

**U.S. Department of the Interior
Minerals Management Service**



Alaska Outer Continental Shelf Region
3801 Centerpoint Drive, Suite 500
Anchorage, AK 99503-5823

Environmental Assessment

Activity: Exploration Plan

Cosmopolitan Unit, Cook Inlet, Alaska

Pioneer Natural Resources Alaska, Inc

Hansen #1A L1 Exploration Wells

Federal Lease Y 1664

June 19, 2007

Environmental Assessment Determination

Finding of No Significant Impact (FONSI)

In accordance with the National Environmental Policy Act (NEPA) of 1969, as amended, Minerals Management Service (MMS) prepared a Environmental Assessment on Pioneer Natural Resources Alaska, Inc. proposed exploratory extended reach drilling project designated as Hansen #1A L1, located offshore on federal lease OCS-Y1664, consisting of one lateral sidetrack well from the existing Hansen #1/1A well. The EA titled Exploration Plan, Cosmopolitan Unit, Cook Inlet, Alaska, Pioneer Natural Resources Alaska, Inc, Hansen #1A L1 Exploration Wells, Federal Lease Y 1664 is dated June 20, 2007.

Based upon the EA, MMS Alaska Regions has determined that the proposal will not have significant effects upon the quality of the human environment (40 CFR 1508.27). The project is small scale, sub-seafloor drilling process, with low risk/concentration/exposure time of an accidental oil spill impacting biological resources.

Preparation of an environmental impact statement is not required.



Deborah Cranswick
Chief, Environmental Assessment Section
MMS, Alaska OCS Region

6/19/07
Date



Cleveland J. Cowles
Regional Supervisor, Leasing & Environment
MMS, Alaska OCS Region

6/21/07
Date

1.0 INTRODUCTION

Under the Outer Continental Shelf Lands Act (OCSLA), as amended, the U.S. Department of the Interior (DOI) is required to manage the leasing, exploration, development, and production of oil and gas resources on the Federal Outer Continental Shelf (OCS). The Secretary of the Interior oversees the OCS oil and gas program and is required to balance orderly resource development with protection of the human, marine, and coastal environments while simultaneously ensuring that the public receives an equitable return for these resources and that free-market competition is maintained.

Pioneer Natural Resources Alaska, Inc. (Pioneer) proposes an exploratory extended reach drilling project consisting of one sidetrack well from an onshore location. This Environmental Assessment (EA) assesses the potential impacts associated with the project, and shall determine whether an Environmental Impact Statement (EIS) is needed.

This EA implements the tiering process outlined in 40 CFR 1502.20, which encourages agencies to tier environmental documents and eliminates repetitive discussions of the same issue. By tiering from the most recent Final Environmental Impact Statement (EIS) for the Alaska Outer Continental Shelf, Cook Inlet Planning Area, Oil & Gas Lease Sales 191 & 199, November 2003, and by use of reference to related environmental documents, this EA concentrates on environmental issues specific to the proposed action.

2.0 DESCRIPTION AND NEED FOR THE PROPOSED ACTION

2.1 DESCRIPTION OF THE PROPOSED ACTION

The proposed drilling sites would be conducted onshore, from private property located approximately 5.5 miles north of Anchor Point and 0.5 miles west of the Sterling Highway. The site is at an upland area that was previously used for exploration and has been logged in recent years and used for gravel mining.

Proposed Drilling Site Locations: 2181'FSL, 1512'FEL, Sec 2, T4S, R15W, Seward Meridian

The drill site was previously developed by ConocoPhillips Alaska, Inc. (CPAI) and used to drill the Hansen #1. Subsequently, a sidetrack to Hansen #1 was drilled and designated Hansen #1/1A. The Federal scope of the proposed action includes one lateral sidetrack well from the existing Hansen #1/1A well. The proposed sidetrack well designation is Hansen #1A L1.

The proposed bottom hole location for Hansen #1A L1 lateral sidetrack is located offshore on federal lease OCS-Y1664.

At this stage of the project, no aircraft, or vessels will be utilized on the Federal Outer Continental Shelf (OCS), and there will be no effluent discharge. A vessel will be utilized within one mile of the shoreline (State of Alaska jurisdiction) to collect bathymetry and geophysical data for future development.

A complete description of the proposed action can be found in the Cosmopolitan Unit Exploration Plan Supplement, dated April 2007 (Appendix A)

NOTE: The Environmental Report is contained within Appendix A

Activity is proposed to begin approximately June 2007, and continue through November 2007.

2.2 NEED FOR THE PROPOSED ACTION

The Cosmopolitan reservoir straddles the Federal/state boundary. The proposed well would confirm the presence of hydrocarbons on the Federal portion of the reservoir. Absent a well into the Federal lease, the Federal government could be denied allocation of production and Federal royalties if and when the reservoir is developed.

Consistent with its obligation to the Federal Government, Pioneer filed its Exploration Plan Supplement with the Minerals Management Service (MMS) to drill a well into an OCS lease. The MMS deemed the Exploration Plan as "submitted" on May 23, 2007. Ultimately, Pioneer must get an approved Application for Permit to Drill (APD) from the MMS. However, the MMS cannot approve an APD until the MMS has approved an Exploration Plan.

3.0 ALTERNATIVES

3.1 NON-APPROVAL OF THE PROPOSED ACTION

The applicant would not be allowed to undertake the proposed activities. This alternative could prevent the exploration of hydrocarbon resources, result in the loss of royalty income for the U.S., and result in the loss of additional hydrocarbon production. Under this alternative, none of the potential incremental impacts associated with the proposed actions on the Federal portion of the Cosmopolitan Unit would occur. This alternative is not analyzed further in this EA.

3.2 APPROVAL OF THE PROPOSED ACTION WITH EXISTING MITIGATION

Measures that Pioneer proposes to implement, to limit potential environmental effects are discussed in the Cosmopolitan Unit Exploration Plan Supplement, dated April 2007 (Appendix A, and the Environmental Report contained within Appendix A). The OCS Operating Regulations (30 CFR 250.211 and 213-227) are specifically referenced in the Exploration Plan Supplement, Table 3-1, MMS Cross Reference Table.

4.0 ENVIRONMENTAL IMPACTS ASSESMENT OF THE PROPOSAL AND ALTERNATIVES

The following potential environmental effects associated with the proposed actions were identified:

4.1 OIL SPILL RISK

Per the ADEC approved Cook Inlet Area Exploration Oil Discharge Prevention and Contingency Plan (ODPCP), Section 2.3.3 – *Blowouts*, which expires on July 25, 2007, the following information is quoted:

“A blowout would be the source of the largest potential spill at an exploration well site. For planning purposes, a blowout rate of 5,500 bbl/day is generally assumed (per ADEC regulations) unless a lower rate is provided by AOGCC and accepted by ADEC. Several blowouts have occurred in the Cook Inlet area in the past 20 years; both occurred at offshore platforms, and were the result of encountering shallow gas. These blowouts did not release significant quantities of liquid hydrocarbons. Statistical analysis presented in the ODPCP for the Warthog #1 Well (offshore in the Beaufort Sea) indicates that a blowout with accompanying oil flow greater than 5,000 bopd has a probability of occurrence of less than 10^{-16} ”

Also from the ADEC approved ODPCP, *Table (2-3), Maximum Discharge of Liquid Hydrocarbons for Proposed Oil and Gas Exploration Activities*, the following information is quoted:

<u>Source</u>	<u>Table 2-3</u>	<u>Volume or Rate</u>
<i>Blowout – Oil Exploration Well</i>		<i>5,500 bbl/day – Liquid Hydrocarbons</i>
<i>Blowout – Gas Exploration Well</i>		<i>< 500 bbl/day – Liquid Hydrocarbons</i>

In the event of an oil spill, terrestrial resources would be primarily impacted. A detailed discussion of terrestrial resources can be found in appendices of the April 2001 Plan of Operations to include a biological survey report, wetland survey report, cultural resources letter, and bluff stability evaluation.

MMS deems the actions taken by ADEC personnel (i.e., approval of the information and content of the ODPCP) as reasonable. The risk of an oil spill from a blowout is less than 10^{-6} or less than one in a million chance, therefore MMS does not anticipate significant impacts from a blowout to sensitive coastal environments; threatened & endangered species; and subsistence resources. The ADEC approved ODPCP adequately mitigates the risk from a potential blowout through the availability of spill response equipment and spill response procedures. Refer to the ADEC Certificate of Approval – ODPCP Plan Number 06-CP-2234, found at Appendix G. The current ODPCP expires July 25, 2007. MMS acknowledges that operations cannot proceed after July 25, 2007 without an ADEC approved ODPCP. Pioneer has submitted ODPCP Plan Number 07-CP-2234 to ADEC for review.

4.2 BIOLOGICAL RESOURCES

Coastal and near shore species of fish, marine birds and mammals in the general area of the proposed action, use the waters during various phases of their life histories. An oil spill would cause temporary disturbance and displacement of localized groups. Based upon information provided in the Cosmopolitan Unit Exploration Plan Supplement, dated April 2007 [Refer to Appendix A, and the Environmental Report contained within Appendix A] the MMS has determined that if an accidental spill occurred, oil concentrations, exposure times, and the area affected would not be great enough to cause significant impacts to fish, marine birds and mammal populations. A more detailed analysis of impacts on biological resources can be found in the Final Environmental Impact Statement (EIS) for the Alaska Outer Continental Shelf, Cook Inlet Planning Area, Oil & Gas Lease Sales 191 & 199, November 2003.

4.3 THREATENED & ENDANGERED SPECIES – EIDERS / MURRELETS

Based upon information provided in the Cosmopolitan Unit Exploration Plan Supplement, dated April 2007 [Refer to Appendix A, and the Environmental Report contained within Appendix A] the MMS has prepared an Endangered Species Act (ESA), determination concluding that no effect upon Stellers' Eiders, or Kittlitz's Murrelets will occur as a result of the proposed action. Refer to Appendix G for a copy of the memorandum.

4.4 THREATENED & ENDANGERED SPECIES – SEA OTTERS

Based upon information provided in the Cosmopolitan Unit Exploration Plan Supplement, dated April 2007 [Refer to Appendix A, and the Environmental Report contained within Appendix A] the MMS has prepared a ESA determination concluding that no effect upon Sea Otters will occur as a result of the proposed action. Refer to Appendix G for a copy of the memorandum.

4.5 THREATENED & ENDANGERED SPECIES – WHALES / SEA LIONS

Based upon information provided in the Cosmopolitan Unit Exploration Plan Supplement, dated April 2007 [Refer to Appendix A, and the Environmental Report contained within Appendix A] the MMS has prepared an ESA determination concluding that the proposed action will have no effect upon the Steller Sea Lion, Fin Whale, Humpback Whale, Blue Whale, North Pacific Right Whale, North Pacific Sie Whale, Sperm Whale, or Beluga Whale. Refer to Appendix H for a copy of the memorandum.

4.6 ESSENTIAL FISH HABITAT

Based upon information provided in the Cosmopolitan Unit Exploration Plan Supplement, Dated April 2007 (refer to Appendix A, and the Environmental Report contained within Appendix A) the MMS has prepared an Essential Fish Habitat (EFH) determination concluding that the proposed action will have no adverse effect upon EFH. Refer to Appendix I for a copy of the memorandum.

4.7 CULTURAL RESOURCES

Based upon information provided in the Cosmopolitan Unit Exploration Plan Supplement, dated April 2007 [Refer to Appendix A, and the Environmental Report contained within Appendix A] the MMS consulted with the Alaska State Historic Preservation Officer (SHPO) on June 7, 2007, requesting concurrence of no effect per the National Historic Preservation Act (NHPA), Section 106. In the event of an accidental discovery, all operations must immediately cease and the Regional Director must be notified (30 CFR 250.194). Refer to Appendix J for a copy of the SHPO correspondence.

4.8 ADJACENT LANDOWNER CONCERNS

An adjacent landowner had appealed the State of Alaska's approval of the State Lease Plan of Operations based on concerns that noise, vehicle traffic, and lighting would be disruptive. The State of Alaska denied the appeal, but directed Pioneer to revise the Unit Plan of Operations. Pioneer submitted a revised Unit Plan of Operations to the State, which describes efforts to mitigate noise, lighting, and access. Pioneer has verbally advised the MMS that it intends to plant 900 trees (Lodge Pole Pine) along the northern boundary of the site; install enclosures and mufflers on generators; and provide access to the landowner's cabin from the north side of the site.

The State of Alaska has ultimate responsibility and authority to determine if the measures taken by Pioneer to mitigate disturbance to the adjacent landowner are adequate.

5. CONSULTATION AND COORDINATION

Consultation with U.S. Fish and Wildlife Service (FWS) and the National Marine Fisheries Service (NOAA Fisheries) was accomplished at the lease sale stage and was based on the analyses contained in the Final EIS for the Alaska Outer Continental Shelf, Cook Inlet Planning Area, Oil & Gas Lease Sales 191 & 199, November 2003. Refer to the Final EIS, Volume II, Appendix C & D for exact dates/discussion subjects of consultation.

- FWS and NOAA Fisheries consultation at the lease stage regarding endangered species occurred between June 18, 2002 and May 28, 2003.
- NOAA Fisheries consultation at the lease stage regarding essential fish habitat (EFH) occurred between November 20, 2002 and August 13, 2003.

Reference Appendix H, I & J for current memorandums addressing threatened/endangered species and EFH.

Consultation with the Alaska State Historic Preservation Officer (SHPO) is underway. The SHPO has 30 days upon receipt of the MMS effect determination to concur or request additional information.

6. REFERENCES

Plan of Operations / Operational Overview, 2001-2003 Exploration Program, Cosmopolitan Project, April 2001

Final Environmental Impact Statement (EIS) for the Alaska Outer Continental Shelf, Cook Inlet Planning Area, Oil & Gas Lease Sales 191 & 199, November 2003

Cosmopolitan Unit Exploration Plan Supplement, dated April 2007

7. APPENDICES

A. Cosmopolitan Unit Exploration Plan Supplement, dated April 2007

NOTE: The Environmental Report is contained within Appendix A

B. Cook Inlet Vicinity Map

C. Cosmopolitan Lease Map

D. Anchor Point, Topographic Map

E. Aerial Photo of Proposed Action Area

F. ADEC Certificate of Approval – ODPCP

G. ESA Determination of Effect – Eiders, Murrelet's, Otters

H. ESA Determination of Effect – Whales and Sea Lions

I. EFH Determination of Effect

J. MMS Correspondence to Alaska SHPO



PIONEER
NATURAL RESOURCES ALASKA, INC.

RECEIVED
Anchorage, Alaska

APR 20 2007

REGIONAL SUPERVISOR
FIELD OPERATION
MINERALS MANAGEMENT SERVICE

April 18, 2007

Mr. Jeff Walker
US Department of Interior
Minerals Management Service
3801 Centerpoint Drive
Anchorage, AK 99503-5820

Re: Cosmopolitan Unit Exploration Plan Supplement

Dear Mr. Walker:

As we've discussed, Pioneer Natural Resources Alaska, Inc. (Pioneer) is proposing to drill an appraisal well at the Cosmopolitan Unit that may reach into a federal lease. We have prepared the enclosed Exploration Plan Supplement to provide information required by Minerals Management Service (MMS) regulations for oil and gas operations in the outer continental shelf (30 CFR 250) that may not have been included in the Plan of Operations and associated permit applications. The federal activity described in the supplement is limited, as the drilling operations will be conducted from onshore.

Pioneer appreciates your assistance and consideration. Please contact me at (907) 343-2102, or by email at john.hellen@pxd.com, if you have any questions or require additional information.

Sincerely,

John Hellén
Regulatory and Environmental Coordinator

Attachments: Payment Confirmation
Exploration Plan Supplement

RECEIVED

Anchorage, Alaska

APR 20 2007

REGIONAL SUPERVISOR
FIELD OPERATION
MINERALS MANAGEMENT SERVICE



PIONEER
NATURAL RESOURCES

Pioneer Natural Resources Alaska, Inc.

700 G Street, Suite 600
Anchorage, Alaska 99501

2007 Cosmopolitan Exploration Project Kenai Peninsula, Alaska Exploration Plan Supplement

April 2007

Submitted to:

**Department of Interior
Minerals Management Service**

Table of Contents

Section	Page
1.0 Overview and Purpose	1
2.0 Project Overview	1
3.0 MMS Cross Reference	1
4.0 Supplemental Information.....	3
4.1 Name Change	3
4.2 Drilling Unit.....	3
4.3 Permits	3
4.4 New or Unusual Technology.....	4
4.5 Bonding	4
4.6 Contact Information	4
4.7 Geological and Geophysical Information	5
4.8 Hydrogen Sulfide Information	5
4.9 Environmental Impact Analysis.....	5

List of Tables

Table 2-1 Schedule	1
Table 3-1 MMS Cross Reference	2
Table 4-1 Permits and Authorizations	4
Table 4-2 Pioneer Contacts	5

List of Figures

Figure 1	General Vicinity Map
Figure 2	Project Location Map
Figure 3	Unit/Lease Map

Attachments

Appendix A	Plan of Operations
Appendix B	December 14, 2006 Letter to ADNR
Appendix C	Geological and Geophysical Information
Appendix D	Environmental Report

1.0 Overview and Purpose

Pioneer Natural Resources Alaska (Pioneer) proposes to conduct additional appraisal drilling for the Cosmopolitan Unit. This work continues previously permitted appraisal activities that were limited to the state lease portion of the unit. The purpose of this document is to supplement the existing project Plan of Operation, show where Minerals Management Service (MMS) Exploration Plan (EP) requirements have been provided in the existing permit applications, and provide additional information required for an MMS EP that has not been provided elsewhere.

2.0 Project Overview

Pioneer proposes to conduct appraisal drilling at the Cosmopolitan Unit, which is located two to three miles offshore of the Kenai Peninsula, Alaska, 5 miles north of Anchor Point (Figure 1). The work is being conducted from an onshore drilling pad located on private property (Figure 2). The offshore target will be reached using extended reach drilling. The drill site was previously developed by ConocoPhillips Alaska, Inc. (CPAI) and used to drill the Hansen 1/1A well and sidetrack. Pioneer proposes an additional sidetrack of the Hansen 1A. The well will be primarily located on state leases but may extend up to 1000 feet into Federal Lease No. Y1664 (Figure 3). The federal activity for the purposes of this supplement is limited to the portion of the well that extends into the outer continental shelf (OCS) lease.

