



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of
Environmental Conservation**

DIVISION OF SPILL PREVENTION AND RESPONSE
Prevention, Preparedness and Response Program

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Facility #: 2086, 5174, 5218, 5237 & 6030

January 13, 2017

**OIL DISCHARGE PREVENTION AND
CONTINGENCY PLAN APPROVAL**

Mr. Conrad Perry
Cook Inlet Energy, LLC
601 W 5th Ave., Suite 310
Anchorage, AK 99501

Subject: **Cook Inlet Energy, LLC Oil Discharge Prevention and Contingency Plan for Cook Inlet Area Production Operations, ADEC Plan #: 12-CP-2016; Plan Approval.**

Dear Mr. Perry:

The Alaska Department of Environmental Conservation (department) has completed its review of the major plan amendment application package for the Cook Inlet Energy, LLC Oil Discharge Prevention and Contingency Plan for Cook Inlet Area Production Operations (plan) that was received on April 11, 2016. The department coordinated the State of Alaska's public review for compliance with 18 AAC 75, using the review procedures outlined in 18 AAC 75.455. Based on our review, the department has determined that your plan is consistent with the applicable requirements of the referenced regulations and is hereby approved.

This approval applies to the following plan:

Plan Title: **Cook Inlet Energy, LLC Oil Discharge Prevention and Contingency Plan for Cook Inlet Area Production Operations**

Documents: **Cook Inlet Spill Prevention and Response, Inc. Technical Manual, as revised and updated**

Plan Holder: **Cook Inlet Energy, LLC, Anchorage, Alaska**

Covered Facilities: **Crude oil production, exploration and terminal operations and crude oil transmission pipeline (COTP) operations in the West Forelands/Trading Bay area of Cook Inlet including: onshore crude oil production and terminal operations at the West McArthur River Production Facility (WMR-PF), and the Kustatan Production Facility (KPF); offshore production operations on the Osprey Platform; offshore exploration (Sabre Exploration), using**

a jack-up rig in Trading Bay; COTP operations including an eight inch diameter, 2.6 mile lone pipeline between WMR-PF and Cook Inlet Pipe Line COTP tie-in location at Hilcorp Alaska, LLC's Trading Bay Production Facility, and a four inch diameter, 4.8 mile long pipeline between WMR-PF and KPF.

PLAN APPROVAL: The approval for the referenced plan is hereby granted **effective January 13, 2017**. A Certificate of Approval stating that the department has approved the plan is enclosed.

EXPIRATION: This approval **expires August 5, 2017**. Following expiration, Alaska law prohibits operation of the facility until an approved plan is once again in effect.

CONDITION(S) OF APPROVAL: The approval is subject to the following 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 reasonable and 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. **BLOWOUT CONTINGENCY PLAN:** A copy of the Blowout Contingency Plan (BCP) must be maintained at all drill sites and will be made available to the department upon request.

This condition is reasonable and necessary to ensure that the plan holder is prepared to control a potential well blowout. The department will review the blowout contingency plan when performing site inspections and/or in Anchorage CIE offices. 18 AAC 75.425(e)(1)(I), 18 AAC 75.445(d)(2), and 18 AAC 75.480.

3. **PLAN AMENDMENTS FOR ADDITIONAL EXPLORATION DRILL SITES:** If the planholder proposes drilling at additional drill sites, an application for amendment approval must be submitted for the department's review in accordance with 18 AAC 75.415 prior to commencing drilling activities.

This condition is reasonable and necessary to ensure compliance with 18 AAC 75 Article 4 and the approved plan.

4. **MARINE WARRANTY SURVEYOR LOCATION AND TOWAGE CERTIFICATES OF APPROVAL:** The planholder must submit the referenced certificates once received and prior to commencing offshore drilling activities utilizing a jack-up rig.

This condition is reasonable and necessary to ensure that inspection requirements of 18 AAC 75.045(b) are met.

