

# STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION  
DIVISION OF SPILL PREVENTION AND RESPONSE  
INDUSTRY PREPAREDNESS PROGRAM  
Exploration Production & Refineries

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May 16, 2005

File No.: 305.30 (Aurora)

## OIL DISCHARGE PREVENTION AND CONTINGENCY PLAN APPROVAL

Mr. J. Edward Jones  
Aurora Gas, LLC  
1400 Benson, Suite 410  
Anchorage, AK 99503

**Re: Plan Approval for Oil Discharge Prevention and Contingency Plan for Aurora Gas Cook Inlet Area Operations: ADEC plan number 044-CP-5111**

Dear Mr. Jones:

The Alaska Department of Environmental Conservation (Department) has completed our review of the Aurora Gas, LLC (Aurora) Oil Discharge and Contingency Plan dated November 2004 with revisions through March 12, 2005, for consistency with AS 46.04 and 18 AAC 75. Based on our review, the Department has determined that your plan is consistent with the applicable requirements of the referenced statute/regulation and is hereby approved.

This approval applies to the following Oil Discharge Prevention and Contingency Plan (plan):

Plan Title: **Aurora Gas, LLC Oil Discharge Prevention and Contingency Plan, November 2004.**

Supporting Documents: **CISPRI Technical Manual**

Plan Holder: **Aurora Gas, LLC  
1400 Benson, Suite 410  
Anchorage, AK 99503**

Covered Facilities: **Exploration Operations for up to six new locations (Aspen Deep, Three Mile Creek Deep, Congahbuna Lake, Nicolai Footwall, Forest Lake and Aluminum Prospects) with a total of 12 oil and gas wells with surface locations located on private lands within the boundaries of the Kenai Peninsula Borough on the East and West side of Cook Inlet.**

**PLAN APPROVAL:** The referenced plan is proposed for year around exploration drilling on the East and West side of Cook Inlet on private lands within the boundaries of the Kenai Peninsula Borough. The Department has determined that the referenced plan satisfies

minimum planning standards and other requirements established under applicable statutes and regulations. Approval of the referenced plan is hereby granted, **effective May 16, 2005.**

A certificate of approval stating that the Department has approved the contingency plan is enclosed.

*This approval is subject to the following terms and conditions:*

**1. Notice of Changed Relationship with Response Contractor.**

Because the plan relies on the use of response contractor(s) for its implementation, the plan holder must immediately notify the Department in writing of any change in the contractual relationship with the plan holder's response contractor(s), and of any event including but not limited to any breach by either party to the response contract that may excuse a response contractor from performing, that indicates a response contractor may fail or refuse to perform, or that may otherwise affect the response, prevention, or preparedness capabilities described in the approved plan.

*This condition is reasonably necessary because there are certain risks associated with allowing a plan holder to rely in part or total upon a response contractor instead of obtaining its own response capability. The risks arise, in part, because the certainty of the contractor's response is dependent upon the continuation of the legal relationship between it and the plan holder. Given this risk, the Department must be promptly informed of any change of the contractual relationship between the plan holder and the response contractor, and of any other event that may arguably excuse the response contractor from performing or that would otherwise affect the response, prevention, or preparedness capabilities described in the approved plan. The Department may seek appropriate modifications to the plan or take other steps to ensure that the plan holder has continuous access to sufficient resources to protect the environment and to contain, cleanup, and mitigate potential oil spills.*

**2. Documentation Required Prior to Initiation of Operations.**

a. Proof of Oil Spill Primary Response Action Contractors. The planholder must submit to the Department fully executed statements of contractual terms with the attestations required by 18 AAC 75.445(i)(1) with the following registered primary response action contractors (RACs): Cook Inlet Spill Prevention and Response, Inc. (CISPRI), to provide response resources as identified in the plan; The O'Brien's Group, to provide primary support for staffing the incident command system as identified in the plan.

The planholder will submit these fully executed statements of contractual terms to the Department prior to undertaking drilling or fuel transfer operations at any of the project locations. The actual contracts are not required to be part of the contingency plan document. The Statement of Contractual Terms form can be found on the Department's website ([www.state.ak.us/dec](http://www.state.ak.us/dec)).

*This condition is reasonable and necessary to meet the requirements of AS 46.04.030(e), 18 AAC 75.425(e)(ii) and 18 AAC 75.445(i).*

- b. A copy of the Blowout Contingency Plan (BCP) does not have to be submitted as a part of this contingency plan but must be made available to the Department for inspection upon request under 18 AAC 75.480.
- c. All phone numbers for the drilling rigs must be kept current for each location where drilling or fuel transfer operations are performed as described in 18 AAC 75.415 (b).

