

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

Re: THE APPLICATION OF Buccaneer) Docket Number: CO-13-11
Alaska Operations, LLC for an exception to the) Conservation Order No. 680
spacing requirements of 20 AAC 25.055 (a)(2)) Southern Cross Unit No. 1 Well
to test gas from the Southern Cross Unit 1) Exploratory Well
exploratory well within 1,500 feet of a property) Kenai Peninsula Borough, Alaska
line where ownership or landownership)
changes.) September 26, 2013

IT APPEARING THAT:

1. By a letter received June 24, 2013, Buccaneer Alaska Operations, LLC (Buccaneer) requested an exception to the spacing provisions of 20 AAC 25.055(a)(2) to test gas from the planned Southern Cross Unit (SCU) 1 exploratory well within 1,500 feet of a property line where ownership or landownership changes. The bottomhole location for SCU 1 was selected for the purposes of testing oil and gas sands in the Tyonek and Hemlock formations.
2. Pursuant to 20 AAC 25.540, the Alaska Oil and Gas Conservation Commission (AOGCC) tentatively scheduled a public hearing for August 22, 2013. On July 17, 2013, the AOGCC published notice of the opportunity for that hearing on the State of Alaska's Online Public Notice website and on the AOGCC's website, electronically transmitted the notice to all persons on the AOGCC's email distribution list, and mailed printed copies of the notice to all persons on the AOGCC's mailing distribution list. On July 18, 2013, the notice was published in the ANCHORAGE DAILY NEWS.
3. Pursuant to 20 AAC 25.055(d)(1), Buccaneer sent notice of the application by certified mail to all owners, landowners, and operators of all properties within 3,000 feet of the SCU 1 well. Buccaneer provided the AOGCC the notice, date of mailing, and addresses to which the notice was sent.
4. No protest to the application or request for hearing was received.
5. Because Buccaneer 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 August 20, 2013.
7. Subsequently, Buccaneer revised the Surface Location for the SCU 1 well within State of Alaska oil and gas lease ADL 391789.

FINDINGS:

1. Buccaneer is the operator of the Southern Cross Unit and the proposed SCU 1 exploratory oil and gas well, located offshore Cook Inlet, Kenai Peninsula Borough, Alaska.
2. The SCU 1 will be a deviated exploratory well with an offshore surface location 257 feet from the south line and 67 feet from the west line of Section 20, Township 9 North, Range 12 West, Seward Meridian (S.M.). The projected offshore bottom-hole location is 2,720 feet from the south line and 2,840 feet from the west line of Section 19, Township 9 North, Range 12 West, S.M.
3. The surface and bottom locations for the SCU 1 well will lie within State of Alaska oil and gas lease ADL 391789.
4. The south one-half of Section 19, Township 9 North, Range 12 West, S.M. lies within the Affected Area of Conservation Order No. 44 for the Middle Ground Shoal Field. The vertical producing intervals within the Field are divided into seven pools that correlate with the following intervals in the Pan American Petroleum Corporation State 17595 #4 well:

MGS Oil Pool A—5,300 feet to 5,720 feet

MGS Oil Pool B—5,720 feet to 6,100 feet

MGS Oil Pool C—6,100 feet to 6,400 feet

MGS Oil Pool D—6,400 feet to 6,750 feet

MGS Oil Pool E—6,750 feet to 7,050 feet

MGS Oil Pool F—7,050 feet to 7,375 feet

MGS Oil Pool G—7,375 feet to 9,215 feet.

The Order is silent on spacing acreage for gas wells.

5. Hilcorp Alaska, LLC is the owner and operator of State of Alaska Lease ADL 17595. This lease includes the SE1/4SW1/4, SW1/4SE1/4 Section 19, Township 9 North, Range 12 West, S.M.
6. Buccaneer provided evidence to the AOGCC that the application was sent June 21, 2013 by certified mail to all affected owners, landowners, and operators—*i.e.*, State of Alaska, Hilcorp Alaska, LLC, and Buccaneer Alaska, LLC.
7. Nearby wells, located less than 3,000 feet of the proposed SCU 1 well, are the plugged and abandoned Middle Ground Shoal State 01, 02, and 03 exploratory wells.
8. The AOGCC received no comments, objections or protests in response to the public notice regarding the proposed SCU 1 well or to the notification sent by Buccaneer to all known owners, landowners, and operators within 3,000 feet of the SCU 1 well.
9. SCU 1 is a proposed deviated exploratory oil and gas well that will test potential reservoir sands in the most structurally favorable position. The proposed surface location for the well is located in water depths suitable for jack-up rig operations.

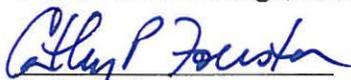
CONCLUSIONS:

1. Conservation Order 44 remains in effect, and the S1/2 Section 19, Township 9 North, Range 12 West, S.M. lies within the Affected Area of that Order.
2. An exception to the well spacing provisions of 20 AAC 25.055(a)(2) is necessary to test gas within the SCU 1 exploratory well.
3. Correlative rights of owners and landowners of properties adjacent to SCU 1 are protected by 20 AAC 25.055(b) and (c), which require a Pooling Agreement—under AS 31.05.100—be filed with the AOGCC before regular production of gas begins from SCU 1.
4. An exception to the well spacing provisions of 20 AAC 25.055(a)(2) for testing of gas within the SCU 1 exploratory well is consistent with sound engineering and geoscience principles and will not result in waste or jeopardize correlative rights of adjoining or nearby owners.

NOW THEREFORE IT IS ORDERED:

Buccaneer's application for an order granting an exception to the well spacing provisions of 20 AAC 25.055(a)(2) to allow testing of gas within the SCU 1 exploratory well is hereby APPROVED as long as Buccaneer complies with the terms of the Southern Cross Unit agreement, applicable Alaska laws, and all other legal requirements.

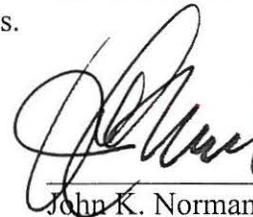
DONE at Anchorage, Alaska and dated September 26, 2013.



Cathy P. Foerster
Chair, Commissioner



Daniel T. Seamount, Jr.
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.