



United States Department of the Interior  
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT  
Alaska OCS Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

JAN 31 2017

Robert Province, Land Manager  
Eni US Operating Co. Inc.  
3800 Centerpoint Drive, Suite 300  
Anchorage, Alaska 99503

Dear Mr. Province:

We have reviewed the Unit Agreement (UA), Unit Operating Agreement (UOA), and Plan of Unit Operations (PUO) submitted by Eni on December 20, 2016 for the unitization of the Harrison Bay Block 6423 Unit. The following comments must be addressed before we can issue final approval of the documents. We are available to discuss these comments upon request, and we look forward to promptly adjudicating this final step of the unitization process.

Unit Agreement

1. Per the guidance provided with the BSEE model UA, deviations from the model must be listed by Eni along with an explanation and justification. The UA submitted by Eni contains several such deviations, but no such explanation or justification has been provided. It is Eni's responsibility to list and justify all deviations, but the following list includes a few that have been noted by BSEE; these, as well as any others, must be explained and justified by Eni.
  - a. Page 11 Article XI 11.1: In the list of items that the operator will submit to the Regional Supervisor the following words have been removed "geological and geophysical information, and engineering data" from part (a).
  - b. Page 12 Article XII 12.1: Eni has changed the wording of Section 12.1 from "The Unit Operator shall pay all production royalties and make deliveries of oil and gas which are payments of royalties taken-in-kind or which, pursuant to the Act, are purchased by the United States" to "The Unit Operator shall measure unit production and pay all production royalties, pursuant to the Act, appropriate regulations and lease terms".
  - c. Page 15 Article XVII (d): Eni has changed the text in the first sentence from "a unit well" to "the unit well". This appears to limit the unit to a single well; we do not believe this is the intent.

## Plan of Unit Operations

2. BSEE will consider the effective date of the PUO to be December 20, 2016, the date of its receipt by us. We will require an expiration date for the PUO. Eni may either choose to resubmit the PUO with an expiration date of one year from the effective date, or we will condition our approval of that document with a one year expiration date. The requirements for subsequent PUO submittals will be as stated in Section 9.3 of the UA.

## Unit Operating Agreement

3. Exhibit "C" makes references to the drilling unit Kulluk in the Project Costs section. The Kulluk is no longer an active drilling unit, and the appearance here appears to be an inadvertent holdover from prior draft documents.
4. Exhibit "C" Project Costs section has a notation stating "need some language here". The status of this section is unclear, and should be addressed by Eni.
5. Exhibit I (p 192) is unsigned.

Should you have any additional questions regarding these comments, please feel free to contact me at (907) 334-5311 or BSEE engineer Kyle Monkeliën at (907) 334-5307.

Sincerely,



Kevin J Pendergast, PE CPG  
Regional Supervisor, Field Operations