

**STATE OF ALASKA**  
**ALASKA OIL AND GAS CONSERVATION COMMISSION**  
**333 West 7<sup>th</sup> Avenue**  
**Anchorage, Alaska 99501**

Re: THE APPLICATION OF Hilcorp ) Conservation Order No. 80.090  
Alaska, LLC to re-complete the TBU G- )  
03RD2 development oil well within 1,000 ) Trading Bay Unit G-03RD2  
feet of, and within the same governmental ) McArthur River Field  
quarter section as, wells that are, or may be ) Middle Kenai G Pool  
capable of, producing from the same pool. ) Hemlock Oil Pool  
)  
) January 3, 2013

**IT APPEARING THAT:**

By a letter received November 12, 2012, Hilcorp requests an order allowing re-completion of the TBU G-03RD2 development oil well within 1,000 feet of, and within the same governmental quarter section as, wells that are, or may be capable of, producing from the same pool.

**FINDINGS:**

1. Hilcorp is the operator of the Trading Bay Unit and is the operator of the proposed TBU G-03RD2 development oil well that is located on the west side of the Cook Inlet, Kenai Peninsula Borough, Alaska.
2. The TBU G-03RD2 well is an offshore, deviated development oil well with a surface location 1833 feet from the south line and 1480 feet from the east line of Section 29, T9N, R13W, Seward Meridian (S.M.). The projected bottom-hole location is 2218 feet from the north line and 586 feet from the west line of Section 33, T9N, R13W, S.M.
3. The TBU G-03RD2 well is located entirely within State of Alaska Leases ADL-17594 and ADL-18730.
4. The TBU G-03RD2 well is currently completed in the Hemlock Oil Pool. This well will be re-completed in the Middle Kenai G and Hemlock Oil Pools within an area governed by Conservation Order No. 80.
5. The TBU G-03RD2 well is located within 1,000 feet of, and within the same governmental quarter section as, wells that are, or may be capable of, producing from the Middle Kenai G or Hemlock Oil Pools.
6. Regulation 20 AAC 25.055(a)(3) specifies that the drilling unit for an oil pool is a governmental quarter section, and that a well may not be drilled or completed closer than 1,000 feet to any well drilling to or capable of producing from the same pool. However, Rule 5 of Conservation Order No. 80 specifies in part that the AOGCC "...may authorize the conversion or drilling of any well at any location...reasonably designed to further the purposes of the project."
7. The re-completion of TBU G-03RD2 is designed to maximize recovery from the Hemlock and Middle Kenai G Oil Pools at McArthur River Field by accessing undrained reserves in both oil reservoirs that cannot be reached by wells conforming to applicable spacing restrictions.
8. In conformance to Rule 5 of Conservation Order No. 80, Hilcorp has given notice of this request to all potentially affected landowners, owners and operators—those within 1,000-foot radius of the TBU G-03RD2 well—the State of Alaska, Pacific Energy Alaska

foot radius of the TBU G-03RD2 well—the State of Alaska, Pacific Energy Alaska Operating, LLC, and Hilcorp Alaska, LLC. Hilcorp sent notice of its application to the State of Alaska and Pacific Energy Alaska Operating, LLC by certified mail in November 13, 2012. The AOGCC received no objection or comment regarding Hilcorp's request.

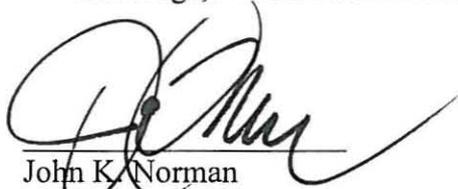
**CONCLUSIONS:**

1. An exception to the well spacing provisions of 20 AAC 25.055(a)(3) is necessary to allow re-completion of the TBU G-03RD2 development oil well in order to maximize recovery of reserves.
2. Under 20 AAC 25.055(a), drilling unit and well spacing requirements prescribed by AOGCC pool rules—Rule 5 of Conservation Order No. 80—supersede the statewide spacing requirements of 20 AAC 25.055(a)(3).
3. A spacing exception to allow re-completion of the TBU G-03RD2 development oil well is consistent with sound engineering and geoscience principles and will not result in waste or jeopardize correlative rights of adjoining or nearby owners.

**NOW THEREFORE IT IS ORDERED:**

Hilcorp's November 12, 2012 application for an order granting an exception to the well spacing requirements of 20 AAC 25.055(a)(3) to allow re-completion of the TBU G-03RD2 development oil well is approved. Hilcorp may proceed as long as it complies with the terms of the Trading Bay Unit agreement, applicable Alaska laws, and all other legal requirements.

**DONE** at Anchorage, Alaska and dated January 3, 2013.

  
John K. Norman  
Commissioner

  
Daniel T. Seamont, 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. As provided in AS 31.05.080(b), "[t]he questions reviewed on appeal are limited to the questions presented to the AOGCC 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.