upon request. The conduct of subsequent temperature surveys or other surveillance logging (*e.g.*, water flow; acoustic) will be based on the results of the initial and follow-up temperature surveys and injection performance monitoring data.

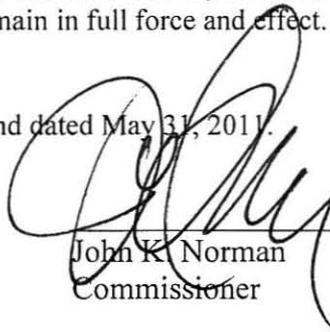
A report evaluating the performance of the disposal operation must be submitted to the Commission by July 1 of each year. The report shall include data sufficient to characterize the disposal operation, including, among other information, the following: injection and annuli pressures (daily average, maximum and minimum); fluid volumes injected (disposal and clean fluid sweeps); injection rates; an assessment of fracture geometry; a description of any anomalous injection results; and a calculated zone of influence for the injection fluids.

Except as otherwise specifically modified herein, the statutes and regulations of the Commission, as well as the provisions of DIO 25, remain in full force and effect.

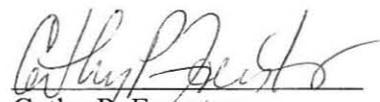
DONE at Anchorage, Alaska and dated May 31, 2011.



Daniel T. Seamont, Jr.
Chair, Commissioner



John K. Norman
Commissioner



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.