

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

Re: THE APPLICATION OF Hilcorp Alaska,) Docket Number: CO-14-008
LLC to amend Conservation Order 237 to) Conservation Order No. 237A
remove interwell spacing requirements)
contained in Rule 3(a) for the gas pools in) Beaver Creek Field
the Beaver Creek Field.) Beaver Creek Unit
) Sterling Gas Pool
) Beluga Gas Pool
)
) Kenai Peninsula Borough, Alaska
)
) June 18, 2014

IT APPEARING THAT:

1. By letter dated and received April 3, 2014, Hilcorp Alaska, LLC (Hilcorp) requested the Alaska Oil and Gas Conservation Commission (AOGCC) amend Rule 3(a) of Conservation Order No. 237 (CO 237) to eliminate the interwell spacing requirements for the Sterling Gas Pool and Beluga Gas Pool.
2. Pursuant to 20 AAC 25.540, the Alaska Oil and Gas Conservation Commission (AOGCC) tentatively scheduled a public hearing for May 29, 2014. On April 15, 2014, the AOGCC published notice of the opportunity for that hearing on the State of Alaska's Online Public Notice website and on the AOGCC's website, electronically transmitted the notice to all persons on the AOGCC's email distribution list, and mailed printed copies of the notice to all persons on the AOGCC's mailing distribution list. On April 14, 2014, the notice was published in the ANCHORAGE DAILY NEWS.
3. No protest to the application or request for hearing was received.
4. On May 22, 2014, the tentatively scheduled hearing was vacated.
5. Because Hilcorp provided sufficient information upon which to make an informed decision, the request can be resolved without a hearing.

FINDINGS:

1. Hilcorp is the owner and operator of the Beaver Creek Field, the Beaver Creek Unit, which are located in the Kenai Peninsula Borough, Alaska.
2. Rule 3(a) of CO 237 establishes 160-acre well spacing requirements and a minimum distance of 1,320 feet from the nearest open wellbore in the same pool for gas wells completed in the Sterling and Beluga Gas Pools.
3. The existing spacing requirements were established in 1988 based on available geological and reservoir information.

4. The previous operator of the field, Marathon Oil Corporation, drilled ten additional wells in the Beaver Creek Unit after the pool rules were established and obtained a better understanding of the Sterling and Beluga Gas Pools.
5. As is common in the Cook Inlet Basin the gas pools in the Beaver Creek Unit (BCU) are comprised of discontinuous sand lenses that were deposited in a braided to meandering stream environment and thus there is little lateral continuity between individual sands within the defined gas pools.

CONCLUSIONS:

1. Information gathered since 1988 demonstrates that the existing well spacing requirements for the Sterling and Beluga Gas Pools prevent efficient development of the BCU.
2. Retaining the requirement that wells may not be opened within 1,500 feet of the unit boundary will protect the correlative rights of offset owners and landowners.

NOW THEREFORE IT IS ORDERED:

Conservation Order 237 and all of its administrative approvals are hereby revoked and their administrative records incorporated by reference into this order. Development of the Beaver Creek Unit is subject to the statewide requirements of 20 AAC 25 to the extent not superseded by the following rules:

Affected Area: Seward Meridian (Source: CO 237)

Township, Range	Description
T6N, R10W	Section 3: NE $\frac{1}{4}$, W $\frac{1}{2}$, W $\frac{1}{2}$ SE $\frac{1}{4}$
	Section 4: All
	Section 5: E $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$
	Section 8: NE $\frac{1}{4}$
	Section 9: NE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$
	Section 10: N $\frac{1}{2}$ NW $\frac{1}{4}$
T7N, R10W	Section 26: SW $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$
	Section 27: All
	Section 28: NE $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, SE $\frac{1}{4}$
	Section 32: E $\frac{1}{2}$ E $\frac{1}{2}$
	Section 33 & 34: All
	Section 35: NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$

Rule 1 Field Name (Source: CO 237)

The Field is named the Beaver Creek Field.

Rule 2 Pool Definition (Source: CO 237 and Revised CO 237.002)

- (a) The Sterling Gas Pool is defined as the accumulation of gas that is common to and correlates with the accumulation present in the Beaver Creek Unit Well No. 1A between the measured depths of 5188 and 6370 feet.
- (b) The Beluga Gas Pool is defined as the accumulation of gas that is common to and correlates with the accumulation present in the Beaver Creek Unit Well No. 1A between the measured depths of 6,370 and 9,650 feet.
- (c) The Beaver Creek Oil Pool is defined as the accumulation of oil that is common to and correlates with the accumulation present in the Beaver Creek Unit Well No. 4 between the measured depths of 14,518 and 15,874 feet.

Rule 3 Well Spacing (Source: CO 237 and Revised This Order)

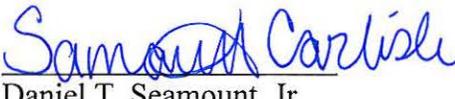
- (a) There shall be no restrictions as to gas well spacing in the Sterling and Beluga Gas Pools except that no pay shall be opened in a well within 1,500 feet from the exterior boundary of the Beaver Creek Unit where owners and landowners are not the same on both sides of the line.
- (b) Well spacing in the Beaver Creek Oil Pool shall be 40 acres. No wellbore may be opened nearer than 660 feet from the nearest open wellbore in the same pool. No wellbore may be opened nearer than 500 feet from the exterior boundary of the Beaver Creek Unit where owners and landowners are not the same on both sides of the line.

Rule 4 Administrative Action (Source: CO 237)

Upon written application, the Commission may administratively amend this order. The operator must demonstrate to the Commission that sound engineering practices are maintained and the amendment will prevent waste and protect correlative rights.

DONE at Anchorage, Alaska and dated June 18, 2014.


Cathy P. Foerster
Chair, Commissioner

for 
Daniel T. Seamount, Jr.
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 AOGCC grants for good cause shown, a person affected by it may file with the AOGCC 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 AOGCC 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 AOGCC 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 AOGCC mails, **OR 30** days if the AOGCC 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 AOGCC 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 AOGCC, and it may be appealed to superior court. That appeal **MUST** be filed within **33** days after the date on which the AOGCC mails, **OR 30** days if the AOGCC otherwise distributes, the order or decision on 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.