

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

Re: THE APPLICATION OF Armstrong) Docket Number: CO-12-15
Cook Inlet, LLC for an exception to the) Conservation Order No. 662
spacing requirements of 20 AAC 25.055 to)
drill and complete a development gas well) North Fork Unit No. 42-35
within the same governmental section and) Development Gas Well
within 3,000 feet of wells that are, or may) North Fork Undefined Gas Pool
be capable of, producing from the same) North Fork Unit
pool.) Kenai Peninsula Borough, Alaska
)
) September 27, 2012

IT APPEARING THAT:

1. By letter received June 14, 2012, Armstrong Cook Inlet, LLC (Armstrong) requested an exception to the spacing provisions of 20 AAC 25.055 to allow drilling and completion of the planned North Fork Unit No. 42-35 (NFU 42-35) 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.
2. On August 6, 2012, by certified mail, Armstrong sent notice of the application to all owners, landowners, and operators of all properties within 3,000 feet of the planned NFU 42-35 well. Armstrong provided the AOGCC the notice, date of mailing, addresses to which the notice was sent, and proof of mailing.
3. Pursuant to 20 AAC 25.540, the AOGCC tentatively scheduled a public hearing for September 26, 2012. On August 21, 2012, the AOGCC mailed printed copies of the notice of the opportunity for public hearing to all persons on the AOGCC's mailing distribution list, published notice of the opportunity for that 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 the AOGCC's email distribution list. On August 22, 2012, the notice was published in the ANCHORAGE DAILY NEWS.
4. No protest to the application or request for hearing was received.
5. The tentatively scheduled public hearing was vacated on September 13, 2012.
6. Because Armstrong provided sufficient information upon which to make an informed decision, the request can be resolved without a hearing.

FINDINGS:

1. Armstrong is the operator of the North Fork Unit and the planned NFU 42-35 development gas well, which are located in the Kenai Peninsula Borough, Alaska.
2. NFU 42-35 will be an onshore, deviated development gas well with a surface location 588' from the south line and 1,453' from the east line of Section 26, T04S, R14W, Seward Meridian (S.M.). The estimated top of the productive interval is 2,593' from the north line and 651' from the east line of Section 35, T04S, R14W, S.M. The projected bottom-hole location is 2,593' from the north line and 651' from the east line of Section 35, T04S, R14W, S.M.
3. NFU 42-35 will be located within State of Alaska leases ADL-391210 and ADL-391211.
4. Other potentially affected owners, landowners, and operators—those within a 3,000-foot radius of the well—are the State of Alaska; Armstrong; Dale Resources Alaska, LLC; GMT Exploration Company LLC; Jonah Gas Company, LLC; and Nerd Gas Company, LLC. Armstrong sent notice of its application to these entities by certified mail on August 6, 2012.
5. Two wells currently produce within 3,000 feet of the planned well NFU 42-35: NFU 32-35 and NFU 41-35. Armstrong plans to drill additional gas development wells within this same governmental section.
6. The reservoir sands accessed by NFU 42-35 are discontinuous fluvial sands.
7. The AOGCC received no comments, objections or protests in response to the public notice regarding NFU 42-35 or to the notification sent by Armstrong to all known owners, landowners and operators within 3,000 feet of NFU 42-35.

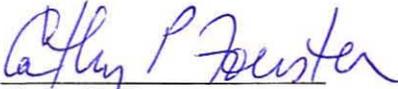
CONCLUSIONS:

1. An exception to the well spacing provisions of 20 AAC 25.055(a)(4) is necessary to allow drilling and completion of the NFU 42-35 development well in gas reservoirs in order to maximize recovery of reserves.
2. NFU 42-35 will recover reserves that are not accessible to other existing wells.
3. A spacing exception to allow drilling and completion of NFU 42-35 is consistent with sound engineering and geoscience principles and will not result in waste or jeopardize correlative rights of adjoining or nearby owners.
4. An exception to the requirements of 20 AAC 25.055(a)(4) will not promote waste or jeopardize correlative rights.

NOW THEREFORE IT IS ORDERED:

Armstrong's June 14, 2012 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 NFU 42-35 development gas well is hereby approved. Armstrong may proceed with regular production as long as it complies with the terms of the North Fork Unit Agreement, applicable Alaska laws, and all other legal requirements.

DONE at Anchorage, Alaska and dated September 27, 2012.


Cathy P. Foerster
Chair, Commissioner


Daniel T. Seamont, Jr.
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.

