



August 11, 2017

Whitney Grande  
SEQ Director and Alaska Representative  
Eni US Operating Co. Inc.  
3800 Centerpoint Dr. Suite 300  
Anchorage, Alaska 99503

**RE: LAS 31717, Eni, Nikaitchuq North Project, Land Use Permit Approval**

Dear Mr. Grande:

The Department of Natural Resources (DNR), Division of Oil and Gas (Division) approves the Eni US Operating Co. Inc. (ENI) Nikaitchuq North Project Application, dated March 7, 2017 to conduct an exploration drilling program on State of Alaska lands in the North Slope of Alaska. The enclosed permit, LAS 31717, authorizes ENI to conduct an exploration drilling program on State of Alaska lands on the Spy Island Drillsite (SID) subject to the conditions of the permit.

This permit is effective August 11, 2017 to August 11, 2022.

Issuance of a permit under 11 AAC 96 is not a disposal of an interest in land and does not grant a preference right to a lease or other disposal. The permit is revocable for cause for violation of a permit stipulation of this chapter, and is revocable at will if the DNR determines that the revocation is in the state's interest. The proposed activities are for a discrete and limited duration with limited, temporary impact to the land, and are not part of a larger project or investment by the permittee that might weigh against revoking the permit. Therefore, the permit is both legally and functionally revocable. Each permit issued is subject to any stipulations the DNR determines necessary to assure compliance with this chapter, to minimize conflicts with other uses, to minimize environmental impacts, or otherwise to be in the interests of the state. Public notice of any miscellaneous land use application is discretionary under 11 AAC 96.030(c). The Director of the Division of Oil and Gas (Director) has the right at any time to amend or modify any provisions of this permit, or revoke this permit.

**Project Description:**

ENI is requesting authorization to drill two Nikaitchuq North exploration wells (NN01 and NN02) on State of Alaska land from Spy Island Drillsite (SID) into federal leases located in the Outer Continental Shelf of Alaska. The proposed exploration wells will be installed adjacent to the existing row of producing wells on SID. Up to two well houses and two strings of conductor pipe will be required for the exploration wells. The drilling program will include drilling two S-shaped wells into the targeted reservoir and logging. Depending on well log results, a bypass to core is

planned for each well. Contingent upon results of the well logs and core data, a sidetrack to a 1000-foot horizontal section is planned to be drilled approximately 6 months later to perform a production test on either one or both wells. ENI will plugback both sidetracks while they evaluate the data. The production test will include flow back to SID through surface test equipment. Well heads may remain in place until the end of the permit term and will either be reentered for future testing, or plugged and abandoned and all surface equipment supporting the project removed.

**Land Status:**

State of Alaska Lands: State of Alaska title acquired under the Submerged Lands Act of 1953.

Oil and Gas Leases: 391283, 388583, 388574, 388581, 388571

Oil and Gas Mineral Estate Lessee: Eni US Operating. Inc.

Surface Ownership and Access Agreement: State of Alaska LUP 31717

Special Use Lands: N/A

Jointly Managed Lands: N/A

Other Considerations: The Division received a project specific DMLW delegation from the DNR Commissioner dated May 9, 2017 to process this surface use activity for ENI.

Municipality: North Slope Borough

Regional Corporation: N/A

Village Corporation: N/A

Meridian, Township, Range	Project Components	GPS Coordinates
Umiat, T14N, R08E	Wellbores NN01 and NN02	N/A
Umiat, T14N, R09E	Surface infrastructure and wellbores NN01 and NN02	70 33' 26" N, 149 54' 34" W (NAD 83)

**Federal Lands:**

Oil and Gas Mineral Estate Owner: United States Bureau of Ocean Energy Management (BOEM)

Access Agreement: BOEM Initial Exploration Plan Harrison Bay Block 6423 Unit

Meridian, Township, Range	Project Components	GPS Coordinates
Umiat, T15N, R08E	NN01 Wellbore	NN01: 70 37' 31.3" N, 150 2' 4.6"W
Umiat, T15N, R08E	NN02 Wellbore	NN02: 70 38' 31.2" N, 150 0' 29.5"W

**Scope of Decision:**

**This decision is reviewing the following activities for Division approval:**

Exploration drilling activities on State of Alaska lands and waters as defined in the application and modified by this permit approval have been reviewed.

