



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION OF OIL & GAS
550 W. 7th Avenue, Suite 1100
Anchorage, Alaska 99501-3560
Main: 907.269.8800
Fax: 907.269.8939

September 6, 2018

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Robert Province
Land Manager – Alaska
Eni Petroleum
3800 Centerpoint Drive, Suite 300
Anchorage, Alaska 99503

Subject: Eleventh Plan of Development, Nikaitchuq Unit—Approved

Dear Mr. Province:

On July 10, 2018 the Department of Natural Resources, Division of Oil and Gas (Division) received the proposed Nikaitchuq Unit 11th Plan of Development (POD). The Division notified ENI U.S. Operating Co., Inc. (ENI) by email on July 11, 2018 that the Division had deemed the POD application incomplete. A revised POD was received and accepted as complete on August 15, 2018. ENI met with Division personnel for a technical discussion of the POD and unit on August 14, 2017.

Unit History

The Nikaitchuq Unit (NIU) was formed effective April 29, 2004. The Schrader Bluff Participating Area was approved effective January 1, 2011, and commenced sustained production from the OA sands within the Cretaceous age Schrader Bluff formation on January 31, 2011. ENI has completed twenty-nine producing wells, an additional seventeen producing lateral wellbores, and twenty-one injectors. The NIU also contains three water source wells, and two disposal wells. Production comes from two drilling locations, the Spy Island Drillsite (SID) and the Oliktok Point Pad (OPP). Full development of the OA sands will consist of thirty production wells and twenty-three injection wells. One onshore facility located at the OPP handles all production.

10th POD Activities

The average daily oil rate of production for the year 2017 was 20,578 barrels of oil per day (BOPD), an approximately 3,000 BOPD decrease from 2016. Development drilling was suspended as of May 2015 because of what ENI described as the “oil price environment.” The Tenth POD anticipated drilling would resume with an exploration well targeting Federal leases outside the unit area. Drilling did commence and continues as of this date. The Tenth POD also described workover operations that would be completed on an as needed basis. Well workover operations were conducted to replace electric submersible pumps in four wells and repair tubing in a fifth well.

Proposed 11th POD Activities

For the Eleventh POD period ENI plans to continue drilling of the exploration well it began in December of 2017. After completion of this well, ENI will resume development drilling, and well workovers. Development drilling opportunities consist of three new wells and eight additional laterals in existing Schrader Bluff producers. Electric submersible pumps will be swapped as needed to maintain production, currently three producers are shut in waiting for workover at SID. Regular maintenance and mechanical inspection of piping and other systems will be performed, ENI plans a 36–72 hour shut down in 2019 for routine maintenance. The sub-sea pipeline from SID will be upgraded this summer with a ten-inch sleeve installed in the existing fourteen inch produced fluids line.

Decision

When considering a POD, the Division must consider the criteria in 11 AAC 83.303(a) and (b). Accordingly, the Division considered the public interest, conservation of natural resources, prevention of economic and physical waste, protection all interested parties including the state, environmental costs and benefits, geological and engineering characteristics or reservoirs or potential hydrocarbon accumulations, prior exploration activities, plans for exploration or development, economic costs and benefits to the state, and any other relevant factors, including mitigation measures. 11 AAC 83.303(a), (b).

In approving the prior POD(s) for the Nikaitchuq Unit the Division considered 11 AAC 83.303 and found that the POD(s) promoted conservation of natural resources, promoted prevention of waste, and protected the parties' interests. The Division incorporates by reference those findings.

This Eleventh POD will maintain production by replacing ESP's as needed. Drilling of the exploration well will be carried out from an existing surface facility and will bring additional economic benefit to the State while having minimal additional environmental impact. If development drilling is resumed, additional recovery from the field will benefit the State. Physical and economic waste will be avoided by ENI's utilization of existing pads and processing facilities.

Having considered the 11 AAC 83.303 (a) and (b) criteria and the conditions discussed above, the Division finds that the Eleventh POD complies with the provisions of 11 AAC 83.303. Accordingly, the Eleventh POD is approved for the period October 5, 2018 through October 4, 2019.

This approval is only for a general plan of development. Specific field operations will require an approved Plan of Operations. Under 11 AAC 83.343, the Twelfth POD is due before July 6, 2019, ninety days before the Eleventh POD expires.

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 Andrew T. Mack, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to 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.

If you have any questions regarding this decision, contact Kevin Pike with the Division at 907-269-8451, or by email at kevin.pike@alaska.gov

Sincerely,

A handwritten signature in black ink that reads "Chantal Walsh". The signature is written in a cursive style with a large initial "C" and "W".

Chantal Walsh
Director