5. **SEASONAL DRILLING RESTRICTIONS:** To reduce the risk of an oil discharge and to ensure the effectiveness of planned spill response methods prior to periods when the planned response methods are rendered ineffective by environmental limitations, jackup rig drilling operations must be completed by October 31st of each drilling season that the plan approval is in effect. Drilling operations, as defined in 20 AAC 25.990(23), includes active drilling, setting and cementing casing, and other activities ancillary to formation testing. As part of this seasonal drilling restriction, formation testing must also be completed by October 31st. Drilling may not commence until April 15th of each drilling season.

This condition is reasonable and necessary to reduce the risk of an oil discharge by using specific temporary measures during periods when planned spill response methods are rendered ineffective by environmental limitations, in accordance with 18 AAC 75.445(f). The plan accounts for an 18-day response time, which includes both source control and cleanup. The drilling end date allows a grace period between the completion of cleanup and the anticipated appearance of first significant ice. First appearance of ice has been documented as November 24th in an 18-year study cited in National Oceanic and Atmospheric Administration [NOAA] HAZMAT Report 2003-01. The U.S. Army Corps of Engineers (USACE) 2001 Marine Ice Atlas for Cook Inlet, referenced in the CISPRI Technical Manual, indicates significant ice may not appear in the area of the plan holder's drill sites until mid-December. April 15th as a start date is consistent with a documented average ice-free date of April 8th, also shown in the NOAA report.

TERMS: The approval is subject to the following terms:

1. **PROOF OF FINANCIAL RESPONSIBILITY:** The plan holder has provided the department with proof of financial responsibility per the requirements of AS.46.04.040 and 18 AAC 75.205 – 18 AAC 75.290. Proof of financial responsibility for Sabre Exploration drilling must be provided to the department prior to initiating exploration activities.
2. **PUBLICATION OF PLAN:** The plan holder shall provide copies of the approved plan to the parties and in the format indicated in the enclosed distribution list in accordance with 18 AAC 75.408(c) not later than 30 days of this approval.
3. **AMENDMENT:** Except for routine updates under 18 AAC 75.415(b), an application for approval of an amendment must be submitted by the plan holder and approved by the department before a change to this plan may take effect. 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).

4. **RENEWAL:** To renew this plan, the plan holder must submit an application package 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).
5. **REVOCATION, SUSPENSION OR MODIFICATION:** This approval is effective only while the plan holder is in compliance with the plan as defined in AS 46.04.030(r) and with all of the terms and conditions described above. The department may, after notice and opportunity for a hearing, revoke, suspend, or require modification of the approved plan if the plan holder is not in compliance with the plan 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 a 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.
6. **DUTY TO RESPOND:** Notwithstanding any other provisions or requirements of this plan, a person causing or permitting the discharge of oil is required by law to immediately control, contain, and cleanup the discharge regardless of the adequacy or inadequacy of the plan (AS 46.04.020).
7. **NOTIFICATION OF NON-READINESS:** The plan holder must notify the department in writing, within 24 hours, after any significant response equipment as specified in the plan is removed from its designated storage location or becomes non-operational. This notification must provide a schedule for equipment substitution, repair, or return to service as described in 18 AAC 75.475(b).
8. **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.
9. **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 this plan and to access 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 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 plan and its implementation (18 AAC 75.480 and 485).
10. **FAILURE TO PERFORM:** In granting approval of the plan, the department has determined that the plan, as represented to the department by the applicant in the application package 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.

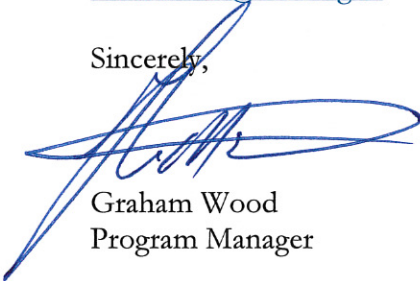
11. **COMPLIANCE WITH APPLICABLE LAWS:** The plan holder must adhere to all applicable state statutes and regulations as they may be amended from time to time. This approval does not relieve the plan holder of the responsibility to secure other federal, state, or local approvals or permits or to comply with all other applicable laws.
12. **INFORMAL REVIEWS AND ADJUDICATORY HEARINGS:** If aggrieved by the department's decision, the applicant or any person who submitted comments on the application not later than the close of the public comment period set out under 18 AAC 75.455 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 Director, Spill Prevention and Response, 555 Cordova Street, Anchorage, Alaska 99501, within 15 days of the plan approval. A request for informal review is not required prior to making a request for adjudicatory hearing. A copy of the request should be sent to the undersigned.