**This decision is not reviewing the following activities for Division approval:**

The Initial Exploration Plan is reviewed and approved by BOEM. This permit does not grant access to any non-state lands.

**Agency Review:**

The Division provided an Agency review and comment opportunity for the activities considered for authorization under this decision. The following government entities were notified on April 4, 2017 for comment on the application: Alaska Department of Fish and Game (ADFG), Alaska Department of Environmental Conservation (ADEC), and DNR: State Pipeline Coordinator's Section, Division of Mining Land and Water, and Division of Oil and Gas. The comment deadline was 4:30 pm Alaska time on April 17, 2017. No Agency comments were received. The Application was then publicly noticed.

**Public Review:**

Public notice of the Application and opportunity to comment was published in the Alaska Dispatch News on May 16, 2017 and the Arctic Sounder on May 18, 2017 with a deadline for comments of June 16, 2017 at 4:30 pm Alaska time. Additionally, a copy of the notice was posted on DNR's web site and faxes of the public notice were sent to the Barrow, Nuiqsut, and Deadhorse Post Offices. No public comments were received.

**Environmental Risk:** The primary environmental risks associated with this project include surface water, ground water, and gravel contamination from a variety of contaminants such as fuel, drilling muds, hydraulic fluids, etc. This risk is reduced to an acceptable level through ENI's approved plans and procedures such as the ENI Hazardous Material Management Plan, ENI Fluid Transfer Procedure, ENI Waste Management Plan and the North Slope Environmental Handbook.

**Term:** The term of this authorization shall be from time of issuance through August 11, 2022. This allows for two winter drilling seasons, with additional time for any drilling result analysis and remaining rehabilitation activities. The requested Land Use Permit is not intended to serve as a long-term "temporary" authorization. While this authorization can be extended if necessary, the intent of this authorization is for the well to be plugged and abandoned as described elsewhere in this document. If the exploratory wells remain in a suspended status for a time period exceeding the initial term of authorization, the permittee must apply for an applicable long term authorization such as an easement.

**Annual Use Fee:**

The permittee must provide payment of the annual use fee in the amount of \$14,806.51 due on or before the annual anniversary date. The annual land use fee is subject to adjustments in the fee schedule as set forth in 11 AAC 05.010.

**Performance Guarantee:**

The permittee has provided the Division with a performance guarantee under 11 AAC 96.060 in the amount of \$100,000.

**Insurance:**

The certificate of insurance has been furnished to the department and lists the State of Alaska, Department of Natural Resources as an additional named insured on the policy. The policy is issued by an insurer licensed to transact the business of insurance under AS 21.

**Site Restoration/Rehabilitation:**

It should be noted that this is a potentially evolving project, particularly if the initial well is successful. If portions of this project are absorbed into another authorization at a future date (i.e. an easement under AS 38.05.850), that authorization shall supersede the rehabilitation requirements laid out in this document. Failure to complete the rehabilitation requirements laid out in this document for the authorized activities shall not prevent the closure of this authorization.

**Application Approved:**

Should any unforeseen issues arise, the Division has the authority to amend or revoke this permit. As detailed in this permit, the Division shall be notified if, during the conduct of activities, a surface use conflict occurs. All activities conducted under this permit are subject to inspection by the Division, and if damage occurs, appropriate interest holders will be engaged and corrective action will be prescribed. The Division will impose additional provisions as necessary under 11 AAC 96.040 at any time during the activity approved under this permit to minimize impacts and conflicts.

The Division considered all facts material to this application including the permit provisions contained in this authorization per 11 AAC 96.040(b). The Division has determined that this permit as conditioned by the attached provisions in Appendix A for this non-permanent activity is in the state's interest. Stipulations in this permit authorization are necessary to protect the state's interest and the public interest.

