

STATE OF ALASKA

ALASKA OIL AND GAS CONSERVATION COMMISSION

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ADMINISTRATIVE APPROVAL NO. DIO 9.001

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 9 – Kenai Unit 11-17 (1811760)

Dear Mr. Skiba:

Marathon submitted an Application for Sundry Approvals (Form 10-403) dated April 04, 2011 requesting the 1-year Mechanical Integrity Test (MIT) interval currently in place for the subject well be changed to the standard 4-year test interval contained in 20 AAC 25.252 (d). The standard 4-year test interval is specified in Rule 2 of DIO 9; however a 1-year test interval has been in place since tubing by inner annulus communication (TxIA) was suspected in 1998. 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 9. Marathon's request to change the MIT interval is **GRANTED in part**, however the specified test interval will be 2 years. The request is granted based upon the MIT records for this well; a 2-year interval is specified so that the well may be a readily available back-up for slurry injector KU 12-17 (2080890) located on the same pad.

In addition, the Commission has revised the text of Rules 2 and 3 to conform to the Commission's current integrity requirements.

Now therefore, as provided by Rule 4 of DIO 9, Rules 2 and 3 are hereby revised as follows:

RULE 2: 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 two years. 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.

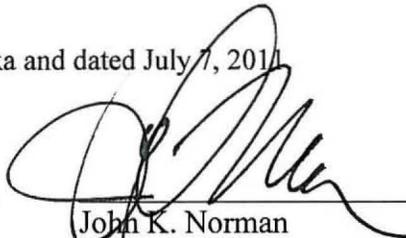
RULE 3: Well Integrity Failure and Confinement

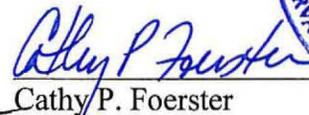
Whenever any pressure communication, leakage or lack of injection zone isolation is indicated by the injection rate, an operating pressure observation, a test, a survey, a log, or any other evidence, the operator shall immediately notify the Commission, obtain Commission approval to continue injection 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.

Except as otherwise specifically modified herein, the statutes and regulations of the Commission, as well as the provisions of DIO 9, remain in full force and effect.

DONE at Anchorage, Alaska and dated July 7, 2011


Daniel T. Seamount, Jr.
Chair


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.