*These conditions are reasonable and necessary to provide compliance with 18 AAC 75. The Department will review the blowout contingency plan required in 18 AAC 75.480 when performing site inspections. Phone numbers are subject to change when exploration drilling rigs are moved from one location to another and must be kept current as required in 18 AAC 75.415 (b).*

### **3. Oil Storage Tanks.**

If Aurora is going to undertake well flow-testing, an amendment must be submitted to the Department to address storage tank issues if a tank with a greater than 10,000-gallon capacity will be used. The amendment must include a description of the oil storage containers greater than 10,000 gallons that will be used in conjunction with drilling operations for each drilling location. The description must include a tank identification number, capacity, construction date, specifications, application, and date and type of the last API 653 inspection, and any other information as required by 18 AAC 75.425(e)(2)(E) and 18 AAC 75.425(e)(3)(A)(i) and (ii). The tanks must be placed on the pad and an updated pad layout drawing reflecting the location of the tanks must be submitted to the Department. This information must be submitted prior to well testing. In addition, a "Flow Test Tank Scenario" must be included with the amendment.

*This condition is reasonable and necessary so that in the event of well flow-testing, a plan amendment that reflects specific details of the tanks is in place to guide proper response actions. A scenario is needed to address the requirements of 18 AAC 75.425(e)(1)(F) and 18 AAC 75.434.*

### **4. Aurora Pad Orientation ( layout)**

Aurora must provide "as-built" type drawings for each proposed pad orientation to true-north, with the oil blow-out plume (spill trajectory) superimposed, relative to the location of the drill rig, crew quarters (if on-site), fuel storage tank(s), testing tanks, road access (contingency), any pre-staged spill response equipment, and potential berming and collection areas for free oil recovery.

*This condition is reasonable and necessary to ensure site specific details of the facility layout/orientation is available to guide responders in an emergency event or discharge of any size for compliance with AS 46.04.030(e) and 18 AAC 75.425(e)(1).*

### **5. Departmental Site Surveys**

Due to the number of environmentally sensitive considerations identified at the proposed drilling locations, the Department must perform a site visit to each location prior to beginning exploration and/or fuel transfer operations. The Department has verbally requested that the

proposed RAC accompany our representatives on the site surveys to validate proposed site response equipment inventories.

*This condition is reasonable and necessary to ensure site specific response equipment will be sufficient for the terrain and environmental considerations at each location. Based on the survey results, the Department may seek appropriate modifications to the plan or take other steps to ensure that the plan holder has continuous access to sufficient resources to protect the environment and to contain, cleanup, and mitigate potential oil spills as outlined in AS 46.04.030 and 18 AAC 75.480.*

#### **6. Actual Flow Rate and Response Planning Standard.**

Once the flow rate of an exploration well has been tested, if that flow rate exceeds 5,500 barrels per day, Aurora must submit a plan amendment addressing the increased response planning standard (RPS) volume within 30 days of the flow test.

*This condition is reasonable and necessary to ensure the plan holder's ability to respond to a larger volume discharge than was originally planned for. The actual flow rate of a well cannot be determined until the well is tested. The RPS initially set at 5,500 barrels per day in this plan and in 18 AAC 75.434(b) is a realistic maximum oil discharge volume; however, if a higher flow is encountered, an amendment must be submitted in accordance with 18 AAC 75.434(d).*

**EXPIRATION:** This approval **expires May 16, 2010**. After the approval expires, Alaska law prohibits operation of these facilities until an approved plan is once again in effect.

**RENEWAL:** To renew this approval, the plan holder must submit a completed renewal application and plan to the Department no later than 180 days prior to the expiration of this approval. This is to ensure that the submitted plan is approved before the current plan in effect expires. [18 AAC 75.420]

**AMENDMENT:** Before any change to this plan may take effect, the plan holder must submit an Application for Amendment to the plan with any additional information needed to evaluate the proposed amendment. This is to ensure that changes to the plan do not diminish the plan holder's ability to respond to a discharge and to evaluate any additional environmental considerations that may need to be taken into account. [18 AAC 75.415]

**REVOCAION, SUSPENSION, OR MODIFICATION:** This approval is effective only while the plan holder is in "compliance with the plan" and with all of the terms and conditions described above. The Department may, after notice and opportunity for a hearing, revoke, suspend, or require the modification of an approved plan if the plan holder is not in compliance with it, or for any other reason stated in AS 46.04.030(f). In addition, Alaska law provides that a vessel or facility that is not in "compliance with the plan" may not operate (AS 46.04.030). The Department may terminate approval prior to the expiration date if deficiencies are identified that would adversely affect spill prevention, response or preparedness capabilities.

