



KENAI PENINSULA BOROUGH

144 N. BINKLEY • SOLDOTNA, ALASKA • 99669-7520
BUSINESS (907) 262-4441 FAX (907) 262-1892

July 17, 2006

JOHN J. WILLIAMS
MAYOR

State of Alaska
Department of Natural Resources
Division of Oil and Gas
550 West 7th Avenue, Suite 800
Anchorage, Alaska 99501-3510

Attention: Mr. Jeff High

Subject: Kasilof Development Pad, ID # LOC/CI 06-05

Dear Mr. High:

Kenai Peninsula Borough (KPB) Coastal District staff reviewed the above referenced project for consistency with KPB Coastal Management Program enforceable policies. This project seeks a consistency determination for construction of gas production facilities in the Kasilof area located approximately 4.1 miles north of the Sterling Highway on the south Coho Loop Road (SW ¼, SW ¼, Sec 28, T3N, R12W, SM).

Project Description and Scope

Marathon Oil Company proposes to install gas production facilities, a lateral tie-in to the Kasilof Extension pipeline and commence production from the existing Kasilof Pad. The developed pad will be expanded for the installation of the production facilities. Pad expansion work will take place on the east portion of the pad away from the Cook Inlet bluff. Gas flow lines and heating, dehydration, separation and metering equipment will be installed on the pad. Production equipment will be housed in fit-for-purpose metal buildings sited within the pad expansion to the extent possible. Waste fluids will be recovered and stored in a steel wastewater tank that will be located inside secondary containment and periodically removed by vacuum truck and hauled to the Kenai Gas Field for disposal in a permitted Class II injection well. Electricity will be brought in from the existing grid. Additional wells may be drilled and serviced in the future. The facilities are on surface lands owned by Marathon Oil Company. Marathon plans to begin production prior to November, 2006.

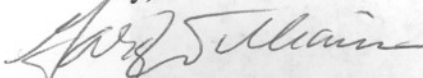
Findings

The pad and well were originally found consistent with the ACMP in 1996. The pad is located adjacent to the Clam Gulch Critical Habitat area. The pad will be expanded eastward, away from the bluff to enable structures to be sited at the 500-setback from mean high tide. Marathon has received a Jurisdictional Determination from the U.S. Army Corps of Engineers that fill activity will not occur in waters of the United States. Water to supply the production facility will be taken from the well utilized for exploration activity. Protective berms will be constructed to prevent releases into the Clam Gulch Critical Habitat. Non-hazardous wastes will be stored in suitable containers and will be removed for disposal in the Kenai Peninsula Borough. Wastewater will be collected and hauled to a sanitary facility within the Kenai Peninsula Borough. No septic system will be utilized. Additional wells may be drilled on the pad.

Marathon Oil Company operations, as proposed in their Unit Plan of Operations for the Kasilof Pad and Cook Inlet Mitigation Measures, are Consistent with Kenai Peninsula Borough Coastal Management Program enforceable policies.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gary Williams".

Gary Williams
Coastal District Coordinator