Adjudicatory hearing requests must be delivered to the Commissioner, Department of Environmental Conservation, 410 Willoughby Avenue, Suite 303, Juneau, Alaska 99801, within 30 days of the plan approval. If a hearing is not requested within 30 days, the right to appeal is waived. A copy of a hearing request must be served on the undersigned and the permit applicant as required by 18 AAC 15.200(c). A copy of the request must also be provided to the department in an electronic format, unless the department waives this requirement because the requestor lacks a readily accessible means or the capability to provide the items in an electronic format.

If you have any questions regarding this process, please contact Mike Evans at (907) 269-7541 or mike.evans@alaska.gov.

Sincerely,



Graham Wood
Program Manager

Enclosures: Certificate of Approval, Number: 12CER-050.1
Summary of Basis for Decision
Approved Plan Distribution List

cc with enclosures: Young Ha, ADEC
Geoff Merrell, ADEC
Alyssa Murphy, ADEC
C-plan Reviewer, ADNDR
Jeanette Alas, ADFG
Bob Whittier, USEPA

cc (cont'd):
USCG Sector Anchorage
USCG Sector – Homer Detachment
Lori Verbrugge, USFWS
Sadie Wright, NMFS
Vinnie Catalano, CIRCAC
Mike Munger, CIRCAC
Karyn Noyes, KPB
Todd Paxton, CISPRI
Joan Yeager, CISPRI
Bob Shavelson, Cook InletKeeper
Roberta Highland, Kachemak Bay Conservation Society



ALASKA DEPARTMENT
of
Environmental Conservation
Certificate of Approval
for



Oil Discharge Prevention and Contingency Plan

Certificate Number: 12CER-050.1

Plan Number: 12-CP-2016

Name of Plan: Cook Inlet Energy, LLC Oil Discharge Prevention and Contingency Plan for Cook Inlet Area Production Operations

Covered Facilities: Crude oil production, exploration and terminal operations and crude oil transmission pipeline (COTP) operations in the West Forelands/Trading Bay area of Cook Inlet including: onshore crude oil production and terminal operations at the West McArthur River Production Facility (WMR-PF), and the Kustatan Production Facility (KPF); offshore production operations on the Osprey Platform; offshore exploration (Sabre Exploration), using a jack-up rig in Trading Bay; COTP operations including an eight inch diameter, 2.6 mile lone pipeline between WMR-PF and Cook Inlet Pipe Line COTP tie-in location at Hilcorp Alaska, LLC's Trading Bay Production Facility, and a four inch diameter, 4.8 mile long pipeline between WMR-PF and KPF.

Address: Cook Inlet Energy, LLC, 601 W. 5th Ave., Suite 310, Anchorage, AK 99501

Telephone: (907) 334-6745

Fax: (907) 334-6745

Region(s) of Operation (18 AAC 75.495): Cook Inlet (3)

Effective Date of Approval: January 13, 2017

Expiration Date: August 5, 2017

This approval is subject to the terms and conditions of the applicable Alaska Department of Environmental Conservation contingency plan approval letter dated January 13, 2017 and continuing compliance with the requirements of AS 46.04 and 18 AAC 75.


Graham Wood, Approving Authority
Prevention, Preparedness & Response Program

1/13/2017

Date



Alaska Department of Environmental Conservation

DIVISION OF SPILL PREVENTION AND RESPONSE

OIL DISCHARGE PREVENTION AND CONTINGENCY PLAN FINDINGS DOCUMENT

Cook Inlet Energy, LLC
Cook Inlet Area Production Operations
(ADEC Plan No. 12-CP-2016)

Findings

This document presents the final findings of the Alaska Department of Environmental Conservation (department) that supports the department's approval of the Cook Inlet Energy, LLC Oil Discharge Prevention and Contingency Plan for Cook Inlet Area Production Operations (plan) amendment to add the Sabre exploration drilling.

