

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF COASTAL AND OCEAN MANAGEMENT

<http://www.alaskacoast.state.ak.us>

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June 16, 2011

Mr. John Zager
Union Oil Company of California
P.O. Box 196247
Anchorage, AK 99519-6247

Subject: Ivan River Pad Project Modification for Gas Storage Facilities
State I.D. No. AK 1002-03OG
Final Consistency Determination

Dear Mr. Zager:

The Division of Coastal and Ocean Management (DCOM) has completed coordinating the State's review of your proposed project for consistency with the Alaska Coastal Management Program (ACMP). DCOM has developed the attached final consistency response based on reviewers' comments.

Based on an evaluation of your project by the Alaska Departments Environmental Conservation, Fish and Game, and Natural Resources and the Matanuska-Susitna Borough, DCOM *concur*s with your certification that the project is consistent with the ACMP and affected coastal district's enforceable policies.

This is the *final consistency decision* for your project.

This consistency response is only for the project as described. If you propose any changes to the approved project, including its intended use, prior to or during its siting, construction, or operation, you must contact this office immediately to determine if further review and approval of the revised project is necessary.

By copy of this letter, I am informing the U.S. Army Corps of Engineers of DCOM's final finding.

If you have any questions regarding this process, please contact me at 907-269-7472 or email Jodi.delgado-plikat@alaska.gov.

Sincerely,

/s/

Jodi Delgado-Plikat
Project Review Coordinator

Enclosures

cc: Krissy Plett, DMLW
DNR Lands/SCRO
Mike Bethe; Ken Bouwens, Habitat
Marla Carter, ADF&G
Nina Brudie, DCOM
ADNR/SHPO
Jim Regg; Winton Aubert, AOGCC
Wendy Woolf; Bruce Buzby; Brian Havelock, DOG
Shannon Morgan, USACE
Mary Nation, USFWS
Phil North, EPA
Fran Roche; William Ashton, ADEC
Peter Merryman, President, Native Village of Tyonek (IRA) [via FAX 907-583-2442]
Jaison Standifer, President, Tyonek Native Corporation [via FAX 907-274-7125]
Kim Cunningham, CIRI
Penny Carty, Salamatof Native Assn.
Ted Kroto, Tyonek Native Corp.
Susan Lee, Mat-Su Borough
Sharon Sullivan, Chevron

**ALASKA COASTAL MANAGEMENT PROGRAM
FINAL CONSISTENCY DETERMINATION
CONCURRENCE**

DATE ISSUED: JUNE 16, 2011

PROJECT TITLE: IVAN RIVER PAD PROJECT MODIFICATION FOR GAS STORAGE FACILITIES

STATE ID. No.: AK 1002-03OG

AFFECTED COASTAL RESOURCE DISTRICT(S): MATANUSKA-SUSITNA BOROUGH

PROJECT DESCRIPTION: Union Oil Company of California (Union Oil) proposes to install a gas storage facility in June of 2011 at the Ivan River Pad, located approximately nine miles northeast of Beluga on the west side of Cook Inlet, Alaska. The purpose of this project is to facilitate delivery of sufficient quantities of gas at peak demand times (during winter months) to accommodate consumer needs. The project involves the conversion of the IRU (Ivan River Unit) 44-36 well to a gas storage well, the installation of compression equipment, and the upgrade of production facilities to support the gas storage facility on the Ivan River Pad.

The compressor installation and facility upgrades require the installation of compression modules and associated piping, installation of a communication module and tower, reactivation of the A-Train glycol dehydration system. One large or two small compression modules will be installed as part of this project. The large compressor module is a natural gas-powered engine rated up to 1800 horsepower (HP), and the two smaller compressors each have a natural gas-powered engine rated up to 900 HP. Due to the aggressive schedule for this project and the long lead time required to procure permanent compression equipment, a temporary compressor with an engine rated up to 1300 HP will be installed initially to support the gas storage facility until permanent compression equipment can be designed, procured, mobilized, installed, tested, and inspected. It is anticipated that the permanent compression equipment will be delivered in late fall 2011 or spring 2012 and will be operational by summer 2012.