An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of issuance of this decision, as defined in 11 AAC 02.040 (c) and (d), and may be mailed or delivered to the Commissioner, Department of Natural Resources, 550 W. 7<sup>th</sup> Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to [dnr.appeals@alaska.gov](mailto:dnr.appeals@alaska.gov). This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Sincerely,



Kim Kruse  
Permitting Manager  
Division of Oil and Gas

**Appendices:**

- A: Stipulations
- B: Comments
- C: Map(s)

ecc: DOG: Chantal Walsh, Jim Beckham, Kim Kruse, Nathaniel Emery, Paul Blanche, Conor Williamson, James Hyun, Jeanne Frazier, SPCO Records, Jodi Delgado-Plikat  
DMLW: Jeanne Proulx, Melissa Head, Matthew Willison, Kimberley Maher, Becky Baird  
ADFG: Jack Winters  
ADEC: Oil and Gas DEC  
OPMP: Jeff Bruno  
North Slope Borough: John Adams, Jason Bergerson, Josie Kaleak, Matt Dunn

## APPENDIX A: STIPULATIONS

Permitted activities are subject to the following permit stipulations:

### Standard Stipulations:

1. **Authorized Officer:** The Authorized Officer (AO) for the Department of Natural Resources (DNR) is the Permitting Manager or designee. The AO may be contacted at the address and phone number on the front of the authorization. The AO reserves the right to modify these stipulations or use additional stipulations as deemed necessary. The Permittee will be advised before any such modifications or additions are finalized.
2. **Change of Address:** The Permittee shall maintain current contact information with the Division of Mining, Land and Water (DMLW). Any change of address must be submitted in writing to the AO.
3. **Amendments:** To conduct activities other than that in the approved permit, the Permittee must have prior authorization from the AO. A map of the new location or an amended application is required and a \$100 amendment fee, per 11 AAC05.010(a)(5)(B).
4. **Permit Extensions/Renewal:** Any request for permit extension or renewal should be submitted at least 90 days prior to the end of the authorized term. A written statement requesting a 1 year extension confirming there will be no changes to the development/operations plan, including photographs clearly depicting the current condition of the site and any improvements must be submitted to the AO including a non-refundable \$100 filing fee. A new Land Use Permit application and \$100 non-refundable filing fee is required for renewals of up to 5 years or for modifications to the approved development/operations plan on file with AO.
5. **Assignment:** This permit may not be transferred or assigned.
6. **Revocable at Will:** This permit does not convey an interest in state land and as such is revocable, with or without cause. The department will give 60 days' notice before revoking a permit at will. A revocation for cause is effective immediately.
7. **Preference Right:** No preference right for use or conveyance of the land is granted or implied by this authorization.
8. **Inspections:** Authorized representatives of the State of Alaska shall have reasonable access to the subject parcel for purposes of inspection and may inspect the permitted area at any time without notice. The Permittee may be charged fees under 11 AAC 05.010(a)(7)(M) for routine inspections of the subject parcel, inspections concerning non-compliance, and a final close-out inspection.
9. **Site Improvements:** The State assumes no responsibility for maintenance of improvements constructed on state land nor liability for injuries or damages attributable to that construction.
10. **Site Restoration:** On or before permit expiration (if a renewal application has not been submitted) or termination of this authorization by Permittee, Permittee shall remove all improvements,

personal property, and other chattels, and return the permitted area to a clean and safe condition. In the event the Permittee fails to comply with this requirement, Permittee shall be held liable for any and all costs incurred by the State to return the permitted area to a clean and safe condition.

