

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

Re: THE APPLICATION OF Hilcorp Alaska,) Docket Number: CO-16-005
LLC to amend Rule 2 of Conservation) Conservation Order No. 237B
Order 237A to define the Tyonek Gas Pool)
within the Beaver Creek Field and to) Beaver Creek Field
amend Rule 3(a) of Conservation Order) Beaver Creek Unit
237A, which establishes well-spacing) Tyonek Gas Pool
requirements within that same gas pool.)
) Kenai Peninsula Borough, Alaska
) May 6, 2016

IT APPEARING THAT:

1. By letter dated and received February 18, 2016, Hilcorp Alaska, LLC (Hilcorp) requested the Alaska Oil and Gas Conservation Commission (AOGCC) amend Rule 2 of Conservation Order 237A to define a new gas pool—the Beaver Creek Unit, Tyonek Gas Pool—and to modify Rule 3(a) of Conservation Order 237A to establish well spacing requirements for that new gas pool.
2. Pursuant to 20 AAC 25.540, the AOGCC tentatively scheduled a public hearing for March 29, 2016. On February 19, 2016, 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 February 20, 2016, the notice was published in the ALASKA DISPATCH NEWS.
3. No protest to the application or request for hearing was received.
4. The hearing commenced at 9:00 AM on March 29, 2016 in the AOGCC’s office at 333 West 7th Avenue, Anchorage, Alaska.
5. Testimony was received from representatives of Hilcorp.
6. The record closed that same day.

FINDINGS:

1. Hilcorp is the sole owner and operator of the Beaver Creek Field and the Beaver Creek Unit, which are located in the Kenai National Wildlife Refuge, Kenai Peninsula Borough, Alaska. Cook Inlet Region, Inc. and the Federal Government are landowners for the Beaver Creek Unit and for all lands adjacent to that unit.
2. Rule 2 of CO 237A defines the Sterling and Beluga Gas Pools and the Beaver Creek Oil Pool, identifies wells Beaver Creek Unit No. 1A and Beaver Creek Unit No. 4 as reference wells for those two pools, and utilizes those reference wells to establish the

upper and lower vertical extents of those pools. Rule 2 does not address the proposed Tyonek Gas Pool within the Beaver Creek Unit.

3. Rule 3(a) of CO 237A establishes spacing requirements for wells completed in the Sterling and Beluga Gas Pools and the Beaver Creek Oil Pool, but Rule 3(a) does not address requirements for the proposed Tyonek Gas Pool within the Beaver Creek Unit. To date, statewide requirements have governed well spacing within this proposed gas pool.
4. After CO 237A was issued by the AOGCC, Hilcorp drilled or redrilled five additional wells within the Beaver Creek Unit and obtained more information about, and a better understanding of, the proposed Tyonek Gas Pool. One of these wells found gas and established that individual sand intervals within this proposed pool can be productive at commercial rates.
5. As is common within the Cook Inlet Basin, gas pools in the Beaver Creek Unit often consist of discontinuous sand lenses deposited in braided to meandering stream environments and thus there may be little lateral continuity between individual sands and large variations in reservoir permeability.

CONCLUSIONS:

1. Information gathered since CO 237A was approved on June 18, 2014 demonstrates that existing statewide well spacing requirements do not promote efficient development of the proposed Tyonek Gas Pool within the Beaver Creek Unit.
2. Establishing the requirement that gas 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:

This order supersedes Conservation Orders 237 and 237A. The spacing exception approved within Conservation Order 237.001 for well Beaver Creek Unit No. 14A remains in effect. 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 237A)

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 ¹ / ₄ NW ¹ / ₄ , W ¹ / ₂ SW ¹ / ₄ , SE ¹ / ₄ SW ¹ / ₄
	Section 27: All
	Section 28: NE ¹ / ₄ NE ¹ / ₄ , S ¹ / ₂ NE ¹ / ₄ , SE ¹ / ₄ NW ¹ / ₄ , SW ¹ / ₄ , SE ¹ / ₄
	Section 32: E ¹ / ₂ E ¹ / ₂
	Section 33 & 34: All
	Section 35: NW ¹ / ₄ , W ¹ / ₂ SW ¹ / ₄ , NE ¹ / ₄ SW ¹ / ₄

Rule 1 Field Name (Source: CO 237A)

The Field is named the Beaver Creek Unit.

Rule 2 Pool Definition (Source: CO 237A, Revised This Order)

- (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 5,188 and 6,370 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 Tyonek 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. 4 well between the measured depths of 8,886 feet and 14,518 feet.
- (d) 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 237A and Revised This Order)

- (a) There shall be no restrictions as to well spacing in the Sterling, Beluga, and Tyonek 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 237A and Revised This Order)

Upon proper application, or its own motion, and unless notice and public hearing are otherwise required, the AOGCC may administratively waive the requirements of any rule stated herein or administratively amend this order as long as the change does not promote waste or jeopardize

correlative rights, is based on sound engineering and geosciences principles, and will not result in an increased risk of fluid movement into freshwater.

This order shall expire 5 years after the effective date shown below or upon a change of operator for any pool listed in Rule 2.

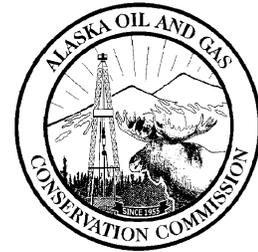
DONE at Anchorage, Alaska and dated May 6, 2016.

//signature on file//

Cathy P. Foerster
Chair, Commissioner

//signature on file//

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.