

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

Re: APPLICATION OF FOREST OIL CORPORATION for an order granting an extension of the temporary exception to the spacing requirements of 20 AAC 25.055 to allow for the continued operation of the West Foreland No. 2 gas production well. ) Conservation Order No. 532A  
)  
) West Foreland No. 2  
) West Foreland Undefined Gas Pool  
)  
) August 9, 2007

**IT APPEARING THAT:**

1. Forest Oil Corporation ("Forest"), by letter dated June 8, 2007 and received by the Alaska Oil and Gas Conservation Commission ("Commission") that same day, requests a temporary extension of the exception to the well spacing provisions of 20 AAC 25.055. The initial temporary extension was authorized in Conservation Order No. 532 ("CO 532") to allow for continued operation of the West Foreland No. 2 gas production well ("WF #2"), which is closer than 1500' to a property line and within the same governmental section as, and less than 3000' from, a well capable of producing from the same gas pool. Forest further requested that should the Commission determine a hearing is required prior to approving its extension request, then the Commission allow consideration of a request by Forest to convert the initial temporary spacing exception to a permanent spacing exception.
2. By letter dated June 11, 2007 and hand-delivered to Forest that same day, the Commission notified Forest concerning its non-compliance with certain provisions of CO 532 relating to WF #2 and instructed Forest to shut in production from the well.
3. On June 11, 2007, Forest requested an informal conference, which was held at the Commission on June 12, 2007. At the informal conference, Forest represented that shutting in WF #2 might damage the reservoir.
4. Based on Forest's representations at the informal conference, in a letter that was hand-delivered to Forest on June 13, 2007, the Commission:
  - a. cancelled the directive to shut in production at WF #2.
  - b. scheduled a public hearing at the Commission at 9:00 a.m. on July 24, 2007 to consider Forest's application (i) for an extension of the temporary spacing exception granted in CO 532, or (ii) alternatively, to make this exception permanent;
  - c. required that, by July 16, 2007, Forest provide the Commission (i) a letter of non-objection, signed by the State of Alaska Department of Natural Resources ("DNR") and the United States Department of Interior, Bureau of Land Management ("BLM"), to Forest's application, and (ii) evidence that notice of Forest's application and the

hearing notice were sent to all interested parties, including all royalty owners and overriding royalty interest owners (“ORIOs”); and

- d. required that, by July 16, 2007, Forest provide the Commission all technical analyses for the affected reservoir that Forest provided DNR and BLM in connection with a tentative compensatory royalty agreement to govern the allocation of production from WF #2.
5. Notice of opportunity for public hearing was published in the Anchorage Daily News on June 15, 2007, pursuant to 20 AAC 25.540.
6. On July 16, 2007, Forest submitted a letter of non-objection, signed by DNR and BLM, and evidence that notice of Forest’s application and the June 15, 2007 public notice were sent to all interested parties, including all royalty and overriding-royalty owners. Forest also submitted a technical analysis for the affected reservoir.
7. On July 16, 2007, the Commission notified Forest, DNR, BLM and Cook Inlet Region, Inc. (“CIRI”), another interested party, that the public hearing scheduled for July 24, 2007 would be continued on July 25, 2007.
8. At 9:00 a.m. on July 24, 2007, the Commission convened the public hearing and continued it until 9:00 a.m. on July 25, 2007.
9. At 9:00 a.m. on July 25, 2007, representatives from Forest and DNR and one ORIO attended the hearing. The hearing was held in conformance with 20 AAC 25.540. At the hearing, Forest did not pursue their request that the temporary spacing exception be converted into a permanent exception.

**FINDINGS:**

1. The record for this order includes the Commission’s well and production records for WF #2, the record for Conservation Orders 450, 450-A, 450B and 532, and the other documents identified above.
2. WF #2 is a deviated, gas production well that was completed on December 11, 2004. The surface location of the well is onshore, 886’ from the south line and 571’ from the east line of Section 21, T08N, R14W, Seward Meridian (“SM”). The bottom hole location of the well lies offshore beneath the western side of the Cook Inlet, 760’ from the north line and 1,146’ from the east line of Section 21, T08N, R14W, SM.
3. WF #2 lies entirely within Section 21, T08N, R14W, SM, which also contains the existing West Foreland #1 (“WF #1”) gas production well.
4. The affected leases are onshore Federal Lease A-035017 and offshore State of Alaska Lease ADL-359112.
5. The landowners of Federal Lease A-035017 are Cook Inlet Region, Inc. (“CIRI”) and the U.S. Government. BLM administers Federal Lease A-035017 on behalf of CIRI. The State of Alaska is the landowner of Lease ADL-359112. DNR administers State Lease ADL-359112. In addition to the landowners, there are numerous ORIOs.

