

**STATE OF ALASKA**  
**ALASKA OIL AND GAS CONSERVATION COMMISSION**  
**333 West 7th Avenue, Suite 100**  
**Anchorage Alaska 99501**

Re: THE APPLICATION OF Cook Inlet ) Docket Number: CO-12-07  
Energy, LLC for an exception to the spacing ) Order No. 656  
requirements of 20 AAC 25.055(a)(2) to )  
complete a development gas well within 1500 ) Kustatan Field No. 1 Development Gas  
feet of a property line where the owner and ) Well  
landowner are not the same on both sides of ) Kustatan Field #1 Gas Pool  
the line. ) Kustatan Field  
) Cook Inlet, Alaska  
)  
) April 27, 2012

**IT APPEARING THAT:**

1. By a letter dated March 7, 2012, Cook Inlet Energy, LLC requested the Alaska Oil and Gas Conservation Commission (AOGCC) to issue an order for an exception to the spacing provisions of 20 AAC 25.055(a)(2) to allow completion of the Kustatan Field No. 1 development gas well within 1500 feet of a property line where the owner and landowner are not the same on both sides of the line.
2. Pursuant to 20 AAC 25.540, the AOGCC tentatively scheduled a public hearing for April 26, 2012, and on March 20, 2012 the AOGCC published notice of the opportunity for that public hearing on the State of Alaska's Online Public Notice website and on the AOGCC's website, and electronically transmitted the notice to all persons on AOGCC's email distribution list. On March 25, 2012, the notice was published in the ALASKA JOURNAL OF COMMERCE.
3. By certified mail, Cook Inlet Energy, LLC sent notice of the application to all owners, landowners, and operators of all properties within 3,000 feet of the Kustatan Field No. 1 well. Cook Inlet Energy, LLC provided the AOGCC 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 Cook Inlet Energy, LLC provided sufficient information upon which to make an informed decision, the request can be resolved without a hearing.
6. The tentatively scheduled public hearing was vacated on April 12, 2012.

**FINDINGS:**

1. Cook Inlet Energy, LLC is the operator of the Kustatan Field and is the operator of the Kustatan Field No. 1 development gas well, which are located on the west side of the Cook Inlet, Kenai Peninsula Borough, Alaska.

2. The surface location of the Kustatan Field No. 1 gas development well is 3443' from the north line and 1468' from the west line of Section 4, T7N, R14W, Seward Meridian.
3. The Kustatan Field No. 1 is a vertical well; the productive and prospective gas reservoir(s) and the bottom hole location have the same coordinates as the surface location.
4. The Kustatan Field No. 1 lies within State of Alaska lease ADL-390368.
5. The Kustatan Field No. 1 is the only well within Section 4, T7N, R14W, Seward Meridian, and it is the only well within State of Alaska lease ADL-390368. There are no other oil or gas wells within 3,000 feet of the Kustatan Field No. 1 well.
6. Cook Inlet Energy, LLC is the owner and operator of lease ADL-390368. Other potentially affected owners, landowners and operators, those within a 3,000-foot radius of the well, are the State of Alaska, Cook Inlet Region, Inc., the Diocese of Sitka and Alaska Orthodox Russian Church in America, and Apache Alaska Corporation. Cook Inlet Energy, LLC sent notice of its application to these entities by certified mail on March 8, 12 and 13, 2012.
7. Cook Inlet Energy, LLC may recomplete the Kustatan Field No.1 well in previously producing gas reservoirs that lie within the Kustatan Field #1 Gas Pool, which is defined in, and governed by, Conservation Order No. 566. Cook Inlet Energy, LLC may complete additional prospective gas reservoirs in the Kustatan Field No.1 that do not lie within the Kustatan Field #1 Gas Pool.
8. Previously produced and prospective gas reservoir(s) accessed by Kustatan Field No.1 are lenticular and discontinuous.
9. The AOGCC received no comments, objections or protests in response to the public notice regarding the Kustatan Field No. 1 or to the notification sent by Cook Inlet Energy, LLC to all known owners, landowners and operators within 3,000 feet of the Kustatan Field No. 1 well.

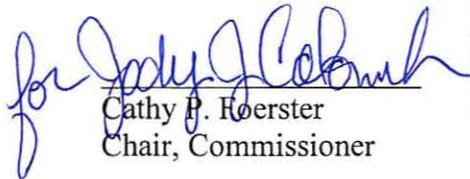
#### **CONCLUSIONS:**

1. An exception to the well spacing provisions of 20 AAC 25.055(a)(2) is necessary to allow completion of the Kustatan Field No. 1 development well in gas reservoirs that lie outside of the Kustatan Field #1 Gas Pool in order to maximize recovery of reserves.
2. The Kustatan Field No. 1 will recover reserves that are not accessible to other existing wells.
3. A spacing exception to allow completion of the Kustatan Field No. 1 development gas well is consistent with sound engineering and geoscience principles and will not result in waste or jeopardize correlative rights of adjoining or nearby owners.
4. Waiver of the property line set-back requirements of 20 AAC 25.055(a)(2) will not promote waste or jeopardize correlative rights.

**NOW THEREFORE IT IS ORDERED:**

Cook Inlet Energy, LLC's March 7, 2012 application for exception to the well spacing provisions of 20 AAC 25.055 for the purpose of completing the Kustatan Field No. 1 development gas well is approved. Cook Inlet Energy, LLC may proceed with the completion and recompletion of the Kustatan Field No. 1 well and regular production from it as long as Cook Inlet Energy, LLC complies with the terms of the lease and applicable Alaska Law.

**DONE** at Anchorage, Alaska and dated April 27, 2012.

  
Cathy P. Roerster  
Chair, Commissioner



  
John K. Norman  
Commissioner

**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 AOGCC grants for good cause shown, a person affected by it may file with the AOGCC 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 AOGCC 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 AOGCC 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 AOGCC mails, **OR 30** days if the AOGCC 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 AOGCC 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 AOGCC, and it may be appealed to superior court. That appeal **MUST** be filed within 33 days after the date on which the AOGCC mails, **OR 30** days if the AOGCC 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 AOGCC 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.