Well evaluations (testing) will be performed at the well location. The tested or completed well would remain in place until final plans are made for appraisal and development. The approximate schedule of activities is shown in Table 2-1.

Table 2-1 Schedule

Activity	Planned Start	Duration
Preparation of Existing Well	June 2007	1 Month
Rig Mobilization	July 2007	1 Month
Drilling	July 2007	2 Months (1 week for federal activities)
Well Testing	September 2007	2 Months

3.0 MMS Cross Reference

Most of the information required under 30 CFR 250.211 and 213-227 was provided as part of the permit application for the Hansen 1/1A well (Appendix A Plan of Operations). To avoid duplication, that information is included by reference. Specific references are detailed in Table 3-1. Information that is missing or has changed from the previous applications is provided in Section 4

Table 3-1 MMS Cross Reference

Regulation	Information Requirement	Location of Information	Comments
250.211(a)	Description, objectives, schedule	Section 2 Plan of Operations, April 2001 Letter to Dr. Greene, OPMP, 12/14/2006	
250.211(b)	Location	Figures 1 through 3	
250.211(c)	Drilling Unit	Section 4.2	
250.213(a)	Applications and permits	Section 4.3	
250.213(b)	Drilling fluids	Plan of Operations, April 2001, Section 6.3	Pioneer anticipates a smaller amount of drilling fluids, due to the plan to drill the well as a sidetrack. No drilling fluids will be discharged.
250.213(c)	Chemical products	Plan of Operations, April 2001, Section 6	This information is only required for vessels, structures, or artificial islands.
250.213(d)	New or unusual technology	Section 4.4	
250.213(e)	Bonds	Section 4.5	
250.213(f)	Suspension of operations	Section 2	
250.213(g)	Blowout scenario	Cook Inlet Exploration Oil Discharge Prevention and Contingency Plan, Section 1.6	
250.213(h)	Contact	Section 4.6	
250.214	Geological and geophysical	Section 4.7	
250.215	Hydrogen sulfide	Section 4.8	
250.216	Biological, physical, and socioeconomic information	Appendix D	
250.217	Waste information	Plan of Operations, April 2001, Sections 6 and 7 Letter to Dr. Greene, OPMP, 12/14/2006	There will be no water discharges or NDPES permit needed and no cooling water intake.
250.218	Air emissions	Letter to Dr. Greene, OPMP, 12/14/2006, MG1 Notification of Intent to Operate	
250.219	Spill information	Cook Inlet Exploration Oil Discharge Prevention and Contingency Plan (ODPCP)	
250.220	Planning information	ODPCP	
250.221	Environmental monitoring	Not applicable	

Regulation	Information Requirement	Location of Information	Comments
250.222	Lease stipulations	Plan of Operations, April 2001, Section 11	The only MMS lease stipulation relevant to the proposed onshore appraisal well is Stipulation No. 3. Orientation Program.
250.223	Mitigation Measures	Plan of Operations, April 2001	
250.224	Support vessels, etc.	Not applicable to onshore activities	
250.225	Onshore support facilities	Plan of Operations, April 2001	
250.226	Coastal Zone Management Act	Final consistency determination included with letter to Dr. Greene, OPMP, 12/14/2006	
250.227	Environmental impact analysis	Appendix D	

4.0 Supplemental Information

4.1 Name Change

The proposed work is a continuation of exploration activities started in 2002 by Phillips Alaska Inc. (now ConocoPhillips or CPAI) Since that time, ownership changes have resulted in Pioneer becoming operator of the unit. However, the previous documentation submitted by CPAI accurately reflects current plans except as noted in this supplement. Each reference to Phillips Alaska Inc. in those plans should be understood to reflect the current operator, Pioneer.

4.2 Drilling Unit

Pioneer has selected the Rowan Rig 68, a 2000 horsepower, AC electric, mobile land rig capable of drilling to 25,000 feet measured depth. It will be equipped with pollution prevention equipment as described in the ODPCP.

4.3 Permits

Pioneer has applied for each permit or authorization listed in Table 4-1. This table provides the status of each permit or authorization. All permits are valid for the proposed activity, with the exception of the pending applications noted.

Table 4-1 Permits and Authorizations

Permit/Authorization	Agency	Status
Lease/Unit Plan of Operations Application, Plan of Operations, and Mitigation Measure Analysis	Alaska Department of Natural Resources (ADNR), Division of Oil and Gas	Decision by agency pending
ACMP Coastal Project Questionnaire and Consistency Analysis	ADNR, Office of Project Management and Permitting (OPMP)	Decision by agency pending
Archeological and Cultural Site Clearance	ADNR, Alaska Office of History and Archeology	Complete April 2001
Oil Discharge Prevention and Contingency Plan (ODPCP or C-Plan)	Alaska Department of Environmental Conservation (ADEC) Division of Spill Prevention and Response (SPAR)	Complete February 2007
Financial Responsibility	ADEC SPAR	Complete March 2001
Air Quality Construction Minor Source General Permit -1	ADEC, Division of Air Quality	Complete December 2006.
Permits to Drill	Alaska Oil and Gas Conservation Commission (AOGCC)	Application will be made prior to drilling activities
Exploration Plan	Minerals Management Service	Decision by agency pending

4.4 New or Unusual Technology

Pioneer is not proposing the use of new or unusual technology.

4.5 Bonding

Presently Pioneer has two lease specific general bonds for the Cosmopolitan Unit. Pioneer will provide MMS with additional exploration bonding prior to the commencement of the activities described in this plan.

4.6 Contact Information

Any communications regarding the proposed activities should be directed to John Hellén (contact information listed in Table 4-2). During onsite operations, Pioneer designated representatives will be on site at all times. Twenty-four hour phone service will be available at the drilling camp. The following personnel are designated project contacts:

Table 4-2 Pioneer Contacts

Anchorage Based Personnel, 700 G Street, Suite 600, Anchorage, AK 99501	
Drilling Superintendent (24 hour contact)	Vance Hazzard (907) 343-2116 (office) (907) 830-4645 (cell)
Operations Manager	Joey Hall (907) 343-2120 (office) (907) 529-1728 (cell)
Manager - Land, Commercial, and Regulatory Affairs	J. Patrick Foley (907) 343-2110 (office) (907) 830-0999 (cell)
Regulatory and Environmental Coordinator	John Hellén (907) 343-2102 (office) john.hellen@pxd.com
Dallas Based Personnel	
Health and Safety Director	John Boone (800) 242-2607 (office) (214) 212-2930 (cell)
Environmental Director	James Sherrard (800) 242-2607 (office)
Field Based Personnel	
Field Construction Supervisor	To be determined
Rig Supervisors	To be determined

4.7 Geological and Geophysical Information

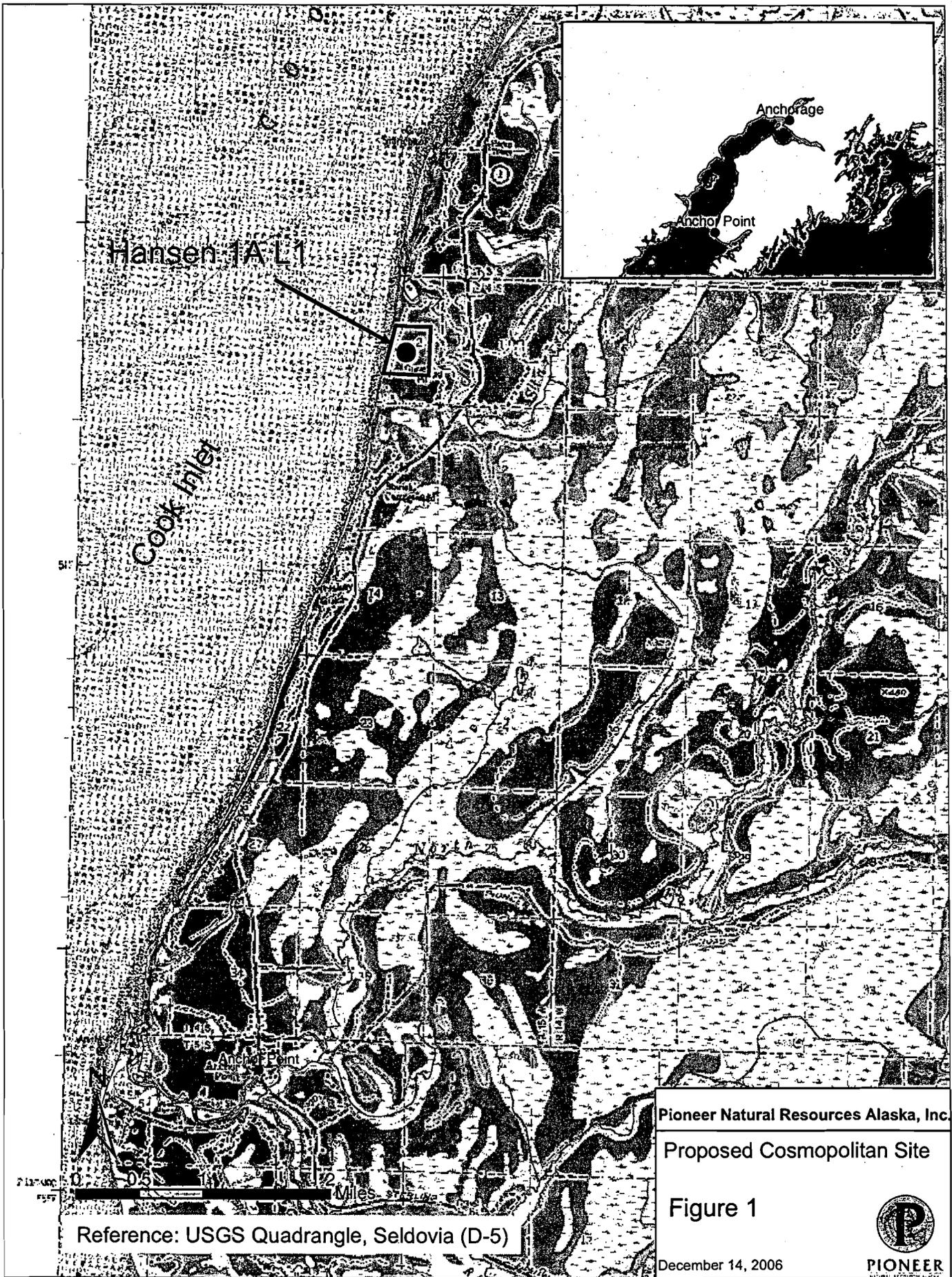
Geological and geophysical information is provided as a separate, confidential appendix to this plan.

4.8 Hydrogen Sulfide Information

Based on the absence of hydrogen sulfide encountered in previous exploration activities at the Cosmopolitan Unit, Pioneer requests that the reservoir be classified as hydrogen sulfide absent.

4.9 Environmental Impact Analysis

The proposed activities are primarily located onshore. The only federal activity proposed is the extension of the well into the OCS lease (less than 5% of the well bore). The Pioneer ODPCP demonstrates that a spill from the proposed activities would not impact the marine





Hansen 1A L1

Pioneer Natural Resources Alaska, Inc.

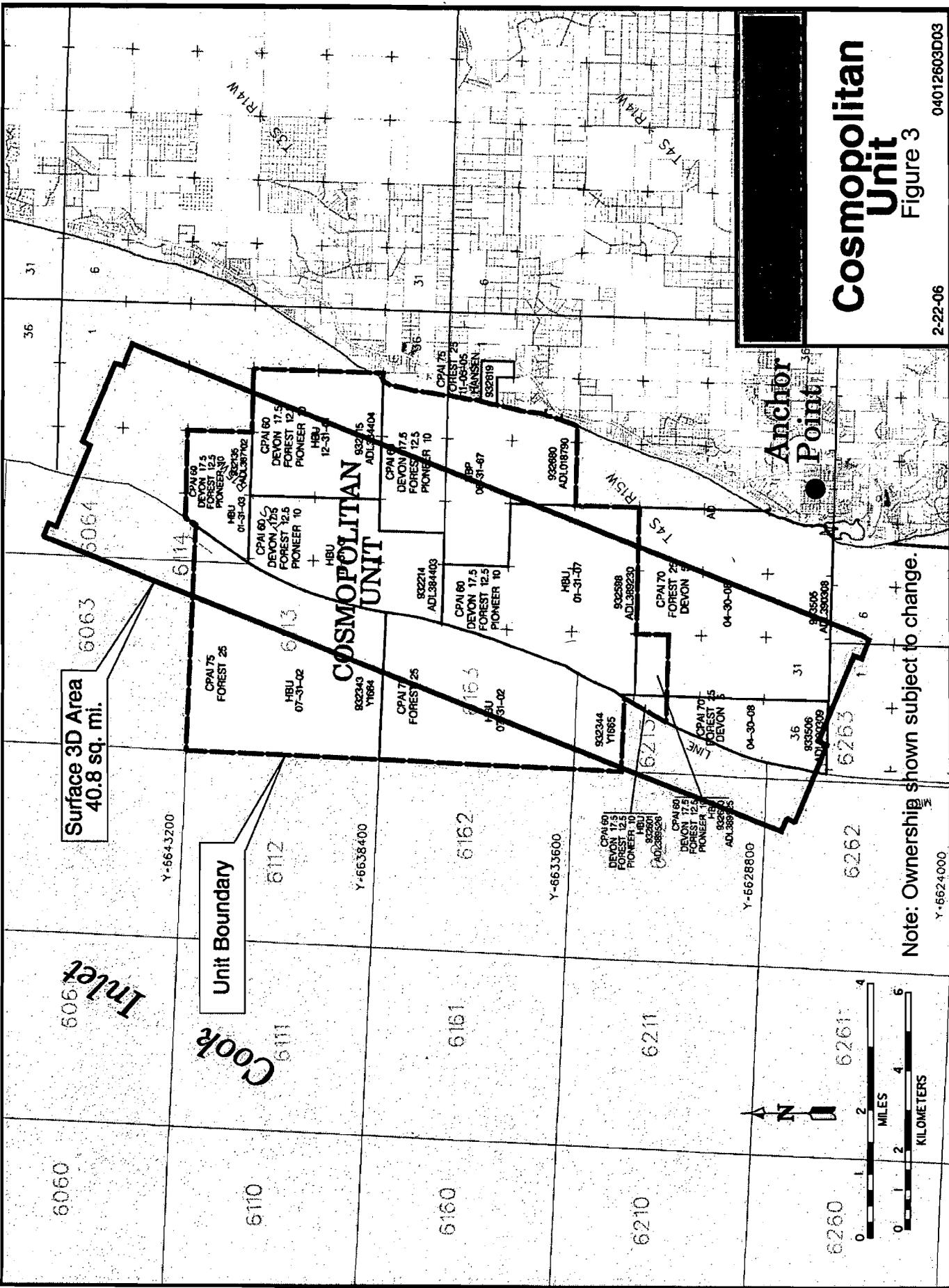
Cosmopolitan Site Location



PIONEER

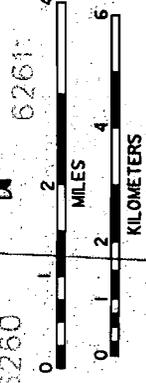
Figure 2

December 14, 2006



Surface 3D Area
40.8 sq. mi.

Unit Boundary



Note: Ownership shown subject to change.

Cosmopolitan Unit

Figure 3

Appendix A
Plan of Operations

PLAN OF OPERATIONS/ OPERATIONAL OVERVIEW

**2001 – 2003
EXPLORATION PROGRAM**

**Cosmopolitan Project
Kenai Peninsula, Alaska**

April 2001

**Phillips Alaska, Inc.
P. O. Box 100360
Anchorage, AK 99510-0360**

Table of Contents

	<u>Page</u>
1.0 Overview and Timetable	4
2.0 Drill Site Location and Access	4
3.0 Well Locations and Drill Site Layout	5
4.0 Permit Requirements	6
5.0 Water Requirements and Sources	6
5.1 Water Requirements	
5.2 Water Sources	
6.0 Drilling	10
6.1 Drilling	
6.2 Well Testing	
6.3 Storage and Disposal of Drilling Wastes	
6.3.1 Storage	
6.3.2 Disposal	
6.4 Disposal of Produced Fluids	
6.5 Air Emissions	
6.6 Ancillary Facilities	
7.0 Non-Drilling Waste Disposal, Reduction and Recycling	12
8.0 Well Abandonment and Site Closure	13
9.0 Contingency Plans	13
9.1 Wildlife Access	
9.2 Oil Discharge Prevention and Contingency Plan	
9.3 Spill Prevention Control and Countermeasure Plans	
9.4 Emergency Response Plan	
10.0 Communication and Supervision	14
11.0 Training	15
12.0 Local Hire	15
13.0 Public Involvement	16
14.0 Lease Operations General Requirements	16

LIST OF TABLES

		<u>Page</u>
Table 1	Surface Use Requirements	5
Table 2	Drill Site Legal Description	5
Table 3	Publicly Recorded Wells within 2 Miles of Site	8
Table 4	Estimated Volume of Drill Muds and Cuttings	10
Table 5	Contacts at Phillips	15

LIST OF FIGURES

Figure 1	Site Vicinity Map	19
Figure 2	Site Map	20
Figure 3	Exploration Drilling Schedule	21
Figure 4	Drill Site Layout	22
Figure 5	Cross-section A-A': Generalized Groundwater Conditions at Project Site	23
Figure 6	Location of Area Water Wells	24
Figure 7	Water Based Mud Storage Cell	25
Figure 8	Oil Based Mud Storage Cell	26
Figure 9	Underground Annular Injection Zone	27
Figure 10	Proposed Annular Injection Formation	28

APPENDIX A	Final Biological Survey Report
APPENDIX B	Final Wetland Survey Report
APPENDIX C	Cultural Resources Letter
APPENDIX D	Bluff Stability Evaluation

1.0 Overview and Timetable

This Plan of Operations (Plan) describes the Cosmopolitan Project, a Phillips Alaska, Inc. (Phillips) exploratory drilling project on the Kenai Peninsula, Alaska. The plan describes the exploratory program, including site location and preparation, drilling activities, waste management, and site restoration. It includes information necessary for permits listed in Section 4. An Alaska Department of Natural Resources (DNR) Lease/Unit Plan of Operations Application is being submitted with this Plan, including a summary of project compliance with the 31 state lease mitigation measures. An analysis of project consistency with the Alaska Coastal Management Plan and the Kenai Peninsula Borough Coastal Management Plan has also been prepared.

