

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

Re: THE APPLICATION OF BP Exploration (Alaska))
Inc. for an order granting an exception to the well) Docket Number: CO-08-34
spacing requirements of 20 AAC 25.055(a)(3) to) Conservation Order No. 611
allow drilling, completion, testing, and regular)
production of the proposed Milne Point Unit No.) Milne Point Unit No. S-41A
S-41A oil development well within the same) Oil Development Well
governmental quarter section as, and within 1000)
feet of, other wells in the Milne Point Unit that are) January 26, 2009
producing from or capable of producing from the)
same pool.)

IT APPEARING THAT:

1. BP Exploration (Alaska) Inc. (BPXA), by letter dated October 31, 2008 and received November 4, 2008 by the Alaska Oil and Gas Conservation Commission (Commission), requests an order granting an exception to the well spacing requirements of 20 AAC 25.055(a)(3) to allow drilling, completion, testing, and regular production of the proposed Milne Point Unit No. S-41A (MPU S-41A) oil development well within the same governmental quarter section as, and within 1000 feet of, the MPU S-37 and proposed MPU S-43 wells within the Milne Point Unit, Ugnu Undefined Oil Pool, North Slope Borough, Alaska.
2. BPXA filed supplemental information with the Commission on November 14, 2008.
3. On November 26, 2008, pursuant to 20 AAC 25.540, the Commission published in the ANCHORAGE DAILY NEWS notice of the opportunity for a public hearing on January 6, 2009.
4. No protest to the application or request for a hearing was received.
5. The public hearing was vacated on December 31, 2008.

FINDINGS:

1. BPXA is the operator of the Milne Point Unit and will be the operator of the MPU S-41A well, which will be within the Milne Point Unit, Ugnu Undefined Oil Pool, North Slope Borough, Alaska.
2. The MPU S-41A well is proposed as a deviated oil development well with a surface location 3224 feet from the south line (FSL) and 518 feet from the east line (FEL) of Section 12, T12N, R10E, Umiat Meridian (U.M.), and a projected bottom hole location 777' FSL, 1356' FEL of Section 7, T12N, R11E, U.M.
3. The notice of opportunity for a public hearing published in the ANCHORAGE DAILY NEWS on November 26, 2008 inadvertently listed the surface location of MPU S-41A as 584' FSL and 518' FEL of Section 12, T12N, R10E, U.M.

4. The MPU S-41A well will open Ugnu Undefined Oil Pool reservoirs—that are, or may be, capable of production in the MPU S-37 and proposed MPU S-43 wells—within the southwest quarter of Section 7, T12N, R11E, U.M. The anticipated Ugnu productive pool in MPU S-37 and proposed MPU S-43 and MPU S-41A will all lie in the same governmental quarter section.
5. The anticipated Ugnu productive pool in MPU S-41A will lie within 1000 feet of the Ugnu productive pool in the MPU S-37 and proposed MPU S-43 wells: *i.e.*, the MPU S-41A well will be drilled and completed within 1000 feet of another well (MPU S-37 and proposed MPU S-43) drilled to or possibly capable of producing from the same pool.
6. By certified mail, BPXA sent notice of the application for an order granting an exception to the well spacing requirements of 20 AAC 25.055 to all owners, landowners, and operators of all properties within 1000 feet of the anticipated productive pool of the proposed MPU S-41A well. BPXA provided the Commission the notice, date of mailing, and addresses to which the notice was sent.
7. MPU S-41A is part of a multi-well pilot project that is intended to test different techniques to recover cold, viscous oil from the relatively shallow and unconsolidated reservoir sands of the Ugnu Undefined Oil Pool. It will be drilled to a location within the crest of a structural compartment to determine recovery rates for viscous Ugnu oil using a conventional horizontal wellbore. By modifying the spacing requirements for the pilot project wells, BPXA will be able to more accurately compare the MPU S-41A recovery rate with those of nearby wells that are testing an experimental method of recovering oil *and sand* from the Ugnu reservoirs.

CONCLUSIONS:

1. The requested exceptions to 20 AAC 25.055(a)(3) are necessary to allow drilling, completion, testing, and regular production of the MPU S-41A oil development well. This well is needed to determine which production methods will promote more effective recovery of oil from the Ugnu Undefined Oil Pool.
2. The inadvertent publication (in the notice of opportunity for a public hearing) of the “FSL” surface location of the proposed MPU S-41A well is inconsequential: no reasonable likelihood exists that a person who did not comment or protest would have done so simply if the correct surface location had been published given the actual distances from the proposed well to the section, lease, and unit boundaries, and given the owners, landowners, and operators in the area of the proposed well.
3. Granting a spacing exception to allow drilling, completion, testing, and regular production of the MPU S-41A well will not result in waste or jeopardize the correlative rights of adjoining or nearby owners.

NOW, THEREFORE, IT IS ORDERED:

Pursuant to the Commission’s authority under AS 31.05.030 and 20 AAC 25.055, the Commission approves BPXA’s application for an order granting an exception to the well spacing provisions of 20 AAC 25.055(a)(3) to allow drilling, completion, testing, and regular production

of the MPU S-41A well. BPXA may proceed with regular production as long as it complies with the terms of the Milne Point Unit agreement and all other legal requirements.

ENTERED at Anchorage, Alaska, and dated January 26, 2009.



A handwritten signature in black ink, appearing to read "Daniel T. Seamont, Jr.", written over a horizontal line.

Daniel T. Seamont, Jr., Chair
Alaska Oil and Gas Conservation Commission

A handwritten signature in black ink, appearing to read "Cathy P. Foerster", written over a horizontal line.

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

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 Commission grants for good cause shown, a person affected by it may file with the Commission 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 Commission 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 Commission 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 Commission mails, **OR 30** days if the Commission 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 Commission 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 Commission, and it may be appealed to superior court. That appeal **MUST** be filed within **33** days after the date on which the Commission mails, **OR 30** days if the Commission otherwise distributes, the order or decision on reconsideration. As provided in AS 31.05.080(b), "[t]he questions reviewed on appeal are limited to the questions presented to the Commission by the application for 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.