RCA allows Drift River decommissioning

Oil terminal on west side of Cook Inlet no longer needed following implementation of pipeline system for shipping oil across inlet

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The Regulatory Commission of Alaska has approved Cook Inlet Pipe Line Co.'s request to be allowed to decommission the Drift River oil terminal on the west coast of Cook Inlet. The terminal has in the past been used to load oil from oil fields on the west side of the inlet onto tankers, for movement to the Nikiski oil refinery on the Kenai Peninsula. However, last year Hilcorp Alaska completed a project involving the conversion of a gas line under the inlet for the movement of oil west to east to Nikiski. That has rendered the Drift River terminal obsolete. Cook Inlet Pipe Line is a Hilcorp subsidiary.

In a March 8 order the RCA said that Cook Inlet Pipe Line can discontinue and abandon the terminal, its associated onshore tank farm and the offshore Christie Lee platform that was used to load tankers. The company can also discontinue and abandon the portion of the Cook Inlet Pipeline that runs south from Trading Bay to Drift River and, subsea, to the offshore platform. The commission is allowing the company to use funds from its dismantlement, removal and restoration account to pay for the decommissioning work.

The commission's order says that Cook Inlet Pipe Line has estimated the decommissioning cost to be $21 million - the DR&R fund has a current balance of about $24 million. However, the estimated cost of decommissioning all of the Cook Inlet Pipe Line facilities, including facilities that are remaining in operation following the terminal closure, is $36 million, a figure that exceeds the current fund balance. Cook Inlet Pipe Line has provided "guarantees and other assurances" to the state of Alaska that the company will be able to cover the gap between the total cost and the amount available in the fund, the order says.

Remove oil first

Cook Inlet Pipe Line has said that the decommissioning project will involve removing oil that remains in disused pipelines, tanks and equipment. The company will then remove all above ground components of the pipeline and terminal system, with the exception of the Christy Lee platform. The plan is to place the platform in lighthouse mode until there is an eventual project to remove other Cook Inlet oil and gas platforms - the idea is to minimize the cost of removing the platform by conducting the removal in conjunction with a project to remove multiple installations. Meanwhile, navigation lights, a fog horn and corrosion protection will be maintained for the platform.

The company estimates that some 100,000 barrels of crude oil remain in the decommissioned facilities.

The RCA said that no one has challenged the abandonment application. Nor has anyone challenged the use of DR&R funds for the decommissioning.

"Therefore, on the record before us, we find that the continued use of the Drift River Facilities is not required for the public convenience and necessity and we issue a construction permit for the proposed work of decommissioning the Drift River Facilities," the RCA wrote.

Concerns about Redoubt Volcano

Hilcorp has wanted to discontinue the use of the Drift River terminal, in particular because the terminal lies at the foot of Redoubt Volcano, with the risk of becoming inundated by mud flows in the event of a future eruption of the volcano. In 2009 an eruption of Redoubt forced an evacuation of the terminal and an emergency drawdown of oil stored at the terminal site.

The conversion of a gas line under Cook Inlet for the movement of oil required Hilcorp to lay a new subsea pipeline to the west side of the inlet from the offshore Tyonek gas platform, and to implement some upgrades to the gas pipeline that connects the platform to the pipeline infrastructure on the Kenai Peninsula. The pipeline upgrades have enable the gas carrying capacity of pipelines that cross the inlet to be maintained, despite the new arrangements for the carriage of oil.