Phillips is proposing to drill up to 2 exploratory wells, with up to two delineation sidetracks, for a total of 4 possible reservoir penetrations. The wells will be drilled from an onshore location on private land; the wellbores will deviate to an offshore bottomhole location in Cook Inlet. The drill site location is shown in Figures 1 and 2 and discussed below in Sections 2 and 3. Ancillary facilities include an onsite camp for project workers and a new water well. The drill site will be accessible primarily by existing gravel roads, with one new gravel road, as discussed in Section 2.0. Site preparations will begin in June 2001, with drilling planned to begin September 4, 2001. Drilling is expected to continue for approximately 150-240 days. Phillips is requesting that permits extend through October 1, 2003 as a contingency to complete well testing and site cleanup/restoration, as needed. A preliminary schedule is provided in Figure 3. Phillips' Statewide Oil and Gas Bond number is 889180.

2.0 Drill Site Location and Access

The drill site is located onshore on private land, as shown in Figures 1 and 2. The proposed bottom hole location is located offshore on State Lease No. 384403. The exact position of the surface drilling location may shift to accommodate configuration constraints of equipment, but at no time will it be outside the drilling area shown in Figure 2. The bottomhole location may also vary, but will remain on the lease.

The drill site is located approximately 5.5 miles north of Anchor Point and 0.5 mile west of the Sterling Highway. The site is an upland area that has been logged in recent years. Site environmental conditions are described in the Final Biological Survey and Final Wetland Survey reports, included as Appendices A and B respectively. Appendix C is a letter report of a survey concluding that no known archaeological or cultural sites would be impacted by the project. Appendix D is a report on stability of the coastal bluffs near the site.

Access to the drill site will utilize existing gravel roads and trails off the Sterling Highway, as shown in Figure 2. Existing gravel roads may be widened, but will be within the easements on either side of the centerline of the existing roadways. The final 0.4 miles of access, including a turnaround loop, will be new gravel fill on

existing trails. Based on site specific conditions at the time of construction, a portion of the gravel road may be rerouted around the gravel pit. The existing roads and trails are on private land, owned by the private landowners.

Expected surface use requirements are summarized in Table 1. The total area encompassed by the planned road easements is approximately 6.9 acres, with the actual road base expected to occupy approximately 3.4 acres. The drill pad will occupy an area measuring approximately 310 feet by 650 feet (4.6 acres) or equivalent acreage.

Gravel for road and drill pad construction will be obtained from a commercial vendor.

Table 1 Estimated Surface Use Requirements

Feature	Approximate Area (acres)
Roads	3.4
Drill Pad	4.6

The drill site is on private land and is not accessible to the general public. Site visits by government agency personnel (for purposes other than impromptu inspections) should be arranged by calling the Drilling Supervisor. Section 10 lists contact persons at Phillips.

3.0 Well Locations and Drill Site Layout

Figure 2 shows the expected drill site location. The drill site and bottom hole locations are provided in Table 2.

Table 2 Drill Site Legal Description

Name	Legal Description of Location
Drill Site	2181' FSL, 1512' FEL, Section 2, T4S, R15W, Seward Meridian
Bottom hole	Located in State Lease ADL 384403, Section 3, T3S, R15W, Seward Meridian

The planned layout of the drill site is shown in Figure 4, although the layout may be modified slightly to accommodate site-specific operations. The pad will be constructed of gravel. The pad dimensions will be approximately 310 feet x 650 feet or equivalent acreage, and 4 to 6 feet thick. The pad will be constructed to promote drainage on the gravel pad area toward the lined storage cells. An 8 to 16 inch trench will be constructed around the drilling area to contain any potential spills and runoff. Siting on the relatively higher ground will prevent excess surface water from entering the drill site area. Additional details of drill site layout and operations are provided in Sections 5 and 6.

4.0 Permit Requirements

This plan presents information required in applying for, requesting coverage under, or amending the following authorizations, permits, or plans:

Division of Governmental Coordination (DGC)

Alaska Coastal Management Program Consistency Determination

Alaska Department of Environmental Conservation (ADEC)

Authorization for Temporary Storage of Drilling Waste
Oil Discharge Prevention and Contingency Plan

Alaska Department of Natural Resources (ADNR)

Division of Mining, Land & Water
Temporary Water Use Permit

Division of Oil & Gas

Lease Operations Permit

5.0 Water Requirements and Sources

This section describes water requirements for operations at the drill site.

5.1 Water Requirements

Approximately 16,000 – 20,000 gallons per day (gpd) of water will be required for drilling operations for a duration of approximately 150 - 240 days. The estimated total maximum water usage is up to 4.8 million gallons. The average pumping rate associated with this level of water usage is approximately 12.5 gallons per minute (gpm). This is within the general range of sustainable aquifer yields in the area, according to Alaska DNR geological reports. A water reservoir tank will be used to minimize peak demands on aquifers. An application for a Temporary Water Use Permit is being submitted to ADNR.

The on-site camp will not use water from this well. Potable water will be obtained from another source by the camp contractor, who will obtain needed authorizations.

5.2 Water Sources

Water will be supplied from a groundwater well to be installed at the site (Figures 2 and 5). Based on well logs and other groundwater information for the project vicinity, it is anticipated that water will be obtained from a sand and gravel aquifer within the bedrock at a depth of approximately 150 to 175 feet below the surface (10 to 85 feet below sea level). It is expected that the aquifer will be hydrologically isolated from the overlying aquifers, due to the presence of blue clay layers between the units. A water well completion at this depth should be adequate to ensure that local water wells and Stariski Creek are not affected by site operations. A schematic cross section of local area groundwater conditions, based on local well logs and geological reports, is presented in Figure 5.

The ADNR Division of Mining, Land & Water was contacted to obtain information regarding all publicly recorded water wells within a two-mile radius of the site, as shown in Figure 6, and listed in Table 3. Twenty-five records were returned, of which 24 were water well records, and 1 was septic only. One additional well was located by contacting nearby property owners. Two of the wells were dry.

Additional water well information was acquired through a neighborhood survey and public meeting input. In early 2001, Phillips completed a door-to-door survey of additional water wells known or suspected to be in the project area. From this survey, 8 additional wells were identified and considered in planning. During the March public meeting in Anchor Point, another 7 water wells were located on the project area map.

Of the 25 identified wells identified by ADNR, and the 15 additional wells located during the neighborhood survey and the public meeting (40 total), 21 are located within 1 mile of the drill site, 5 are located 0.25 mile or slightly more from the drill site, and no wells are located within 0.25 mile of the proposed drill site location.

Well depths ranged from 30 to 200 feet, with the elevations of aquifers encountered ranging from about 5 to 110 feet above sea level. There are two wells greater than 150 feet deep, located approximately 0.75 and 2 miles away from the site. The deep wells tap aquifers located at elevations of approximately 45 and 10 feet above sea level, respectively. Aquifers tapped by local area wells appear to be sand and gravel streambed deposits within the unconsolidated glacial deposits and underlying unconsolidated bedrock. The streambed deposit aquifers seem to be discontinuous. A thick blue clay is present in many of the wells and seems to act as an aquitard between the shallower aquifers and the deeper ones.

If water needs cannot be met by groundwater sources, additional water may be hauled from other sources (e.g., City of Soldotna) but will not be taken from rivers or streams.

Table 3 Publicly Recorded Wells within 2 Miles of Site

PUBLICLY RECORDED WATER WELLS WITHIN ONE MILE OF SITE (from ADNR Division of Mining, Land & Water)											
Alaska Key	Map Key	Owner at Time of Installation	Depth (ft)	USGS # - Township Range	Driller	Legal Description	Date Drilled	Approximate Land Surface Elevation (meters; ft - msl)		Estimated Aquifer Elevation (ft - msl)	Notes
015540	1	ESKELSON, MATHEW *	0055	SC003-015-36DC	THE WATER CO	JEPPESEN L08	07/03/88				
023455	2	WALLACE, ROSELLA X	0089	SC004-015-01ABBB	UNKNOWN	WALLACE TR 1	//	59	180	111	
021852	3	ROMPH, RONALD X	0056	SC004-015-01BC	HOMER WELL DRILLING	FUHR TR- 4	01/01/76	--	200	144	Location uncertain
020132	4	MUMEY, DANIEL L. X	0000	SC004-015-01BCAB	UNKNOWN	STARISKI HTS L2	//	N/A		N/A	Septic only
019968	5	COOPER, ERIC *	0124	SC004-015-01BCAB1-3	JAY BYRD DRILLING	STARISKI HTS L1	08/16/84	61	186	62	
018108	6	USGS *	0059	SC004-015-01CCDD1-2	M- W DRILLING	KENAI WELL #03	10/05/79	26	80	21	Location uncertain
022394	7	WALLI, ROBERT X	0086	SC004-015-02AABB	UNKNOWN	ANCHOR PT	08/01/78	30	91	5	
017835	8	MILLER, GEORGE *	0030	SC004-015-02DC	THE WATER CO	CH MILLER L2	07/30/89	40	122	92	Possibly within ¼ mile
017836	9	JORDAN, TERRY	0030	SC004-015-02DC	THE WATER CO	CH MILLER L1	08/15/89	40	122	92	Possibly within ¼ mile
020133	10	INMAN, DAVID *	0063	SC004-015-11ACAA	ECHO LAKE DRILLING	STARISKI PRK L01 B2	01/01/74	65	198	135	
019969	11	CHAMBERS, KEVIN *	0155	SC004-015-11ACAB1-5	PHILLIPS DRILLING	STARISKI PRK L5 B1	03/07/83	65	198	43	
OTHER WATER WELLS WITHIN ONE MILE OF SITE											
NA	12	HANSEN, JOHN & VIOLA *	APPROX 30	SC004-015-1CBAD	UNKNOWN	LOT 4	UNKNOWN	45	137	107	Information from well owner

PUBLICLY RECORDED WATER WELLS WITHIN TWO MILES OF SITE (from ADNR Division of Mining, Land & Water)											
Alaska Key	Map ID	Owner at Time of Installation	Depth (ft)	USGS # - Township Range	Driller	Legal Description	Date Drilled	Approximate Land Surface Elevation (meters;ft - msl)		Approximate Aquifer Elevation (ft - msl)	Notes
017827	13	MATHIS, LLOYD X	0110	SC003- 015-25	THE WATER CO	BISHOP L2 B1	03/ 12/ 89	--	220	110	
023782	14	BOYAN, R & K *	0083	SC003- 015-25ACCC	AK NOW-WELL/ VERNIS	GOV LOT 14	09/ 11/ 96	--	300	237	
023989	15	WHITNEY, R *	0082	SC003- 015-25CCDC	UNKNOWN	SONNICHSEN 1998 L02C3	//	--	200	138	
001576	16	SONNICHSEN, GARY *	0085	SC003- 015-25CCDD1- 1	THE WATER CO	SONNICHSEN 1990 TR- 2C	02/ 24/ 85	--	200	135	
021481	17	TETZLAFF, DON X	0120	SC003- 015-25CDBB1- 2	STARISKI WATER CO	BISHOP L3 B1	06/ 01/ 87	--	210	90	
008899	18	MATHIS, LLOYD X	0040	SC003- 015-25CDBC	THE WATER CO	BISHOP L2 B1	02/ 21/ 89	--	210	170	
002194	19	DAY, JAMES *	0040	SC003- 015-36ACAD1- 3	KRAXBER GER DRILLING	J BOOTH REC L4 B11	04/ 22/ 82	--	200	160	
020852	20	FRY, BILL X	0080	SC003- 015-36ADAA1- 2	THORN DRILLING	J. BOOTH L8 B11	07/ 01/ 78	--	200	110	
021804	21	SMITH, DICK X	0067	SC003- 015-36BCDB	UNKNOWN	STERLING HWY MP 149.1	//	--	155	88	Location uncertain
023784	22	JAMES, P *	0030	SC004- 015-11CDBC	UNKNOWN	KEELER TRACTS L02A	//	--	200	170	
000168	23	VON KEITZ X	0048	SC004- 015-12ACCC1- 1	STARISKI WATER	STARICHKF CP ES L9 B1	07/ 01/ 80	--	200	152	
019301	24	JORGENSEN, DANIEL X	0200	SC004- 015-14CBCD1- 5	UNKNOWN	F. C. BAILEY TR- M	//	--	210	10	
021418	25	KENNEDY, BOB X	0053	SC004- 015-14CCAC1- 4	STARISKI WATER CO	KENNEDY- GARNAND 1 L1B	10/ 01/ 86	--	210	157	Location uncertain
021677	26	WILLIAMS, JIM *	0118	SC004- 015-14CCBA	UNKNOWN	RUCKER TRACTS TR- 1 L1	04/ 01/ 81	--	210	92	

* Currently well owner.
X No longer well owner.

6.0 Drilling

This section describes drilling and drilling waste disposal operations for the project.

6.1 Drilling

Due to the exploratory nature of the well, much of the information regarding down hole aspects of the well is confidential. The actual wellbore design is part of the Drilling Permit issued by the AOGCC. Up to two wells and up to two sidetracks, for a total of four reservoir penetrations, are planned.

Both fresh water and oil-based drilling muds will be used. They will include additives used to maintain desired rheological properties and density. The water-based mud (WBM) will be used for drilling from the surface to a depth of approximately 7,000 feet [3,700 true vertical depth (TVD)]. An oil-based drilling mud (OBM) will be used from a depth of 7,000 feet (3,700 TVD) to 18,500 feet (7,000 TVD).

6.2 Well Testing

Phillips is planning to perform extended well tests. The length of the tests could be anywhere from ten days to one year, or until permit requirements stipulate that work be completed. The purpose of the tests is to monitor and determine the long-term productivity of the target reservoir. They will enable the determination of any potential reservoir boundaries near the well, and to test artificial lift mechanisms.

6.3 Drilling Wastes

The estimated maximum volumes of water-based and oil-based muds and cuttings to be generated during drilling operations are summarized in Table 4.

Table 4 Estimated Volume of Drilling Muds and Cuttings

Type of Drilling Mud	Estimated Maximum Volume of Mud (bbls)	Estimated Maximum Volume of Cuttings (bbls)	Estimated Total Volume of Muds and Cuttings (bbls)	Estimated Total Volume of Muds and Cuttings (cubic feet)
Water-Based	15,075	3,940	19,015	106,770
Oil-Based	12,635	2,100	14,735	82,740
Total	27,705	6,040	33,750	189,510

6.3.1 Storage

During drilling operations, WBM will be recycled through a storage cell to maximize the fluid usage efficiency. The OBM will be reclaimed with a vacuum pump and recycled through the active system. During drilling and prior to disposal, OBM and WBM waste will be stored separately in lined temporary storage cells.

The WBM storage cell will be approximately 220 feet by 100 feet by 12 feet, providing a gross volume of 40,470 barrels (bbls) (227,050 ft³). The usable storage volume is 33,725 bbls (189,210 ft³), allowing for 2 feet of freeboard. The OBM storage cell will measure approximately 170 feet by 100 feet by 12 feet, providing a gross volume of 30,860 bbls (173,130 ft³), with a usable storage volume of 25,720

bbls (144,275 ft³), allowing for 2 feet of freeboard. This is adequate to contain the total estimated volume of drill cuttings plus precipitation and an emergency relief volume with an excess factor of 90% for the water based portion and 146% for the oil-based portion. The storage cells may be constructed with different dimensions, but will accommodate comparable volumes of waste and will allow for 2 feet of freeboard. The volume of wastes placed in each storage cell will be minimized as will snow and rain accumulation in the cell. Storage cell dimensions and cross-sections are shown in Figures 7 and 8.

The storage cells will be lined with a leakproof flexible membrane that is at least 30 mils thick and is compatible with the wastes. It will be selected, constructed, installed, and maintained in accordance with USEPA guidance regarding liners, referenced in the ADEC regulations.

Leachate prevention measures to be implemented during storage of the drilling wastes include:

- Installation of a proven, cold weather, impermeable liner to contain cuttings and any associated fluids, and
- Regular visual inspections of the liner to verify that it is not compromised.
- Groundwater monitoring around the drill site

A temporary drilling waste storage permit application is being submitted to ADEC.

6.3.2 Disposal of Drilling Waste

After drilling operations have been completed, all drilling waste will be disposed of by annular injection down the borehole. The estimated volumes and description of waste to be disposed of are described above. Little additional waste is generated during the drilling of sidetracks. It is estimated that the maximum volume to be disposed of from drilling two wells and two sidetracks is approximately 35,000 bbls. The cuttings will be slurrified prior to injection. The slurrification will result in a fluid density of approximately 9 to 11 lb/gal.

The target formation for disposal is a sand stringer in the Tyonek Formation located at a depth of approximately 3,700 feet TVD. The approximate surface location of the injection zone is shown in Figure 9. The total dissolved solids (TDS) of that formation has been calculated using an R_{WA} technique as per AOGCC requirements and determined to be 4,000 ppm (NaCl equivalent). Figure 10 shows the well log for that formation.

An annular waste disposal permit application will be submitted to the AOGCC for approval. If annular disposal is determined not to be a viable option following drilling and testing, an approved alternative offsite disposal method will be selected.

6.4 Disposal of Produced Fluids

Production tests may be performed as needed after production casing is set and cemented. Any produced fluids will pass through an adequately sized separator system to prevent oil carryover into the gas stream. Oil from testing will be temporarily stored in tanks. After testing, the oil will either be injected back into the

formation from which it was produced or hauled to the Tesoro Refinery and processed through their facilities. Produced gas will be flared or utilized to power an on site generator.

6.5 Air Emissions

An analysis of sources of air emissions during project construction, drilling, and testing determined that potential emissions of each criteria pollutant will not exceed 100 tons per year. Additionally, the heat input will be less than 100 million Btu per hour for each single piece of emissions equipment. No other factors triggering an air permit are applicable; therefore, no air permit is required for the proposed program. Modeling has demonstrated that the ambient air quality exclusion zone will not extend beyond the Phillips lease boundary; and access to this area (all on private land) will be controlled.

6.6 Ancillary Facilities

All equipment necessary for drilling and formation evaluation will stay on the gravel road or drill site. No special aircraft landing or service facilities are anticipated. A 60-person camp may be located at the site to provide accommodations for rig and support personnel. Domestic wastewater will be stored in holding tanks until it is transported by local contractors to an off-site disposal facility. No wastewater will be discharged on the pad. Drinking water will be obtained from off-site sources.

