

STATE OF ALASKA
ALASKA OIL AND GAS CONSERVATION COMMISSION
333 West 7th Avenue
Anchorage, Alaska 99501

Re: THE APPLICATION OF Eni US) Docket CO-14-027
Operating Co. for an exception to the) Conservation Order No. 706
spacing requirements of 20 AAC) Nikaitchuq Field
25.055(a)(1) to drill and complete a) Nikaitchuq Unit
development oil well and a) Nikaitchuq Schrader Bluff Oil Pool
development oil well branch within 500) Nikaitchuq SP31-W7 & SP31-W7L1
feet of a property line where ownership) Development Wells
or landownership changes.) North Slope Borough, Alaska
)
) December 1, 2014

IT APPEARING THAT:

1. By letter received October 16, 2014, Eni US Operating Co. (Eni) requested an exception to the spacing provisions of 20 AAC 25.055(a)(1) to drill and complete a development oil well Nikaitchuq SP31-W7 and a development oil well branch Nikaitchuq SP31-W7L1 within 500 feet of a property line where ownership or landownership changes. Eni's request proposes to open the oil-bearing OA-sand reservoir of the Schrader Bluff Formation (Schrader Bluff OA-sand) to production within approximately 175 to 300 feet from the property line that separates Eni's Nikaitchuq Unit from the adjacent oil and gas lease ADL 0392539, which is operated by 70 & 148, LLC.
2. Pursuant to 20 AAC 25.0540, the Alaska Oil and Gas Conservation Commission (AOGCC) tentatively scheduled a public hearing for December 2, 2014. On October 23, 2014, the AOGCC published notice of the opportunity for that hearing on the State of Alaska's Online Public Notice website and on the AOGCC's website, electronically transmitted the notice to all persons on the AOGCC's email distribution list, and mailed printed copies of the notice to all persons on the AOGCC's mailing distribution list. On October 24, 2014, the notice was published in the ALASKA DISPATCH NEWS.
3. Pursuant to 20 AAC 25.055(d)(1), Eni sent by certified mail notice of the application to all owners, landowners, and operators of all properties within 1,000 feet of the Nikaitchuq SP31-W7 well and the Nikaitchuq SP31-W7L1 well branch. Eni provided the AOGCC the notice, date of mailing, addresses to which the notice was sent, and copies of the certified mail return receipts.
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 tentatively scheduled public hearing was vacated on December 1, 2014.

FINDINGS:

1. Eni is the owner and operator of the Nikaitchuq Unit that is located offshore within the Beaufort Sea, North Slope, Alaska.
2. Nikaitchuq SP31-W7 is a proposed deviated development oil well with an offshore surface location of 4,433 feet from the south line and 1,460 feet from the east line of Section 19, Township 14 North, Range 9 East, Umiat Meridian (U.M). The offshore bottom-hole location is approximately 2,698 feet from the south line and 1,493 feet from the east line of Section 22, Township 14 North, Range 8 East, U.M.
3. Nikaitchuq SP31-W7L1 is a proposed deviated development oil well branch to be drilled from Nikaitchuq SP31-W7. This well branch will have an offshore bottom-hole location of approximately 2,762 feet from the south line and 1,339 feet from the east line of Section 22, Township 14 North, Range 8 East, U.M.
4. Nikaitchuq SP31-W7 and SP31-W7L1 will target the oil-bearing Schrader Bluff OA sand reservoir.
5. Nikaitchuq SP31-W7 and SP31-W7L1 will be drilled sub-parallel to one another, on the downthrown side of a northwest-southeast trending fault in the southwestern portion of the Nikaitchuq Field. The planned SP31-W7 wellbore track will lie within approximately 175 feet of the Nikaitchuq Unit boundary; whereas the planned SP31-W7L1 wellbore track will lie within approximately 300 feet of the unit boundary.
6. Nikaitchuq SP31-W7 and SP31-W7L1 are located to maximize the drainage of the Nikaitchuq Schrader Bluff OA reserves.
7. The AOGCC received no comments, objections or protests in response to the public notice regarding the proposed exception to the spacing requirements of 20 AAC 25.055 for Nikaitchuq SP31-W7 and SP31-W7L1 or to the notification sent by Eni to all known owners, landowners, and operators within 1,000 feet of Nikaitchuq SP31-W7 and SP31-W7L1.

CONCLUSIONS:

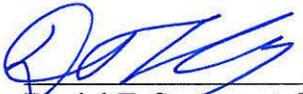
1. An exception to the well spacing provisions of 20 AAC 25.055(a)(1) is necessary to allow the drilling and completion of Nikaitchuq SP31-W7 and Nikaitchuq SP31-W7L1.
2. Nikaitchuq SP31-W7 and SP31-W7L1 will recover reserves that are not accessible to existing development wells.
3. A spacing exception to the well spacing provisions of 20 AAC 25.055(a)(2) for the Nikaitchuq SP31-W7 and SP31-W7L1 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:

Eni's October 16, 2014 application for an order granting an exception to the well spacing provisions of 20 AAC 25.055(a)(1) to allow the drilling and completion of the Nikaitchuq SP31-W7 and SP31-W7L1 development oil wells is approved. Eni may proceed as long as it complies with the terms of all lease agreements, applicable Alaska laws, and all other legal requirements.

DONE at Anchorage, Alaska and dated December 1, 2014.


Cathy P. Foerster
Chair, Commissioner


Daniel T. Seamont, Jr.
Commissioner


David Mayberry
Commissioner



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 AOGCC grants for good cause shown, a person affected by it may file with the AOGCC 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 AOGCC 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 AOGCC 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 AOGCC mails, **OR 30** days if the AOGCC 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 AOGCC 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 AOGCC, and it may be appealed to superior court. That appeal **MUST** be filed within **33** days after the date on which the AOGCC mails, **OR 30** days if the AOGCC 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 AOGCC 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.