The permanent compression module(s) will be either placed on a driven pile system or rest on a pre-cast concrete plank foundation. The temporary compressor will be installed within a trailer-mounted or skid-mounted module and placed directly on the gravel pad or on an additional lift of gravel for support. The compression equipment will have critical-grade mufflers for noise reduction; the placement of compression equipment inside modules will also reduce noise output. The compression modules will be heated with small, gas fired catalytic heaters.

A communication module will be installed at Ivan River Pad and include electronics and communication equipment necessary to collect and transmit facility operational data. The module will include an electric heating and cooling unit. Additionally, a new 70-foot-tall, free-standing communication tower will be installed on a concrete base, or on pilings, to replace the existing tower at the Ivan River Pad for improving relay of facility data to Union Oil's office in

Beluga. The compressor and communication modules will be tail-rolled off trucks, or lifted by a crane and set into place. If a large compressor is the selected option for the permanent compressor, the equipment will be shipped to the pad in sections and assembled onsite.

Upgrades to the existing facilities at the Ivan River Pad are needed to facilitate future gas injection into and delivery from the IRU 44-36 well. These upgrades include: installing a new 65 kilowatt (kw) micro-turbine generator within the existing generator building to provide the additional power necessary to operate the facility, reactivating the existing A-Train glycol dehydration system, replacing the reboiler unit with like-in-kind equipment, and upgrading site lighting. Catalytic converters will be installed on the two existing compressors and the new permanent compression equipment to control emissions.

New gas and produced water piping, well heat string piping, and electrical communication cables will also be installed between the gas storage well and the production modules. The piping will either be buried or will be placed in an above-ground pipe rack that will be added to the existing pipe rack system. Gas meter upgrades, additions and/or replacements will be performed at the ENSTAR meter building and at the Ivan River and Stump Lake pads to support the gas storage facility.

SCOPE OF THE PROJECT SUBJECT TO CONSISTENCY REVIEW: The subject of this consistency review is the Ivan River pad upgrade components that require a modification to the existing IRU Plan of Operations (Ivan River Unit Plan of Operations Permit LOCI 08-007, dated October 23, 2008) by the Division of Oil and Gas. These components include the mobilization of all equipment and modules to the IRU Pad, operation of one temporary 1,300 Hp natural gas fired compressor, the permanent installation of up to 1,800 Hp of a natural gas fired compression in one or two modules, and the installation of a 70-foot tall replacement communications tower and associated support machinery at the existing Ivan River Pad. The proposed project site is located on State land within the Susitna Flats State Game Refuge and requires a Special Area Permit from the Alaska Department of Fish and Game, Habitat Division, which is also subject to this ACMP consistency review.

Project Location

The Ivan River Pad is located onshore on State land within the Susitna Flats State Game Refuge on the Westside of Cook Inlet, Alaska. The legal description of the Ivan River Pad is: Township 13 North, Range 9 West, Section 1, Seward Meridian.

CONSISTENCY STATEMENT: DCOM concurs with the consistency certification submitted by Union Oil.

AUTHORIZATIONS: State agencies shall issue the following authorizations within five days after DCOM issues the final consistency determination that concurs with the applicant's consistency certification, unless the resource agency considers additional time to be necessary to fulfill its statutory or regulatory authority.

The Department of Environmental Conservation (DEC) will review any activities subject to DEC permits, certifications, approvals, and authorizations for consistency with 11 AAC 112.310. The issuance of the permits, certifications, approvals, and authorizations by DEC establishes consistency with 11 AAC 112.310 for those specific activities.

Please note that, in addition to their consistency review, State agencies with permitting responsibilities will evaluate this proposed project according to their specific permitting authorities. Agencies will issue permits and authorizations only if they find the proposed project complies with their statutes and regulations in addition to being consistent with the coastal program. An agency may deny a permit or authorization even though the ACMP concurs with your consistency certification. Authorities outside the ACMP may result in additional permit/lease conditions. If a requirement set out in the project description (per 11 AAC 110.260) is more or less restrictive than a similar requirement in a resource agency authorization, the applicant shall comply with the more restrictive requirement. Applicants may not use any State land or water without Department of Natural Resources (DNR) authorization.