Up to approximately 1,500 bbl (63,000 gallons) of diesel fuel will be stored at the project site in tanks, in lined, bermed fuel storage areas. In addition, a maximum of 3,800 bbl (159,600 gallons) of crude oil may be stored at the site during well testing. All fuel storage areas will be lined and diked in accordance with state and federal regulations, and lease mitigation measure number 9. All fuel transfers will follow Phillips's best management practices associated with pollution prevention. Spill prevention and contingency plans are provided in the ODPCP for the project and summarized in Section 9.

7.0 Non-Drilling Waste Disposal, Reduction, and Recycling

Solid, non-drilling wastes will be stored in large dumpsters located at the site. Waste that could attract wildlife will be temporarily stored in secure enclosed containers. Stored wastes will be picked up by local contractors and hauled to the KPB landfill in Homer or Soldotna.

Phillips will follow its standard waste reduction, recycling, and reuse policies. A recycling program will be implemented at the project site for glass, cardboard, aluminum cans, and newspaper. All hazardous materials will be handled in accordance with Federal and State regulations.

8.0 Well Abandonment and Site Closure

Upon completion of drilling and evaluation operations, all muds and cuttings will be injected down the well annulus, or otherwise disposed of, as outlined in Section 6. Liners of the temporary drilling waste storage cells will be removed, cleaned with water, cut into pieces, and taken to a permitted landfill for disposal. The site will be cleaned and reclaimed to the satisfaction of the surface landowner and in compliance with all applicable statutes and regulations. The water well may be left for future use, as directed by the landowner.

Current plans are to continue to test the well if initial test results are positive. After all potential zones have been sufficiently evaluated or all potential hydrocarbons have been produced from the wellbore, the well will be plugged and abandoned. The well may be temporarily suspended if sufficient reservoir quality rock is not penetrated in this well bore and additional data is needed to further evaluate possible reservoir intervals. Any well suspensions will be performed in accordance with applicable AOGCC regulations. Final site closure will be approved by all appropriate agencies and the surface landowner.

9.0 Contingency Plans

9.1 Wildlife Access

A biological survey of the project area was conducted to evaluate vegetation, wetlands, fish, and wildlife in the project area. The survey included both a field investigation and a literature search that covered published and unpublished reports, state and federal regulations, and other sources of information about wildlife and fish and their habitats that could be affected by the project. These reports are included in Appendices A and B.

The project wastes should not attract animals, and the project area is not in a primary animal corridor. Project personnel will be instructed not to feed wildlife of any type or in any other way attempt to attract them either at the drill site or on the road.

The probability of encountering a grizzly bear during drilling operations is remote. However, should a grizzly bear be encountered, the procedures outlined in the Cosmopolitan Project Bear Avoidance Plan will be followed. The Bear Avoidance Plan will be incorporated into training for project employees, and a copy will be kept on site at all times. Food will be kept inside buildings or containers that minimize odors. Trash bins for kitchen and camp waste will be kept covered. Hazardous materials will be kept in drums or other secure containers. Buildings and drill pad layouts will be designed to maximize visibility and minimize potential areas in which a bear could hide or be hidden from view. Any sightings will be immediately reported to the site superintendent, and personnel in the area will be warned of the bear's location. All grizzly bear sightings will be reported verbally to ADF&G.

9.2 Oil Discharge Prevention and Contingency Plan (ODPCP)

An approved oil discharge prevention and contingency plan (ODPCP) will be kept on site at all times for use in controlling and cleaning up any accidental discharges of fuels, lubricants, or produced fluids. A copy of the ODPCP is being submitted to ADEC under separate cover. The ODPCP contains information related to immediate response actions, receiving environments, spill cleanup mobilization response times, and well control. Phillips is a participating member of CISPRI (Cook Inlet Spill Prevention and Response, Inc.). As such, the resources of CISPRI will be available to respond to spills associated with this project, as needed.

9.3 Spill Prevention Control and Countermeasures Plans (SPCC)

The drilling contractor will have a spill prevention control and countermeasures (SPCC) plan for their fuel storage facilities associated with drilling operations. The well testing company will have a SPCC plan for their surface test equipment and tanks.

9.4 Emergency Action

Phillips will have a site-specific Emergency Action Plan for the project. Phillips has an Incident Management Team (IMT) which follows the Incident Command System (ICS). The IMT is on call 24-hours per day. Personnel involved in an emergency situation will notify the on-site Drilling Supervisor, who will notify Phillips Security in Anchorage, who will direct the IMT to respond. The well location will be accessible by road. An Environmental Health and Safety Policies and Procedures manual is available on Phillips's Internet web page. Safety and emergency response will be part of employee training, and the Emergency Action Plan will be available onsite.

10.0 Communication and Supervision

A Phillips representative will be on site at all times during operations. Twenty-four hour phone service will be available at the drilling camp. The personnel listed in Table 5 are designated as contacts.

In addition to the contacts listed, Phillips maintains 24-hour security coverage at the Phillips Tower in Anchorage. Personnel on duty are trained to handle incoming emergency calls. The front desk number at Phillips Tower is 276-1215.

Drilling supervisors will be responsible for environmental and safety compliance at the site.

Table 5 Contacts at Phillips

(Area code 907, unless indicated)

Name	Title	Company	Work phone	Home phone
Paul Dean	Senior Drilling Engineer	Phillips, Anchorage	265-6787	(281) 980-1557
Paul Mazzolini	Drilling Team Leader	Phillips, Anchorage	263-4603 or 244-5685	345-8786
Michael Nelson	Senior Environmental Coordinator	Phillips, Anchorage	263-4619	245-3296
Robert Swenson	Project Team Leader	Phillips, Anchorage	265-6808	696-8940
Kuparuk Environmental	(Cook Inlet Project Support)	Phillips, Kuparuk	659-7242 659-7212	
Kuparuk Security	(Cook Inlet Project Support)	Phillips, Kuparuk	659-7300	
Phillips Security in Anchorage		Phillips, Anchorage	265-6237 or 276-1215	

11.0 Training

All personnel, contractors and subcontractors will receive training that covers safety, environmental, social, and cultural issues. The intent is to enable individuals to perform their job in a safe manner that preserves geological, archaeological, and biological resources. Wildlife training is also discussed in Section 9.

12.0 Local Hire

Phillips gives preference to qualified local Alaskan residents in its employment practices and encourages its Contractors to do likewise. It is Phillips's intention to bid two major pieces of work: road and drill pad construction, and miscellaneous drilling support services (including septage haulage, solid waste services, etc.) These bids will be forwarded to the major Kenai Peninsula contractors, who will in turn, be encouraged to subcontract local Kenai area firms and individuals. We anticipate that bids will go out in the spring of 2001. The exploration drilling contractor has been awarded work based on having resident Kenai Peninsula personnel with Cook Inlet drilling experience. Local contractors will also be utilized for water well and monitoring well drilling services.

13.0 Public Involvement

Phillips is taking actions to ensure opportunities for public input to the Cosmopolitan Project. Activities to date have included hosting a community meeting in Anchor Point, Alaska in April 2001, and meeting with public officials, agency staff, and interest groups. Additionally, the permitting actions associated with this project will be public-noticed in selected publications by the DGC as part of the coastal management consistency review process. Other agencies may also provide public notices regarding Phillips's applications for its specific regulatory program.

Copies of permit applications will be locally available at the Kenai Peninsula Borough offices and the Homer and Anchor Point public libraries. Permit applications will also be available for public review on the Phillips web page on the Internet: <http://alaska.phillips66.com/permits/>

14.0 Lease Operations General Requirements

Phillips holds an existing valid lease for oil and gas resources in Cook Inlet. A plan of operations must be provided to ADNR before commencing exploration or development and the operator must comply with 31 mitigation measures incorporated into the lease.

14.1 Lease Operations Requirements

This section identifies information required to comply with 11 AAC 83.158(d).

11 AAC 83.158 (d) An application for approval of a plan of operations must contain sufficient information, based on data reasonably available at the time the plan is submitted for approval, for the commissioner to determine the surface use requirements and impacts directly associated with the proposed operations. An application must include statements and maps or drawings setting out the following:

Surface use requirements are presented in Table 1 and shown in Figure 2.

(1) the sequence and schedule of the operations to be conducted on or in the leased or licensed area, including the date operations are proposed to begin and their proposed duration;

A schedule is included in Figure 3.

(2) projected use requirements directly associated with the proposed operations, including the location and design of well sites, material sites, water supplies, solid waste sites, buildings, roads, utilities, airstrips, and all other facilities and equipment necessary to conduct the proposed operations;

Use requirements are discussed in Sections 2, 3, 5 and 6.

(3) plans for rehabilitation of the affected leased or licensed area after completion of operations or phases of those operations; and

Plans for site closure are discussed in Section 8.

(4) a description of operating procedures designed to prevent or minimize adverse effects on other natural resources and other uses of the leased or licensed area and adjacent areas, including fish and wildlife habitats, historic and archeological sites, and public use areas.

Sections 9, 10, 11, and 14, and Appendices A, B and C address these issues.

14.2 Lease Mitigation Measure Exceptions

The ADNDR developed a number of mitigation measures for leaseholders operating under the Cook Inlet Areawide 1999 Oil and Gas Lease. Under terms of the lease, exceptions to specific mitigation measures can be requested if the measure is not feasible or prudent or if an equally protective alternative is offered. Requests and rationale for exceptions must be identified in the Plan of Operations, when one is required.

Phillips is requesting an exception to lease mitigation measure number 6a, regarding setback from Stariski Creek. The exception would allow facilities to be sited less than 0.5 mile but greater than 0.25 mile from Stariski Creek. Under terms of the lease, concurrence of ADF&G is required for locating facilities within the standard one-half mile buffer. Rationale for the requested exception is presented below.

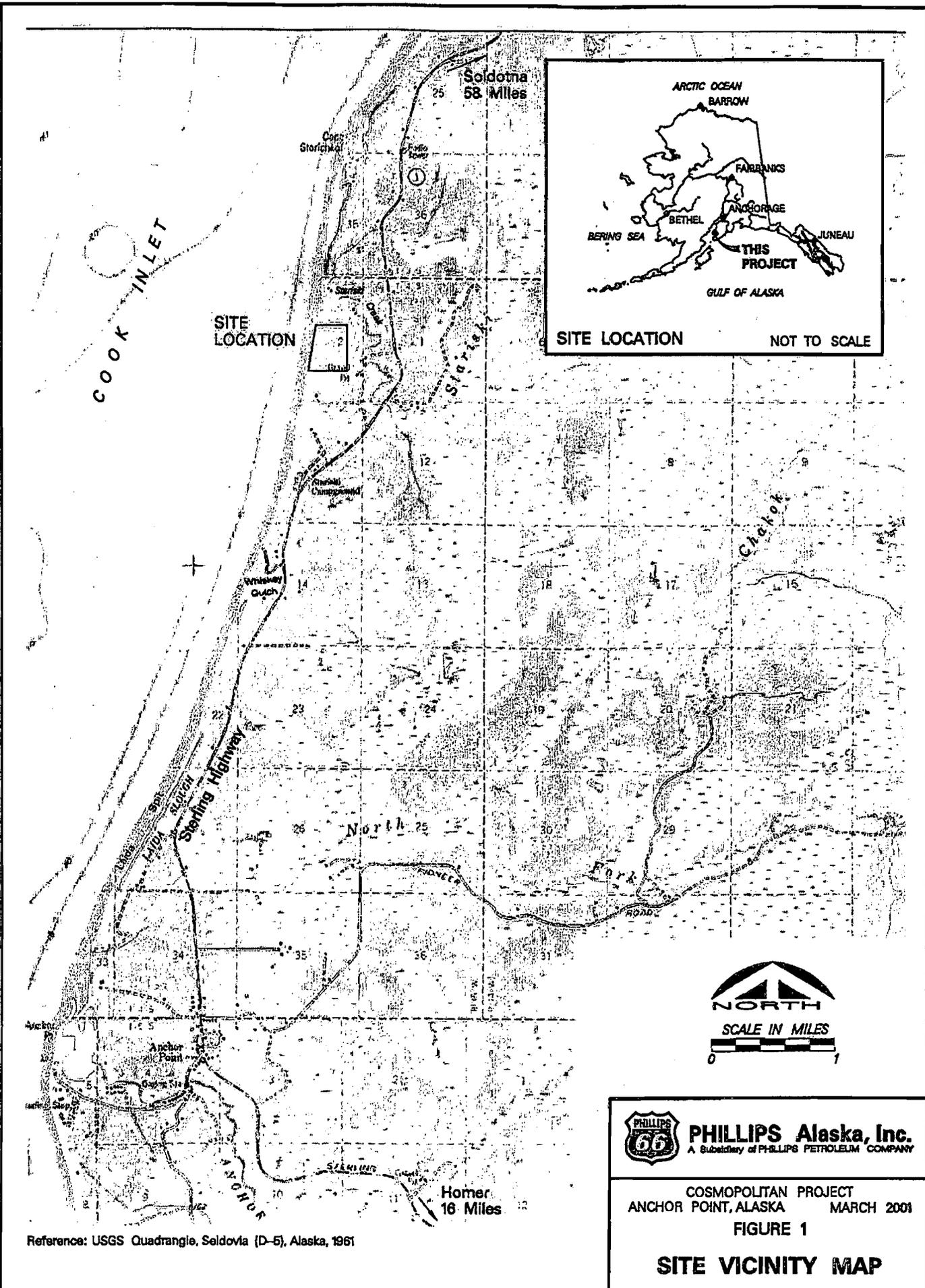
The proposed exploratory well is located less than ½ mile but more than ¼ mile from the nearest bank of Stariski Creek. This drilling location is environmentally preferable to other potential drillsite locations. During all activities on-site, practices will be utilized to ensure the protection of Stariski Creek.

All operationally feasible locations have been considered, including offshore drilling and drilling from other onshore locations. The proposed site is preferable for the following reasons: 1) ability to reach the bottomhole target location; 2) lowest impact on the environment; 3) lowest impact to local residences and businesses; 4) availability of required equipment. Operationally, an offshore location with a vertical wellbore would clearly be the technically preferred option.

Figure 2 shows the proposed well location in relation to geographic features such as Stariski Creek, mean high tide, and the top of the bluff. This private lease parcel was selected for exploration activity based on the size of the lot, ownership, availability, cost, prior industrial activity, and environmental sensitivity, among other factors. It is an upland lot, and contains no designated wetlands or endangered species. Within the lease parcel, a band of land was identified that meets the setback requirements of 500 feet from mean high tide and 0.25 mile from Stariski Creek. To address ADF&G concerns, the well location was selected to be as far away from Cook Inlet as possible without encroaching on the 0.25 mile setback from Stariski Creek.

Throughout construction and exploration activities, the practices and protocols outlined in this Plan of Operations and Phillips standard operating procedures will be employed to minimize any potential impacts to the stream. At this time, no permanent facilities will be constructed at the drill site, except for the wellhead and water well. The proposed access road is sited such that no crossing of Stariski Creek is necessary. Waste management practices will be implemented, including waste reduction and recycling. Oil storage areas and drilling waste storage cells will be diked and lined. Drilling wastes will be disposed of off-site in a safe and environmentally sound manner. At this time, Phillips is pursuing a permit for annular injection. Contingency plans have been prepared both for the exploration activity and for the drill rig. Additionally, during construction, best management practices will be utilized to reduce the possibility of erosion and prevent pollution in runoff. Phillips is also planning to install a series of groundwater monitoring wells around the site to monitor water quality and potential impacts to the creek.

MAPS & FIGURES



Reference: USGS Quadrangle, Seldovia (D-5), Alaska, 1961

PHILLIPS 66 PHILLIPS Alaska, Inc.
 A Subsidiary of PHILLIPS PETROLEUM COMPANY

COSMOPOLITAN PROJECT
 ANCHOR POINT, ALASKA MARCH 2001

FIGURE 1

SITE VICINITY MAP

ESTIMATED SCHEDULE – COSMOPOLITAN PROJECT ¹

PROJECT ACTIVITY	ESTIMATED DATES
Apply for permits	Late April 2001
Obtain Permits	Mid-late June 2001
Construct road, pad, and support facilities	July – August, 2001
Mobilize and Assemble drill rig	August – September 2001
Drilling	September 2001 – April 2002 ²
Finalize annular injection permit	October 2001
Commence annular injection	December 2001
Well testing activities	January 2002 – October 2003 ³
Demobilize and cleanup site	April – October 2003 ^{3,4}

Notes:

¹ This is an estimated schedule only. Actual dates of implementation may be different to account for variables in operational, permitting, weather, and other concerns.

² Drilling is not a continuous activity; operation of the drill rig is limited to periods of drilling up to two wells and up to two sidetracks.

³ Depending on initial results, well testing may be completed earlier or may be extended, with some site activity until October 2003.

⁴ These activities may occur at an earlier or later date, depending on number of wells/sidetracks drilled, results of drilling and/or extended well testing.

