

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

Re: THE APPLICATION OF The United States ) Conservation Order No. 582  
Department of the Interior, Bureau of Land )  
Management for an order granting waivers to )  
the bonding requirements of 20 AAC 25.025, ) Wainwright No. 1  
blowout prevention equipment requirements of ) Exploratory Well  
20 AAC 25.035, wellbore survey requirements )  
of 20 AAC 25.050(a)(2), well site seismic ) June 11, 2007  
survey requirements of 20 AAC 25.061(a), and )  
gas detection requirements of 20 AAC 25.066 )  
to allow the drilling, testing, and plugging of )  
the U.S. Department of the Interior )  
Wainwright No. 1 exploratory gas well. )

**IT APPEARING THAT:**

1. The U.S. Department of the Interior (“USDOI”), Bureau of Land Management (“BLM”) by Permit to Drill Application No. 207-065 dated February 27, 2007 and letter dated February 28, 2007, which were received by the Alaska Oil and Gas Conservation Commission (“Commission”) on April 12, 2007, requested an order waiving the bonding requirements of 20 AAC 25.025, blowout prevention equipment requirements of 20 AAC 25.035, wellbore survey requirements of 20 AAC 25.050(a)(2), well site seismic survey requirements of 20 AAC 25.061(a), and gas detection requirements of 20 AAC 25.066 to allow the drilling, testing, and plugging of the Wainwright No. 1 exploratory gas well.
2. The Commission published notice of opportunity for public hearing in the Anchorage Daily News on May 11, 2007, pursuant to 20 AAC 25.540.
3. No protests to or comments on the application or requests for a hearing were received.

**FINDINGS:**

1. Wainwright No. 1 will be a vertical coal-bed methane exploratory well located near the village of Wainwright, 900 feet from the north line and 2278 feet from the east line of Section 24, Township 15 North and Range 32 West, Umiat Meridian (“UM”).
2. The only owners of the subsurface estate within 1500 feet of the well are USDOI and the Alaska Department of Natural Resources (“AKDNR”).

3. The Village of Wainwright obtains its drinking water from surface water sources according to the Alaska Department of Environmental Conservation, Division of Environmental Health, Drinking Water Program and the Alaska Department of Natural Resources Land Administration System. The sources are located in the NW quarter of the SW quarter of Section 9, T31N, R31W, UM, which is more than 2-1/2 miles from the proposed well location.
4. The expected depth of the base of permafrost within Wainwright No.1 is about 1,000 feet; so, it is unlikely that any subsurface aquifers will be utilized for drinking water purposes.
5. On May 31, 2007, the Commission received a letter from the Arctic Slope Regional Corporation ("ASRC") stating that the USDOJ, U.S. Geological Survey ("USGS") could enter ASRC land to conduct the Wainwright Coal-bed Methane Project.
6. On June 8, 2007, BLM filed a Designation of Operator form, which names USGS as the operator for Section 24, Township 15 North and Range 32 West, UM.
7. USDOJ is an agency of the United States. The credit of the United States renders a bond unnecessary for the Wainwright No. 1 exploratory well.
8. The well will be constructed by setting 80' of 6-5/8" conductor in a 9-7/8" hole. The planned 5-1/4" hole will be continuously cored to its proposed total depth. If gas-bearing coal seams are identified, they may be tested. The well may be completed with PVC casing and screens to allow long-term monitoring or testing of selected coal seam(s). A rotating drill head will be used. A rotating head seals around the drill stem and directs the annular mudflow to the pits. If gas is encountered, the rotating head functions as a diverter. A similar rotating head was used successfully at the Franklin Bluffs No. 1 exploratory gas well (permit to drill 205-105).
9. Seismic information near Wainwright No. 1 shows no indication of the presence of shallow gas. In addition, drilling records and mud log information from the nearest exploration wells (Peard Test Well No. 1 and Tunalik No. 1, located 25 miles to the east-northeast and 34 miles to the southwest, respectively) show no indication of abnormal pressure.
10. Wainwright No. 1 will be drilled with a portable truck-mounted drilling rig. This equipment has no enclosures where methane could accumulate sufficiently to pose a risk of explosion or fire, or where a methane detector could practicably be located.

#### **CONCLUSIONS:**

1. Exceptions to the gas detection requirements of 20 AAC 25.066 are necessary to allow drilling, testing and plugging of the Wainwright No. 1 exploratory gas well.

2. Granting exceptions to bonding requirements, blowout prevention equipment requirements, wellbore survey requirements, and well site seismic survey requirements to allow the drilling, testing and plugging of the Wainwright No. 1 exploratory gas well is not likely to result in waste of hydrocarbons, risk harm to human safety or the environment (e.g., from an explosion or fire), risk properly abandoning the well, or jeopardize the correlative rights of persons owning interests in adjoining or nearby tracts of land potentially affected by the proposed well.
3. The requirements of AS 31.05.030(j)(1)(A) do not apply.
4. Commission approval of the operator's requested exemptions conforms with AS 31.05.060(c)(1) and AS 31.05.060(c)(2).

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

1. BLM's application for exceptions to the bonding requirements of 20 AAC 25.025, blowout prevention equipment requirements of 20 AAC 25.035, wellbore survey requirements of 20 AAC 25.050(a)(2), well site seismic survey requirements of 20 AAC 25.061(a), and gas detection requirements of 20 AAC 25.066 for the purpose of drilling, testing and plugging the Wainwright No. 1 exploratory gas well is granted.
2. This well may not be hydraulically fractured or tested for production without separate approval from the Commission.

**DONE at Anchorage, Alaska, and dated June 11, 2007.**



*for Jody J. Colom*  
John K. Norman, Chairman  
Alaska Oil and Gas Conservation Commission

*[Signature]*  
Daniel T. Seamount, Jr., 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 23<sup>rd</sup> 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., 10<sup>th</sup> day after the application for rehearing was filed).