APPEAL: This final consistency response is a final administrative order and decision under the ACMP and for purposes of Alaska Appellate Rules 601-612. Any appeal from this decision to the superior court of Alaska must be made within thirty (30) days of the date this determination is issued.

ENFORCEMENT: Pursuant to 11 AAC 110.260(e) and 110.445(e), if after receiving this final consistency response, the applicant fails to implement an adopted alternative measure, or if the applicant undertakes a project modification not incorporated into the final determination and not reviewed under 11 AAC 110.800-11 AAC 110.820, State resource agency may take enforcement action according to the resource agency's statutory and regulatory authorities, priorities, available resources, and preferred methods.

ADVISORIES: Please be advised that although the DCOM concurs with your certification that the project is consistent with the ACMP, you are still required to meet all applicable State and federal laws and regulations. This consistency finding may include reference to specific laws and regulations, but this in no way precludes your responsibility to comply with other applicable laws and regulations.

If the proposed activities reveal cultural or paleontological resources, please stop any work that would disturb such resources and immediately contact the State Historic Preservation Office (907-269-8720) and the U.S. Army Corps of Engineers (907-753-2712) so that consultation per section 106 of the National Historic Preservation Act may proceed.

Final Consistency Determination Prepared By:
Jodi Delgado-Plikat, Project Review Coordinator
550 W. 7th Ave., Suite 705
Anchorage, AK 99501
(907)269-7472

/s/

Jodi Delgado-Plikat

June 16, 2011

Date

ACMP CONSISTENCY EVALUATION

Pursuant to the following evaluation, the project as proposed is consistent with applicable ACMP statewide and affected coastal resource district enforceable policies (copies of the policies are available on the ACMP web site at <http://www.alaskacoast.state.ak.us>).

STATEWIDE STANDARDS
<p>11 AAC 112.200. Coastal development</p> <p>a) In planning for and approving development in or adjacent to coastal waters, districts and state agencies shall manage coastal land and water uses in such a manner that those uses that are economically or physically dependent on a coastal location are given higher priority when compared to uses that do not economically or physically require a coastal location.</p> <p>(b) Districts and state agencies shall give, in the following order, priority to</p> <ol style="list-style-type: none">(1) water-dependent uses and activities;(2) water-related uses and activities; and(3) uses and activities that are neither water-dependent nor water-related for which there is no practicable inland alternative to meet the public need for the use or activity <p>Evaluation:</p> <p>a) The project exists on an established site within the coastal flats of the Susitna Flats State Game Refuge adjacent to Cook Inlet. The site is within an established, unitized area; therefore, moving the project site is not feasible.</p> <p>b) The proposed activities are neither water-dependent nor water-related activities. The proposed project is not located on the coast and no significant conflicts with other uses that are economically or physically dependent on a coastal location are expected to occur due to the nature of the proposed program.</p> <p>c) The DCOM defers to the United States COE to interpret compliance with the referenced standards.</p>
<p>11 AAC 112.210. Natural hazard areas</p> <p>Evaluation: No comments were received from the district or from State or Federal agencies specifically addressing Union Oil's proposed project's consistency or non-consistency with this Statewide Standard of the Alaska Coastal Management Program. No natural hazard areas have been designated within the project area.</p>
<p>11 AAC 112.220. Coastal access</p> <p>Evaluation: The proposed activity will use existing infrastructure for access to the work area and will not alter public access to, from or along the coast.</p>
<p>11 AAC 112.230. Energy facilities</p> <p>Evaluation: (a) (1) The proposed project's location is within existing oil field infrastructure and is compatible with ongoing uses. Activities in this area will be coordinated to avoid environmental and social effects, while satisfying industrial requirements;</p> <p>(2) The proposed project will be compatible with existing and subsequent adjacent uses and projected needs as it is located in an industrial area;</p> <p>(3) The project will make use of existing facilities rather than establish new pads. Project access will be via existing infrastructure;</p> <p>(4) The area is closed to public access and uses; therefore, this standard is not applicable;</p> <p>(5) As required, Union Oil has cooperated with the State of Alaska, Division of Fish and Game and Division of Oil and Gas;</p>