11. Other Authorizations: The issuance of this authorization does not alleviate the necessity of the Permittee to obtain authorizations required by other agencies for this activity.
12. Compliance with Governmental Requirements; Recovery of Costs: Permittee shall, at its expense, comply with all applicable laws, regulations, rules and orders, and the requirements and stipulations included in this authorization. Permittee shall ensure compliance by its employees, agents, contractors, subcontractors, licensees, or invitees.
13. Violations: This authorization is revocable immediately upon violation of any of its terms, conditions, stipulations, nonpayment of fees, or upon failure to comply with any other applicable laws, statutes and regulations (federal and state). Should any unlawful discharge, leakage, spillage, emission, or pollution of any type occur due to Permittee's, or its employees', agents', contractors', subcontractors', licensees', or invitees' act or omission, Permittee, at its expense shall be obligated to clean the area to the reasonable satisfaction of the AO.
14. Stop Work Orders: Stop Work Orders may be issued if there is a deviation from design criteria, project specifications, stipulations, state statutes, or state regulations and that deviation is causing or is likely to cause significant damage to state resources. Under a Stop Work Order, work at the area subject to the Stop Work Order may not resume until the deviation is cured and corrective action is taken. Corrective action may include halting or avoiding specific conduct, implementing alternative measures, repairing any damage to state resources that may have resulted from the conduct, or other action as determined by AO.
15. Use Fees: The Permittee shall pay to DNR an annual use fee of \$14,806.51. The use fee is due on or before the annual anniversary of the effective date of this permit without the necessity of any billing by DNR. The annual land use fee is subject to adjustments in the fee schedule as set forth in 11 AAC 05.010.
16. Failure to Pay: Failure to pay either the annual permit fee when due is a default of the terms and condition of this permit. Failure to pay fees subjects this permit to termination.
17. Late Payment Penalty Charges: The Permittee shall pay a fee for any late payment. The amount is the greater of either the fee specified in 11 AAC 05.010 or interest at the rate set by AS 45.45.010(a) and will be assessed on a past-due account until payment is received by the state. Returned Check Penalty: A returned check fee as provided in 11 AAC 05.010 will be assessed for any check on which the bank refuses payment. Late payment penalties shall continue to accumulate.
18. The permittee shall defend, indemnify and hold the State of Alaska harmless from and against any and all claims, damages, suits, losses, liabilities and expenses for injury to or death of persons and damage to or loss of property arising out of or in connection with the entry on and use of State lands authorized under this permit by the permittee, its contractors, subcontractors and their employees.

19. A copy of the permit and stipulations must be posted in a prominent location where other permits and safety information are displayed for crew members. The permittee shall make available a copy of the application, all subsequent modifications, and a copy of this permit and all its attachments to any interested party upon request in a reasonable time.
20. The permittee shall notify and obtain a modification from the Division in advance of any activities which deviate from the approved permit. Any action taken by the permittee or his agent which increases the overall scope of the project or which negates, alters, or minimizes the implied intent of any stipulation contained in this permit will be considered a deviation from the approved permit.
21. The issuance of this permit does not alleviate the necessity of the permittee to obtain authorization required by other agencies for this activity. The permittee shall inform and ensure compliance with all conditions of this permit by its employees, agents and contractors, including subcontractors at any level.
22. Reservation of Rights: The Division reserves the right to grant additional authorizations to third parties for compatible uses on or adjacent to the land under this permit. Authorized concurrent users of state land, their agents, employees, contractors, subcontractors, and licensees, shall not interfere with the operation or maintenance activities of each user.
23. Valid Existing Rights: This permit is subject to all valid existing rights and to the land. The State of Alaska makes no representations or warranties whatsoever, either expressed or implied, as to the existence, number, or nature of such valid existing rights.
24. The Commissioner of the DNR may require that an authorized state representative be present during any oil and gas activities described in or conducted under this permit.
25. The permittee shall consult the Alaska Heritage Resources Survey (907-269-8721) so that known historic, archeological and paleontological sites may be avoided. Should any sites be discovered during the course of field operations, activities that may damage the site will cease and the Office of History and Archaeology in the Division of Parks and Outdoor Recreation (907-269-8721) shall be notified immediately.
26. The permittee shall make available, to the Division, all records relating to the permit activities and landowner approvals upon request.
27. The Director has the right at any time to modify or revoke this permit.
28. All wastewater must be disposed of in a manner acceptable to ADEC and must meet Alaska Water Quality Standards found at: <http://dec.alaska.gov/water/wqsar/wqs/>.
29. Approval of this permit does not constitute the approval required for surface entry on non-state land without an agreement with the surface owner. This permit does not approve entry on private land.



30. Performance Guaranty. To ensure performance with all of the terms of the permit and to cover the potential cost of restoring the site, the permittee will maintain security acceptable to the state.
31. Insurance. The permittee shall maintain insurance to protect the State from risks associated with the planned activities during the term of the permit. The Permittee shall maintain a comprehensive general liability insurance policy with the state named as an additional insured party. The insurance requirement must be for no less than \$1,000,000.00 per occurrence and \$2,000,000.00 per annual aggregate. The insurance requirement may be adjusted periodically by the Division.

