

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

Re: THE APPLICATION OF TECK COMINCO)
ALASKA INCORPORATED for an order) Conservation Order No. 564
granting an exception to the spacing requirements)
of 20 AAC 25.055 (a)(4), allowing drilling,) NB No. 2
testing and regular production within) Exploratory Gas Well
3,000 feet of a well capable of producing from)
the same pool.) December 12, 2005

IT APPEARING THAT:

1. Teck Cominco Alaska Incorporated (“Teck Cominco”), by letter dated July 11, 2005 and received by the Alaska Oil and Gas Conservation Commission (“Commission”) on July 12, 2005, requests the Commission issue an order in conformance with 20 AAC 25.055 (a)(4) allowing drilling, testing and production of the NB No. 2 (“NB 2”) gas exploration well, which if productive may be open to regular production within 3,000 feet of a well capable of producing from the same pool. The surface location of this proposed vertical well is 272 feet from the west line and 2,898 feet from the south line of Section 17, T31N, R18W, Kateel River Meridian.
2. The Commission published notice of opportunity for public hearing in the Anchorage Daily News on July 15, 2005, pursuant to 20 AAC 25.540.
3. No protests to the application or requests for hearing were received.

FINDINGS:

1. The surface and bottomhole locations of this vertical well are 272 feet from the west line and 2,898 feet from the south line of Section 17, T31N, R18W, Kateel River Meridian.
2. NB 2 is a non-conventional gas exploration well that is located on private property. NANA Regional Corporation is the landowner, and Teck Cominco is the owner and operator for the affected leases.
3. This well is located 1-1/2 miles north of the Red Dog Mine in an area that has been extensively drilled for mineral exploration purposes. This location is favorably positioned on the underlying geologic structure.
4. This well will be an integral part of a multi-well program to test the capability of the reservoir to produce gas in commercial quantities from a non-conventional, shale reservoir.

5. Production of gas from shale reservoirs requires de-watering to reduce pressure and increase gas flow. Typically, shale reservoirs need more closely spaced wells than conventional gas reservoirs to produce gas in economic quantities.
6. The productivity of this shale is unknown. Adequately de-watering the affected section of the reservoir and testing its capability to produce gas require that well NB-02 be placed closer than 3,000 feet to offset non-conventional gas well NB-01.
7. An exception to the well spacing provisions of 20 AAC 25.055 (a)(4) is necessary for the drilling, completion, testing and regular production of NB 2.
8. The Commission received no objections or protests from the public notice regarding the NB 2 well.

CONCLUSIONS:

1. An exception to the well spacing requirements of 20 AAC 25.055 (a)(4) is necessary to allow drilling, completion, testing, and regular production of the NB 2 well gas exploration well.
2. Granting a spacing exception to allow drilling, testing, and regular production of the NB 2 well gas exploration well will not result in waste or jeopardize the correlative rights of adjoining or nearby owners,

NOW, THEREFORE, IT IS ORDERED:

Teck Cominco's application for exception to the spacing requirements of 20 AAC 25.055 for the purpose of drilling, completion, testing and regular production of the NB 2 gas exploration well is granted.

DONE at Anchorage, Alaska and dated December 12, 2005.

John K. Norman, Chairman

Daniel T. Seamount, Jr., Commissioner

Cathy P. Foerster, Commissioner

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).