- (6) The current location has enough acreage for the proposed project;
- (7) The proposed project will make use of existing infrastructure;
- (8) The proposed project will be located on land. Marine vessels will not be used for the proposed project; therefore, this standard is not applicable;
- (9) The proposed project is located on land and marine vessels will not be used for the proposed project; the proposed project is located within existing infrastructure and will not increase traffic in population centers;
- (10) The proposed project is sited on existing infrastructure which will require minimal site clearing—if any; there will be no dredging and no construction in a productive habitat;
- (11) The proposed project is not sited within or near shipping routes, nor includes the use of marine vessels;
- (12) The free passage and movement of fish and wildlife impacts will not be affected as the proposed project’s location will be at existing infrastructure. The areas of expansion are all in an industrial area with high heavy equipment traffic and numerous gravel structures and roads;
- (13). The project will be sited on existing infrastructure; therefore, this standard is not applicable;
- (14) The project will be sited in an industrial area which will reduce potential impacts to biological resources. Effluent will be controlled and contained in accordance with the original Plan of Operation;
- (15) The proposed project will not affect airborne emissions;
- (16) The proposed project is located on land; therefore this standard is not applicable;
- (b) The proposed project does not qualify as a use of state concern under this standard.

11 AAC 112.240. Utility routes and facilities

Evaluation: (a) The proposed project is located inland from beaches and shorelines; therefore, this standard is not applicable.
 (b)The proposed project’s activities will be conducted within and immediately adjacent to an existing utility route and facility for the purpose of avoiding and minimizing alterations to surface and ground water patterns, disrupting known or foreseeable wildlife transit and blocking existing or traditional access.

11 AAC 112.250. Timber harvest and processing

Evaluation: The proposed project does not involve timber harvest and/or processing; therefore, this standard is not applicable.

11 AAC 112.260. Sand and gravel extraction

Evaluation: The proposed project does not involve the extraction of sand and gravel from coastal waters, intertidal areas, barrier islands and spits; therefore, this standard is not applicable.

11 AAC 112.270. Subsistence

Evaluation: There are no ADNR or District-designated *subsistence-use-areas* within or adjacent to the proposed project area (i.e. within the region covered by Union Oil’s Ivan River Unit). The ADNR may, after consultation with the appropriate district, federally recognized Indian tribes, Native Corporations, and other appropriate persons or groups, designate areas in which a subsistence use is an important use of coastal resources as demonstrated by local usage. ADNR may designate such subsistence use areas within the context of a consistency review under 11 AAC 110, however, a proposal to list the project area as a subsistence-use area was not received during the course of this review.

11 AAC 112.280. Transportation routes and facilities

Evaluation: 1) The proposed project will be located within an area that was developed for and used by industry. The project will be located on existing gravel pads, accessed using existing gravel roads and will not alter surface and groundwater drainage patters.

11 AAC 112.300. Habitats

Evaluation: a) The proposed Ivan River Unit (IRU) modification project is located within: (9) important habitat—the Susitna Flats State Game Refuge (SFSGR). The project involves the conversion of the IRU 44-36 well to a gas storage well, the installation of compression equipment, and the upgrade of production facilities to support the gas storage facility on the Ivan River Pad. One large or two small compression modules will be installed. To minimize disturbance within the SFSGR, the applicant’s proposal includes equipping the new compressor module(s) with critical-grade mufflers and placing compression equipment inside modules to reduce noise. Additionally, catalytic converters will be installed on two existing compressors and the new permanent compression equipment to control emissions. The project site will be on an existing gravel pad accessed by existing gravel roads. All work will start late June 2011 and conclude prior to fall migration to avoid impacts to sensitive bird species within the SFSGR.