Phillips Alaska, Inc.
COSMOPOLITAN PROJECT
ANCHOR POINT, ALASKA MARCH 2001

FIGURE 3
ESTIMATED SCHEDULE

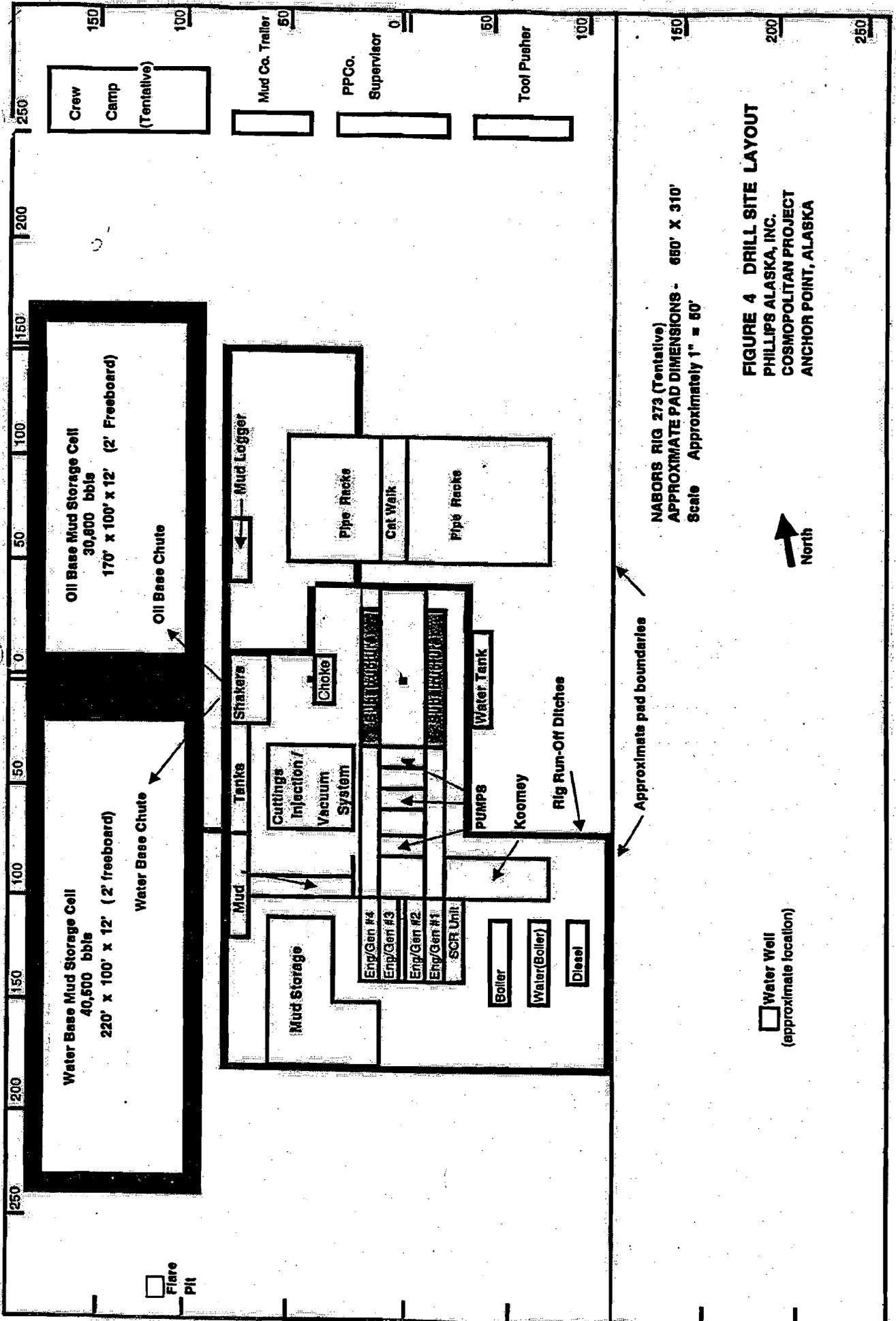


FIGURE 4 DRILL SITE LAYOUT
 PHILLIPS ALASKA, INC.
 COSMOPOLITAN PROJECT
 ANCHOR POINT, ALASKA

A' WEST
ELEVATION
ABOVE
SEA LEVEL
FEET
METERS

EXPECTED
LOCATION
OF
PROJECT
WATER WELL

LOCAL
WELLS

LOCAL
WELL

STARISKI
CREEK

COOK
INLET

GLACIAL DEPOSITS, INTERLEAVED
SAND, SILT, GRAVEL AND CLAY

INFERRED BEDROCK SURFACE
UNCONSOLIDATED DEPOSITS AND SHALES OF UPPER KEMAN GROUP

AQUIFER LOCATION UNKNOWN

A WEST
ELEVATION
ABOVE
SEA LEVEL
METERS
FEET

50
40
30
20
10

LOCAL
WELLS

LOCAL
WELL

STARISKI
CREEK

COOK
INLET

CLAY



PHILLIPS Alaska, Inc.
A subsidiary of PHILLIPS PETROLEUM COMPANY

COSMOPOLITAN PROJECT
ANCHOR POINT, ALASKA
MARCH 2001

FIGURE 6
CROSS SECTION A-A'
GENERALIZED GROUNDWATER
CONDITIONS AT PROJECT SITE

SCALE IN FEET
0 200
VERTICAL EXAGGERATION = 5X

**Cosmopolitan Project -
Kenai Borough Plat Data**

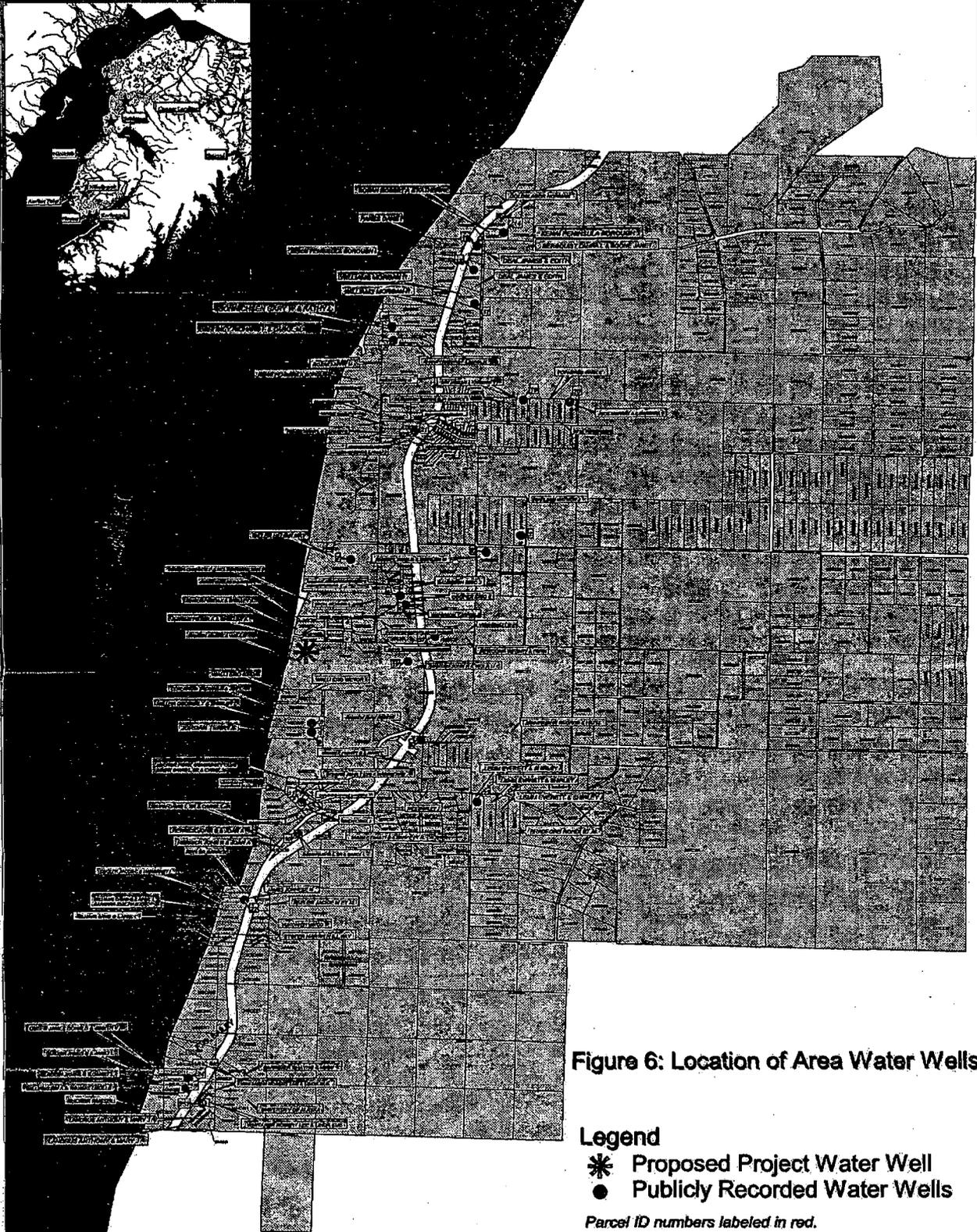


Figure 6: Location of Area Water Wells

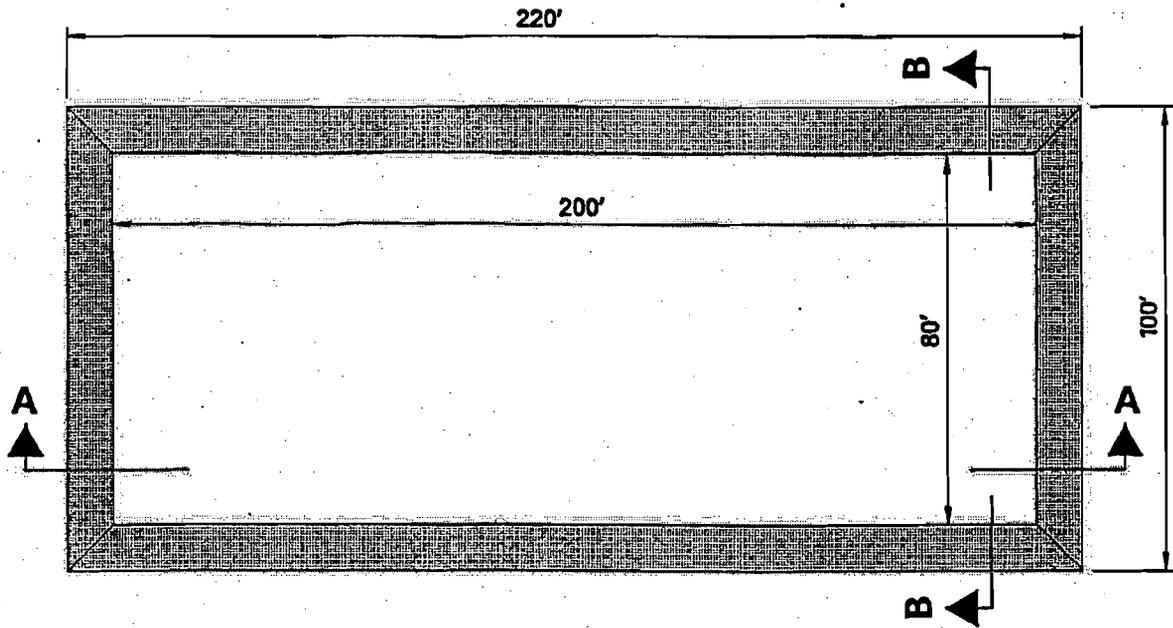
Legend

-  Proposed Project Water Well
-  Publicly Recorded Water Wells

Parcel ID numbers labeled in red.

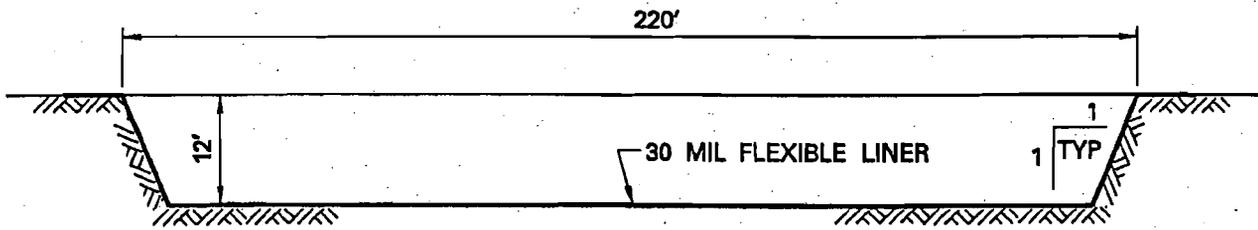
0 2000 4000 6000 8000 Feet





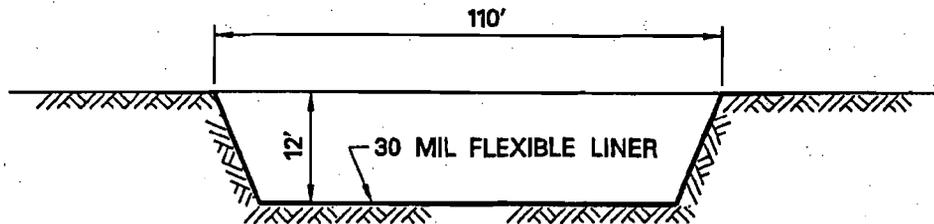
WATER BASED MUD STORAGE CELL

SCALE: 1" = 40'



SECTION A-A

NOT TO SCALE



SECTION B-B

NOT TO SCALE

All dimensions are approximate

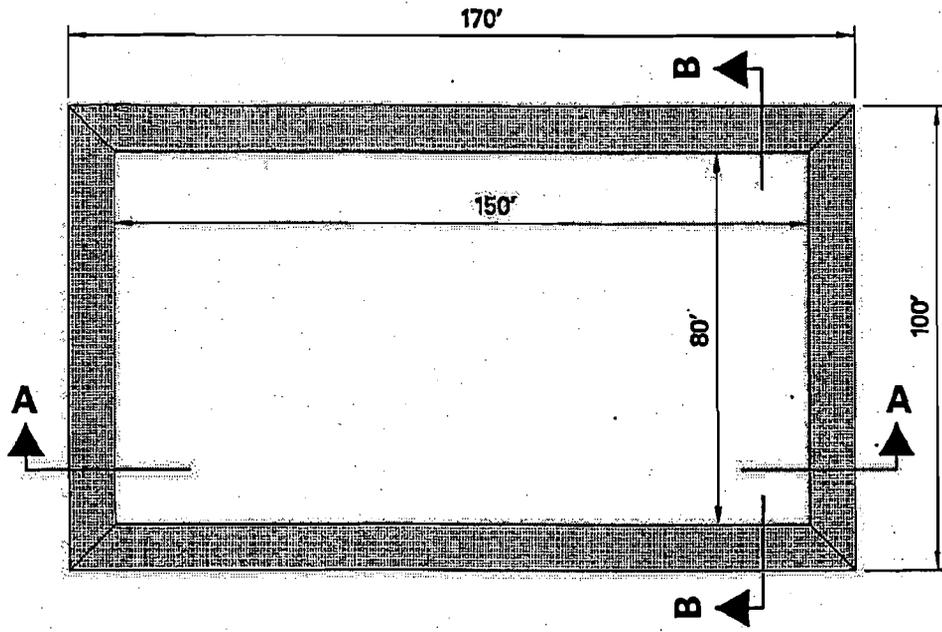


PHILLIPS Alaska, Inc.
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COSMOPOLITAN PROJECT
ANCHOR POINT, ALASKA MARCH 2001

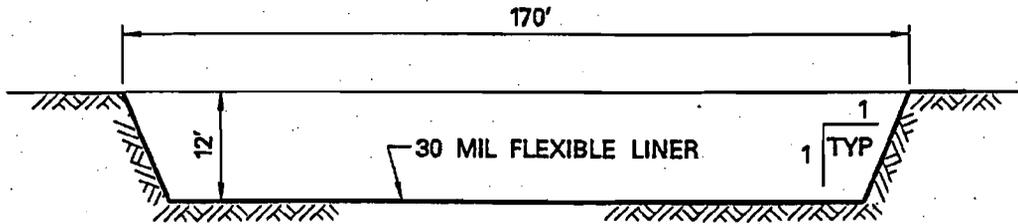
FIGURE 7

**WATER BASED
MUD STORAGE CELL**



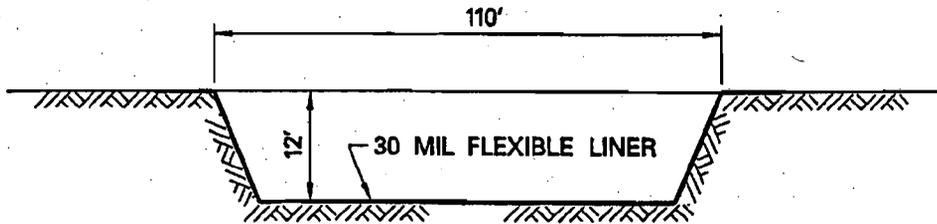
OIL BASED MUD STORAGE CELL

SCALE: 1" = 40'



SECTION A-A

NOT TO SCALE



SECTION B-B

NOT TO SCALE

All dimensions are approximate

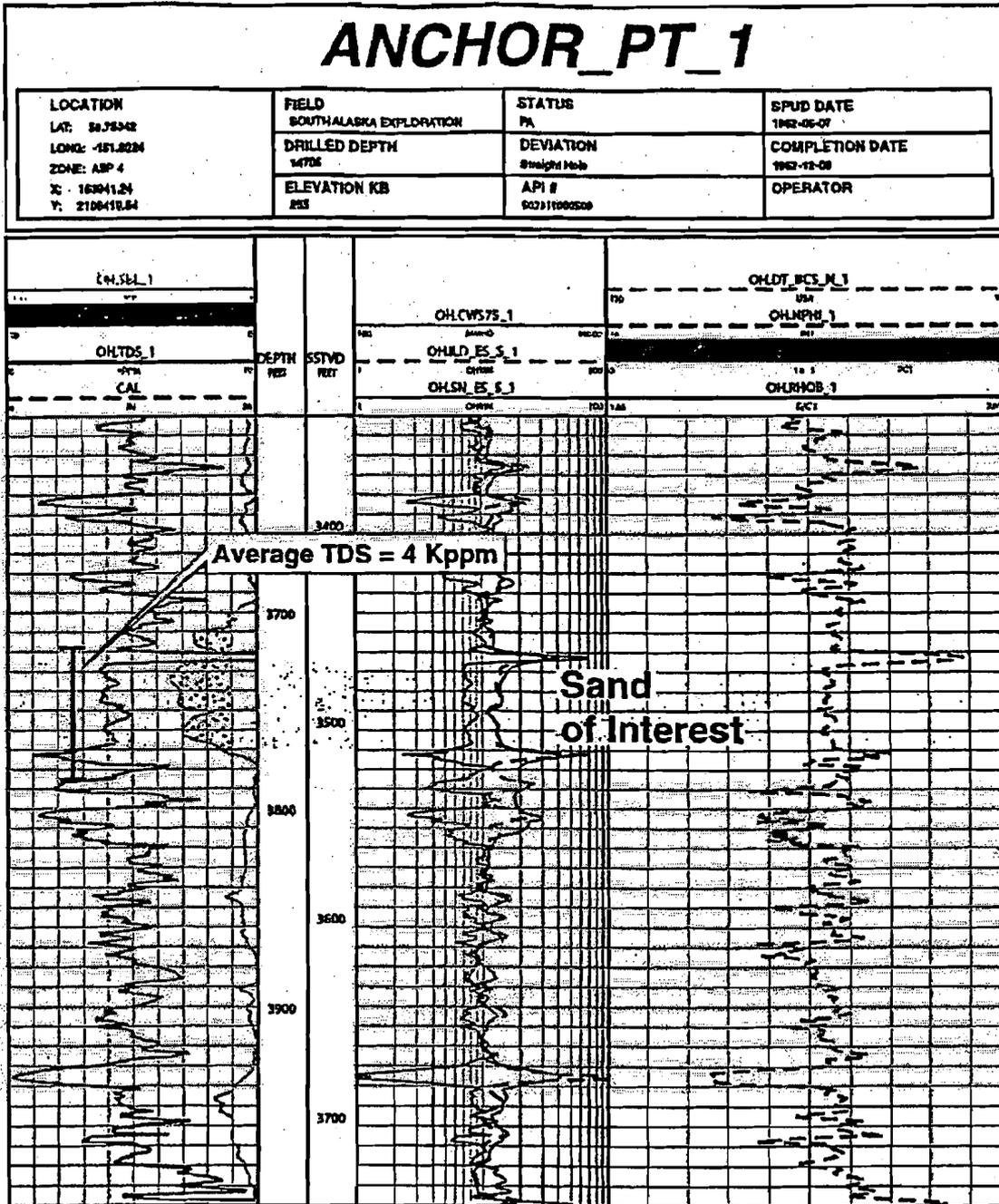


PHILLIPS Alaska, Inc.
A Subsidiary of PHILLIPS PETROLEUM COMPANY

COSMOPOLITAN PROJECT
ANCHOR POINT, ALASKA MARCH 2001

FIGURE 8

**OIL BASED
MUD STORAGE CELL**



Phillips Alaska, Inc.
 COSMOPOLITAN PROJECT
 ANCHOR POINT, ALASKA MARCH 2001

**FIGURE 10
 PROPOSED ANNULAR INJECTION
 FORMATION**

Appendix B
December 14, 2006 Letter to ADNR



PIONEER
NATURAL RESOURCES ALASKA, INC.

