March 17, 2011

Representative Stoltze
Alaska State Capitol
Room 515
Juneau, AK 99801-1182

Representative Thomas
Alaska State Capitol
Room 505
Juneau, AK 99801-1182

Representative Feige
Alaska State Capitol
Room 126
Juneau, AK 99801-1182

Representative Seaton
Alaska State Capitol
Room 102
Juneau, AK 99801-1182

Dear Representatives:

Thank you for the invitation to testify on HB 110.

Eni Petroleum Co. Inc. is the US subsidiary of Eni SpA, a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas.

Eni has operations in more than 70 countries, employing more than 78,000 people, and it is recognized by the market as a leader in sustainability, focused on enhancement and safety of its employees and communities, on environmental protection, on technological innovation and research and on energy efficiency.
Eni has achieved a varied and growing exploration and development portfolio in Alaska since 2005, including leasehold interests in both State onshore and offshore leases, as well as in the federal OCS in the Chukchi and Beaufort Seas. Eni currently has a total of 140 leases in Alaska with 89 leases being located in the federal OCS (Chukchi Sea, Beaufort Sea) and 51 in the State of Alaska lands and waters. Eni’s main producing assets in Alaska are a 30% working interest of the Oooguruk Field operated by Pioneer Natural Resources and a 100% working interest of the Nikaitchuq Field at Oliktok Point, located on the North Slope, immediately north of the Kuparuk River Unit. Eni acquired the interest and operatorship as the result of agreements with Armstrong in 2005 and with Kerr-McGee Oil and Gas Corporation in 2007. In March 2006, Eni opened an operating office in Anchorage, which employs about 70 people.

The Nikaitchuq Project foresees the drilling of 52 wells from both onshore and an offshore artificial island located 3.8 miles from Oliktok Point, yet still within the barrier islands of the Beaufort Sea. The offshore wells will then be tied back to the production facility located at Oliktok Point utilizing a state-of-the-art subsea pipeline.

Eni achieved first oil production from the onshore drill site on January 30, 2011, 3 years from the sanction of the project. The total actual investment is approximately $1.3 billion; an additional $0.7 billion will be spent to reach first oil from the offshore drill site in December 2011 and to complete the drilling campaign in 2014.

Eni decided to sanction the project in 2008 considering the improved overall economic results after the State of Alaska agreed to provide royalty reduction at low oil prices; the development incentives provided in the form of Petroleum Production Tax (PPT) credits alone would not have been sufficient to secure viable project economics.

Passage of HB 110 would contribute to Eni’s business in Alaska in two ways. First, it would make Alaska projects more competitive for internal investment dollars in comparison to other opportunities around the world. Second, it could improve the economics of marginal fields and reservoirs. Each unit may contain a number of reservoirs of oil, yet only some of those reservoirs are part of a development plan because others are uneconomic under the current law. If HB 110 were to become law, economic evaluations would better support the viability of these additional reservoirs, which would encourage expansion of the projects’ original development plans and ultimately lead to production of additional recoverable reserves.

In addition, Eni believes that passage of HB 110 as currently written would provide the incentive needed to motivate oil companies to re-evaluate higher risk projects on which the future economic health of Alaska will depend. This will have a beneficial effect on the local economy of Alaska and on all professional contractors with whom Eni has collaborated on the Nikaitchuq Project.
Again, thank you for the opportunity to share Eni’s position on HB 110.

Respectfully,

Luciano Vasques
President & CEO
Eni Petroleum Co. Inc.