

**STATE OF ALASKA**  
**ALASKA OIL AND GAS CONSERVATION COMMISSION**  
**333 West 7th Avenue, Suite 100**  
**Anchorage, Alaska 99501**

**Re: THE APPLICATION OF DANCO, )**  
**INC. for an order granting integration ) North Cook Inlet Unit**  
**of interests and unitization of the tracts )**  
**in the existing North Cook Inlet Unit with ) March 8, 2002**  
**state oil and gas leases ADL 369100 )**  
**and ADL 369101. )**

**ORDER ALLOCATING COSTS OF HEARING**

On February 8, 2002, the Commission issued Conservation Order 391B, denying the petition for an order of unitization. Conservation Order 391B stated: "The Commission will address the allocation of the costs of the hearing under AS 31.05.085 in a separate order." The Commission allocates the costs of the hearing in the present order.

The Commission incurred \$7,026.73 in out-of-pocket expenses in this proceeding since the pre-hearing conference on October 12, 2000, of which \$79.98 was incurred for publication of the hearing notice, \$16.00 was incurred for copying by an outside copying service, and the rest was incurred for court reporter's services and transcripts.

AS 31.05.085(a) provides that in allocating costs,

the commission shall consider the regulatory cost charge paid by a person under AS 31.05.093 and may consider the results, evidence of good faith, other relevant factors, and mitigating circumstances.

As operators in the state, Phillips Alaska, Inc., and Phillips Petroleum Co. paid combined regulatory cost charges under AS 31.05.093 of \$450,310.06 in Fiscal Year 2001 and \$509,887.23 in Fiscal Year 2002. Neither of the petitioners is an operator and neither has paid regulatory cost charges. This factor tends to support weighing the allocation of hearing costs more to the petitioners than to Phillips.

While negative results of a hearing, e.g., denial of the petition on the merits, might not always argue for allocating all or most of the costs to a petitioner, in this case the negative results reflect the existence of a more compelling factor affecting the allocation of costs: the absence of any substantial factual basis for the petitioners' claims. The petitioners imposed significant costs and burdens on the Commission and on Phillips over an extended period of time in this case - only a small fraction of which is allocable under AS 31.05.093 -- without having evidence that could even arguably be viewed as reasonably sufficient to support compulsory unit expansion. Moreover, the petitioners repeatedly failed to review factual material that was made available to them by the Commission and by Phillips, and in this respect and others the petitioners put the Commission and Phillips to unnecessary additional expense.

The Commission has determined that under these circumstances one hundred percent of the costs of the hearing should be allocated to the petitioners.

AS 31.05.085(b) provides that the Commission shall provide an opportunity to any person objecting to an allocation to be heard before the allocation becomes final. A person may object to this allocation by filing an application for rehearing under AS 31.05.080(a).

**NOW THEREFORE IT IS ORDERED:**

1. Costs of hearing in the amount of \$7,026.73 are allocated to the petitioners.
2. This order will not become final until (a) the day after the time has expired for filing an application for rehearing under AS 31.05.080(a), if no application for rehearing is filed; or (b) the Commission finally disposes of any application for rehearing of this order that may be filed.
3. The petitioners shall pay to the Commission the costs allocated by this order no later than 30 days after this order becomes final.

**DONE** at Anchorage, Alaska, this 8th day of March 2002.

Cammy Oechsli Taylor, Chair  
Alaska Oil and Gas Conservation Commission

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

Julie M. Heusser, Commissioner  
Alaska Oil and Gas Conservation Commission

I certify that on March 8, 2002 a copy of the above was mailed to each of the following at their addresses of record:

C.R. Kennelly                Frederic E. Brown

William B. Rozell        Barbara Fullmer

Daniel Helmick            Warren Z. Buck

George Kasper, MD

Jody J. Colombie, Special Staff Assistant