

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF PROJECT MANAGEMENT AND PERMITTING
ALASKA COASTAL MANAGEMENT PROGRAM

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February 6, 2006

Mr. Charles A. Underwood
Marathon Oil Company
3201 C Street
P.O. Box 196168-6168
Anchorage, Alaska 99519-6168

Subject: KKPL-Kasilof Pipeline Extension
State ID No.: *AK 0602-01JP*
Start of ACMP Review

Dear Mr. Underwood:

The Office of Project Management and Permitting (OPMP) received the Coastal Project Questionnaire and consistency certification, applications, and supporting information you submitted for the proposed project. The OPMP is conducting a consistency review under the Alaska Coastal Management Program (ACMP) (A.S. 46.40). This letter initiates the State of Alaska's review of this proposed project under the schedule and process described in State regulations (*11 A.A.C. 110.200-270*).

Project Description/Scope of Project to be Reviewed

Marathon Oil Company (Marathon) is permitting and constructing approximately 4.2 miles of new 6-inch diameter pipeline. The pipeline is identified as the Kasilof Extension to the existing Kenai Kachemak Pipeline, LLC. (KKPL) and will be used to ship natural gas from the Kasilof Pad to the KKPL for delivery to utilities and industrial users of natural gas on the Kenai Peninsula and Southcentral Alaska.

This existing Kasilof Pad is jointly owned by Marathon and Chevron (formerly, Unocal) and was acquired in 1964 for exploratory drilling. The purchase included lots 1, 2, 4, 5, and 6 within the Jackinsky Subdivision. In 1997, Marathon subsequently purchased the remaining lot (#3) that was privately held.

The Department of Natural Resources, Division of Oil and Gas, conducted a consistency determination for the Kasilof exploration project in 2003 and issued the Final consistency determination on August 30, 2003, as well as the Plan of Operations Approval (LO/CI 03-02).

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

Advisory information was provided at that time by Marathon which noted that if an economic discovery was confirmed, plans for development would be pursued.

Marathon drilled, completed, and tested two exploratory wells from the pad beginning in October 2003 and extending into March 2004 from the Kasilof Pad. One of the wells has been determined to be economically successful and will be the source for the gas from the pad. A separate consistency determination will be submitted by Marathon for the development phase for the Kasilof Pad once all of the production equipment is identified and the design has been finalized.

Marathon contracted with MACTEC, Inc. to delineate the wetlands that would be crossed by a pipeline from the Kasilof Pad in 2003. A copy of that report was submitted to the United States Army Corps of Engineers, Kenai Field Office. A total of seven separate wetland areas were identified from this delineation and are presented in the graphical exhibits. Approximately 22,242 linear feet of wetland will be crossed by the construction of the pipeline, using a 60-foot right-of-way width. This footage calculates to a total of 30.64 acres.

Marathon contracted with Charles M. Mobley and Associates to conduct an Archaeological investigation along the proposed pipeline right-of-way (ROW) in October 2004. The survey was permitted by the Alaska Department of Transportation & Public Facilities (ADOT&PF) and during the course of the survey no historic sites or significant historic artifacts were found. A copy of the report was submitted to the ADNR, Office of History and Archaeology. This report was subsequently returned to Marathon with the statement that when no evidence has been found, the reports are returned and stamped "No Historic Properties Affected."

Brush clearing will occur in late March to early April under the ADOT&PF *Utility Permit* before the arrival of migratory birds. Standard industry practice of utilizing mats for heavy equipment will be used when necessary and equipment and material staging will not take place in wetland areas. Work is planned to start in May 2006 and completing by October 2006. Access to the ROW will be from selected locations along Cohoe Loop Road.

Upon completion of the pipeline, hydrostatic testing will take place during the summer season of 2006 and in advance of facility operation. The water well on the Kasilof Pad will be used to provide water for this purpose. Approximately 34,500 gallons (821.4 bbls.) of water will be required for the test. Other than from the hydrostatic testing there will be no discharge from the project.

There are no anadromous fish streams or rivers crossed by the route of the pipeline. The pipeline will be bored under Bottleneck Lake to eliminate any potential disturbance to Cohoe Loop or the lake.

Location

The proposed project will occur within the Kenai Peninsula Borough Coastal District starting at Milepost 114.3 of the Sterling Highway and continuing along Cohoe Loop Road to Milepost 18. The proposed project is located immediately to the east – and outside – of the Clam Gulch Critical Habitat Area buffer zone.

- Sections 28 & 33, T3N, R12W, Seward Meridian
- Sections 4, 9, 10, 14 & 15, T2N, R12W, Seward Meridian

Review Process

The packet of information submitted was distributed to the following review participants for review per *11 A.A.C. 110.200-270. State Consistency Review Process*:

- Alaska Department of Environmental Conservation (ADEC);
- Alaska Department of Natural Resources (ADNR);
- Alaska Department of Fish & Game (ADF&G); and the
- Kenai Peninsula Borough Coastal Resource District.

A notice posted on February 6, 2006 on the ACMP website (www.dnr.state.ak.us/pic/pubnotfrm) and in sites noted on the public notice posted on February 6, 2006 informed the public of the proposed project.

Authorizations

Exclusions

Per *11 A.A.C. 110.020(c)*, the following use and/or activity subject to an authorization by the Alaska Department of Transportation & Public Facilities (ADOT&PF) is not identified as an activity subject to a consistency review under *A.S. 46.40.096*.