Findings are provided to assist the interested public and participating reviewers in understanding the department's analysis of selected priority issues addressed as part of the plan approval. In developing the findings, the department reviewed all public, agency and plan holder comments. This document is intended to respond to the most substantive issues raised by commenting parties. All department decisions must be supported by the regulations.

The plan is developed, maintained and administered by Cook Inlet Energy, LLC. (CIE). All aspects of the review process for the plan, or plan amendments are coordinated between the department and CIE.

Proposed Activity

CIE requests approval of a plan amendment to add the Sabre exploration well to their existing plan. The Sabre exploration well is to be drilled from the Spartan 151 jack-up rig during the Summer of 2017. The location of the proposed drill site is Trading Bay in Cook Inlet.

Based on consultation with the Alaska Oil and Gas Conservation Commission (AOGCC), the Response Planning Standard (RPS) for the Sabre exploration well was set at 1,500 barrels of oil per day (bopd) for 15 days for a total RPS of 22,500 barrels of oil.

A response scenario was added to the plan to demonstrate CIE's capability to respond to an RPS sized discharge from the Sabre exploration well.

A Certificate of Financial Responsibility that includes the Sabre exploration well is required to be on file before initiating exploration activities as part of the

conditions of plan approval and the operator has been made aware of the requirement.

Authority

Under AS 46.04.030, an owner or operator of an exploration facility must have an approved oil discharge prevention and contingency plan covering the facility. Through the plan approval process, the department's objective is to ensure that the plan provides prevention and response measures that satisfy the state's regulatory requirements.

Administrative Record

The name of the plan as submitted on the application is "Cook Inlet Energy, LLC Oil Discharge Prevention and Contingency Plan for Cook Inlet Area Production Operations." The department administrative plan number is "ADEC Plan No. 12-CP-2016."

Location

The plan holder plans to conduct offshore crude oil exploration drilling in the Trading Bay area of Cook Inlet for one well, Sabre exploration, from the Spartan 151 jack-up rig.

Environmental Risk

Potential risk exists from oil spills entering the lands or waters of the state as a result of this operation.

Review

The department received a plan amendment application under AS 46.04.030 and in accordance with 18 AAC 75.415. The department declared the plan sufficient for review in accordance with 18 AAC 75.455. The following agencies and other plan reviewers were notified:

- C-plan Reviewer, Alaska Department of Natural Resources
- Jeanette Alas, Alaska Department of Fish & Game
- Bob Whittier, US Environmental Protection Agency
- US Coast Guard - Sector Anchorage
- US Coast Guard - Homer Detachment
- Lori Verbrugge, US Fish and Wildlife Service
- Sadie Wright, National Marine Fisheries Service
- Vinnie Catalano, Cook Inlet Regional Citizen Advisory Council
- Karyn Noyes, Kenai Peninsula Borough
- Katie Koester, City of Homer
- Todd Paxton, Cook Inlet Spill Prevention and Response Incorporated
- Joan Yeager, Cook Inlet Spill Prevention and Response Incorporated
- Bob Shavelson, Cook Inlet Keeper

- Roberta Highland, Kachemak Bay Conservation Society

The review and approval milestones were:

Application Received:	April 12, 2016
Sufficient for Review Letter:	April 26, 2016
Plan Public Day 1:	May 6, 2016
Comment Deadline (Day 30):	June 6, 2016
RFAI Letter to applicant:	August 24, 2016
RFAI responses w/ plan changes rcvd:	November 11, 2016
Start of 15-day final comment period:	December 15, 2016
Final comment deadline:	December 29, 2016
Application Complete Letter:	December 30, 2016
Final Approval Documents Issued	January 13, 2017

Comments

Comments and requests for additional information (RFAI) were received from the Cook Inlet Regional Citizen’s Advisory Council (CIRCAC). Those comments and RFAI that needed to be addressed to meet statutory and regulatory requirements were included along with the departments in an RFAI letter sent to CIE on August 24, 2016. The department received responses to the RFAI letter, including revisions to the plan, on November 11, 2016. All comments from CIRCAC and the department were addressed to the satisfaction of the department. No comments on CIE’s RFAI responses, including revisions to the plan, were received during the final 15-day comment period. The most significant issues that were addressed in the RFAI process included:

1. CIRCAC noted that the plan stated that Sabre exploration operations (drilled using a jackup rig) were scheduled for the summer of 2017. CIRCAC suggested that clarification be added regarding an exact date or conditions set for the conclusion of operations well in advance of sea ice in Cook Inlet.

