



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Anchorage Field Office
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ENERGY POLICY ACT OF 2005 CATEGORICAL EXCLUSION (CX)

A. BACKGROUND

Project Name / Type: Hilcorp Ninilchik Unit, Frances #3 Well Permit to Drill (Natural Gas Well)

NEPA Register Number: DOI-BLM-AK-A010-2014-0018-CX

Case File Number: AKA-024399

Location / Legal Description: Section 7, T.1N, R.12W, Seward Meridian

The surface is privately owned. Mineral ownership is Federal government and managed by the Bureau of Land Management.

Applicant: Hilcorp Alaska LLC

Description of Proposed Action:

Hilcorp Alaska, LLC (Hilcorp) proposes to drill a new natural gas well, Frances #3, in the Ninilchik Unit, a unit managed by the State of Alaska. The well will be drilled on the existing Bartolowits Pad, which is located on privately owned surface. Hilcorp Alaska is the surface owner.

The bottom hole location is offshore on State of Alaska oil and gas lease ADL 000590. The wellbore will pass through Federal lease A-024399. Federal permitting is required for any drilling through Federal minerals located within the producing formation that is being developed by a well in adjacent State or private minerals located before or after the Federal minerals are encountered. This allows the Bureau of Land Management to have the ability to review and if necessary, verify and enforce the protection of Federal interest. In this particular proposed action, Federal minerals will be encountered after the private minerals and before the State minerals offshore.

The anticipated start date for drilling is November 10, 2014. There is an existing gas well, the Frances #1, on this pad that was drilled in 2013. Drilling for this well has been completed and it is currently in completion stage.

The proposed surface location for the Frances #3 well is 246 feet from the north line and 2,749 feet from the east line of Section 7, T.1N, R12W, Seward Meridian. Ninilchik, Alaska is approximately 13 miles south of the drilling site. The Bartolowits Pad is an existing pad that encompasses 5.24 acres. It is completely enclosed by a three-foot berm, clear of all vegetation and has been graded level. There is not a reserve pit at this site and one will not be constructed during the drilling operation. The Bartolowits Pad is located at mile point 120.2 on the Sterling Highway. The gravel support road leading to the pad is suitable for transportation of the drilling rig and support equipment.

The proposed vertical depth of the well is 8,560 feet with a measured depth of 9,481 feet. The Frances #3 well will be drilled within the Falls Creek Pool structural closure, targeting the Tyonek reservoirs. The Saxon Rig 147 rig will be used to drill this well. The Frances #3 well will be tied into existing gas facilities.

An existing Alaska Department of Natural Resources permitted water well on the Bartolowits Pad will be used as the water supply. All water used will be tracked in compliance with applicable permits. Water will be transported via vacuum truck from the water well to the rig location.

Excess mud and cuttings will be hauled from the rig pit system to the Kenai Gas Field Grind and Inject facility. Wastes will be disposed of in an approved disposal well, KU 12-17. If this disposal option becomes unavailable due to an operational shut down of the grind and inject facility, drilling cuttings will be hauled to the approved waste disposal contractor Emerald in Kenai.

Brines and completion fluids will be hauled to a permitted Class II disposal well in the Kenai Gas Field for disposal. If this disposal option becomes unavailable due to an operational shut down of the grind and inject facility, drilling cuttings will be hauled to the approved waste disposal contractor Emerald in Kenai.

All household and approved industrial garbage will be properly segregated and transported to the Kenai Borough Central Peninsula Landfill for disposal.

Any unused chemicals will be returned to vendors or utilized in future operations.

All sanitary waste will be contained on-site and hauled off-site by a designated contractor.

A trailer will be staged on the pad to house various supervisory personnel and a minimum number of support personnel. The remainder of the drilling crew will be housed at a temporary camp in the Ninilchik area. Equipment and materials including but not limited to dry mud product, cementing equipment, support vehicles and rig components may be stage at the Bartolowits pad.

B. LAND USE PLAN CONFORMANCE

Applicable Land Use Plan: Ring of Fire Approved Resource Management Plan and Record of Decision, March 2008

The Ring of Fire RMP/EIS approved in March 2008, which provides management direction for the leased area, recognizes oil and gas exploration and development as an appropriate use of public lands. The proposed action is in conformance with the Ring of Fire RMP/EIS. Specifically, the management decision for Minerals-Fluid Leasable, on page 12 of the Ring of Fire Approved Plan:

J-1: Goal

Maintain or enhance opportunity for mineral exploration and development while maintaining other resource values. Public lands and the Federal mineral estate will be made available for orderly and efficient exploration, development, and production unless withdrawal or other administrative action is justified in the national interest.

C. PLAN OF OPERATIONS

The proposal is designed in conformance with all bureau standards and incorporates best management practices and required and designed mitigation measures determined to reduce the effects on the environment.

D. ENERGY POLICY ACT OF 2005 - CATEGORICAL EXCLUSION

The proposed activity has been determined to be statutorily categorically excluded from NEPA documentation in accordance with Section 390 of the National Energy Policy Act of 2005.

The applicable Categorical Exclusion reference in Section 390 of the Energy Policy Act of 2005 is exclusion number 2:

Drilling an oil or gas well at a location or well pad site at which drilling has occurred previously within 5 years prior to the date of spudding the well.