Use of ADOT&PF Utility Right-of-Way

- *Utility Permit* (ADOT&PF)

Per *A.S. 46.40.040(b)(1)*, *A.S. 46.40.096(g)(1)(B)*, *11 A.A.C. 110.010(d)* and *11 A.A.C. 110.020*, the following activities authorized by the Alaska Department of Environmental Conservation are excluded from the scope of the project to be reviewed:

Disposal of Waste

- *Waste Disposal Permit* (wastewater discharge) (ADEC)

Per *11 A.A.C. 110.700(a)* and *(c)*, specific uses and activities are excluded from the scope of the project to be reviewed under appropriate Generally Consistent Determinations (GCD's) as identified below with necessary authorizations:

Discharge of Pollutants into Navigable Waters under GCD GP-AKR-10-0000: *Stormwater Discharges from Construction Activities that are "Associated with Industrial Activity"*

- *National Pollutant Discharge Elimination System (NPDES) General Permit for Discharges from Large & Small Construction Activities, AKR-10-0000 (expires 07/01/08)* (USEPA)
- *Certificate of Reasonable Assurance Section 401* (ADEC)

**Discharge of Dredged or Fill Material into Navigable Waters under GCD NWP-12:
*Utility Line Activities***

- *Nationwide Permit 12 (NWP-12) for Utility Line Activities, POA-2002-270-D (USACE)*
- *Certificate of Reasonable Assurance Section 401 (ADEC)*

The following use and activity is excluded from the scope of the project to be reviewed as it does not require a new authorization; the existing permit authorizes this type of use with sufficient volume.

Temporary and Permanent Use of Water

- *Temporary Water Use Permit (ADNR/DML&W/WS)*

Consistency Review

The following use and activity for the proposed project must be found consistent with the ACMP under *11 A.A.C. 112* before the following authorizations may be issued:

Disposal of State Interest in Additional Lands for Commercial Activity

- *Right-of-Way Lease Amendment (ADL 228162) (ADNR/SPCO)*

Review Schedule

The OPMP is conducting the consistency review of this project under a 50-day review schedule. Review deadlines are listed below. Deadline dates falling on a non-business day will default to the next business day per *11 A.A.C. 110.910*.

Request for Additional Information:	March 2, 2006
Comment Deadline:	March 7, 2006 (by 5:00 p.m.)
Proposed Determination:	March 21, 2006
Final Determination:	March 27, 2006

State review participants will evaluate this proposed project for consistency with the enforceable policies of the ACMP that include statewide standards in *11 A.A.C. 112* and enforceable policies of the Kenai Peninsula Borough Coastal Resource District with the exception of the Air, Land and Water Quality Standard (*11 A.A.C. 112.310*). The ADEC will review any activities subject to ADEC permits, certifications, approvals and authorizations for consistency with *11 A.A.C. 112.310*. The issuance of the permits, certifications, approvals, and authorizations by the ADEC establishes consistency with *11 A.A.C. 112.310* for those specific activities.

The public may also submit comments regarding the consistency of the project with the ACMP. Any comments concerning consistency with *11 A.A.C. 112.310* must be submitted directly to the ADEC. Comments concerning consistency with all other standards and policies must be submitted to the OPMP.

The OPMP will give careful consideration to all comments. The proposed consistency

determination will notify you of the OPMP's concurrence with or objection to your certification. If the OPMP objects, the consistency determination may include alternative measures required to make the proposed project consistent with the ACMP. You may choose to adopt the alternative measures or propose other modifications that would achieve consistency for review participants and the OPMP to consider.

By a copy of this letter the OPMP is informing State and Federal agencies that the OPMP has begun its consistency review.

The OPMP encourages you to visit the office's web site for more information about the ACMP. The web site contains the State's consistency review regulations *11 A.A.C. 110*, the public notice for this project, and other information. Please go to:

ftp://ftp.dnr.state.ak.us/OPMP/Anchorage/MSW_AK0602-

01JP_MARATHON_KKPL_KASILOF to download the ACMP Review Packet containing the following documents:

- ACMP Public Notice
- Marathon Coastal Project Questionnaire Checklist
- Marathon Consistency Evaluation
- Marathon Project Description
- Marathon Right-of-Way Application
- Marathon Archeological Report
- Marathon Project Diagrams 1-6

Please contact me at (907) 257-1351, or email swalker@jpo.doi.gov if you have any questions.

Sincerely,

/s/ Shane Walker

Shane Walker
Project Review Coordinator

Encl.

None

cc.

Jack Hewitt, USACE
Skip Joy, USACE
Deborah Blank, USEPA
Phil North, USEPA
Scott Pexton, ADNR/SPCO
Katie Farley, ADNR/SPCO
Darcy Harris, ADNR/SPCO
Dan Rice, ADNR/SPCO
Rhea DoBosh, ADNR/SPCO

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Patricia Bettis, ADNR/DML&W/WS
Stewart Seaberg, ADNR/OHMP
Lee McKinley, ADNR/OHMP
Tammy Massie, ADNR/OHMP
Kim Kruse, ADNR/OPMP
Ben Greene, ADNR/OPMP
Margie Goatley, ADNR/DPOR/SHPO
Matt Rader, ADNR/DOG
Brian Havelock, ADNR/DOG
Wayne Dolezal, ADF&G/DSF
Robin Willis, ADF&G/DSF
Mark Fink, ADF&G/DSF
Alan Kukla, ADEC
Mel Langdon, ADEC
Robert Blankenburg, ADEC
Gary Williams, Kenai Peninsula Borough
Ninilchik Traditional Council
Brenda Trefon, Kenaitze Indian Tribe IRA
Craig Keepers, Marathon Oil Company
Bob Shavelson, Cook Inlet Keeper