To address this issue the department let CIE know through the RFAI letter that seasonal drilling restrictions would be added as a condition of plan approval. The approval letter establishes April 15th as the earliest commencement date and October 31st as the latest completion date for all drilling activities, including formation testing.

2. CIRCAC commented that the blowout scenario for the Osprey Platform noted that CIE would “activate a response organization sufficient to respond to a 1,500 bbl per day of crude oil.” CIRCAC requested confirmation that this 1,500 bbl/day spill from a Cook Inlet platform would warrant CISPRI activation.

CIE revised the plan to indicate that for both the Osprey Platform and Sabre exploration blowout scenarios that CISPRI would be activated.

3. CIRCAC commented that there were incorrect references to CISPRI tactics used in the scenarios.

CIE updated the tactic references based on the latest CISPRI Technical Manual, dated April 2016.

4. CIRCAC noted the scenario for the Sabre exploration location almost wholly relied on referencing information from the Osprey Platform scenario, which was not included with the amendment submittal. CIRCAC added that this made it difficult to evaluate the scenario for the Sabre site, and raises concerns about the Osprey Platform scenario as well in light of the errors (or updates) needed.

CIE responded by amending the Sabre exploration scenario to make it a stand-alone scenario with no references to the Osprey Platform scenario.

5. CIRCAC noted that information in the plan regarding in Situ burning was inconsistent with the In Situ Burning Guidelines for Alaska regarding oil emulsification.

CIE revised the plan to be consistent with the In Situ Burning Guidelines for Alaska.

6. CIRCAC commented that information in the plan regarding dispersant applications for Alaska should be updated to be consistent with the recently revised guidelines in Appendix F of the Unified Plan.

CIE updated the plan by deleting the bulleted list in the plan and revising the plan to indicate that Annex F of the Unified Plan, Alaska Regional Response Team Dispersant Use Plan for Alaska will guide dispersant consideration and use.

7. CIRCAC requested that CIE add a more detailed diagram for the Spartan 151 jack-up rig.

CIE added 4 additional figures to the plan.

8. CIRCAC noted that the spill response equipment inventory list provided for the Spartan 151 jack-up rig needed to include additional items needed for initial response by on-site personnel. CIRCAC specifically mentioned that items such as drain plugs/blockers, diking material, sufficient absorbent materials and safety-related equipment such as detectors should be added.

CIE added diking material and safety related equipment to the spill response equipment inventory list for the Spartan 151 jack-up rig.

Decision

The department does not make its decision to approve a plan based solely on plan holder verification of every element in the plan. Rather, the department's decision is based upon the reasonableness of assertions and evidence that certain essential resources and practices are securely in place. The department and industry complete many follow-up field tasks to verify contingency plan commitments. Field tasks include but are not limited to: planned and unannounced inspections; planned and unannounced oil spill response drills; regular evaluation of field equipment and equipment deployment exercises; and verification of equipment maintenance and training records. The department may require any of the above to occur and may evaluate similar activities initiated by industry.

It is the duty of the contingency plan holder to ensure that financial responsibility, required by AS 46.04.040, is met while in remains under the authority of Alaska Statutes and Regulations.

Compliance with the plan and any amendments to the plan is based on its contents and the department's compliance verification activities as described above. As long as these conditions are met, the amount of activity conducted under the plan is at CIE's discretion.

Based on the above information and applicable statutes and regulations, it is the decision of the department to approve the Cook Inlet Energy, LLC Oil Discharge Prevention and Contingency Plan for Cook Inlet Area Production Operations (ADEC Plan No. 12-CP-2016).