



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas  
Anchorage Office

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August 17, 2016

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

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

Subject: Approval of the Nikaitchuq Unit Ninth Plan of Development

Dear Mr. Province:

On July 6, 2016 the Department of Natural Resources, Division of Oil and Gas (Division) received the proposed Nikaitchuq Unit Ninth Plan of Development (POD). The Division notified ENI U.S. Operating Co., Inc. (ENI) by email on July 11, 2016 that the Division had deemed the POD application complete.

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. As of May 2016 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). One onshore facility located at the OPP handles all production. The average rate of production through May 2016 is 24,895 barrels of oil per day (BOPD). This is an increase of 943 BOPD over last year. Full development of the OA sands will consist of thirty production wells and twenty-three injection wells. Evaluation of Schrader Bluff "N" sand continued with test well OP19-TN1. Development was suspended as of May 2015 and ENI reduced its workforce by 10% due to the current oil price environment. This is a departure from the plan to drill three producing wells and four additional laterals described in the Eighth Plan of Development.

Although no development drilling occurred during the Eighth Plan of Development period, ENI did complete an expansion of the Schrader Bluff Participating Area. While expanding the participating area the basis for allocation changed from surface acreage oil in place. The Director approved the new tract factors and expanded participating area in a May 26, 2016 decision.

NIU development will restart during the Ninth POD in early 2017 by drilling three OA reservoir wells and eight additional laterals at the SID. The operator will continue to review geological, petrophysical and seismic data in order to evaluate Schrader Bluff "N" sand and Sag River horizons. Electric Submersible Pumps (ESP) will be swapped as needed at both locations to maintain production.

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 Ninth POD will continue development by adding additional wells and maintain production by replacing ESP's as needed. The "N" sand will continue to be evaluated for future development. The additional drilling and well maintenance activities will be carried out from existing surface facilities and will bring additional economic benefit to the State while having minimal additional environmental impact. Physical and economic waste will be avoided by ENI's utilization of existing pads and processing facilities.

In a letter dated January 14, 2016 Commissioner of the Department of Natural Resources Mark Myers requested information concerning marketing of unit production and facility access and sharing be addressed in the POD. ENI responded that it is party to the Kuparuk River Unit ballot 260 agreement that is shared with other North Slope operators and covers equipment and services of various types, but otherwise is not party to facility sharing agreements with regards to Nikaitchuq operations. All unit production is shipped through the TAPS system and is marketed by ENI. Viscous oil resources are currently under development in the Schrader Bluff PA and are addressed in the POD. There are no gas sales from the NIU. Due to geologic and reservoir conditions, surplus gas is very limited.

Having considered the 11 AAC 83.303 (a) and (b) criteria and the conditions discussed above, the Division finds that the 7th POD complies with the provisions of 11 AAC 83.303. Accordingly, the Ninth POD is approved for the period October 5, 2016 through October 4, 2017.

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 Tenth POD is due on July 6, 2017, ninety days before the Ninth 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](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,



Corri A. Feige  
Director

cc: DOL