

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-13-30
LLC for an exception to the spacing) Conservation Order No. 686
requirements of 20 AAC 25.055(a)(2) and)
20 AAC 25.055(a)(4) to drill, complete,) Falls Creek No. 5
test, and produce development gas well) Development Gas Well
Falls Creek No. 5 within 1500' of a) Ninilchik Field
property line where the owner and) Ninilchik Unit
landowner are not the same on both sides) Beluga Undefined Gas Pool
of the line and within the same) Tyonek Undefined Gas Pool
governmental section as, and within 3000')
of another well that is, or may be capable) Kenai Peninsula Borough, Alaska
of, producing from the same pool.)
) March 17, 2014

IT APPEARING THAT:

1. By letter received January 8, 2014, Hilcorp Alaska, LLC (Hilcorp) requested the Alaska Oil and Gas Conservation Commission (AOGCC) authorize Hilcorp to drill, complete, test, and produce development gas well Falls Creek No. 5 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 February 25, 2014. On January 14, 2014, 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 January 14, 2014, the AOGCC mailed printed copies of the Notice of Public Hearing to all persons on the AOGCC's mailing distribution list. On January 16, 2014, 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 3000-foot radius of the proposed Falls Creek No. 5 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. Because Hilcorp provided sufficient information upon which to make an informed decision, the request can be resolved without a hearing.
6. On February 24, 2014, the tentatively scheduled public hearing was vacated.

FINDINGS:

1. Hilcorp is the owner and operator of the Ninilchik Field, the Ninilchik Unit, and the proposed Falls Creek No. 5 onshore development gas well, which are located in the Kenai Peninsula Borough, Alaska.
2. Falls Creek No. 5 has a surface location 1934' from the south line and 2797' from the east line of Section 6, T1N, R12W, Seward Meridian (S.M.) and a bottom-hole location 1178' from the north line and 119' from the west line of Section 7, T1N, R12W, S.M.
3. Falls Creek No. 5 is situated on privately held property. Federal lease A-024399 lies 119' west of the bottom-hole location of this well.
4. Hilcorp proposes to drill, complete, test, and produce Falls Creek No. 5 as a development gas well in reservoir sandstone beds within the Beluga Undefined Gas Pool and the Tyonek Undefined Gas Pool (Beluga and Tyonek Undefined Gas Pools). A spacing exception is required because Falls Creek No. 5 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.
5. Falls Creek No. 5 will access gas reserves that are not accessible to other wells because sandstone reservoirs within the Beluga and Tyonek Undefined Gas Pools are discontinuous. Wells producing from the Beluga and Tyonek Undefined Gas Pools in this area are believed to drain fewer than 190 acres.
6. On January 6, 2014, Hilcorp sent the application for exception by certified mail to all affected owners, landowners, and operators—*i.e.*, State of Alaska, Bureau of Land Management, University of Alaska, and 65 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. Copies of the Notice of Public Hearing that the AOGCC mailed to seven of the private persons by were returned marked "Return to Sender, Attempted – Not Known, Unable to Forward." On February 24, 2014, Hilcorp provided the AOGCC with additional information indicating that Hilcorp has the proper mailing address or has made a good-faith effort to obtain the proper mailing address for each of these seven persons.
7. The AOGCC received no comments, objections, or protests in response to the public notice regarding the proposed Falls Creek No. 5 well or to the notifications sent by Hilcorp and the AOGCC to all affected owners, landowners, and operators within 3000' of Falls Creek No. 5.
8. Prior to February 1, 2013, Marathon Alaska Production, LLC (Marathon) was owner and operator of the Ninilchik Unit. On September 23, 2009, the AOGCC issued Conservation Order No. 624 that approved Marathon's request for spacing exception for the purpose of drilling, completion, testing and regular production of their planned Ninilchik Unit, Falls Creek No. 5 well, with a projected bottom-hole location 482' from the south line and 1046' from the west line of Section 7, T1N, R12W, S.M. The AOGCC did not approve a Permit to Drill for that well, and it was not drilled.

CONCLUSIONS:

1. Conservation Order No. 624 was specific to Marathon's planned Ninilchik Unit, Falls Creek No. 5 well, which targeted a bottom-hole location more than 3700' from that of Hilcorp's planned Falls Creek No. 5 development gas well. Conservation Order No. 624 does not apply to Hilcorp's planned Falls Creek No. 5 well, and it is no longer valid.
2. Hilcorp's Falls Creek No. 5 well will recover reserves that are not accessible to existing development gas wells.
3. Statewide regulations 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) govern spacing for Hilcorp's Falls Creek No. 5 well.
4. An exception to the well spacing provisions of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) for Hilcorp's Falls Creek No. 5 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 drilling, completion, testing, and production of Hilcorp's Falls Creek No. 5 development gas well within the Beluga and Tyonek Undefined Gas Pools is hereby approved as long as Hilcorp complies with the terms of all lease agreements, Alaska law, and all other legal requirements.

DONE at Anchorage, Alaska and dated March 17, 2014.



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.

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.