



United States Department of the Interior



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

A. BACKGROUND

Project Name / Type: Hilcorp: Swanson River Unit 41B-33 Well

NEPA Register Number: DOI-BLM-AK-A010-2014-0019-CX

Case File Number: AKA-028399

Location / Legal Description: Section 33, T.8N, R.9W, Seward Meridian

The surface is managed by the U.S. Fish and Wildlife Service. 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, SRU 41B-33, in the Swanson River Unit, which is located in the Kenai National Wildlife Refuge. The surface management agency is the U.S. Fish and Wildlife Service. The mineral ownership for the Swanson River Unit is federal and managed by the Bureau of Land Management (BLM). The proposed well is necessary to further develop federal minerals and ensure maximum and efficient recovery of reserves in producing commercial quantities. The Proposed Action is in accordance with the terms and conditions of the federal lease and unit agreement.

SRU 41B-33 will be drilled on existing Pad 41-33, which is located on Federal lease A-028399. The anticipated start date for drilling is October 20, 2014. There are currently two producing oil wells on this pad, both drilled in 2012 and 2013 (SRU 14B-27 and 13-27, respectively). A third well was plugged and abandoned below surface in 2009.

The surface location for SRU 41B-33 is 890 feet from the north line and 728 feet from the east line of Section 33, T. 8N., R. 9W., Seward Meridian. Sterling, Alaska is the nearest town and is approximately 25 miles south of the site. The existing roads within the Swanson River Unit as well as the main road leading into the field are suitable for transportation of the drilling rig and support equipment. Fugitive dust will be controlled during construction and drilling operations by spraying fresh water on all roads being used to access the well site when needed. Speed control measures will be required and enforced.

Pad 41-33 is an existing pad that measures 300 feet by 400 feet. Hilcorp has proposed to expand the existing pad an additional 1,200 square feet on the southeast edge, which is within a disturbed area. This work has been submitted separately under a sundry notice. There is no reserve pit at this site and one will not be constructed during the drilling operation.

The proposed depth of this new gas well is 7,000 feet and the formation objectives are the Beluga and Tyonek formations. The Saxon Rig 169 will be used to drill this well, utilizing a closed-loop system that will eliminate any seepage of drilling fluid into the soil. Hilcorp proposes to use water-based mud. Drilling operations will be continuous, 24 hours a day, and will begin when all equipment is in place. Estimated duration for this operation is 28 days.

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 in the Swanson River field houses. Due to space constraints, equipment and materials including but not limited to dry mud product, cementing equipment, support vehicles and rig components will be temporarily staged on other pads in close proximity to the drill site.

The drilling activities are conducted in accordance with State and Federal spill prevention and contingency plans. Spill prevention practices such as daily visual inspections of tanks, lines and secondary containment areas, certified inspections of regulated tanks, and spill prevention and response training for personnel, are conducted for all drilling operations. All liquid mud product drums will be stored at the drill site in a lined, bermed secondary containment area and will be visually inspected on a daily basis. Spill response material such as sorbents and oily waste bags will be available on location at all times.

There will be some modifications to the production facilities associated with this well. Several 4-inch steel pipeline segments will be installed to carry gas produced from SRU 41B-33 to the Valve House. An existing line heater on pad will be used to heat the gas in the flowline as it moves to the Valve House. Existing piping and tie-ins will be modified to convey the gas to the Compressor Plant. This work will be submitted separately under a sundry notice.

This area has known historical hydrocarbon contamination that can be encountered during this project. If olfactory or visual indications of historical contamination are observed, both the BLM and USFWS will be notified. Contaminated material will be segregated from clean material and stockpiled in a lined and bermed area when removed from the excavation. The stockpile of contaminated material will be covered when excavation activities are not occurring to prevent the spread of contamination by wind or water. Excavated contamination will be disposed of according to local, state and federal regulations.

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.

An existing water source will be utilized. The available source is from permitted water well located at TS 1-33. 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.

The drilling phase of the proposed project will generate localized, short-term increase in noise levels. While wildlife in the immediate area have become accustomed to the level of human activity associated with operations, the increase in human activity and noise around the proposed drill site may temporarily displace some of these animals.

If SRU 41B-33 is not developed into a producing well or is no longer commercially productive, it will be plugged and abandoned as specified by Federal and State regulations and witnessed by a certified BLM Petroleum Engineer. The pad and associated access road will be reclaimed only when all the wells on this pad are permanently plugged and abandoned. The reclamation will be done in accordance with the terms of the USFWS.

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 known cultural resource is KEN-0054, the Swanson River Unit #1 Discovery Well, which is located about three miles from the proposed project area. The site will not be impacted. The proposed Area of Potential Effect is located in a disturbed area on an existing well pad that has had a well drilled on it previously. The AFO archaeologist determined that the potential for intact subsurface cultural resources is low.

Federally Threatened and Endangered Species

The impact of the proposed action and alternative on threatened and endangered plant and animals and their habitat 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 occurs on Federal lands managed by the U. S. Fish and Wildlife Service, within the Kenai National Wildlife Refuge. The proposed action occurs on Federal Public Lands as defined in ANILCA Section 102(3) and falls under the regulatory authority of the Federal Subsistence Board and Program. The area also occurs within Game Management Unit 15A, which provides for Federal subsistence hunting opportunities for the residents of Cooper Landing, Ninilchik, Nanwalek, Port Graham, and Seldovia.

Fisheries:

The proposed action would not significantly reduce harvestable fisheries resources that are available for subsistence use. The proposed action would not alter the distribution, migration or location of harvestable fisheries resources. The proposed action will not create any legal or physical barriers that would limit access by subsistence users of the fisheries resource.

Wildlife:

The proposed action is within a previously disturbed area, and would not alter the distribution, migration or location of harvestable wildlife resources. The proposed action would not create any legal or physical barriers that would limit subsistence harvest and access. The impact to subsistence resources associated with this action will be negligible. The proposed action should not significantly alter the distribution, migration or location of harvestable wildlife resources.

Other Resources:

The proposed action would not appreciably impact any other harvestable renewable such as wood, berries, vegetation or water.

Finding:

This proposed action will not significantly restrict subsistence uses. As a result of the proposed action there are no reasonably foreseeable significant decreases in the abundance or distribution of subsistence resources and no reasonable foreseeable limitations to subsistence 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.
5. If contaminated soils are encountered, the BLM, USFWS, and Alaska Department of Environmental Conservation (ADEC) will be contacted immediately to plan appropriate treatment and disposal methods.

G. 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/ Dave Mushovic, Acting for

August 28, 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.