

STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
333 West Seventh Avenue, Suite 100
Anchorage Alaska 99501

Re: THE APPLICATION OF ENI US Operating) Docket Number: CO-10-16
Company for an order granting an exception) Conservation Order No. 638
to the well spacing provisions of 20 AAC)
25.055(a)(3) to provide for the drilling and)
completion of the proposed Nikaitchuq Unit) Nikaitchuq Unit No. OI11-01
No. OI11-01 service injection well within the) Service Injection Well
same governmental quarter section as wells) Nikaitchuq Undefined Oil Pool
capable of, or potentially capable of,) Nikaitchuq Unit
producing or injecting within the same) North Slope Borough, Alaska
reservoir interval.)
) October 14, 2010

IT APPEARING THAT:

1. On August 17, 2010, ENI US Operating Company (Eni) requested the Alaska Oil and Gas Conservation Commission (Commission) grant an exception to the spacing provisions of 20 AAC 25.055(a)(3) to allow drilling and completion of the Nikaitchuq Unit No. OI11-01 (NU No. OI11-01) service injection well within the same governmental quarter section as wells capable of, or potentially capable of, producing or injecting within the same pool (the Nikaitchuq Undefined Oil Pool), in the North Slope Borough, Alaska.
2. Pursuant to 20 AAC 25.540, on August 29, 2010 the Commission published in the ALASKA JOURNAL OF COMMERCE notice of the opportunity for a public hearing on October 5, 2010. This notice was also published on the State of Alaska's Online Public Notice website and on the Commission's website.
3. By certified mail, Eni sent notice of the application to all owners, landowners, and operators of all properties within 1,000 feet of the anticipated NU No. OI11-01 well. Eni provided the Commission the notice, date of mailing, addresses to which the notice was sent, and proof of mailing.
4. No protest to the application or request for hearing was received.
5. Because Eni provided sufficient information upon which to make an informed decision, the request can be resolved without a hearing.
6. The public hearing was vacated on October 4, 2010.

FINDINGS:

1. Eni is the operator of the Nikaitchuq Unit and will be the operator of the proposed NU No. OI11-01 service injection well located within the Nikaitchuq Undefined Oil Pool, Nikaitchuq Unit, North Slope Borough, Alaska.
2. The surface location for the proposed deviated service injection well NU No. OI11-01 well will be onshore, 3186' from the south line (FSL) and 1597' from the east line (FEL) of Section 5, T13N, R09E, Umiat Meridian (U.M.). The top

- of the proposed injection interval will be located offshore, 1852' FSL and 2915' FEL, Section 32, T14N, R09E, U.M. The projected bottom-hole location will also be offshore, 4937' FSL and 599' FEL, Section 31, T14N, R09E, U.M.
3. The planned path for NU No. OI11-01 is based on seismic and nearby well information.
 4. The prospective injection interval lies within State of Alaska leases ADL-390616 and ADL-391283, and the planned total depth of NU No. OI11-01 lies within lease ADL-391283.
 5. Eni is the owner and operator of leases ADL-390616 and ADL-391283. The State of Alaska is the landowner for these leases.
 6. The proposed NU No. OI11-01 well will be drilled as part of a series of alternating, extended-reach, horizontal production and injection wells that will lie parallel with one another and about 1200 feet apart, spacing that was determined to be the best for overall drainage of the oil reservoirs targeted by the Nikaitchuq development. NU No. OI11-01 will be oriented in the optimal direction with regard to mapped faults and stress orientation. The 1200-foot spacing and the directional orientation of the wells results in more than one well to be drilled within a single governmental quarter section.
 7. Oil reservoirs targeted by well NU No. OI11-01 are relatively uniform and continuous.
 8. The anticipated path of well NU No. OI11-01 lies within the same governmental quarter sections as existing, offset oil production wells OP08-04 and OP12-01. NU No. OI11-01 will be the second well drilled and completed within the Nikaitchuq Undefined Oil Pool in the northwest quarter section of Section 32, T14N, R09E, U.M., and it will be the second well drilled and completed in the northeast quarter section of Section 31, T14N, R09E, U.M.
 9. The Commission received no comments, objections or protests in response to the public notice regarding the NU No. OI11-01 well or to the notification sent by Eni to all known owners, landowners and operators within 1,000 feet of the NU No. OI11-01 well.

CONCLUSIONS:

1. An exception to 20 AAC 25.055(a)(3) is necessary to allow drilling and completion of the NU No. OI11-01 service injection well in order to maximize recovery of Nikaitchuq Undefined Oil Pool reserves.
2. A spacing exception to allow drilling and completion of the NU No. OI11-01 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:

Pursuant to the Commission's authority under AS 31.05.030 and 20 AAC 25.055, the Commission approves Eni's application for an order granting exception to the well spacing provisions of 20 AAC 25.055(a)(3) to allow drilling and completion of the NU No. OI11-01 well. Eni may proceed with regular oil production operations as long as Eni complies with the terms of the Nikaitchuq Unit agreement, applicable Alaska laws, and all other legal requirements. This order does not authorize injection operations. A separate, written authorization must be obtained from the Commission prior to initiation of injection operations.

DONE at Anchorage, Alaska and dated October 14, 2010.



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Daniel T. Seamount, Jr. Commissioner, Chair
Alaska Oil and Gas Conservation Commission

A handwritten signature in black ink, appearing to read "John K. Norman", written over a horizontal line.

John K. Norman, Commissioner
Alaska Oil and Gas Conservation Commission

A handwritten signature in black ink, appearing to read "Cathy P. Foerster", written over a horizontal line.

Cathy P. Foerster, Commissioner
Alaska Oil and Gas Conservation Commission

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 Commission grants for good cause shown, a person affected by it may file with the Commission 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 Commission 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 Commission 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 Commission mails, OR 30 days if the Commission 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 Commission 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 Commission, and it may be appealed to superior court. That appeal MUST be filed within 33 days after the date on which the Commission mails, OR 30 days if the Commission otherwise distributes, the order or decision on reconsideration. As provided in AS 31.05.080(b), "[t]he questions reviewed on appeal are limited to the questions presented to the Commission by the application for 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.