

**DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL AND GAS**

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November 30, 2007

**NOTICE  
OF THE ISSUANCE OF THE  
PRELIMINARY FINDINGS AND DETERMINATION  
APPROVING ROYALTY MODIFICATION ON  
NIKAITCHUQ DEVELOPMENT LEASES:  
ADLs 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, 390616, and  
391283  
DENYING ROYALTY MODIFICATION ON  
NIKAITCHUQ DEVELOPMENT LEASE:  
ADL 388580**

**(COMMITTED TO THE SCHRADER BLUFF OIL RESERVOIR WITHIN THE  
NIKAITCHUQ UNIT)**

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G), gives notice under AS 38.05.180(j)(8) that it has issued the preliminary findings and determination under AS 38.05.180(j)(1)(A) that approves the royalty modification request on the 11 leases: ADLs 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, 390616, and 391283. Royalty modification is denied for one lease: ADL 388580. ADNR received a correctly filed initial application on October 16, 2007, from Eni US Operating Co. Inc. (Eni), as operator of the Nikaitchuq Unit, on behalf of its affiliate Eni Petroleum US LLC.

To determine whether this royalty modification should be granted, the commissioner of ADNR is required to issue a final written finding and determination that the royalty modification applies to individual leases, leases unitized as described in AS 38.05.180(p), (s) or (t), or interests unitized under AS 31.05 to allow for production from an oil or gas field or pool if

- 1) the oil or gas field or pool has been sufficiently delineated to the satisfaction of the Commissioner;
- 2) the field or pool has not previously produced oil or gas for sale; and
- 3) oil or gas production from the field or pool would not otherwise be economically feasible;

ADNR has received and analyzed the applicant information regarding the development of these 11 leases. The analysis was then used to prepare this written preliminary finding and determination, which addresses the October 16, 2007, application. In this preliminary findings and determination the Commissioner establishes the scope of the administrative review for the approval of royalty modification and considers and discusses certain important facts and issues determined to be material as required by AS 38.05.180(j)(1)(A) upon which the commissioner will base his final determination.

The commissioner shall publish this Preliminary Findings and Decision and give public notice of a 30-day public comment period as well as offer to appear before the Legislative Budget and Audit Committee and provide a review of the Findings and Determination and the administrative process. The commissioner shall keep the submitted data confidential under AS 38.05.035 (a)(9) at the request of the lessee or lessees making application for the royalty reduction. Within 30 days of the close of the public comment period the commissioner will prepare a summary of the public comments and make a Final Findings and Determination. The commissioner's final Findings and Determination regarding royalty modification is final and not appealable to the court.

### **PUBLIC COMMENT**

DO&G invites the public to comment on any aspect of the royalty modification including the preliminary findings and determination and any proposed term or condition. Comments should be mailed, faxed or e-mailed to the **Division of Oil and Gas, 550 W. 7th Ave., Suite 1100, Anchorage, Alaska 99501-3560**, Attention: Tim Ryherd, Commercial Analyst, Department of Natural Resources, Division of Oil and Gas; Phone 907-269-8771, Fax 907-269-8938; e-mail Tim.Ryherd@alaska.gov. **Comments must be received no later than 5:00 p.m., January 7, 2008**, to be considered in the final findings and determination.

Interested individuals may obtain copies of the preliminary finding and determination from DNR's website at [www.dog.dnr.state.ak.us](http://www.dog.dnr.state.ak.us). The documents are also available for public review at the following locations: the Loussac Library in Anchorage, the DNR Public Information Center in Fairbanks, Anchorage, and the Barrow City Clerk's Office.

### **SUBJECT LEASES AND MODIFICATION DESCRIPTION**

The 12 subject leases are all located north of and contiguous with the northern edge of the Kuparuk River Unit (KRU) and north west of the Milne Point Unit (MPU). All eleven leases where royalty modification is granted are committed to the Nikaitchuq Unit (ADLs 388571, 388574, 388577, 388580, 388581, 388582, 388583, 390615, and 390616). The Preliminary Findings and Decision modifies royalty rates of eleven leases from the following original terms:

- 12.5 percent fixed royalty on ADL: 391283 with a 30 percent Net Profit Share, and
- 16.66667 percent on the ten other leases (ADLs: 388571, 388572, 388574, 388575, 388577, 388581, 388582, 388583, 390615, and 390616)

### **MAPS**

A map of the subject lease area is available on the division's website at [www.dog.dnr.state.ak.us](http://www.dog.dnr.state.ak.us) and in the Preliminary Findings and Determination document.

**FINAL BEST INTEREST FINDING**

DNR anticipates making the final findings and determination available to the public on or about January 14, 2008

**ALTERNATIVE COMMUNICATION FORMATS**

The ADNR, DO&G complies with Title II of the Americans with Disabilities Act of 1990. This publication can be made available on CD or in alternative communication formats upon request. Please contact Brock Steller at (907) 375-8251 to make any necessary arrangements.

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| <u>[original signed by Tom E. Irwin]</u> | <u>11/30/2007</u> |
| Tom E. Irwin                             | Date              |
| Commissioner                             |                   |