**Fuel and Hazardous Substances Stipulations:**

1. Fuel and hazardous substances. Secondary containment shall be provided for fuel or hazardous substances, as defined under AS 46.03.826 (5) or under 42 U.S.C. 9601(14)F.
2. Fuel or hazardous substance transfers. Secondary containment or a surface liner must be placed under all container or vehicle fuel tank inlet and outlet points, hose connections, and hose ends during fuel or hazardous substance transfers. Appropriate spill response equipment to respond to a spill of up to five gallons must be on hand during any transfer or handling of fuel or hazardous substances. Transfer operations shall be attended by trained personnel at all times.
3. Sorbent material in sufficient quantity to handle operation spills must be on hand at all times for use in the event of an oil or fuel spill.

**Wildlife Stipulations:**

1. All activities shall be conducted in a manner to minimize or avoid disturbance to wildlife and their habitat. Hazing of wildlife is prohibited unless a Health Safety and Environment concern is present.
2. Activities must avoid occupied grizzly bear dens, by one-half mile unless alternative mitigation measures to minimize disturbance are authorized by the Division after consultation with ADFG. Known den locations shall be obtained from the nearest ADFG Division of Wildlife Conservation office prior to starting operations. Occupied dens encountered in the field must be reported to the above, and subsequently avoided. (Black Bear dens at project location?)
3. Activities must avoid known polar bear dens by one mile. Known den locations shall be obtained from the U.S. Geological Survey (907-786-3800 or 800-362-5148) prior to starting operations. New dens encountered in the field must be reported to the above, and subsequently avoided by one mile.
4. The permittee shall abide by the provisions of Alaska's wildlife feeding regulation, 5 AAC 92.230.

**Reporting Stipulations:**

1. Activity Completion Report: Upon expiration of the LUP or completion of all activities authorized under the LUP, whichever occurs first, an Activity Completion Report must be submitted summarizing activities, and staging areas, damages to State lands and surface impacts, lost equipment, fires, and unintended explosions, spills, land-use conflicts and work completed.

Rehabilitation, if required, shall be completed to the satisfaction of the DNR. This report shall be submitted to [dog.permitting@alaska.gov](mailto:dog.permitting@alaska.gov).


If the term of the LUP exceeds one calendar year from the date of approval, an annual Activity Completion Report, in addition to the final Activity Completion Report, must be submitted discussing the above information and projected activities for the rest of the permit term. If no activities are completed under the LUP, an Activity Completion Report must be submitted on or before the expiration of the LUP stating that no activities occurred.

2. Spill Notifications: The permittee shall comply with the ADEC requirements for reporting the unauthorized discharge, leak, or spill of hydrocarbons or toxic or hazardous substances. The permittee shall notify the Department of Natural Resources of all spills that must be reported under 18 AAC 75.300 under timelines of 18 AAC 75.300. All unintentional fires and explosions must be reported to DNR immediately. The DNR 24 hour spill number is (907) 451-2678; the fax number is (907) 451-2751, DOG must be notified at [dog.permitting@alaska.gov](mailto:dog.permitting@alaska.gov). DNR and ADEC shall be supplied with all follow-up incident reports.
3. The Division's Permitting Section shall be notified in Anchorage by telephone at 907-269-8800 and by email at [dog.permitting@alaska.gov](mailto:dog.permitting@alaska.gov) if, during the conduct of activities, state resources are damaged or a conflict occurs.
4. The permittee shall make available a copy of the Application, all subsequent modifications, and a copy of this permit and all its attachments to any interested party upon request in a reasonable time.

I acknowledge, and agree to these Permit terms, conditions and stipulations.