December 14, 2006

Dr. Ben Greene, Ph.D.
Alaska Department of Natural Resources
Alaska Coastal Management Program
Oil & Gas Section
550 West 7th Avenue, #1660
Anchorage, AK 99501

Re: Cosmopolitan Exploration Project Update

Dear Dr. Greene:

In 2001 Phillips Alaska Inc. (now ConocoPhillips Alaska Inc. or CPAI) proposed exploration activities at the Cosmopolitan Unit on the Kenai Peninsula consisting of up to two exploration wells and two sidetrack wells. On July 30, 2001, the Division of Governmental Coordination (now the Alaska Department of Natural Resources Office of Project Management and Permitting) issued a final consistency determination (State ID No. AK 0105-01PA).

From 2002 to 2003 CPAI and the unit co-owners drilled one well and one sidetrack. In 2005 and 2006, Pioneer Natural Resources Alaska Inc. (Pioneer) acquired working interest in the unit and became the operator. Pioneer and the other unit co-owners are proposing a continuation of the previously authorized exploration work. Specifically we propose to drill an additional sidetrack from the existing well bore. The work will conform to the conditions of the permits previously issued, as described here, and no expansion of the existing drilling site is proposed. Pioneer requests your determination that the proposed work is not subject to additional consistency review under the provisions of 11 AAC 110.820 and 830.

Pioneer will adhere to the conditions in the existing permits with the following minor differences.

- **Scope of work:** Completion and testing of one sidetrack well from the existing well.
- **Schedule:** The proposed sidetrack will be drilled and tested between May 2007 and May 2008.
- **Drilling wastes:** Pioneer plans to inject drilling wastes in the well annulus during drilling and will not be storing mud and cuttings in lined, diked temporary storage cells. All mud and cuttings will be contained in steel tanks prior to annular injection.
- **Air quality:** Pioneer proposes to operate under the ADEC Minor General Permit MG1 for Oil & Gas Drilling. This general permit was not in place during the earlier exploration drilling. Therefore, stipulations 12-22, which limited air emissions, were included in the final consistency determination. Stipulations 12-22 are no longer relevant under the current air regulations and are replaced by the stipulations in MG1.
- **Water use:** Pioneer will purchase water for the drilling operation and will not require a temporary water use permit.

Dr. Ben Greene, ADNR
Cosmopolitan Exploration Project
December 14, 2006

Page 2

- The well bore may extend into federal outer continental shelf leases Y1664 or Y1665. Pioneer is working with the Minerals Management Service (MMS) on this contingency.

Please find attached the following documents supporting this request.

- Coastal Project Questionnaire
- MG1 Notification of Intent to Operate
- Oil Discharge Prevention and Contingency Plan (ODPCP) Certificate of Approval
- Certificate of Financial Responsibility
- CPAI (Phillips) April 2001 Applications
- CPAI Permits and Authorizations

In addition to discussions held with agencies and other stakeholders prior to drilling the existing wells, Pioneer has had preliminary discussions with many parties, including John and Viola Hansen (property owners), Peter Jensen (adjacent property owner), ADEC Division of Spill Prevention and Response, ADNR Division of Oil and Gas, the Minerals Management Service, Kenai Peninsula Borough, and Cook Inletkeeper.

Pioneer appreciates your assistance and consideration of this matter for the Cosmopolitan Exploration Project. Please contact me at (907) 343-2102, or by email at john.hellen@pxd.com, if you have any questions or require additional information.

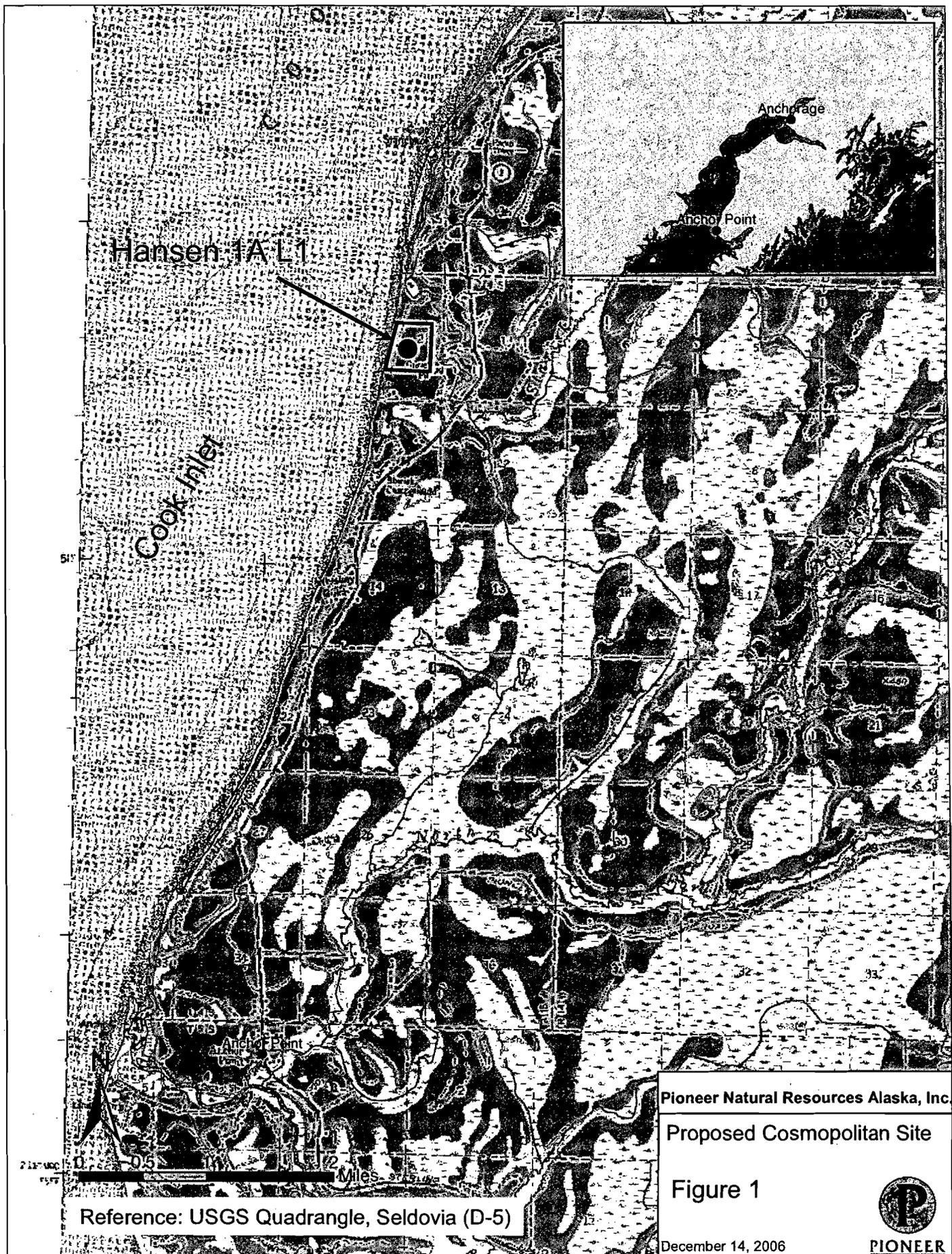
Sincerely,



John Hellén
Regulatory and Environmental Coordinator

Attachments: Site Figures 1 and 2
Coastal Project Questionnaire
MG1 Notification of Intent to Operate
Oil Discharge Prevention and Contingency Plan (ODPCP) Certificate of Approval
Certificate of Financial Responsibility
CPAI (Phillips) April 2001 Applications (on CD)
CPAI Permits and Authorizations (on CD)

cc: Matt Rader, ADNR DOG
Betty Schorr, ADEC SPAR
Bill Walker, ADEC AQ
Jeff Walker, MMS
Gary Williams, KPB



Reference: USGS Quadrangle, Seldovia (D-5)

Pioneer Natural Resources Alaska, Inc
 Proposed Cosmopolitan Site

Figure 1

December 14, 2006





Hansen 1A L1

Pioneer Natural Resources Alaska, Inc.

Cosmopolitan Site Location

Figure 2



PIONEER

December 14, 2006

2. Attach the following: • a detailed project description, all associated facilities, and land use conversions, etc. (Be specific, including access roads, caretaker facilities, waste disposal sites, etc.); • a project timeline for completion of all major activities; • a site plan depicting project boundary with all proposed actions; • other supporting documentation to facilitate project review. Note: If the project is a modification, identify existing facilities and proposed changes on the site plan.

PROJECT LOCATION

1. Attach a copy of the topographical and vicinity map clearly indicating the location of the project. Please include a map title and scale.
2. The project is located in which region (see attached map): Northern Southcentral Southeast
 Southwest within or associated with the Trans-Alaska Pipeline corridor
3. Location of project (Include the name of the nearest land feature or body of water.)

Township T4S Range R15W Section 2 Meridian Seward Latitude/Longitude 59.863/151.807 USGS Quad Map Seldovia

4. Is the project located in a coastal district? Yes No If yes, identify: Kenai Peninsula Borough
(Coastal districts are a municipality or borough, home rule or first class city, second class with planning, or coastal resource service area.) Note: A coastal district is a participant in the State's consistency review process. It is possible for the State review to be adjusted to accommodate a local permitting public hearing. Early interaction with the district is important; please contact the district representative listed on the attached contact list.

5. Identify the communities closest to your project location: Anchor Point

6. The project is on: State land or water* Federal land Private land
 Municipal land Mental Health Trust land

*State land can be uplands, tidelands, or submerged lands to 3 miles offshore. See Question #1 in DNR section.
 Contact the applicable landowner(s) to obtain necessary authorizations.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC) APPROVALS

- | | Yes | No |
|--|--------------------------|-------------------------------------|
| 1. Will a discharge of wastewater from industrial or commercial operations occur? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Will the discharge be connected to an approved sewer system? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Will the project include a stormwater collection/discharge system? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. Do you intend to construct, install, modify, or use any part of a wastewater (sewage or greywater) disposal system? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| a) If the answer is yes, will the discharge be 500 gallons per day or greater? | <input type="checkbox"/> | <input type="checkbox"/> |
| b) If constructing a domestic wastewater treatment or disposal system, will the system be located within fill material requiring a COE permit? | <input type="checkbox"/> | <input type="checkbox"/> |
| | Yes | No |

If you answered yes to a) or b), answer the following:

- 1) What is the distance from the bottom of the system to the top of the subsurface water table? _____
- 2) How far is any part of the wastewater disposal system from the nearest surface water? _____
- 3) Is the surrounding area inundated with water at any time of the year? Yes No
- 4) How big is the fill area to be used for the absorption system? _____
(Questions 1 & 2 will be used by DEC to determine whether separation distances are being met; Questions 3 & 4 relate to the required size of the fill if wetlands are involved.)
3. Will your project require a mixing zone? Yes No
(If your wastewater discharge will exceed Alaska water quality standards, you may apply for a mixing zone. If so, please contact DEC to discuss information required under 18 AAC 70.032.)

4. a) Will your project result in construction, operation, or closure of a facility for solid waste disposal?
(Note: Solid waste means drilling wastes, household garbage, refuse, sludge, construction or demolition wastes, industrial solid waste, asbestos, and other discarded, abandoned, or unwanted solid or semi-solid material, whether or not subject to decomposition, originating from any source. Disposal means placement of solid waste on land.)
- b) Will your project result in treatment of solid waste at the site?
(Examples of treatment methods include, but are not limited to: incineration, open burning, baling, and composting.)
- c) Will your project result in storage or transfer of solid waste at the site?
- d) Will the project result in storage of more than 50 tons of materials for reuse, recycling, or resource recovery?
- e) Will any sewage solids or biosolids be disposed of or land-applied to the site?
(Sewage solids include wastes that have been removed from a wastewater treatment plant system, such as a septic tank, lagoon dredge, or wastewater treatment sludge that contain no free liquids. Biosolids are the solid, semi-solid, or liquid residues produced during the treatment of domestic septage in a treatment works which are land applied for beneficial use.)
5. Will your project require application of oil, pesticides, and/or any other broadcast chemicals?
6. a) Will you have a facility with industrial processes that are designed to process no less than five tons per hour and needs air pollution controls to comply with State emission standards?
- b) Will you have stationary or transportable fuel burning equipment, including flares, with a total fuel consumption capacity no less than 50 million Btu/hour?
- c) Will you have a facility with incinerators having a total charging capacity of no less than 1,000 pounds per hour?
- d) Will you have a facility with equipment or processes that are subject to Federal New Source Performance Standards or National Emission Standards for hazardous air pollutants?
i) Will you propose exhaust stack injection?
- e) Will you have a facility with the potential to emit no less than 100 tons per year of any regulated air contaminant?
- f) Will you have a facility with the potential to emit no less than 10 tons per year of any hazardous air contaminant or 25 tons per year of all hazardous air contaminants?
- g) Will you construct or add stationary or transportable fuel burning equipment of no less than 10 million Btu/hour in the City of Unalaska or the City of St. Paul?
- h) Will you construct or modify in the Port of Anchorage a volatile liquid storage tank with a volume no less than 9,000 barrels, or a volatile liquid loading rack with a design throughput no less than 15 million gallons?
- i) Will you be requesting operational or physical limits designed to reduce emissions from an existing facility in an air quality nonattainment area to offset an emission increase from another new or modified facility?
- Yes No
7. Do you plan to develop, construct, install, or alter a public water system?
8. a) Will your project involve the operation of waterborne tank vessels or oil barges that carry crude or non-crude oil as bulk cargo, or the transfer of oil or other petroleum products to or from such a vessel or a pipeline system?
- b) Will your project require or include onshore or offshore oil facilities with an effective aggregate storage capacity of greater than 5,000 barrels of crude oil or greater than 10,000 barrels of non-crude oil?
- c) Will you operate facilities on land or water for exploration or production of hydrocarbons?

If you answered "No" to ALL questions in this section, continue to next section.

If you answered "Yes" to ANY of these questions, contact the DEC office nearest you for information and application forms. Please be advised that all new DEC permits and approvals require a 30-day public notice period. DEC Pesticide permits take effect no sooner than 40 days after the permit is issued.

Based on your discussion with DEC, please complete the following:

Types of project approvals or permits needed and name of individual you contacted.	Date application submitted
Transfer of an Oil Discharge Prevention Contingency Plan (L. Minor)	Submitted 8/8/06 Approved 8/17/06
Air Quality Control General Permit MG1	12/13/06

9. Does your project qualify for a general permit for wastewater or solid waste?.....
Note: A general permit is an approval issued by DEC for certain types of routine activities.

If you answered "Yes" to any questions in this section and are not applying for DEC permits, indicate reason:

- _____ (DEC contact) told me on _____ that no DEC approvals are required on this project because _____
- Other: _____

■ DEPARTMENT OF FISH AND GAME (DFG) APPROVALS Yes No

1. Is your project located in a designated State Game Refuge, Critical Habitat Area or State Game Sanctuary?
2. Does your project include construction/operation of a salmon hatchery?
3. Does your project affect, or is it related to, a previously permitted salmon hatchery?
4. Does your project include construction of an aquatic farm?

If you answered "No" to ALL questions in this section, continue to next section.

If you answered "Yes" to ANY questions under 1-4, contact the ADF&G Commercial Fisheries Division headquarters for information and application forms

Based on your discussion with ADF&G, please complete the following:

Types of project approvals or permits needed.	Date application submitted

If you answered "YES" to any questions in this section and are not applying for ADF&G permits, indicate reason:

- _____ (ADF&G contact) told me on _____ that no ADF&G approvals are required on this project because _____
- Other: _____

■ DEPARTMENT OF NATURAL RESOURCES (DNR) APPROVALS Yes No

1. Is the proposed project on State-owned land or water or will you need to cross State-owned land for access? ("Access" includes temporary access for construction purposes. *Note: In addition to State-owned uplands, the State owns almost all land below the ordinary high water line of navigable streams, rivers and lakes, and below the*

mean high tide line seaward for three miles.) Surface activities will take place on private property. The subsurface location is in State and Federal leases......

a) Is this project for a commercial activity? Oil and gas exploration program.....

2. Is the project on Alaska Mental Health Trust land (AMHT) or will you need to cross AMHT land?
Note: Alaska Mental Health Trust land is not considered State land for the purpose of ACMP reviews......