E. PERSONS AND AGENCIES CONSULTED

Cultural Resources

The Alaska Heritage Resources Survey was consulted for cultural resources that could be affected by this undertaking. There are no known cultural resources within one mile of the proposed project. The closest resources are KEN-223, the Clam Gulch White Alice Station; and KEN-219, a house pit and cache pit. Neither of these sites will be impacted directly or visually by the proposed action. The proposed area of potential effect (APE) is located in a disturbed area on an existing well pad that has had a well drilled on it previously. The AFO archaeologist has determined that the potential for intact subsurface cultural resources is low.

Based upon the low impact of the proposed action and its location in a previously disturbed area, it is my recommendation that this proposed action will have no effect on historic properties. A stipulation regarding the discovery of previously unknown cultural resources will be included in the BLM authorization.

Federally Threatened and Endangered Species

The impact of the proposed action on threatened and endangered plants and animals and their habitats has been evaluated in accordance with the Endangered Species Act of 1973, as amended. Based on currently available information, the proposed action would not affect any threatened or endangered species or their habitats. Therefore, no consultation with the U. S. Fish and Wildlife Service is considered necessary pursuant to Section 7 of the Act and none will be undertaken.

Subsistence Resources

The Proposed Action does not occur on Federal Public Lands as defined in Section 102(3) of the Alaska National Interest Lands Conservation Act (ANILCA). Therefore, it does not fall under the regulatory authority of the Federal Subsistence Board or Federal Subsistence Regulations for the harvest of wildlife, fish, and shellfish on public lands in Alaska. Therefore, the proposed action will not restrict Federal subsistence uses, decrease or alter the abundance of resources or limit qualified Federal subsistence user access.

F. CONDITIONS OF APPROVAL

1. The operator must comply with all Required Operating Procedures, terms and conditions, and stipulations outlined in the Ring of Fire Approved Resource Management Plan and Record of Decision and the Comprehensive Conservation Plan and Environmental Impact Statement for the Kenai National Wildlife Refuge.
2. The operator should make all reasonable efforts to comply with the 2010 Alaska BLM Invasive Species Management Policy (attached). Specific measures recommended to be taken by the permittee include, but are not limited to, the following:
 - a. Proponent will thoroughly clean all drilling and transport equipment and gear prior to transporting to the authorized site of operations. Cleaning will involve high-pressure washing to remove mud, dirt, and plant parts. (This practice is the most effective and easiest method to prevent the inadvertent introduction and spread of non-native invasive species to otherwise weed free environments.)
 - b. Proponent will conduct an on-the-ground non-native invasive plant survey in the project area during the summer growing season (July/August), and annually thereafter for the life of the project, utilizing a professional botanist. Non-native plant survey data will be incorporated into the proponent's monitoring and management plan which will be updated annually for effective mitigation and management. Known existing non-native invasive species data can be found at <http://akweeds.uaa.alaska.edu/>, and <http://www.eddmaps.org/alaska/>.

Proponent will develop and implement a monitoring and management plan for non-native invasive species prevention and management in the full operational footprint: pad, road, and any other infrastructure associated with this action.* This plan will describe actions to:

- Prevent the introduction of new non-native plants in the project area,
- Prevent the spread of any existing non-native plant species in the project area,
- Reduce and eradicate any existing non-native plants in the project area,
- Promote site reclamation with indigenous plant species.

**Proponent has the option to pass funds to the Kenai National Wildlife Refuge for writing and implementing a monitoring and management plan for non-native invasive species.*

3. Upon approval of the Permit to Drill, the proposed well must be spudded and/or completed within two (2) years of the Application for Permit to Drill approval date or the permit will expire and will not be extended without further NEPA analysis.
4. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the leaseholder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. The leaseholder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer.

F. DECISION AND RATIONALE

The proposed action is in conformance with the applicable land use plan and is an action that can be categorically excluded under the Energy Policy Act of 2005. I recommend that the Proposed Action, subject to all listed Conditions of Approval (COA) be allowed and that no further environmental analysis is required.

/s/ David Mushovic, Acting for

August 26, 2014

Alan Bittner
Anchorage Field Manager

Date

Administrative Review or Appeal Opportunities

Under the Bureau of Land Management's regulations addressed in 43 CFR § 3165, the decision to approve this permit to drill is subject to appeal and administrative review. An administrative review must be conducted in accordance with 43 CFR § 3165.3 and must take place prior to pursuing an appeal to the Interior Board of Land Appeals.

Any adversely affected party may request an administrative review, before the State Director, either with or without oral presentation. Such a request must include information required under 43 CFR § 3165.3(b) (State Director Review), including all supporting documentation. Such a

request must be filed in writing to the State Director, Bureau of Land Management, 222 West 7th Avenue, Anchorage, AK, 99513 no later than 20 business days from the date this Decision Record is received or considered to have been received.

Upon request and showing of good cause, an extension for submitting supporting/additional data may be granted by the State Director.

Any party who is adversely affected by the State Director's decision, may appeal that decision to the Interior Board of Land Appeals in accordance with 43 CFR § 3165.4.