

**STATE OF ALASKA**  
**ALASKA OIL AND GAS CONSERVATION COMMISSION**  
**333 West Seventh Avenue, Suite 100**  
**Anchorage Alaska 99501**

Re: The Application of LINC Energy Operations ) Conservation Order No. 636  
Inc. for an order granting an exception to )  
20 AAC 25.055(a)(2) to provide for the drilling, ) LEA #1 Gas Exploration Well  
completion and regular production of the LEA #1 )  
gas exploration well within 1500 feet of ) October 13, 2010  
an adjacent property line )

**IT APPEARING THAT:**

1. On July 26, 2010, LINC Energy Operations, Inc (LINC), requested the Alaska Oil and Gas Conservation Commission (Commission) issue an order for an exception to the requirements of 20 AAC 25.055(a)(2) to drill the LEA #1 gas exploration well within 1500 feet of an adjacent property line.
2. Pursuant to 20 AAC 25.540, the Commission published notice of opportunity for a public hearing in the Alaska Journal of Commerce on August 8, 2010 and The Frontiersman on August 1, 2010. LINC has provided the Commission with copies of the notice of the application for exception to the well spacing requirements sent by certified mail to all owners, landowners, and operators, of all properties within 1500 feet of the anticipated productive intervals of the LEA #1 well.
3. A request for hearing was received by the Commission from CIRI. The hearings convened on September 14, 2010 and September 20, 2010.
4. At the hearing CIRI expressed concern regarding protection of its correlative rights. The hearing was continued until September 20, 2010 to allow LINC to provide additional information.
5. Based upon LINC's representation that it would not produce from the LEA #1 well without requesting and obtaining the prior written approval of the Commission, at the September 20, 2010 hearing CIRI withdrew its objection to LINC's request for an exception to 20 AAC 25.055(a)(2).

**FINDINGS:**

1. LINC is the operator of the proposed LEA #1 gas exploration well.
2. The proposed LEA #1 is a gas exploration well with a surface and bottom hole location of, 1169 feet FSL and 1895 feet FEL, Section 30, T16N, R3W, Seward Meridian.

3. The LEA #1 well will target potential gas reservoirs in the Tyonek and Hemlock Formations.
4. LINC currently holds the State lease where the proposed LEA #1 will be located (ADL0039588).
5. The proposed location of the LEA #1 well is 1169 feet to the north of an adjacent lease owned by CIRI and leased to GeoPetro Resources Company (#C-061661).
6. The proposed location for the LEA #1 well lies at the highest point on the structure as mapped by LINC.
7. Geologic and geographic features, including a bluff and a housing development, make moving the location of the LEA #1 well in order to comply with 20 AAC 25.055(a)(2) difficult.

#### **CONCLUSIONS:**

1. An exception to spacing requirements of 20 AAC 25.055(a)(2) is necessary to allow drilling, completion and testing of the proposed LEA #1 gas exploration well.
2. The proposed LEA #1 gas exploration well is within 1500 feet of adjacent property owners. A spacing exception to allow drilling, completion, and testing of the LEA #1 well will not result in resource waste.
3. In order to protect the correlative rights of adjacent owners, landowners and operators, prior to production from the LEA #1 well, LINC must request and obtain the written approval of the Commission.

#### **NOW, THEREFORE, IT IS ORDERED:**

1. LINC's request for an exception to the requirements of 20 AAC 25.055(a)(2) is **GRANTED**. LINC may proceed with drilling, completion, and testing of the LEA #1 as long as it is in compliance with the terms of the lease, this order and Alaska Law.

2. LINC's request for approval of regular production of the LEA # 1 is **DENIED**. Production from the LEA #1 well may not be undertaken without the Commission's prior written approval.

**DONE at Anchorage, Alaska and dated October 13, 2010.**



A handwritten signature in black ink, appearing to read "D. Seamont", written over a horizontal line.

Daniel T. Seamont, Jr. Chair, Commissioner  
Alaska Oil and Gas Conservation Commission

A handwritten signature in black ink, appearing to read "Cathy P. Foerster", written over a horizontal line.

Cathy P. Foerster, Commissioner  
Alaska Oil and Gas Conservation Commission

A handwritten signature in black ink, appearing to read "John K. Norman", written over a horizontal line.

John K. Norman, Commissioner  
Alaska Oil and Gas Conservation Commission

**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.