

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

Re: The Application of Armstrong Cook) Conservation Order No. 632
Inlet, LLC for an order granting an)
exception to the spacing requirements) North Fork Unit 32-35
of 20 AAC 25.055(a)(4) to allow) Exploration Gas Well
drilling, completion, testing)
and regular production of the North)
Fork Unit #32-35 gas exploration well.) August 19, 2010

IT APPEARING THAT:

1. By application dated and received by the Alaska Oil and Gas Conservation Commission (Commission) on July 1, 2010, Armstrong Cook Inlet, LLC (Armstrong) requested an exception to the spacing requirements of 20 AAC 25.055(a)(4) to allow drilling, completion, testing and regular production of the North Fork Unit (NFU) 32-35 gas exploration well in the North Fork Unit, Kenai Peninsula Borough, Alaska.
2. Pursuant to 20 AAC 25.540, the Commission published notice of opportunity for a public hearing in the Alaska Journal of Commerce on July 11, 2010 and the Peninsula Clarion on July 7, 2010.
3. No protests to the application or requests for hearing were received.
4. Armstrong provided sufficient information upon which to make an informed decision without a public hearing. The public hearing was vacated on July 29, 2010.

FINDINGS:

1. Armstrong is the operator of the North Fork Unit 32-35 well.
2. The NFU 32-35 well will be a deviated gas exploration and production well with a surface location 649 feet from the south line (FSL) and 1661 feet from the east line (FEL) of Section 26, T4S, R14W, Seward Meridian (S.M.).
3. The NFU 32-35 well will target gas reserves in the Tyonek Formation which can have a limited drainage due to the discontinuous nature of the Tyonek reservoir sands.
4. The NFU 32-35 well is approximately 2500 feet from the NFU 41-35 which is capable of producing from the same interval.
5. Armstrong has provided the Commission with copies of the notice of the application for exception to the well spacing requirements sent by certified mail to all owners, landowners, and operators of all properties within 3000 feet of the proposed NFU 32-35 well.

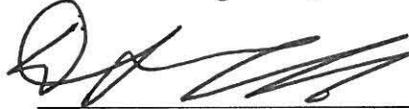
CONCLUSION:

1. An exception to 20 AAC 25.055(a)(4) is necessary to allow drilling, completion, testing and regular production of the NFU 32-35 well in order to evaluate and produce from gas reservoirs in the Tyonek Formation.
2. The properties affected by this exception are within the boundaries of the North Fork Unit.
3. A spacing exception to allow drilling, completion, testing and regular production of the NFU 32-35 well will not result in waste or jeopardize correlative rights of the adjoining or nearby owners.

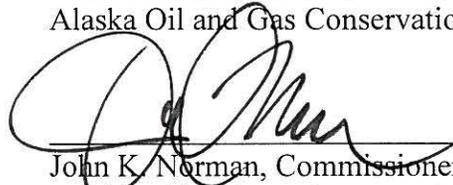
NOW, THEREFORE, IT IS ORDERED:

Armstrong's application for exception to the well spacing provision of 20 AAC 25.055(a)(4) for the purpose of drilling, completion, testing and regular production of the NFU 32-35 well is approved. Because the properties affected by this spacing exception are within the North Fork Unit, Armstrong may proceed with regular production as long as it is in compliance with the terms of the Unit Agreement and applicable Alaska law.

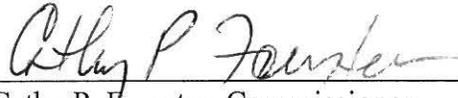
DONE at Anchorage, Alaska and dated August 19, 2010.



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



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



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.