**DUTY TO RESPOND:** Notwithstanding any other provisions or requirements of this contingency plan, a person causing or permitting the discharge of oil is required by law to immediately contain and cleanup the discharge regardless of the adequacy or inadequacy of a contingency plan (AS 46.04.020).

**NOTIFICATION OF NON-READINESS:** Within **twenty-four (24) hours** after any significant response equipment specified in the plan becomes non-operational or is removed from its designated storage location, the plan holder must notify the Department in writing and provide a schedule for the equipment's substitution, repair, or return to service (18 AAC 75.475(b)).

**CIVIL AND CRIMINAL SANCTIONS:** Failure to comply with the plan may subject the plan holder to civil liability for damages and to civil and criminal penalties. Civil and criminal sanctions may also be imposed for any violation of AS 46.04, any regulation issued thereunder, or any violation of a lawful order of the Department.

**INSPECTIONS, DRILLS, RIGHTS TO ACCESS AND VERIFICATION OF EQUIPMENT, SUPPLIES AND PERSONNEL:** The Department has the right to verify the ability of the plan holder to carry out the provisions of its contingency plan and access to inventories of equipment, supplies and personnel through such means as inspections and discharge exercises, without prior notice to the plan holder. The Department has the right to enter and inspect the covered vessel or facility in a safe manner at any reasonable time for these purposes and to otherwise ensure compliance with the plan and the terms and conditions (AS 46.04.030(e) and AS 46.04.060). The plan holder shall conduct exercises for the purpose of testing the adequacy of the contingency plan and its implementation (18 AAC 75.480 and 485).

**FAILURE TO PERFORM:** In granting approval of the plan, the Department has determined that the plan, as represented to it by the applicant in the plan and application for approval, satisfies the minimum planning standards and other requirements established by applicable statutes and regulations, taking as true all information provided by the applicant. The Department does not warrant to the applicant, the plan holder, or any other person or entity: (1) the accuracy or validity of the information or assurances relied upon; (2) that the plan is or will be implemented; or (3) that even full compliance and implementation with the plan will result in complete containment, control, or clean-up of any given oil spill, including a spill specifically described in the planning standards. The plan holder is encouraged to take any additional precautions and obtain any additional response capability it deems appropriate to further guard against the risk of oil spills and to enhance its ability to comply with its duty under AS 46.04.020(a) to immediately contain and clean up an oil discharge.

**COMPLIANCE WITH APPLICABLE LAWS:** If amendments to the approved plan are necessary to meet the requirements of any new laws or regulations, the plan holder must submit an application for amendment to the Department at the above address. The plan holder must adhere to all applicable state statutes and regulations as they may be amended from time to time. This approval does not relieve the plan holder of the responsibility for securing other federal, state or local approvals or permits, and that the plan holder is still required to comply with all other applicable laws.

**INFORMAL REVIEW or ADJUDICATORY HEARING:** Any person who disagrees with this decision may request an adjudicatory hearing in accordance with 18 AAC 15.195- 18 AAC 15.340 or an informal review by the Division Director in accordance with 18 AAC 15.185.

**Informal review requests** must be delivered to the Division Director, 410 Willoughby Avenue, Suite 303, Juneau, Alaska 99801, within 15 days of the permit decision. **Adjudicatory hearing requests** must be delivered to the Commissioner of the Department of Environmental

Mr. J. Edward Jones  
Aurora Gas, LLC

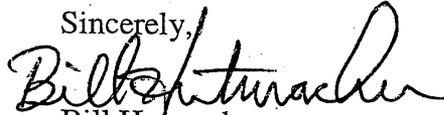
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Conservation, 410 Willoughby Avenue, Suite 303, Juneau, Alaska 99801, within 30 days of the permit decision. If a hearing is not requested within 30 days, the right to appeal is waived. Anyone who submits a request for an informal review or an adjudicatory hearing should also send a copy of the request to the undersigned.

If you have any questions, please contact Gary Evans at 269-7536 or Lydia Miner at 269-7680.

