

KENAI PENINSULA BOROUGH

Coastal Zone Management Program

514 Funny River Road • Soldotna, Alaska 99669-7520

PHONE: (907) 714-2216 • FAX: (907) 260-5992

www.kenairivercenter.org

**DAVE CAREY
BOROUGH MAYOR**

July 10, 2009

Ms. Jodi Delgado-Plikat
Project Review coordinator
Alaska Department of Natural Resources
Division of Coastal and Ocean Management
550 West 7th Avenue, Suite 705
Anchorage, Alaska 99501

Subject: Nicolai Creek Unit No.11 Well Development

Dear Ms. Plikat:

Kenai Peninsula Borough (KPB) Coastal District staff has reviewed the subject project and concurs with the applicant's certification of consistency with the enforceable policies of the Kenai Peninsula Borough Coastal Management Program and the Statewide Standards of the Alaska Coastal Management Program.

Project Description and Scope

Aurora Gas, LLC (Aurora), proposes to develop a natural gas drilling pad at Nicolai Creek No. 11 (NCU No. 11) situated near Shirleyville, Alaska during the summer of 2009. The NCU No. 11 would be drilled from a new 160' x 265" gravel pad constructed near an existing pad containing three wells (NCU No. 1-2-9). Construction of the NCU No. 11 pad would include the placement of 4,711 cubic yards of gravel fill into 0.97 acres of wetlands. The drill pad would consist of a geotextile layer filled over the existing thin gravel layer and vegetation, maintaining the natural contour of the land. Additional gravel would be hauled onsite from a local materials pit and placed on the mat.

The pad structure would contain all facilities within the rectangle pad. Facilities would be contained within a lined berm and all holding tanks would be above ground and meet above-ground Storage Tank (AST) double containment requirements. Should drilling result in production, the proposed location and dimensions of the facilities, construction methods and materials involved in production of the facilities would be provided with an application for future development.

Access to the NCU No. 11 pad would be via existing oilfield roads. An existing road would be upgraded from a single lane structure to a 15' wide driving surface to provide drill pad access for vehicles and equipment; the proposed road work would occur in uplands. All roads are accessible by Aurora, with the primary freight and personnel transport routes noticeably marked.

All buried pipeline would be buried at a depth of four feet. Construction width and right-of-way (ROW) pipeline width shall be restricted to 20-feet of disturbance collectively. Aurora would

establish pipe line ROWs which would allow for vehicular travel. The ROW request is for a 20-foot width of construction during installation (width). After construction is complete the actual road surface would provide a 15-foot working surface. Should production be established, this pipeline would tie into the existing Cook Inlet Gas Gathering System (CIGGS) pipeline. The area used to contain the proposed production facilities would be created using gravel from a private source. A berm would be constructed around any production facilities which contain fluid. All above ground holding tanks would be double walled, thereby omitting dike requirements.

During drilling and subsequent operations, equipment would remain on approved ancillary areas, such as the NCU 1-2-9 pad, as specified in the approved Application for Permit to Drill. The source of the water to be used for drilling and completion fluids during drilling operations at the Nicolai Creek No. 11 would consist of existing gas well produced water and from Aurora's existing permitted water sources. There would be no water wells drilled at the project site.

Project Location

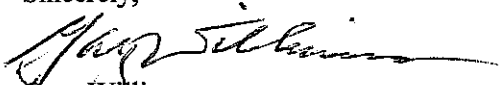
The NCU No. 11 is located within Township 11 North, Range 12 West, Section 30, Seward Meridian.

Findings

The applicant's project is consistent with Kenai Peninsula Borough Coastal Management Program enforceable policy 3.3 Public Access, because legal public access on public right-of-way to Cook Inlet and Nicolai Creek with not be restricted or cause adverse physical impacts as a result of public use.

The applicant's project is consistent with 11 AAC 112.230, Energy Facilities, inasmuch as the project is an expansion of an existing site, and, to a practicable extent, minimizes social and environmental impacts. The project is compatible with existing uses and does not conflict with future community needs. The project is consistent with 11 AAC 112.240, Utility Routes and Facilities, because the applicant's road construction activity avoids adverse alteration of surface and ground water drainage patterns by adopting Alaska Department of Transportation BMP's for road construction to avoid significant adverse effects to the shoreline. The project does not significantly disrupt wildlife transit.

Sincerely,


Gary Williams
Coastal District Coordinator