11 AAC 112.310. Air, land, and water quality.

Evaluation: Notwithstanding any other provision of this chapter, the statutes and regulations of the Department of Environmental Conservation with respect to the protection of air, land, and water quality identified in AS 46.40.040(b) are incorporated into the program and, as administered by that department, constitute the exclusive components of the program with respect to those purposes. (Eff. 7/1/2004, Register 170)

11 AAC 112.320. Historic, prehistoric, and archeological resources.

Evaluation: Comments from the district and the State did not identify the proposed project location as an area which is important to the study, understanding, or illustration of national, state, or local history or prehistory. The applicant has been advised to contact DNR/SHPO and the U.S. Army Corps of Engineers and the Alaska State Troopers should a site of cultural or historical significance be suspected or revealed and to stop any work that would disturb any resources.

AFFECTED COASTAL RESOURCE DISTRICT ENFORCEABLE POLICIES**Applicability**

All of the lands and waters within the existing Matanuska-Susitna Borough (MSB) coastal zone are included in the Designated Recreational Use Area. Federal lands within the coastal zone, and the Point Mackenzie AMSA are excluded from the designation.

The state standards for coastal development and coastal access are, by definition, limited to marine coastal water, consequently, neither standard is applicable to rivers, streams, and lakes in the MSB coastal zone. Recreation, Development and Access (RDA) policies derive their authority from the recreational use designation and are therefore applicable throughout the MSB coastal zone (including rivers, lakes and streams).

Shoreline Development Requirements

RDA-1 Within the designated recreational use area, projects that involve dredging or filling in the shall be located, designed, constructed, operated, and maintained to:

- (1) avoid significant adverse impacts to the physical, biological, and cultural features, described in section 5.9 of the MSB Coastal Development Plan, upon which the recreation resource depends; and
- (2) limit the extent of direct disturbance to the minimum area necessary to accommodate the proposed purpose or use.

Explanation: Not Applicable.

Waterbody Setback Requirements

RDA-2 Within the designated recreational use area, as described in section 6.3 of the MSB Coastal

Development Plan, proposed uses and activities within 75 feet of the ordinary high water (OHW) line of rivers, streams, and lakes within shall protect the physical, biological, and cultural features upon which the recreation resource depends.

Evaluation: This district standard is not applicable.

RDA-3 Within the designated recreational use area, as described in section 6.3 of the MSB Coastal Development Plan, water-dependent structures such as docks, piers, marinas, floatplane hangars, or boathouses, and access to such structures, are allowable within 75 feet of OHW, provided they are constructed and used in a way that minimizes adverse impacts to the recreational uses.

Evaluation: This district standard is not applicable.

RDA-4 Within the designated recreational use area, as described in section 6.3 of the MSB Coastal Development Plan, other uses and activities within 75 feet of OHW are also allowable if the proposed development will have no significant adverse impact to designated recreational use.

Evaluation: Not applicable.

RDA-5 Within the designated recreational use area, as described in section 6.3 of the MSB Coastal Development Plan, natural or vegetative buffers shall be required for commercial and industrial developments within the 75-foot setback from OHW to protect the recreational character of the waterbody. Requirements for the size and extent of buffers shall be determined on a case-by-case basis and shall be commensurate with the reasonably foreseeable impacts of the development on recreational uses and activities.

Evaluation: Not applicable.

In-water Development Requirements

RDA-6 Uses and activities on rivers, streams, lakes, and coastal waters within the designated recreational use area, as described in section 6.3, shall meet the following requirements:

- A. In-water structures and buoys shall be visibly marked and placed in a manner to minimize navigation hazards or obstructions to other uses; and
- B. To the extent practicable, all developments, structures, and facilities in waterbodies shall be sited, constructed, operated, and maintained in a manner that does not create a hazard or obstruction to other uses.

Evaluation: Not Applicable.

Access Requirements

RDA-7 Within the designated recreational use area, as described in section 6.3 of the MSB Coastal Development Plan, new subdivisions shall increase public access to and from the shoreline.

Explanation: Not Applicable