3. Do you plan to dredge or otherwise excavate/remove materials on State-owned land?.....

Location of dredging site if different than the project site:

Township ___ Range ___ Section ___ Meridian ___ USGS Quad Map _____

4. Do you plan to place fill or dredged material on State-owned land?.....

Location of fill disposal site if other than the project site: _____

Township ___ Range ___ Section ___ Meridian ___ USGS Quad Map _____

Source is on: State Land Federal Land Private Land Municipal Land

5. Do you plan to use any of the following State-owned resources:.....

Timber: Will you harvest timber? Amount: _____

Materials such as rock, sand or gravel, peat, soil, overburden, etc.:

Which material? _____ Amount: _____

Location of source: Project site Other, describe: _____

Township ___ Range ___ Section ___ Meridian ___ USGS Quad Map _____

Township ___ Range ___ Section ___ Meridian ___ USGS Quad Map _____

6. Do you plan to divert, impound, withdraw, or use any fresh water, except from an existing public water system or roof rain catchment system (regardless of land ownership)?.....

Amount (maximum daily, not average, in gallons per day):

Source: _____ Intended Use: _____

If yes, will your project affect the availability of water to anyone holding water rights to that water?

Yes **No**

7. Do you plan to build or alter a dam (regardless of land ownership)?.....

8. Do you plan to drill a geothermal well (regardless of land ownership)?.....

9. At any one site (regardless of land ownership), do you plan any of the following?.....

Mine five or more acres over a year's time

Mine 50,000 cubic yards or more of materials (rock, sand or gravel, soil, peat, overburden, etc.) over a year's time

Have a cumulative unreclaimed mined area of five or more acres

If yes to any of the above, contact DNR about a reclamation plan.

If you plan to mine less than the acreage/amount stated above and have a cumulative unreclaimed **Yes**

No

mined area of less than five acres, do you intend to file a voluntary reclamation plan for approval?

10. Do you plan to explore for or extract coal?.....

11. a) Will you explore for or produce oil and/or gas?.....
 b) Will you conduct surface use activities on an oil and/or gas lease or within an oil and/or gas unit?.....

12. Will you investigate, remove, or impact historical or archaeological or paleontological resources (anything over 50 years old) on State-owned land?.....

13. Is the proposed project located within a known geophysical hazard area?.....
Note: 6 AAC 80.900(9) defines geophysical hazard areas as "those areas which present a threat to life or property from geophysical or geological hazards, including flooding, tsunami run-up, storm surge run-up, landslides, snowslides, faults, ice hazards, erosion, and littoral beach process." "known geophysical hazard area" means any area identified in a report or map published by a federal, state, or local agency, or by a geological or engineering consulting firm, or generally known by local knowledge, as having known or potential hazards from geologic, seismic, or hydrologic processes.

14. Is the proposed project located in a unit of the Alaska State Park System?

15. Will you work in, remove water or material from, or place anything in, a stream, river or lake? (This includes work or activities below the ordinary high water mark or on ice, in the active flood plain, on islands, in or on the face of the banks, or, for streams entering or flowing through tidelands, above the level of mean lower low tide.)
Note: If the proposed project is located within a special flood hazard area, a floodplain development permit may be required. Contact the affected city or borough planning department for additional information and a floodplain determination.)

Name of waterbody: _____

16. Will you do any of the following:.....

Please indicate below:

- | | |
|--|--|
| <input type="checkbox"/> Build a dam, river training structure, other instream impoundment, or weir | <input type="checkbox"/> Alter, stabilize or restore banks of a river, stream or lake (provide number of linear feet affected along the bank(s)) |
| <input type="checkbox"/> Use water | <input type="checkbox"/> Mine, dig in, or remove material, including woody debris, from beds or banks of a waterbody |
| <input type="checkbox"/> Pump water into or out of stream or lake (including dry channels) | <input type="checkbox"/> Use explosives in or near a waterbody |
| <input type="checkbox"/> Divert or alter a natural stream channel | <input type="checkbox"/> Build a bridge (including an ice bridge) |
| <input type="checkbox"/> Change water flow or the stream channel | |
| <input type="checkbox"/> Introduce silt, gravel, rock, petroleum products, debris, brush, trees, chemicals, or other organic/inorganic material, including waste of any type, into water | |

- Use a stream, lake or waterbody as a road (even when frozen), or cross a stream with tracked or wheeled vehicles, log-dragging or excavation equipment (backhoes, bulldozers, etc.)
- Install a culvert or other drainage structure
- Construct, place, excavate, dispose or remove any material below the ordinary high water of a waterbody

- Construct a storm water discharge or drain into a waterbody
- Place pilings or anchors
- Construct a dock
- Construct a utility line crossing
- Maintain or repair an existing structure
- Use an instream in-water structure not mentioned here

If you answered "No" to ALL questions in this section, continue to next section.
 If you answered "Yes" to ANY questions under 1-16, contact the Area DNR, office for information and application forms.

Based on your discussion with DNR, please complete the following:

Types of project approvals or permits needed.	Date application submitted

If you answered "Yes" to any questions in this section and are not applying for DNR permits, indicate reason:

- _____ (DNR contact) told me on _____ that no DNR approvals are required on this project because _____

■ FEDERAL APPROVALS

Yes No

U.S. Army Corps of Engineers (COE)

1. Will you dredge or place structures or fills in any of the following:
- tidal (ocean) waters? streams? lakes? wetlands*? Yes No
- If yes, have you applied for a COE permit? Yes No
- Date of submittal: _____
- Name of COE contact: _____
- (Note: Your application for this activity to the COE also serves as application for DEC Water Quality Certification.)*

**If you are not certain whether your proposed project is in a wetlands (wetlands include muskegs), contact the COE, Regulatory Branch at 907-753-2712 for a wetlands determination (outside the Anchorage area call toll free 1-800-478-2712)*

Bureau of Land Management (BLM)

2. Is the proposed project located on BLM land, or will you need to cross BLM land for access? Yes No
- If yes, have you applied for a BLM permit or approval? Yes No
- Date of submittal: _____
- Name of BLM contact: _____

U.S. Coast Guard (USCG)

3. a) Do you plan to construct a bridge or causeway over tidal (ocean) waters, or navigable rivers, streams or lakes? Yes No
- b) Does your project involve building an access to an island? Yes No
- c) Do you plan to site, construct, or operate a deepwater port? Yes No
- If yes, have you applied for a USCG permit? Yes No
- Date of submittal: _____
- Name of USCG contact: _____

U.S. Environmental Protection Agency (EPA)

4. a) Will the proposed project have a discharge to any waters? Yes No
- b) Will you dispose of sewage sludge (contact EPA at 206-553-1941)? Yes No
- If you answered yes to a) or b), have you applied for an EPA National Pollution Discharge

Elimination System (NPDES) permit?

Date of submittal: _____

Name of EPA contact: _____

(Note: For information regarding the need for an NPDES permit, contact EPA at 1-800-424-4372)

c) Will construction of your project expose 5 or more acres of soil? (This applies to the total amount of land disturbed, even if disturbance is distributed over more than one season, and also applies to areas that are part of larger common plan of development or sale).
.....

d) Is your project an industrial facility that will have stormwater discharge directly related to manufacturing, processing, or raw materials storage areas at an industrial plant?

If you answered yes to c) or d), your project may require an NPDES Stormwater permit.

Contact EPA at 206-553-8399.

Federal Aviation Administration (FAA)

5. a) Is your project located within five miles of any public airport?

b) Will you have a waste discharge that is likely to decay within 5,000 feet of any public airport?

If yes, please contact the Airports Division of the FAA at 907-271-5438.

Federal Energy Regulatory Commission (FERC)

6. a) Does the project include any of the following:

1) a non-federal hydroelectric project on any navigable body of water

2) a location on federal land (including transmission lines)

3) utilization of surplus water from any federal government dam

b) Does the project include construction and operation, or abandonment of natural gas pipeline facilities under sections (b) and (c) of the Federal Power Act (FPA)?

c) Does the project include construction for physical interconnection of electric transmission facilities under section 202 (b) of the FPA?

If you answered yes to any questions under number 6, did you apply for a permit from FERC?

Date of submittal: _____

Name of FERC contact: _____

(Note: For information, Div. Hydropower-Environment and Engineering contact: Vince Yearek 202-502-6174 or Mike Henry 503-944-6762, 202-502 8700; (for Natural Gas Projects) Division of Pipeline Certificate 202-502-8625; for Alaska projects contact Richard Foley - 202-502-8955)

U.S. Forest Service (USFS)

7. a) Does the proposed project involve construction on USFS land?

b) Does the proposed project involve the crossing of USFS land with a water line?

If the answer to either question is yes, did you apply for a USFS permit or approval?

Date of submittal: _____

Name of USFS contact: _____

8. Have you applied for any other federal permits or authorizations?

AGENCY	APPROVAL TYPE	DATE SUBMITTED

Please be advised that the CPQ identifies permits subject to a consistency review. You may need additional permits from other agencies or the affected city and/or borough government to proceed with your activity.

Certification Statement

The information contained herein is true and complete to the best of my knowledge. I certify that the proposed activity complies with, and will be conducted in a manner consistent with, the Alaska Coastal Management Program.



Signature of Applicant or Agent

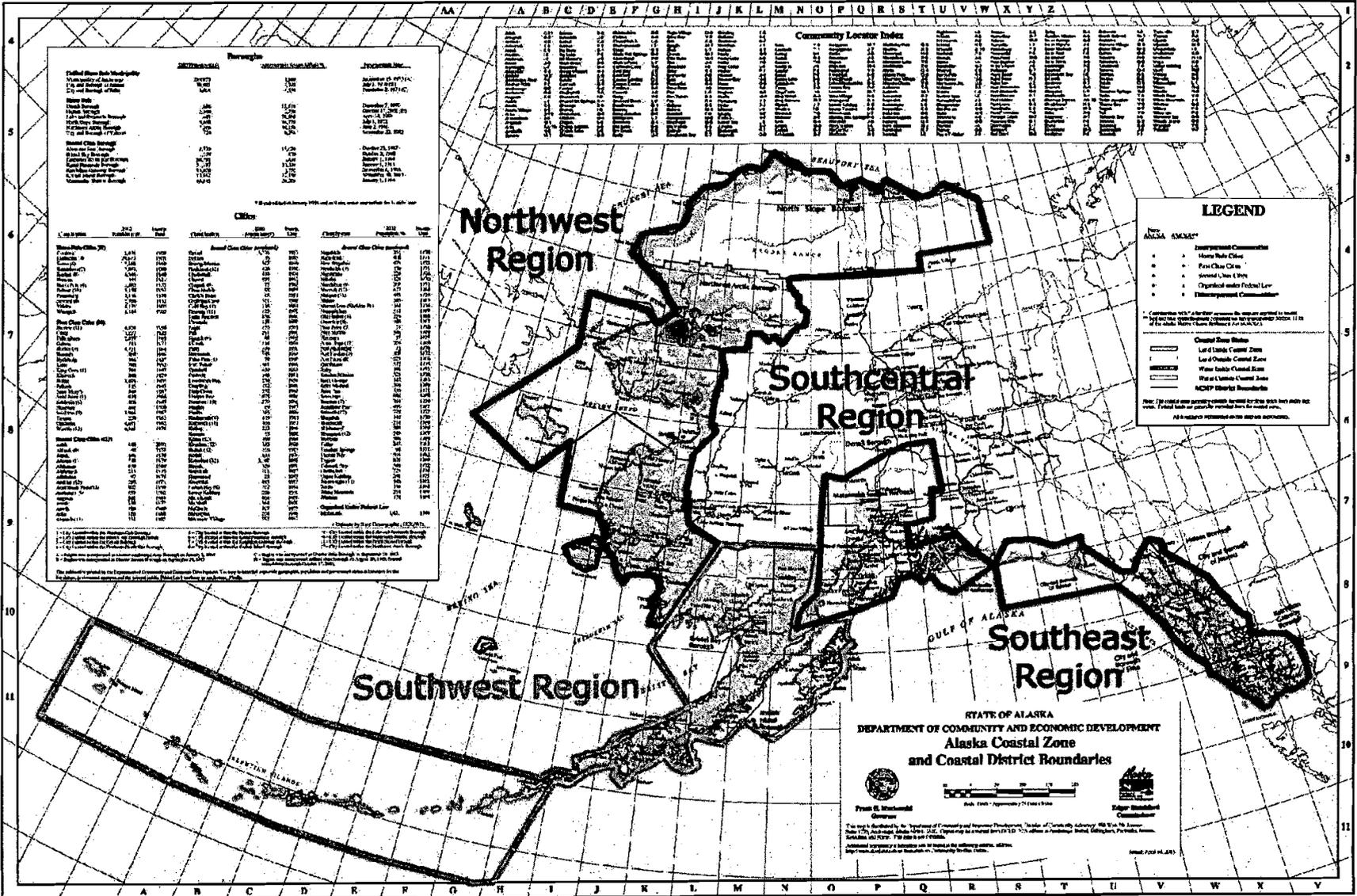


Date

Note: Federal agencies conducting an activity that will affect the coastal zone are required to submit a federal consistency determination, per 15 CFR 930, Subpart C, rather than this certification statement. ACMP has developed a guide to assist federal agencies with this requirement. Contact ACMP to obtain a copy.

This certification statement will not be complete until all required State and federal authorization requests have been submitted to the appropriate agencies.

- To complete your packet, please attach your State permit applications and copies of your federal permit applications to this questionnaire.



**Alaska Department of Environmental Conservation
Division of Air Quality - Air Permit Program**

Air Quality Control General Permit

MG1 NOTIFICATION OF INTENT TO OPERATE

MINOR GENERAL PERMIT MG1

OIL & GAS DRILLING RIGS

Pioneer Natural Resources Alaska, Inc.

Company Name

Cosmopolitan

Name of Prospect (s)

Unknown

Name of Drilling Rig*

**If you are not certain which drill rig you will use, enter the name of each rig you might use or enter "unknown." To comply with the terms of MG1 you must tell the department the name of the single drilling rig you will use under this notification before beginning operation. You must use the form "Amendment 1 to the MG1 Notification Of Intent To Operate"*

This notification is only usable for one portable oil and gas operation. You will need a separate new notification for each portable oil and gas operation.

Applicability Criteria

This General Permit applies to a portable oil and gas operation that

- (1) is not located within 10 kilometers of a Class I area or in a non-attainment area;
- (2) does not operate on the same pad or within a quarter of a mile of
 - (A) another pad on which another drill rig or another well test flare is simultaneously operating;
 - (B) an emission unit that emits or has the potential to emit 100 tons or more per year of a regulated air contaminant; or
 - (C) a group of emission units that emits or has the potential to emit 100 tons or more per year of a regulated air contaminant, and that is located on either a single pad or a group of pads that are within a quarter of a mile of each other;
- (3) does not operate within a major stationary source as classified for the Prevention of Significant Deterioration of ambient air quality under 18 AAC 50.306.
- (4) does not operate on a pad or platform surrounded by open water;
- (5) operates
 - (A) north of 69 degrees, 30 minutes North latitude, and operates for no more than 180 rig days in any 12 consecutive months at a single pad;
 - (B) outside the area described in (A) of this paragraph, and operates for no more than 270 rig days in any 12 consecutive months at a single pad; or
 - (C) anywhere in the state, and burns no more than 1,500,000 gallons of fuel oil in any 12 consecutive months at a single pad;
- (6) maintains daily logs that are readily accessible, and that are adequate to demonstrate compliance with this general permit; a daily entry to a log required under this paragraph must be maintained for at least 60 months after the date of entry;
- (7) does not operate within the boundary of an area identified in the *Summary Prepared by the Department of Environmental Conservation of Coastal Area Boundaries Approved by the Coastal Policy Council (CPC) for Coastal Resource Districts Excluded from the Portable Oil and Gas Operation Permit by Rule (18 AAC 50.390)*, adopted by reference in 18 AAC 50.035(a);
- (8) will not operate at a single pad or platform, or at pads within a quarter of a mile of each other, for more than 24 consecutive months; and
- (9) does not contain internal combustion engines that will remain at the same location, as defined in 40 C.F.R. 89.2, for 12 consecutive months or more.

Definitions:

For the purposes of this general permit

"Portable Oil and Gas Operation" means an operation that moves from site to site to drill or test one or more oil or gas wells, and that uses drill rigs, equipment associated with drill rigs and drill operations, well test flares, equipment associated with well test flares, camps, or equipment associated with camps; "portable oil and gas operation" does not include well servicing activities; for purposes of this paragraph, "test" means a test that involves the use of a flare.

"Well Servicing Activities" means the use of portable equipment for servicing existing oil and gas wells that only stays on site for short and varying periods of time; "well servicing activities" includes the use of

- (A) coiled tubing units;
- (B) well frac units;
- (C) well slickline units;
- (D) well hot oil units; and
- (E) well wireline units.

- Does your operation meet the definition of "portable oil and gas operation"?

- Yes If yes, continue answering the questions below.
- No If no, please re-evaluate your request.

- Does your operation meet the applicability criteria?

- Yes If yes, continue answering the questions below.
- No If no, please re-evaluate your request.

- Will the fuel-burning equipment at the installation operate in compliance with the emission limits in 18 AAC 50.055?

- Yes If yes, continue answering the questions below.
- No If no, please re-evaluate your request.

Provide the Following Information for the Notification

Legal Owner

Operator (if different from owner)

Name: Pioneer Natural Resources Alaska, Inc.			Name:		
Mailing Address: 600 G Street, Suite 600			Mailing Address:		
City: Anchorage	State: AK	Zip: 99501	City:	State:	Zip:
Telephone #: 907/277-2700			Telephone #:		
E-Mail Address: John.Hellen@pxd.com			E-Mail Address:		

Designated Agent (for service of process)

Billing Contact Person (if different from owner)

Name: None			Name: Same as application contact.		
Mailing Address:			Mailing Address:		
City	State:	Zip:	City:	State:	Zip:
Physical Address:			Telephone #:		
City:	State:	Zip:	E-Mail Address:		
Telephone #:					
E-Mail Address:					

Application Contact

Name: John Hellen				
Mailing Address: 700 G Street, Suite 600		City: Anchorage	State: AK	Zip: 99501
		Telephone: 907/343-2102		
		E-Mail Address: John.Hellen@pxd.com		

Dates of Operation Covered under This Notification

Starting	May 2007	Ending	May 2008

Notes:

If these dates cover more than one fiscal year, you will be billed for additional emission fees and annual compliance fees for the subsequent fiscal year(s). (A fiscal year is the period from July 1 to the following June 30)

Actual days of operation must comply with Section 5 of MG1.