6. Forest is the sole working interest owner of both leases for the affected reservoir sands.
7. The surface location for WF #2 is within Federal Lease A-035017. The well is perforated in two gas-bearing sands that occur between the measured depths from 8494' to 8525' (herein termed as the "8500-foot sand") and from 10,371' to 10,383' (herein termed the "9200-foot sand").
8. In WF #2, the top of the 8500-foot sand lies onshore within Federal Lease A-035017, about 85' west of the property boundary with State Lease ADL-359112. The top of the 9200-foot sand lies offshore within State Lease ADL-359112, approximately 250' east of the property boundary with Federal Lease A-035017.
9. Forest has equipped WF #2 with a dual completion to allow gas production from the 8500-foot and 9200-foot sands. Production from the 8500-foot sand began in December, 2004, and production from the 9200-foot sand began in April, 2005. WF #2 is producing gas from both sand intervals.
10. WF #2 and nearby gas production well WF #1 produce from the 9200-foot sand at take points that are less than 3000' apart and within the same governmental section.
11. The 8500-foot sand producing in WF #2 is not gas-bearing in WF #1. WF #1 also produces gas from a deeper sand, herein termed the "9400-foot sand." The 9400-foot sand is not productive in WF #2.
12. Due to non-compliant spacing, the Commission issued CO 532, a temporary spacing exception that authorized drilling and initial gas production from the WF #2 well from any interval not stratigraphically deeper than the 9400-foot sand. CO 532 was issued on September 16, 2004, and it expired June 12, 2007, which was 30 months after Forest completed WF #2.
13. Forest testified that, in compliance with CO 532, it established and funded an escrow account to protect the interests of all royalty owners and ORIOs.
14. Forest testified that it is working with DNR and BLM to establish a royalty sharing agreement. Forest also testified that a draft royalty sharing agreement was provided to BLM and DNR on February 1, 2007, and Forest received the first comments on that draft agreement from BLM and DNR during the week of July 16, 2007. According to Forest, DNR and BLM have primarily suggested grammatical changes and changes to make provisions more consistent: not changes to the proposed allocation of production.
15. In the July 16, 2007 letter of non-objection, DNR and BLM consent to the application of Forest for an extension of the temporary spacing exception to allow the WF #2 well to continue to operate under terms imposed by the Commission.
16. At the July 25, 2007 hearing, Forest requested a 6-month extension of the temporary spacing exception. Forest testified that it anticipates being back before the Commission before the expiration of the six-month extension period to request that the extension of the temporary spacing exception be converted to a permanent spacing exception.
17. At the July 25, 2007 hearing, an ORIO for WF #2 requested the expeditious resolution of this matter and disbursement of the escrowed funds.

**CONCLUSIONS:**

1. An extension of the spacing exception authorized by CO 532 is necessary to allow for the continued operation of WF #2.
2. Granting an extension of the spacing exception will not likely result in waste, adversely affect ultimate recovery, or impair the correlative rights of persons owning interests in the tracts of land affected.
3. Although Forest requested in its June 8, 2007 letter that the Commission consider granting a permanent spacing exception, Forest did not follow up on this request. Therefore a permanent spacing exception is not warranted at this time. In addition, a permanent exception is not now warranted because a royalty sharing agreement has not been completed.
4. Forest, BLM and DNR have taken an unduly long time to complete the allegedly uncontested royalty sharing agreement.
5. Because Forest is receiving the full benefit of production from WF #2, there is no incentive for Forest to complete the royalty sharing agreement.
6. Although royalty payments are held in escrow for all parties except Forest, these parties are currently receiving no benefit from WF #2 production.
7. A single, six-month extension will be more than sufficient to allow Forest, DNR and BLM to finalize a royalty sharing agreement and disburse the escrowed funds.
8. Three months is more than sufficient time for Forest to submit a complete application, including all supporting documentation, for a permanent spacing exception for WF #2.

**NOW, THEREFORE, IT IS ORDERED:**

The Commission grants Forest's application for an extension of the temporary spacing exception to allow continued gas production from the WF #2 well from any interval not stratigraphically deeper than the 9400-foot sand.

**This extension is not renewable.**

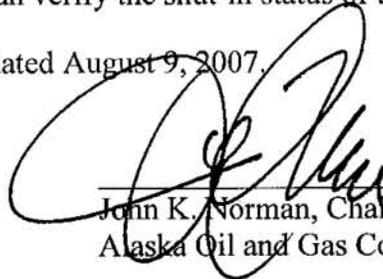
**This extension expires on February 1, 2008.**

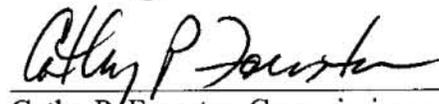
If Forest, or any successor operating company, desires to apply to the Commission for a permanent spacing exception for WF #2, that application and all supporting documentation must be received by the Commission **no later than 4:30 p.m. on November 1, 2007**, to ensure that there is enough time for the Commission to process the application in an orderly manner.

Unless the Commission authorizes a permanent spacing exception for WF #2 by February 1, 2008, then before February 2, 2008, Forest, or any successor operating company, shall shut in WF #2. At the time of the shut-in, Forest shall notify the Commission so that a Commission field inspector can verify the shut-in status of the well.

DONE at Anchorage, Alaska and dated August 9, 2007.



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

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

AS 31.05.080 provides that within 20 days after receipt of written notice of the entry of an order, a person affected by it may file with the Commission an application for rehearing. A request for rehearing must be received by 4:30 PM on the 23rd day following the date of the order, or next working day if a holiday or weekend, to be timely filed. The Commission shall grant or refuse the application in whole or in part within 10 days. The Commission can refuse an application by not acting on it within the 10-day period. An affected person has 30 days from the date the Commission refuses the application or mails (or otherwise distributes) an order upon rehearing, both being the final order of the Commission, to appeal the decision to Superior Court. Where a request for rehearing is denied by nonaction of the Commission, the 30-day period for appeal to Superior Court runs from the date on which the request is deemed denied (i.e., 10th day after the application for rehearing was filed).