



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

April 3, 2020

Brian C. Mamelli
Regulatory Affairs & Technical Program Manager
Eni US Operating
Two Allen Center
1200 South St., Suite 1700
Houston, TX 77002

Re: Request for Suspension of Operations for Harrison Bay Block 6423 Unit No. 750192002

Dear Mr. Mamelli:

The Bureau of Safety and Environmental Enforcement (BSEE) has reviewed the Suspension of Operations (SOO) request submitted by Eni on March 10, 2020. That request stated that, for reasons beyond the control of Eni, Eni would be prevented from spudding the Nikaitchuq North Unit well # 2 (NN02) prior to the expiration of the lease on April 13, 2020. The reasons identified in that request included the election of a 50% partner to reverse their approval and go “non-consent” in the well and unforeseen weather and transportation contingencies. Eni has requested that the length of that suspension would be 2 years.

Background

Eni's original Application for a Permit to Drill (APD) was approved on the Nikaitchuq North Well #1 on November 28, 2017. Drilling was conducted for 288 days ending on April 13, 2019 at which time the horizontal portion of the hole was junked. On August of 2019 Eni proposed to drill a second well using a 2-phased approach. This approach was presented to BSEE, BOEM and the State of Alaska and was accepted as a viable option. The 2020 Eni Drilling Schedule was fully developed and included drilling operations to achieve target depth. Contracts were in place with the drilling contractor and \$9MM had already been spent on the NN02 Well. Additionally, \$16 million in new material and services had been ordered, and \$4 million in rig upgrades and pre-drill studies had been performed on the Doyon Rig 15.

The expenditure of \$9 million and the commitment to invest another \$20 million were based on the expectation that their partner (Shell) would continue its participation (50% interest) in the drilling of the NN02 Well. In their application with BSEE, Eni proposed a spud date of March 20, 2020.

On January 31, 2020, Shell notified Eni it had elected to go non-consent (not participate) in the drilling of the NN02 Well. This last-minute decision has prevented Eni from executing its 2020 drilling plans for NN02.

Analysis

The decision to grant or deny a suspension request that meets the threshold regulatory requirements rests squarely within BSEE's discretion. In order for BSEE to grant a SOO in this case, it must be in the national interest, and necessary to "... allow for inordinate delays encountered in obtaining required permits or consents, including administrative or judicial challenges or appeals." (30 CFR 250.172(e))

A. National Interest (30 CFR 250.173)

Section 5 of OCSLA (43 U.S.C. § 1334(a)(1)(A)) calls upon the Secretary to promulgate regulations providing for suspensions, "in the national interest, to facilitate proper development of a lease or to allow for the construction or negotiation for use of transportation facilities." The Secretary has accordingly issued regulations pursuant to which the "national interest" is a necessary, but not sufficient, condition for obtaining a SOO. The relevant implementing regulation provides that BSEE may grant a SOO where doing so is in the national interest as well as "*allow for inordinate delays encountered in obtaining required permits or consents, including administrative or judicial challenges or appeals.*" (30 CFR 250.172(e)). Based on the information provided in your March 10, 2020 request, we find that activities are being initiated to progress the well operations to the completion of drilling, in an environmentally responsible manner, and that the national interest condition is satisfied.

B. Justification for SOO (30 CFR 250.172(e))

Per applicable laws and regulations, the BSEE Regional Supervisor has the authority to grant a SOO. As stated in your request, we agree that ENI has met "inordinate delays encountered in obtaining required permits or consents, including administrative or judicial challenges or appeals."

Decision

Following a detailed review of the information you have submitted, and based on the analysis presented herein, ENI's request for a SOO on the Harrison Bay 6423 Unit is hereby approved in accordance with 30 CFR 250.172(e).

This Harrison Bay 6423 Unit SOO is effective April 3, 2020 and will extend for two years. In addition, ENI will be expected to comply with the Reasonable Statement of Work commitment provided in its March e-mail- as well as the conditions attached to this approval.

BSEE reserves the right to terminate this SOO if we determine the circumstances that justified it no longer exist or that other lease conditions warrant termination (30 CFR 250.170(e)).

Closure

If you elect to appeal this decision pursuant to 30 CFR Part 290, a Notice of Appeal must be filed with this office and served on the Associate Solicitor, Division of Mineral Resources, within 60 days of receipt of this letter (see NTL No. 2009-N12). If you have any

questions about this decision, please contact me at (907) 334-5300, or via e-mail at kyle.monkelien@bsee.gov.

Sincerely,

Kyle Monkelien
Regional Supervisor, Field Operations

Enclosure

cc: Patricia LaFramboise, Regional Supervisor - Leasing and Plans
Carle Langley, Chief - Leasing Section
Bureau of Ocean Energy Management
Kurt Barton, Minerals Revenue Specialist, Department of the
Interior Office of Natural Resources Revenue
Chantal Walsh, Director - Division of Oil and Gas
Alaska Department of Natural Resources

Conditions of Approval for the Harrison Bay 6423 Unit

1. Within 15 days after the end of each calendar quarter, ENI shall provide a written quarterly report to BSEE, as follows.
 - a. The first report must detail progress made on the reasonable schedule of work (RSW) since April 3, 2020.
 - b. The reports will describe ENI's progress toward addressing upcoming milestones from the RSW.
 - c. The reports must include a recap of what was accomplished in the prior quarter.
 - d. Each report must be accompanied by written documentation, reports, or other evidence (e.g., contracts, correspondence, etc.) that clearly demonstrate that ENI is meeting or has met the requirements of the work items set forth in the RSW. This information shall be considered evidence of diligence in pursuing the RSW. "Evidence of diligence" is hereby defined as ordinary course of business documents that demonstrate tangible work that has occurred as ENI executes the items set forth in the RSW. BSEE- strongly prefers such documentation and will give less weight to written or verbal assertions about work progress. BSEE recognizes, however; that not every step taken by ENI may be reflected in ordinary course of business documents, and that it might be appropriate, at times, to provide written updates on progress. Such updates may be accepted by BSEE on a case by case basis but will not be allowed as the primary means of demonstrating diligence.
 - e. BSEE will review the quarterly reports and accompanying evidence for adequacy, and we will notify ENI whether the submittals are satisfactory or if additional information is required.
2. Any modifications to the RSW - either in substance or timing - must be presented to BSEE for review and approval.
3. Absent any approved modifications as referenced in Condition #2, and with the exception of events that BSEE agrees are outside of ENI's control, failure to achieve the milestones in the RSW may result in termination of the SOO. If ENI fails to achieve a milestone as defined in the RSW, as part of its consideration of whether termination is appropriate, BSEE will evaluate the steps ENI undertook to meet the milestone and the reasons why the milestone was not achieved.
4. BSEE will evaluate future SOO requests pursuant to applicable laws and regulations, based on the justifications presented by ENI and the circumstances presented at the time. However, future suspension decisions will be greatly influenced by the level of success ENI demonstrates in following the terms of this SOO and executing the RSW.