  
\_\_\_\_\_  
Authorized Representative Signature

  
\_\_\_\_\_  
Date

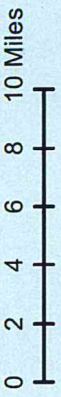
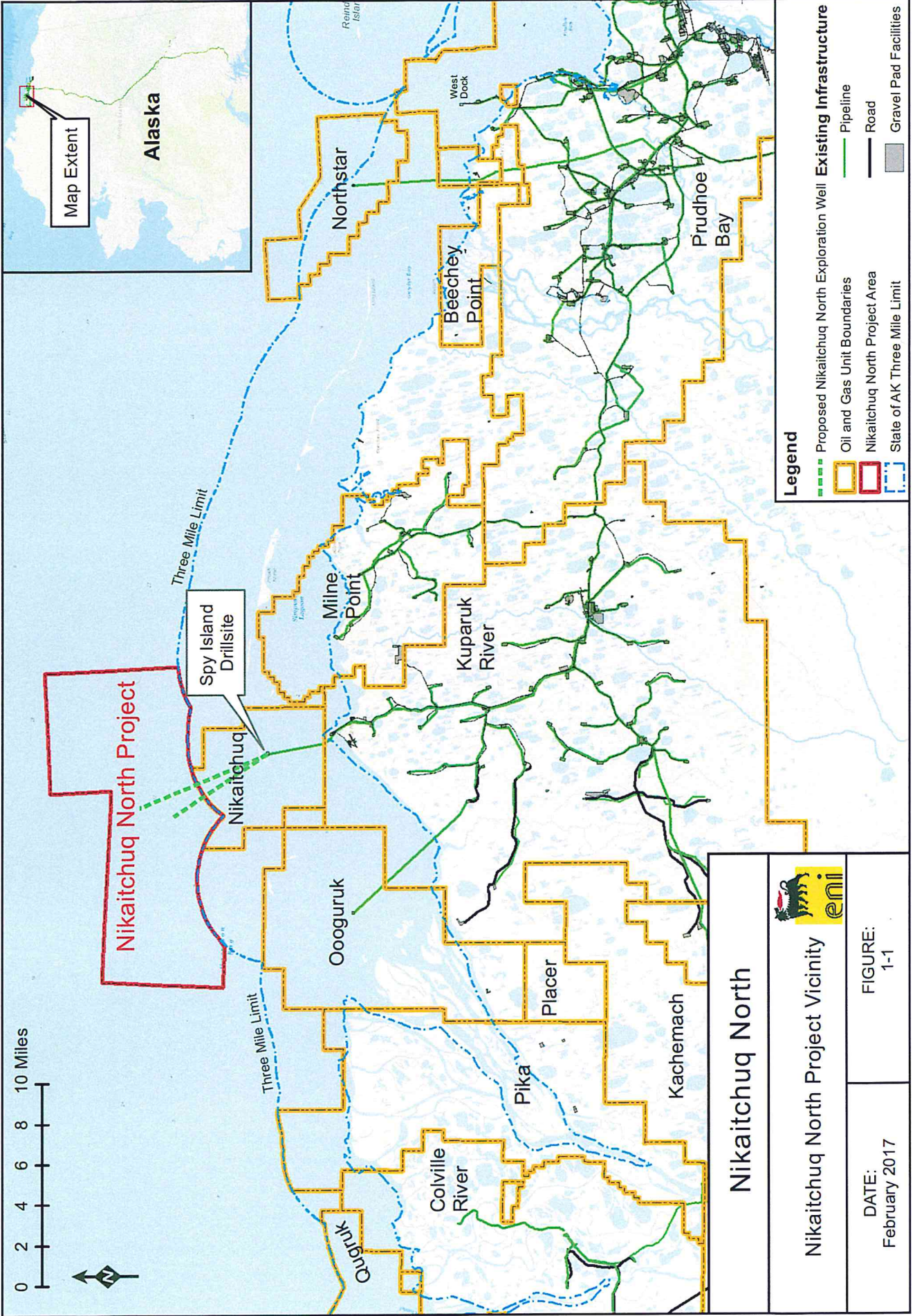
  
\_\_\_\_\_  
Authorized Representative Printed Name

Appendix B: Comments

No Comments were received.

