

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

Re: THE APPLICATION OF Hilcorp Alaska, LLC ) Docket Number: CO-14-017  
for an exception to the spacing requirements of ) Conservation Order No. 700  
20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) )  
to test and produce development gas well Paxton ) Paxton No. 1  
No. 1 within 1,500' of a property line where the ) Development Gas Well  
owner and landowner are not the same on both ) Beluga Undefined Gas Pool  
sides of the line and within 3,000' of another ) Ninilchik Unit  
well that is, or may be capable of, producing ) Kenai Peninsula Borough, Alaska  
from the same pool. )  
 ) September 11, 2014

**IT APPEARING THAT:**

1. Hilcorp Alaska, LLC (Hilcorp), by letter received May 8, 2014, requested the Alaska Oil and Gas Conservation Commission (AOGCC) issue an order for an exception to the spacing requirements of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) to test and produce development gas well Paxton No. 1 within 1,500' of a property line where the owner and landowner are not the same on both sides of the line and within 3,000' of another well that is, or may be capable of, producing from the same pool.
2. Pursuant to 20 AAC 25.540, the Alaska Oil and Gas Conservation Commission (AOGCC) tentatively scheduled a public hearing for June 24, 2014. On May 22, 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, and mailed printed copies of the Notice of Public Hearing to all persons on the AOGCC's mailing distribution list. On May 23, 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 3,000-foot radius of the Paxton No. 1 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. The tentatively scheduled public hearing was vacated on June 16, 2014.

## **FINDINGS:**

1. Hilcorp is the owner and operator of the Ninilchik Field and the Paxton No. 1 development gas well, which are located in Kenai Peninsula Borough, Alaska.
2. Paxton No. 1 has an onshore surface location 693' from the north line and 2371' from the west line of Section 13, T1S, R14W, Seward Meridian (S.M.) and an offshore bottom-hole location 2711' from the north line and 304' from the west line of Section 12, T1S, R14W, S.M.
3. The surface location of Paxton No. 1 is situated on private property. The potentially productive reservoirs lie onshore under private property and offshore within Alaska lease ADL-384372.
4. Paxton No. 1 was drilled as a gas exploration well in February and March 2004. The well was perforated in reservoir sandstone beds assigned to the Tyonek Formation (Tyonek) during April and May 2004, and one Tyonek sandstone interval was fracture-stimulated during February 2005. Paxton No. 1 began regular production from the Susan Dionne Tyonek Undefined Gas Pool in January 2005, and it continued until February 2009, when the well was shut in.
5. Hilcorp proposes to test and produce Paxton No. 1 as a development gas well in reservoir sandstone beds assigned to the Beluga Undefined Gas Pool. A spacing exception is required because Paxton No. 1 will open this gas pool within 1,500' 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 3,000' of, another well that is, or may be capable of, producing from the same pool.
6. Existing wells drilled from the Paxton Drill Site and the nearby Susan Dionne Drill Site indicate that reservoir sandstone beds within the Beluga Formation are particularly discontinuous and unpredictable, and that wells producing these reservoirs typically drain 250 acres or less. Such reservoirs cannot be efficiently produced from existing wells.
7. On May 8, 2014, Hilcorp sent the application for exception by certified mail to all affected owners, landowners, and operators within 3,000' of the anticipated productive reservoirs within Paxton No. 1—*i.e.*, the State of Alaska and 39 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.
8. The AOGCC received no comments, objections, or protests in response to the public notice regarding the proposed Paxton No. 1 well or to the notifications sent by Hilcorp and to all affected owners, landowners, and operators within 3,000' of Paxton No. 1.

## **CONCLUSIONS:**

1. Paxton No. 1 will access gas reserves at a location that will maximize resource recovery.
2. An exception to the well spacing provisions of 20 AAC 25.055(a)(2) and 20 AAC 25.055(a)(4) for Hilcorp's Paxton No. 1 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 and production of Hilcorp's Paxton No. 1 development gas well within the Beluga Undefined Gas Pool 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 September 11, 2014.



Cathy P. Foerster  
Chair, Commissioner



Daniel T. Seamount, Jr.  
Commissioner



David Mayberry  
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.