Sincerely,



Bill Hutmacher  
Program Manager

Encl.: Summary of Basis for Decision  
Certificate of Approval, Number 05-CER-4636

cc w/o Certificate:

Lydia Miner, ADEC, Section Manager  
Gary Evans, ADEC  
Chris Pace, ADEC  
Mac McLean, ADNR, Habitat Division  
Sam Means, ADNR  
Rex Okakok, North Slope Borough  
Ed Meggert, ADEC PERP  
Kathleen Sheehan-Dugan, ADNR OPMP  
Christy Bohl, MMS, Anchorage  
Carl Lautenberger, USEPA, Anchorage  
Capt. Ron Morris, USCG, Anchorage MSO  
Bob Britch, Northern Consulting

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ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
DIVISION OF SPILL PREVENTION AND RESPONSE  
INDUSTRY PREPAREDNESS PROGRAM

AURORA GAS, LLC  
COOK INLET AREA OPERATIONS  
OIL DISCHARGE PREVENTION AND CONTINGENCY PLAN

Summary of Basis for Department Decision  
Approving New Plan Application  
May 16, 2005

Pursuant to 18 AAC 75.460(b)(1), the following is a summary of the basis for the Department's decision to approve the new plan application referenced above, dated November 15, 2004, including referenced portions of the Cook Inlet Spill Prevention and Response, Inc. (CISPRI) Technical Manual, subsequent application revisions and additional information submitted by the applicant. A public comment period on the proposed plan was noticed on December 17, 2004 with notice given directly to the Kenai Peninsula Borough, the Alaska Departments of Natural Resources and Fish & Game, published in the Homer News, Kenai Peninsula Clarion, and the Anchorage Daily News. A copy of the public review announcement was sent to the Post Master at Tyonek, Homer, Kenai, Nikiski, and Soldotna. The initial public comment period ended January 17, 2005, and the final public comment period ended April 1, 2005. Comments and requests for additional information were received from the Cook Inlet Regional Citizens Advisory Council (CIRCAC), in Kenai.

This document discusses issues raised and comments submitted during the Department's review of the Aurora Exploration Contingency Plan Application. Comments/Issues are paraphrased in bold and the Department's response follows each bold section heading.

**(1.) 1.2 Reporting and Notification: Commentors were concerned that the plan indicates a heavy reliance on O'Brien's Group personnel but does not list the number and qualifications of personnel. There is a concern whether sufficient qualified personnel will be provided to manage the initial response until personnel arrive within the first 24 hours as most of the O'Brien's personnel live out of state.**

Table 1.2-1 was revised to provide specific O'Brien's personnel for key ICS positions and states the primary positions and the alternate Incident Commander personnel will be located within Alaska. The Department finds that Section 3.9 of the plan indicates sufficient levels of training for assigned drill site workers and the CISPRI contractor spill response on-site person to handle initial spill response.

**(2.) 1.4 Communications/Phone Numbers: Commentors were concerned that the guidelines for distinguishing the difference between types of spills (minor, moderate, major) are not discussed.**

The Department believes the plan adequately describes the difference in the types of spills in the response scenarios. Communication concerns are due to the nature of exploration operations,

where telephone accounts for drilling rigs are not opened until all permits are in place and the project is just beginning. To require phone numbers prior to setting up is not consistent with typical business practice. Phone numbers and other contact information of this nature are adequately addressed through a Condition of Approval (CoA), which is consistent with other approved exploration plans. Until the CoA is satisfied, the applicant will not be able commence operations.

**(3.) 1.6.3 Blowout Control, 1.6.13.2 Scenario 2 Major Tank Rupture, 1.6.16 Scenario 4, and 3.3 Command System ICS: Commentors were concerned that the decision on how the ICS system would be configured (including establishment of a Unified Command) to manage a blowout should not be solely Aurora's decision as indicated in section 1.6-4.**

Aurora clarified this statement to the Department during our meeting regarding the RFAI comments in February. While Aurora does in fact maintain the ultimate decision to implement the Unified Command System they acknowledge that they must comply with 18 AAC 75.425(e)(3)(C), Command system requirements. Additionally, the plan indicates that key O'Brien's personnel assigned to primary positions in the ICS will be located within Alaska. As outlined in 18 AAC 75.445(i)(1)(e) and (f), the Department reserves the right to conduct a discharge exercise to ensure planholders are operating under the parameters of their approved plan, to include personnel commitments.

**(4.) 1.6.5 and 3.10 Protection of Sensitive Areas: Commentors were concerned that the plan does not provide enough detail to determine whether sufficient oil discharge response equipment, personnel, and other resources are maintained to protect environmentally sensitive areas.**

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The Department has imposed a CoA for Department site surveys to ensure that the plan holder has sufficient resources to protect environmentally sensitive areas, to contain, clean up, and mitigate potential oil discharges from the facility, and to ensure that the applicant complies with the plan.