Appendix C: Maps






**Legend**

- - - Proposed Nikaitchuk North Exploration Well
- Oil and Gas Unit Boundaries
- Nikaitchuk North Project Area
- State of AK Three Mile Limit
- Pipeline
- Road
- Gravel Pad Facilities

**Nikaitchuk North**

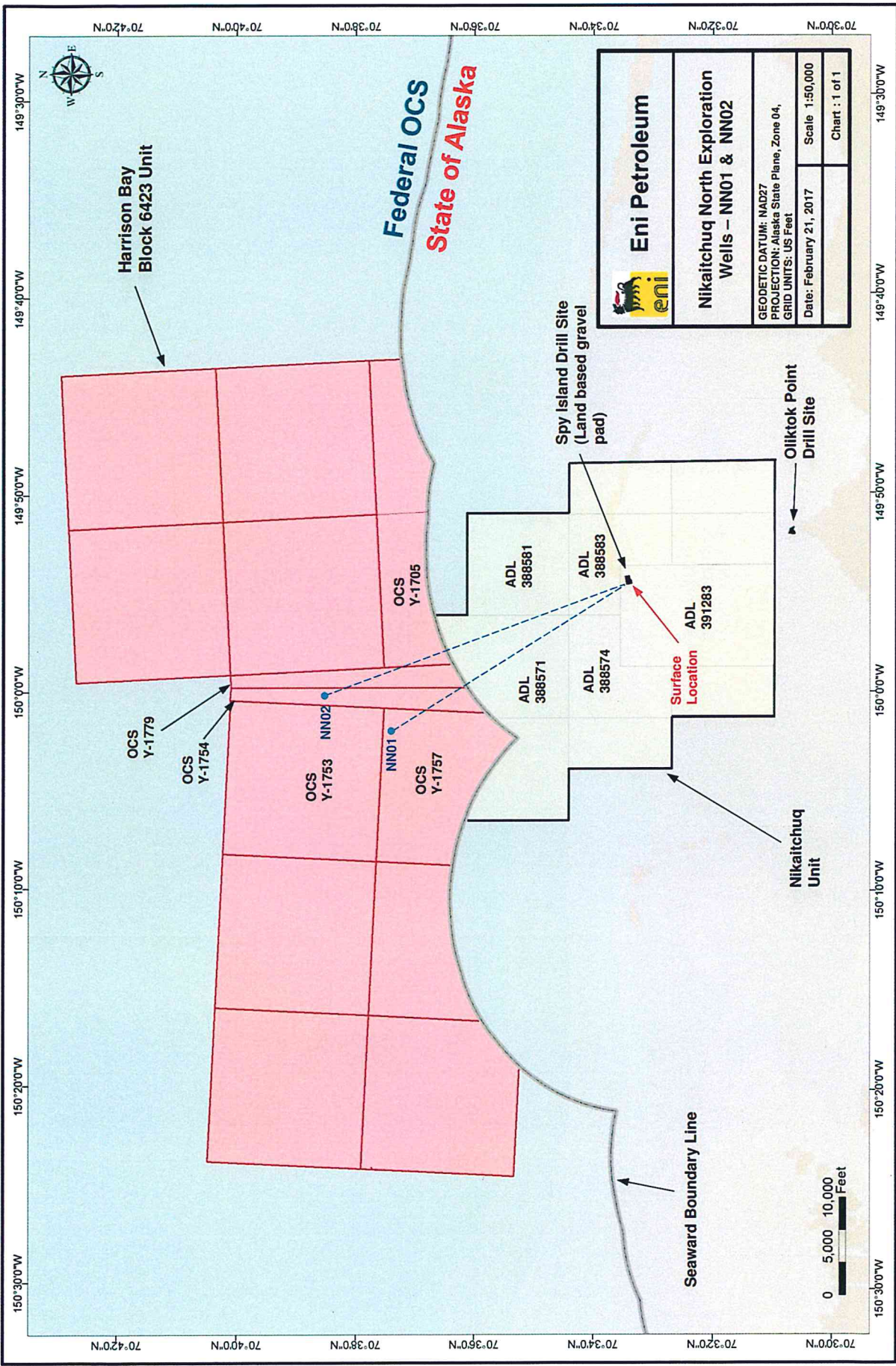



**Nikaitchuk North Project Vicinity**

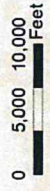
DATE:  
February 2017

FIGURE:  
1-1

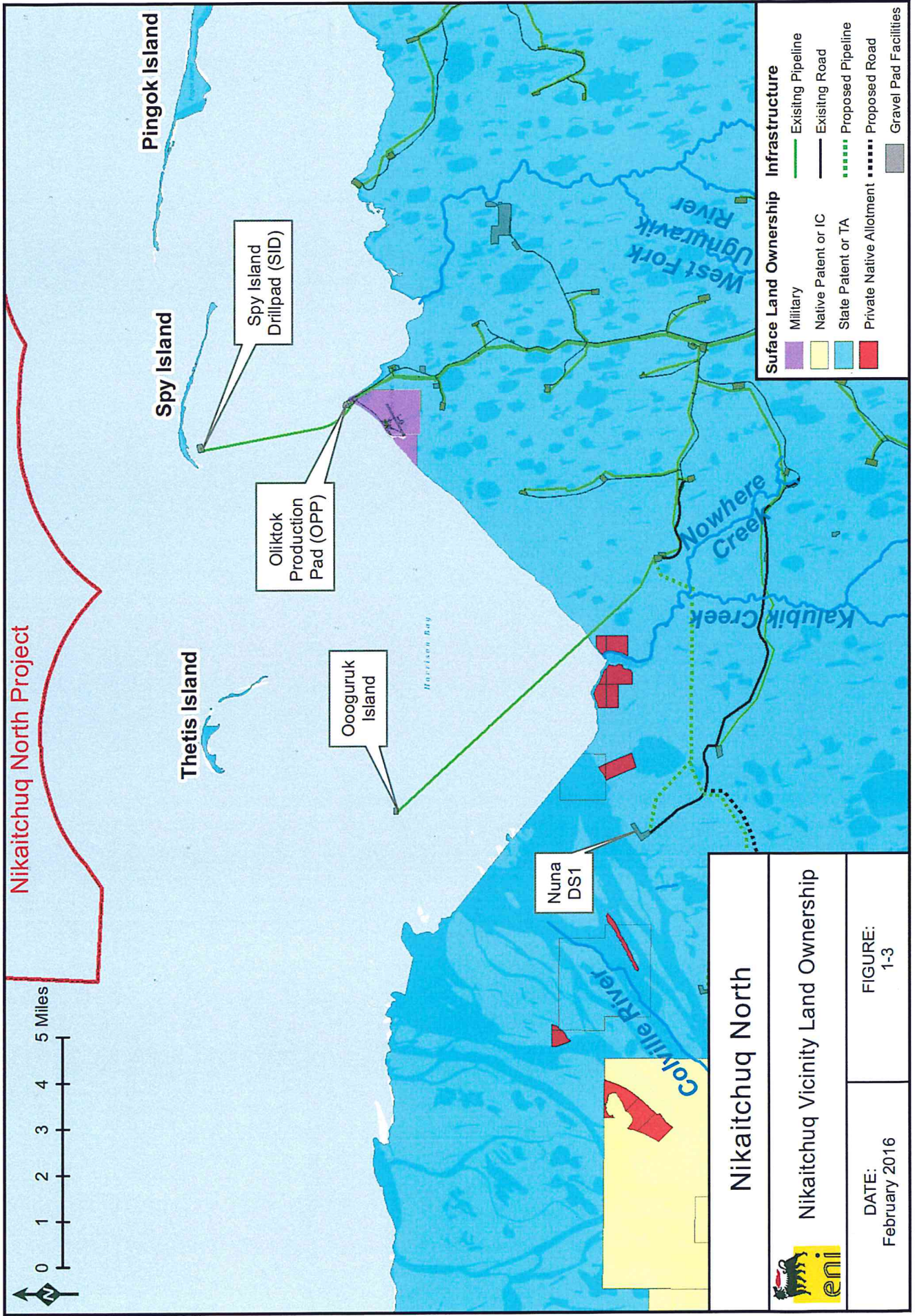




 <b>Eni Petroleum</b>	
<b>Nikaichuq North Exploration Wells – NN01 &amp; NN02</b>	
<small>           GEODETIC DATUM: NAD27            PROJECTION: Alaska State Plane, Zone 04,            GRID UNITS: US Feet         </small>	
<small>Date: February 21, 2017</small>	<small>Scale: 1:50,000</small>
<small>Chart: 1 of 1</small>	







## Nikaitchuq North

Nikaitchuq Vicinity Land Ownership



DATE: February 2016

FIGURE: 1-3