

**STATE OF ALASKA**  
**ALASKA OIL AND GAS CONSERVATION COMMISSION**  
**333 West Seventh Avenue, Suite 100**  
**Anchorage Alaska 99501-3539**

Re: Forest Oil Corporation, as Operator of )  
Kustatan Field No.1 Well; Spacing and )  
Pooling Requirements Enforcement Action )      AOGCC Order No. 44  
October 9, 2006

**DECISION AND ORDER**

On September 18, 2006, the Alaska Oil and Gas Conservation Commission (“Commission”) issued a Notice of Proposed Enforcement Action (“Notice”) under 20 AAC 25.535(b), finding that Forest Oil Corporation (“Forest”) apparently violated statewide spacing and pooling requirements by completing the Kustatan Field No. 1 Well (“KF #1”) as a gas well and beginning regular production from this well. The Notice proposed assessing Forest with civil penalties for both violations. Forest did not respond in writing to this proposed enforcement action within the time period stipulated in 20 AAC 25.535(c) and therefore is considered to have accepted the proposed Commission action.

A.      Summary of Proposed Enforcement Action

In its Notice, the Commission identified two apparent violations by Forest, specifically failure to comply with 20 AAC 25.055(a)(2) and 20 AAC 25.055(b). The violations consisted of Forest’s completion of the KF #1 gas well within 1,500 feet of a property line where ownership changes and subsequent regular gas production from a property smaller than a governmental section without prior approval from the Commission.

The Commission proposed the following civil penalties under AS 31.05.150(a):

- (1) \$100 per day for each of 101 days for violating 20 AAC25.055 (a)(2) from November 14, 2005, through February 22, 2006, inclusive; and
- (2) \$100 per day for each of 94 days for violating 20 AAC 25.055(b) from November 21, 2005, through February 22, 2006, inclusive.

The combined civil penalties proposed by the Commission total \$19,500.

B. Spacing and Pooling Requirements

Pursuant to its statutory authority under AS 31.05.030, the Commission has adopted regulations concerning well spacing and pooling requirements to prevent waste and protect correlative rights. In absence of a Commission order an operator may not complete or produce a well in a manner that violates these regulatory requirements.

C. Violation

On February 22, 2006, the Commission became aware that Forest had completed the KF #1 well as a gas well on November 14, 2005, and that Forest had commenced regular production from this well on November 21, 2005, without a Commission order authorizing such actions.

D. Corrective Actions

In its letter dated February 23, 2006, the Commission ordered Forest to shut in the KF #1 well immediately. Forest complied with this order on or about February 23, 2006. By application dated February 24, 2006, Forest asked the Commission to waive the requirements of 20 AAC 25.055(a)(2) and 25.055(b) to allow them to return the well to regular production. After receiving written notice of non-objection from all affected landowners, the Commission issued an interim order on March 17, 2006, authorizing Forest to return the well to production. On

August 24, 2006, the Commission issued Conservation Order No. 566, granting Forest's requested exceptions to Commission regulations and establishing pool rules for the Kustatan Field #1 Gas Pool.

E. Findings and Conclusions

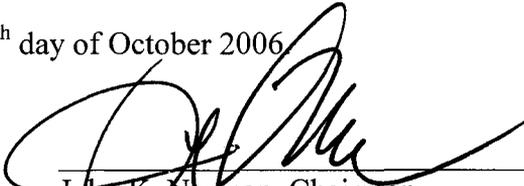
For the reasons stated above, the Commission finds that Forest violated statewide spacing and pooling requirements, and concludes that the proposed civil penalties are an appropriate penalty for these actions and a deterrent to future violations of Commission regulations and orders. In this matter, the Commission has assessed less than the maximum civil penalties allowed by AS 31.05.150(a), because (1) there is no evidence which would indicate that Forest acted in bad faith, and, (2) Forest's regulatory violations did not cause injury to the public.

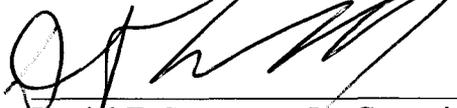
**NOW THEREFORE IT IS ORDERED THAT:**

Within 30 days from the date of this Decision and Order, Forest shall pay to the Commission a civil penalty in the amount of Nineteen Thousand Five Hundred Dollars (\$19,500).

Done at Anchorage, Alaska this 9<sup>th</sup> day of October 2006



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

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

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