**(5.) 1.6.6 Containment and Control Strategies, 1.6.8 Damaged Tank Transfer and Storage, 1.6.12 Shoreline Cleanup Plan and 3.6 Response Equipment: Commentors were concerned that the plan does not adequately describe methods for response during adverse weather or give type and number of pumps available for product transfer operations.**

As stated above, a site visit to assess on site response equipment with the RAC will be made to determine final onsite response equipment prior to operations. The planholder has amended the plan to provide pump type and rates that will be on location. The referenced CISPRI Technical Manual provides adequate shoreline cleanup plans.

**(6.) 1.6.11 Wildlife Protection: Commentors were concerned that the plan does not adequately focus on wildlife protection, recovery, disposal, rehabilitation, and release as primary wildlife response measures.**

The Department has reviewed the CISPRI Technical Manual which was submitted as a supporting document, and determined that the area is adequately covered.

**(7.) 1.6.13.3 Scenario 3 – Well Blowout During Winter: Commentors were concerned that the scenario does not adequately describe how the referenced response actions and methods are used for where and when the actions take place. The timeline provided is too broad and does not provide descriptions of containment and recovery sites and jumps ahead too quickly.**

A response scenario must be written as a usable general guide as outlined in the reference stated above. The planholder has added a clean up tactic (Response Technique R-10 Tree Removal and Chipping) that addresses the clean up of oil to be recovered outside the 300 meter area of impact. The Department has determined the timeline provided for oil recovery operations sufficiently covers the first 5 days of recovery operations where the most critical response period would be. Long term clean up operations does not need to be described in greater detail.

**(8) 1.7 Non-Mechanical Response Options, 1.7.2 Blowout Ignition and 1.7.3 Incineration of oily waste and 3.7 Non-Mechanical Response Equipment: Commentors were concerned that in-situ burning and dispersant use are not discussed adequately and well ignition in section 1.7.2 does not describe permits required to carry out well ignition.**

Non-mechanical response options and permitting are discussed in Volume III of the CISPRI Technical Manual which is a reference document for this plan. The Department has addressed this issue of voluntary ignition with Aurora in our February 4, 2005 RFAI letter. Aurora has been given written notification they must comply with 18 AAC 75.434(g) should they consider a situation and decision of this type. Incineration of oily waste may occur as approved (case by case basis) by ADEC. Dispersants would not be used in an on-shore operation and response.

**(9) 2.2 Discharge History: Commentors were concerned that no corrective actions were given for previous spills.**

This is a proposed plan with no operations taking place to date. Aurora listed spill information from their other Cook Inlet operations as information only. The Department will not require Aurora Gas to update table 2.2-1 because it does not address spills at this facility; however, any spills greater than 55 gallons must be recorded in accordance with 18 AAC 75.425(e)(2)(B).

**(10) 3.1 General Facility Description and Operational Overview, 3.1.3 Oil Storage Tank Information, and 3.1.4 Well Testing: Commentors were concerned that the well test tank is not discussed in the general facility description.**

Flow-testing tanks are described in Section 2.1.8 and Section 3.1 contains information on all tanks that may be located on a site. The applicant has been made aware of the amendment

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application requirements of this regulation and a CoA addressing flow test tanks has been included as part of the plan approval. If the plan holder amends the plan for flow testing, the amendment must include a scenario for a test tank rupture. The plan holder will also be required to comply with the inspection requirements of 18 AAC 75.065(a) for oil storage tanks over 10,000 gallons and for transfer procedures. Regarding the Plan Review and Update Procedures, the applicant has been informed of the necessary amendment application process to meet the requirements of 18 AAC 75.415, which they will be expected to comply with.

**(11) 3.6 Response Contractor Information: Commentors were concerned that the two statements of Contractual Terms are not signed and dated.**

The Department has addressed this issue in a CoA.

**(12) 3.9 Training: Commentors were concerned that a specific training program has not been addressed for firefighting, toxic gases and explosion meters, and ICS first responders**

Section 3.9 reflects the levels of training on site personnel are required to maintain as required in 18 AAC 75.007(d). On site CISPRI contractor personnel will be trained to maintain and operate spill response equipment and conduct initial spill response actions. The Department reserves the right to perform training record audits as part of the inspection/drill process.

**Final Comment (no number). Financial Responsibility (FR) not provided – needs to be provided prior beginning operations at drilling location.**

18 AAC 75.205(b)(2) requires the “application (for financial responsibility) must be submitted to the Department at least 30 days, but no earlier than 90 days before operations are proposed to begin.” This requirement has been discussed with Aurora consultant Bob Britch.