

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 granting an exception to the well spacing provisions of 20 AAC 25.055 (a)(4) to provide for the drilling and completion of the proposed Nicolai Creek Unit No. 10 development gas well within the same governmental section and within 3,000 feet of wells that are, or may be capable of, producing from the same pool.) Docket Number: CO-10-09
) Conservation Order No. 635
)
)
) Nicolai Creek Unit No. 10
) Gas Development Well
) Nicolai Creek North Undefined Gas
) Pool
) Nicolai Creek Unit
) Kenai Peninsula Borough, Alaska
)
September 29, 2010

IT APPEARING THAT:

1. On June 14, 2010, Aurora Gas, LLC (Aurora) requested the Alaska Oil and Gas Conservation Commission (Commission) grant an exception to the spacing provisions of 20 AAC 25.055 (a)(4) to allow drilling and completion of the Nicolai Creek Unit No. 10 (NCU No. 10) development gas well within 3,000 feet of wells that are, or may be capable of producing from, the same pool (the Nicolai Creek North Undefined Gas Pool), in the Kenai Peninsula Borough, Alaska.
2. Pursuant to 20 AAC 25.540, on July 25, 2010 the Commission published in the ALASKA JOURNAL OF COMMERCE notice of the opportunity for a public hearing on September 7, 2010. This notice was also published on the State of Alaska's Online Public Notice website and on the Commission's website.
3. By certified mail, Aurora sent notice of the application to all owners, landowners, and operators of all properties within 3,000 feet of the anticipated NCU No. 10 well. Aurora provided the Commission the notice, date of mailing, addresses to which the notice was sent, and proof of mailing.
4. No protest to the application or request for hearing was received.
5. Because Aurora provided sufficient information upon which to make an informed decision, the request can be resolved without a hearing.
6. The public hearing was vacated on August 27, 2010.

FINDINGS:

1. Aurora is the operator of the Nicolai Creek Unit (NCU) and will be the operator of the proposed NCU No. 10 development gas well located within the Nicolai Creek North Undefined Gas Pool, NCU, Kenai Peninsula Borough, Alaska.
2. The proposed NCU No. 10 well will be an onshore, deviated gas development well with a surface location 1799' from the north line and 1504' from the west line of Section 20, T11N, R12W, Seward Meridian (S.M.), and a projected bottom-hole location 2140' from the north line and 300' from the east line of Section 19, T11N, R12W, S.M.

3. The planned path for NCU No. 10 is based on seismic and nearby well information.
4. State of Alaska oil and gas lease ADL-63279 includes the western half of Section 20, T11N, R12W, S.M. The western half of Section 20, T11N, R12W, S.M also constitutes the Northern Participating Area of the NCU.
5. State of Alaska oil and gas lease ADL-391472 includes the eastern half of Section 19, T11N, R12W, S.M.
6. The surface location of NCU No. 10 and prospective gas sand intervals lies within lease ADL-63279 and the Northern Participating Area. Prospective gas sand intervals and the planned total depth of NCU No. 10 lie within lease ADL-391472.
7. The anticipated bottom-hole location of well NCU No. 10 lies within 3,000 feet of State of Alaska lease ADL-391265.
8. Aurora is the owner and operator of lease ADL-63279, the Northern Participating Area, lease ADL-391472, and lease ADL-391265. The State of Alaska is the landowner for these leases.
9. Gas reservoirs targeted by well NCU No. 10 lie at a structurally more favorable location within 3,000 feet of offset well NCU No. 3, but are not open to that well.
10. Gas reservoirs targeted by well NCU No. 10 are lenticular and discontinuous.
11. NCU No. 10 may be the only gas producing well in Section 19, T11N, R12W, S.M. NCU No. 10 may be the second gas producing well in Section 20, T11N, R12W, S.M.
12. Aurora sent notice of the application for exception to the well spacing requirements of 20 AAC 25.055 for the NCU No. 10 well to all owners, landowners and operators within 3,000 feet of the anticipated gas-bearing section of the NCU No. 10 well.
13. The Commission received no comments, objections or protests in response to the public notice regarding the NCU No. 10 well or to the notification sent by Aurora to all known owners, landowners and operators within 3,000 feet of the NCU No. 10 well.

CONCLUSIONS:

1. An exception to 20 AAC 25.055(a)(4) is necessary to allow drilling and completion of the NCU No. 10 development gas well in order to maximize recovery of Nicolai Creek North Unidentified Gas Pool reserves.
2. A spacing exception to allow drilling and completion of the NCU No. 10 well is consistent with sound engineering and geoscience principles and will not result in waste or jeopardize correlative rights of adjoining or nearby owners.
3. The properties affected by this spacing exception lie within and outside of the boundaries of the NCU. Prior to regular production, the NCU and the Northern Participating Area must be expanded, and a means of allocating production must be established.

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 exception to the well spacing provisions of 20 AAC 25.055(a)(4) to allow drilling and completion of the NCU No.10 well.

Aurora may proceed with regular production as long as it complies with the terms of the NCU agreement, applicable Alaska laws, and all other legal requirements.

DONE at Anchorage, Alaska and dated September 29, 2010.



A handwritten signature in black ink, appearing to read "D. Seamount, Jr.", written over a horizontal line.

Daniel T. Seamount, Jr. Commissioner, 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.