

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

Re: THE APPLICATION OF Union Oil Company of) Conservation Order 585
California, a wholly-owned indirect subsidiary of)
Chevron Corporation, for an order granting an)
exception to the spacing requirements of)
20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4))
to provide for the drilling, completion, gas) Swanson River Unit 42-05Y
storage and regular production of the Swanson) Gas Well
River Unit 42-05Y well within 1500 feet of a)
property line and within 3000 feet of a well)
capable of producing from the same pool within) August 1, 2007
the Swanson River Field, Soldotna Creek Unit.)

IT APPEARING THAT:

1. Union Oil Company of California (“Union Oil”), a wholly-owned indirect subsidiary of Chevron Corporation, by a letter dated May 14, 2007 and received by the Alaska Oil and Gas Conservation Commission (“Commission”) on May 24, 2007, has requested an order allowing an exception to the spacing requirements of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) to provide for the drilling, completion, gas storage and regular production of the Swanson River Unit (“SRU”) 42-05Y well within 1500 feet of a property line and within 3000 feet of a well capable of producing from the same pool within the Swanson River Field, Soldotna Creek Unit.
2. On June 1, 2007, a public hearing was scheduled for July 12, 2007. The hearing was subsequently rescheduled to July 30, 2007, and on June 27, 2007, pursuant to 20 AAC 25.540, the Commission published a notice of opportunity for public hearing in the Anchorage Daily News.
3. No written requests for a hearing were received by July 12, 2007, and no written protests or comments to the application were received by July 27, 2007.
4. The public hearing was vacated on July 17, 2007.

FINDINGS:

1. Union Oil is the operator of the Swanson River Field, Soldotna Creek Unit.
2. The SRU 42-05Y well is proposed as a deviated gas storage and production well with a surface location 494 feet from the east line (FEL) and 2712 feet from the north line (FNL) of Section 5, T7N, R9W, Seward Meridian ("S.M."), and a projected bottom hole location 489 feet FEL and 2327 feet FNL of Section 5, T7N, R9W, S.M.
3. The SRU 42-05Y well will target gas reservoirs that can be discontinuous in the Tyonek Formation.
4. Gas storage injection in the Tyonek 77-3 sand is authorized by Storage Injection Order No. 6.
5. Union Oil sent notice of the application for exception to the well spacing requirements of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) by certified mail to all owners, landowners, and operators of all properties within 3000 feet of the anticipated productive interval of the proposed SRU 42-05Y well.
6. The SRU 42-05Y well will be within 1500 feet of a property line where the owner and landowner are the same, but the landowners hold different royalty percentages in the offsetting leases.
7. The SRU 42-05Y well will be within 3000 of a well capable of producing from the same pool.

CONCLUSIONS:

1. An exception to the well spacing requirements of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) is necessary to allow for drilling, completion, gas storage and regular production of the SRU 42-05Y well in the Tyonek Formation, Swanson River Unit, Kenai Peninsula Borough, Alaska.
2. Granting a spacing exception to allow drilling, completion, gas storage and regular production of the SRU 42-05Y well will not result in waste or jeopardize the correlative rights of adjoining or nearby owners, operators, and landowners.

NOW, THEREFORE, IT IS ORDERED:

Pursuant to the Commission's authority under AS 31.05.030 and AS 31.05.100, the Commission hereby approves Union Oil's application for exception to the well spacing provisions of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) for the purpose of drilling, completion, gas storage, and regular production of the SRU 42-05Y well. Union Oil may proceed with drilling, completion, gas storage and regular production as long as it complies with the Underground Gas Storage Agreement, Swanson River Gas Storage Facility Agreement #3, Agreement No. AA-085943 between the United States of America (through its Bureau of Land Management) and Union Oil, and all applicable laws.

DONE at Anchorage, Alaska and dated August 1, 2007.



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

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 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).