

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

Re: THE APPLICATION OF Aurora Gas, LLC for an order) Docket Number: CO-09-24
granting an exception to the well spacing requirements) Conservation Order No. 623
of 20 AAC 25. 055(a)(4) to allow drilling and)
completion of the proposed Nicolai Creek No. 11 gas) Nicolai Creek No. 11
development well within 3,000 feet of other wells that) Gas Exploratory Well
are producing from, or may be capable of producing) Kenai Peninsula Borough, Alaska
from, the same pools.)
) August 19, 2009

IT APPEARING THAT:

1. By letter dated July 1, 2009, Aurora Gas, LLC (Aurora) requests the Alaska Oil and Gas Conservation Commission (Commission) enter an order granting an exception to the spacing requirements of 20 AAC 25.055(a)(4) to allow drilling, perforating, completing, testing and production of the proposed Nicolai Creek No. 11 vertical gas exploratory well within 3,000 feet of other wells that are, or may be, capable of producing from the same pools (*i.e.*, the Nicolai Creek Beluga Undefined Gas Pool and the Nicolai Creek South Undefined Gas Pool), which are in the Kenai Peninsula Borough, Alaska.
2. On July 1, 2009, the Commission requested additional information from Aurora; on July 6, 2009, Aurora submitted the requested information.
3. On July 3, 2009, pursuant to 20 AAC 25.540, the Commission published in the ANCHORAGE DAILY NEWS notice of the opportunity for a public hearing on August 11, 2009.
4. On July 7, 2009, pursuant to 20 AAC 25.540, the Commission published in the PENINSULA CLARION notice of the opportunity for a public hearing on August 11, 2009.
5. The Commission received no protest to the application or request for a hearing.
6. The public hearing was vacated on July 29, 2009.

To resolve Aurora's request, the Commission evaluated information submitted by Aurora along with information in the Commission's files.

FINDINGS:

1. Aurora is the operator of the Nicolai Creek Unit and will be the operator of the proposed Nicolai Creek No. 11 well that may access the Nicolai Creek Beluga Undefined Gas Pool and/or the Nicolai Creek South Undefined Gas Pool, Kenai Peninsula Borough, Alaska.
2. The proposed Nicolai Creek No. 11 well will be an onshore, vertical gas exploratory well with surface and bottomhole locations 1,894 feet from the south line and 1,534 feet from the east line of Section 30, T11N, R12W, Seward Meridian (S.M.).
3. The Nicolai Creek No. 11 well is proposed to be drilled and completed within 3,000 feet of other wells (*i.e.*, the active Nicolai Creek Unit No. 9 and the inactive Nicolai Creek Unit No. 1B gas production wells) that are producing from, or may be capable of producing from, the same pools (*i.e.*, the Nicolai Creek Beluga Undefined Gas Pool or the Nicolai Creek South Undefined Gas Pool).

4. By certified mail, Aurora sent notice of the application to all owners, landowners, and operators of all properties within 3,000 feet of each anticipated productive pool of the proposed Nicolai Creek No. 11 well. Aurora provided the Commission the notice, date of mailing, and addresses to which the notice was sent.
5. The Nicolai Creek No. 11 well is designed to recover Nicolai Creek Beluga Undefined Gas Pool and Nicolai Creek South Undefined Gas Pool reserves that, based on the information evaluated, appear to be fault-separated from reservoirs accessible by existing wells and trapped at a structurally more favorable location.

CONCLUSIONS:

1. An exception to 20 AAC 25.055(a)(4) is necessary to allow drilling and completion of the Nicolai Creek No. 11 gas development well that may recover Nicolai Creek Beluga Undefined Gas Pool and Nicolai Creek South Undefined Gas Pool reserves that are not accessible with existing wells
2. Granting a spacing exception to allow drilling and completion of the Nicolai Creek No. 11 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 20 AAC 25.055, the Commission approves Aurora's application for an order granting an exception to the well spacing provisions of 20 AAC 25.055(a)(4) to allow drilling and completion of the Nicolai Creek No. 11 well. Aurora may proceed with regular production as long as it complies with all other legal requirements.

ENTERED at Anchorage, Alaska, and dated August 19, 2009.



A blue ink signature of Daniel T. Seamount, Jr., written in a cursive style.

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

A blue ink signature of John K. Norman, written in a cursive style.

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

A blue ink signature of Cathy P. Foerster, written in a cursive style.

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.