

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

Re: THE APPLICATION OF Hilcorp Alaska,) Docket Number: CO-13-25
LLC for an exception to the spacing) Conservation Order No. 683
requirements of 20 AAC 25.055(a)(2) and)
20 AAC 25.055(a)(4) to test and produce) Susan Dionne No. 8
development gas well Susan Dionne No. 8) Development Gas Well
within 1500 feet of a property line where) Ninilchik Field
the owner and landowner are not the same) Ninilchik Unit
on both sides of the line and within the) Ninilchik, Susan Dionne Beluga
same governmental section as, and within) Undefined Gas Pool
3000' of, another well that is, or may be)
capable of, producing from the same pool.) Kenai Peninsula Borough, Alaska
)
) January 14, 2014

IT APPEARING THAT:

1. By letter received October 25, 2013 and by letter of correction received November 21, 2013, Hilcorp Alaska, LLC (Hilcorp) requested the Alaska Oil and Gas Conservation Commission (AOGCC) issue an order authorizing Hilcorp to test and produce development gas well Susan Dionne No. 8 within 1500' of a property line where the owner and landowner are not the same on both sides of the line; and where the well is within the same governmental section as, and within 3000' of, another well that is, or may be capable of, producing from the same pool.
2. Pursuant to 20 AAC 25.540, the AOGCC tentatively scheduled a public hearing for January 2, 2014. On November 25, 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. On November 25, 2013, the AOGCC mailed printed copies of the notice to all persons on the AOGCC's mailing distribution list. On November 26, 2013, the notice was published in the ANCHORAGE DAILY NEWS.
3. Pursuant to 20 AAC 25.055(d)(1), Hilcorp sent by certified mail notice of the application to all owners, landowners, and operators of all properties within a 3,000-foot radius of the proposed Susan Dionne No. 8 well. Hilcorp provided the AOGCC with a copy of the notice, date of mailing, Certified Mail Receipts, and addresses to which the notice was sent.
4. No protest to the application or request for hearing was received.
5. On December 27, 2013, the tentatively scheduled public hearing was vacated.
6. Because Hilcorp provided sufficient information upon which to make an informed decision, the request can be resolved without a hearing.

FINDINGS:

1. Hilcorp is the owner and operator of the Ninilchik Field, the Ninilchik Unit, and the proposed Susan Dionne No. 8 development gas well, which are located in the Kenai Peninsula Borough, Alaska.
2. Susan Dionne No 8 has an onshore surface location 243' from the north line and 2629' from the east line of Section 6, T1S, R13W, Seward Meridian (S.M.). The offshore bottom-hole location for Susan Dionne No. 8 is 792' from the north line and 2051' from the west line of Section 7, T1S, R13W, S.M.
3. The surface location of Susan Dionne No. 8 is situated on privately held property. The wellbore passes through Cook Inlet Region, Inc. property, State of Alaska lease ADL-359242, and reaches total depth in State of Alaska lease ADL-384372.
4. Susan Dionne No. 8 was drilled as an exploratory well from July to September 2013. After reaching a total measured depth of 12,130', open-hole logs and short-term drill stem tests were conducted in deep, exploratory target formations. These tests were unsuccessful.
5. As originally drilled, Susan Dionne No. 8 did not require exceptions to spacing requirements for drilling and testing due to the location of the target formations.
6. Hilcorp now proposes to test and complete Susan Dionne No. 8 as a development gas well in shallower reservoir sandstone beds within the Susan Dionne Beluga Undefined Gas Pool (SD Beluga Undefined Gas Pool) and the Susan Dionne Tyonek Undefined Gas Pool (SD Tyonek Undefined Gas Pool). A spacing exception is now required because Susan Dionne No 8 will open these gas pools within 1500' of a property line where the owner and landowner are not the same on both sides of the line and within the same governmental section as, and within 3000' of, another well that is, or may be capable of, producing from the same pool.
7. The Susan Dionne No. 8 will access gas reserves that are not accessible to other wells because Beluga and Tyonek sandstone reservoirs are lenticular and discontinuous. Wells producing from the SD Beluga Undefined and the SD Tyonek Undefined Gas Pools in this area drain areas less than 180 acres in size.
8. On October 23, 2013, Hilcorp sent the application for exception by certified mail to all affected owners, landowners, and operators—*i.e.*, State of Alaska, Cook Inlet Region, Inc., and 16 private persons. Hilcorp provided addresses and Certified Mail Receipts to the AOGCC as proof that the application was mailed to all affected owners, landowners, and operators.
9. The AOGCC received no comments, objections, or protests in response to the public notice regarding the proposed Susan Dionne No. 8 well or to the notification sent by Hilcorp to all affected owners, landowners, and operators within 3,000' of Susan Dionne No. 8.

CONCLUSIONS:

1. Susan Dionne No. 8 will recover reserves that are not accessible to existing development gas wells.
2. Statewide regulations 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) govern spacing for the Susan Dionne No. 8.
3. The AOGCC considers Hilcorp's October 25, 2013 and November 21, 2013 letters to be an application for an exception to spacing provisions filed pursuant to 20 AAC 25.055(d).
4. An exception to the well spacing provisions of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) is necessary to allow testing, completion, and production of the Susan Dionne No 8 development gas well.
5. An exception to the well spacing provisions of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) for the Susan Dionne No. 8 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.

NOW THEREFORE IT IS ORDERED:

Hilcorp's application for an order granting an exception to the well spacing provisions of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) to allow testing, completion, and production of the Susan Dionne No. 8 development gas well within the Ninilchik, Susan Dionne Beluga Undefined Gas Pool and Susan Dionne Tyonek Undefined Gas Pool is hereby approved as long as Hilcorp complies with the terms of all lease agreements, applicable Alaska laws, and all other legal requirements.

DONE at Anchorage, Alaska and dated January 14, 2014.


Cathy H. Foerster
Chair, Commissioner


Daniel T. Seamont, 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.

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.