Number of Wells to Be Drilled

If operating South of 69 degrees, 30 minutes North latitude, check the number of wells to be drilled during each fiscal year* under this notification:

First Fiscal Year of operation

(check one)

- 1 - 5 wells
- 6 - 10 wells
- 11 - or more

Operation in Subsequent Fiscal Years

For any subsequent fiscal years this notification defaults to not more than 5 wells.

To be authorized to drill more than 5 wells in any subsequent year identified on page 4 of this notification, you must submit Amendment 2* after the start of that fiscal year.

***Amendment 2 to
MG1 Notification Of Intent To Operate**

*A fiscal year is the period from July 1 through the following June 30.

Fuel Sulfur

Will this operation use fuel with a sulfur content that requires the owner or operator to exclude the general public under Conditions 2 and 3 of the permit?

- Yes
- No

If you answered yes:

1. You must attach documentation that demonstrates that the owner or operator has the legal authority to exclude the public

Check here if this documentation is attached.

2. You must also

- attach a copy of the surveillance plan required under Condition 3 of this permit, OR
- if the department already has a copy, identify that plan.

Check here if the surveillance plan is attached, or

Check here and identify the plan if the department already has a copy:

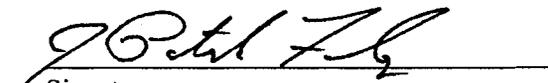
To qualify for this permit you must agree to maintain daily logs that are readily accessible and that are adequate to demonstrate compliance with the applicability criteria and conditions of MG1. Check here if you agree.

To qualify for this permit, you must pay fees required by MG1, Condition 4. Check here if payment is attached.

**CERTIFICATION PAGE
FOR
MINOR PERMITS**

18 AAC 50.205 Certification. Any permit application, report, or compliance certification required by the department under a permit program established under AS 46.14 must include the signature of a responsible official for the permitted stationary source.

Based on information and belief formed after reasonable inquiry, I certify that the statements and information in and attached to this document are true, accurate and complete.


Signature

J. Patrick Foley
Printed Name

Attorney-in-Fact
Title

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

**DEPT. OF ENVIRONMENTAL CONSERVATION
DIVISION OF SPILL PREVENTION AND RESPONSE
INDUSTRY PREPAREDNESS PROGRAM
EXPLORATION PRODUCTION & REFINERIES**

555 Cordova Street
Anchorage, AK 99501
PHONE: (907) 269-3072
FAX: (907) 269-7687
<http://www.dec.state.ak.us>

August 17, 2006

File No.: 305.30 Pioneer/CIX

OIL DISCHARGE PREVENTION AND CONTINGENCY PLAN APPROVAL

Mr. John Hellen
Pioneer Natural Resources
700 G Street, Suite 600
Anchorage, AK 99501

Subject: Transfer of Operator of the Oil Discharge Prevention and Contingency Plan for Cook Inlet Exploration from ConocoPhillips Alaska, Inc. to Pioneer Natural Resources Alaska, Inc., New Plan Number 06-CP-2234

Dear Mr. Hellen:

The Alaska Department of Environmental Conservation (Department) has completed its review of the application for transfer of operator from ConocoPhillips Alaska, Inc. to Pioneer Natural Resources Alaska, Inc. for the above referenced plan dated July 2002, with revisions through April 2004.

This approval applies to the following Oil Discharge Prevention and Contingency Plan (plan):

Plan Title: **Pioneer Natural Resources Oil Discharge Prevention and Contingency Plan for Cook Inlet Exploration, Cook Inlet, Alaska.**

Supporting Documents: **Cook Inlet Spill Prevention & Response, Inc. Technical Manual, Volumes I-IV, dated August 2000, as revised, updated, and amended upon approval.**

Plan Holder: **Pioneer Natural Resources Alaska, Inc.
700 G Street, Suite 600
Anchorage, AK 99501**

Covered Facilities: **Hansen Well #1.**

PLAN APPROVAL: Approval of the referenced plan is hereby **effective August 17, 2006**. This approval supersedes all previous Department approvals and Certificates of Approval.

A certificate of approval stating that the contingency plan has been approved by the Department is enclosed. **This approval is subject to the following terms and conditions:**

1. **Proof of Oil Spill Primary Response Action Contractor.** The plan holder must submit to the Department a fully executed statement of contractual terms with the attestations required by 18 AAC 75.445(i)(1) with the following registered primary response action contractor: Cook Inlet Spill Prevention & Response, to provide response resources as identified in the plan.

The plan holder will submit this fully executed statement of contractual terms to the Department prior to undertaking drilling operations on the project. The actual contracts are not required to be part of the contingency plan document. The Statement of Contractual Terms form can be found on the Department's website (www.dec.state.ak.us).

This condition is reasonable and necessary to meeting the requirements at AS 46.04.030(e), 18 AAC 75.425(e)(3)(H) and 18 AAC 75.445(i).

2. **Notice of Changed Relationship with Response Contractor.** Because the plan relies on the use of response contractor(s) for its implementation, the plan holder must immediately notify the Department in writing of any change in the contractual relationship with the plan holder's response contractor(s), and of any event including but not limited to any breach by either party to the response contract that may excuse a response contractor from performing, that indicates a response contractor may fail or refuse to perform, or that may otherwise affect the response, prevention, or preparedness capabilities described in the approved plan.

This condition is reasonably necessary because there are certain risks associated with allowing a plan holder to rely in part or total upon a response contractor instead of obtaining its own response capability. The risks arise, in part, because the certainty of the contractor's response is dependent upon the continuation of the legal relationship between it and the plan holder. Given this risk, the Department must be promptly informed of any change of the contractual relationship between the plan holder and the response contractor, and of any other event that may arguably excuse the response contractor from performing or that would otherwise affect the response, prevention, or preparedness capabilities described in the approved plan. The Department may seek appropriate modifications to the plan or take other steps to ensure that the plan holder has continuous access to sufficient resources to protect the environment and to contain, cleanup, and mitigate potential oil spills.

3. **Plan Revisions.** Plan revisions must be submitted to this office and to any other agencies or parties holding copies of the plan prior to undertaking drilling operations on the project. Plan revisions will be reviewed as plan amendments (described below) per 18 AAC 75.415. The revisions must include plan title changes and any personnel and operational changes.

This condition is reasonably necessary to keep all resource agencies and parties holding copies of the plan up-to-date on changes inherent in transfer of an operator and to ensure that changes to the plan do not diminish the plan holder's ability to respond to a discharge.

EXPIRATION: This approval expires **July 25, 2007**. After the approval expires, Alaska law prohibits operation of these facilities until an approved plan is once again in effect.

AMENDMENT: Before any change to this plan may take effect, the plan holder must submit an Application for Amendment to the plan with any additional information needed to evaluate the proposed amendment. This is to ensure that changes to the plan do not diminish the plan holder's ability to respond to a discharge and to evaluate any additional environmental considerations that may need to be taken into account. (18 AAC 75.415)

REVOCAION, SUSPENSION, OR MODIFICATION: This approval is effective only while the plan holder is in "compliance with the plan" and with all of the terms and conditions described above. The Department may, after notice and opportunity for a hearing, revoke, suspend, or require the modification of an approved plan if the plan holder is not in compliance with it, or for any other reason stated in AS 46.04.030(f). In addition, Alaska law provides that a vessel or facility that is not in "compliance with the plan" may not operate (AS 46.04.030). The Department may terminate approval prior to the expiration date if deficiencies are identified that would adversely affect spill prevention, response or preparedness capabilities.

DUTY TO RESPOND: Notwithstanding any other provisions or requirements of this contingency plan, a person causing or permitting the discharge of oil is required by law to immediately contain and cleanup the discharge regardless of the adequacy or inadequacy of a contingency plan (AS 46.04.020).

NOTIFICATION OF NON-READINESS: Within twenty-four (24) hours after any significant response equipment specified in the plan becomes non-operational or is removed from its designated storage location, the plan holder must notify the Department in writing and provide a schedule for the equipment's substitution, repair, or return to service (18 AAC 75.475(b)).

CIVIL AND CRIMINAL SANCTIONS: Failure to comply with the plan may subject the plan holder to civil liability for damages and to civil and criminal penalties. Civil and criminal sanctions may also be imposed for any violation of AS 46.04, any regulation issued thereunder, or any violation of a lawful order of the Department.

INSPECTIONS, DRILLS, RIGHTS TO ACCESS AND VERIFICATION OF EQUIPMENT, SUPPLIES AND PERSONNEL: The Department has the right to verify the ability of the plan holder to carry out the provisions of its contingency plan and access to inventories of equipment, supplies and personnel through such means as inspections and discharge exercises, without prior notice to the plan holder. The Department has the right to enter and inspect the covered vessel or facility in a safe manner at any reasonable time for these purposes and to otherwise ensure compliance with the plan and the terms and conditions (AS 46.04.030(e) and AS 46.04.060). The plan holder shall conduct exercises for the purpose of testing the adequacy of the contingency plan and its implementation (18 AAC 75.480 and 485).

FAILURE TO PERFORM: In granting approval of the plan, the Department has determined that the plan, as represented to it by the applicant in the plan and application for approval, satisfies the minimum planning standards and other requirements established by applicable statutes and regulations, taking as true all information provided by the applicant. The Department does not warrant to the applicant, the plan holder, or any other person or entity: (1) the accuracy or validity of the information or assurances relied upon; (2) that the plan is or will be implemented; or (3) that even full compliance and implementation with the plan will result in complete containment, control, or clean-up of any given oil spill, including a spill specifically described in the planning standards.

Mr. John Hellen
Pioneer Natural Resources

4

August 17, 2006

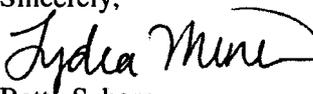
The plan holder is encouraged to take any additional precautions and obtain any additional response capability it deems appropriate to further guard against the risk of oil spills and to enhance its ability to comply with its duty under AS 46.04.020(a) to immediately contain and clean up an oil discharge.

COMPLIANCE WITH APPLICABLE LAWS: If amendments to the approved plan are necessary to meet the requirements of any new laws or regulations, the plan holder must submit an application for amendment to the Department at the above address. The plan holder must adhere to all applicable state statutes and regulations as they may be amended from time to time. This approval does not relieve the plan holder of the responsibility for securing other federal, state or local approvals or permits, and that the plan holder is still required to comply with all other applicable laws.

ADJUDICATORY HEARING: Any person who disagrees with this decision may request an adjudicatory hearing in accordance with 18 AAC 15.195- 18 AAC 15.340 or an informal review by the Division Director in accordance with 18 AAC 15.185. **Informal review requests** must be delivered to the Division Director, 410 Willoughby Avenue, Suite 303, PO Box 111800, Juneau, Alaska 99811-1800 within 15 days of the permit decision. **Adjudicatory hearing requests** must be delivered to the Commissioner of the Department of Environmental Conservation, 410 Willoughby Avenue, Suite 303, PO Box 111800-1800, Juneau, Alaska 99811, within 30 days of the permit decision. If a hearing is not requested within 30 days, the right to appeal is waived.

If you have any questions, please contact me at 269-7680.

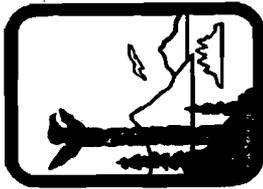
Sincerely,


FOR Betty Schorr
Acting Program Manager

Enclosure: Certificate of Approval, Number 06CER-020

cc w/o enclosure:

Lydia Miner, ADEC
Laurie Silfven, ADEC
Chris Pace, ADEC
Gary Folley, ADEC
Mark Fink, ADF&G
Carol Fries, ADNR
Gary Williams, Kenai Peninsula Borough
Mike Munger, CIRCAC
Carl Lautenberger, USEPA
Capt. Mark DeVries, USCG Sector-Anchorage
Leigh McDaniel, ConocoPhillips



ALASKA DEPARTMENT

of

Environmental Conservation
Certificate of Approval

for

Oil Discharge Prevention and Contingency Plan



Certificate Number: 06CER-020

Plan Number: 06-CP-2234

Name of Plan: Pioneer Natural Resources Alaska, Inc. Cook Inlet Area Exploration

Name of Facilities: Hansen Well #1

Location of Facilities: Cook Inlet

Telephone: (907) 277-2700 Fax: (907) 343-2190

Region of Operation (18 AAC 75.495): Cook Inlet

Effective Date of Approval: August 17, 2006 Expiration Date: July 25, 2007

This approval is subject to the terms and conditions of the applicable Department of Environmental Conservation contingency plan approval letter and continuing compliance with the requirements of AS 46.04 and 18 AAC 75.

Betty Schorr 8/17/06
Betty Schorr, Approving Authority Date
For Acting Manager, Industry Preparedness Program

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF SPILL PREVENTION AND RESPONSE
INDUSTRY PREPAREDNESS PROGRAM

410 Willoughby Avenue, Suite 303
P.O. Box 111800
Juneau, Alaska 99811-1800

Telephone: (907) 465-5231
Fax: (907) 465-5245

October 2, 2006

Mr. Timothy L. Dove
Pioneer Natural Resources Alaska, Inc.
5205 North O'Connor Blvd., Suite 200
Irving, TX 75039-3746

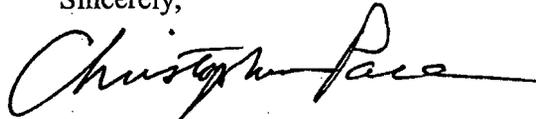
Dear Mr. Dove:

The financial responsibility application in the name of Pioneer Natural Resources Alaska has been filed in accordance with Alaska Statute 46.04.040 and regulations at 18 AAC Chapter 75, Article 2 for the Cosmopolitan onshore exploration facility.

Proof of financial responsibility for this facility is approved through October 1, 2007 based on the guaranty from Pioneer Natural Resources USA, Inc. and their continued evidence of self-insurance. An approval certificate is enclosed. Please ensure that a copy of the certificate is available for inspection at Cosmopolitan.

At this time, the Department needs Pioneer's most recent Security and Exchange Commission 10-K and 10-Q reports along with an additional quarterly affidavit attesting to \$72 million of working capital and net worth located within the United States. Please refer to regulation 18 AAC 75.245(i) for continuing self-insurance reporting deadlines. Once these documents have been received and are determined to be satisfactory, I can then issue an approval certificate for the Oooguruk Development Project.

Sincerely,



Christopher Pace
Financial Responsibility Program

Enclosure



STATE OF ALASKA
 Department of Environmental Conservation
 Division of Spill Prevention and Response
 Industry Preparedness Program
 410 Willoughby Avenue, Suite 303 · P.O. Box 111800
 Juneau, Alaska 99811-1800
 Phone: 907-465-5275 · Fax: 907-465-5245



CERTIFICATE FOR PROOF OF FINANCIAL RESPONSIBILITY

No. 06-214-275-001

Owner/Operator: Pioneer Natural Resources Alaska, Inc.
Pioneer Natural Resources USA, Inc.
 Facility/Vessel: Cosmopolitan (Hansen)
59.9 N, 151.8 W bbls Storage Capacity
 Crude Oil Y
 Noncrude Oil N

This application has been made in the name of: Pioneer Natural Resources Alaska, Inc.
 Address: 5205 North O'Connor, Suite 1400, Irving, Texas 75039-3746

This applicant has met the minimum requirements for acceptance of proof of financial ability to respond to oil spill damages as required by Alaska Statute 46.04.040 and regulations at 18 AAC Chapter 75, Article 2.

Approval expires: October 1, 2007 Approved

***** See certificate requirements under regulations at 18 AAC 75.240 *****
 Approved by: *Christopher Pace*
 Christopher Pace
 Financial Responsibility Program
 Effective date: October 2, 2006

Appendix C

Geological and Geophysical Information

Confidential
Provided Under Separate Cover

Appendix D

Environmental Report

April 2007

Table of Contents

Section	Page
1.0 Overview and Introduction	1
2.0 Purpose and Need for the Proposed Action	1
3.0 Summary of the Proposed Action	1
3.1 OCS Exploration Activities Schedule	1
3.2 Current Status of Permits and Plans	2
4.0 Environmental Effects	2
4.1 Introduction	2
4.2 Impact Analysis	2
4.2.1 Potential for Oil Spill to Open Water or Well Blowout	3
4.2.2 Threatened and Endangered Species	3
4.2.3 Threatened and Endangered Birds – Steller’s Eider and Kittlitz’s Murrelet	3
4.2.4 Threatened and Endangered Mammals – Sea Otter	4
4.2.5 Threatened and Endangered Mammals – Steller Sea Lion	4
4.2.6 Threatened and Endangered Mammals – Fin Whale	5
4.2.7 Threatened and Endangered Mammals – Humpback Whale	5
4.2.8 Threatened and Endangered Mammals – Blue Whale, North Pacific Right Whale, North Pacific Sei Whale, and Sperm Whale	5
4.2.9 Other Marine and Coastal Birds	5
4.2.10 Other Marine Mammals	6
4.3 Summary of Impact Analysis	7
5.0 References	7

1.0 Overview and Introduction

Pioneer proposes to conduct appraisal drilling at the Cosmopolitan Unit, which is located on the Kenai Peninsula, Alaska, approximately 5.5 miles north of Anchor Point (Exploration Plan Supplement Figure 1). The federal action associated with this project is limited given that the proposed exploration activities will take place from an onshore location; however, the well is planned to extend two to three miles offshore into the federal leases. Any impacts to the area under Minerals Management Service (MMS) jurisdiction would be indirect and minimal.

2.0 Purpose and Need for the Proposed Action

The purpose of the project will be to help determine if the unit should be developed. The project would economically benefit both private and public parties. The federal government would benefit from new oil and gas production that would contribute to the nation's domestic energy supplies and production rates. The government would also profit from corporate and personal taxes generated as a result of the Cosmopolitan Project.

Regional government would receive property taxes from the exploration and potential future development projects that would contribute to important revenues for major services such as schools, health care public facilities, and social services.

The State of Alaska is an owner of subsurface mineral rights within the proposed development area. The State would receive royalty, net profit share payments, and other taxes from this development. Other economic benefits may result from contract awards to Alaska-based contractors for project jobs, materials, and services. Enhanced employment opportunities for the Alaskan workforce would also result.

3.0 Summary of the Proposed Action

The work is being conducted from an onshore drill site located on private property (Exploration Plan Supplement Figure 2). The offshore target will be reached using extended reach drilling. The drill site was previously developed by ConocoPhillips Alaska, Inc. (CPAI) and used to drill the Hansen 1/1A well and sidetrack. Pioneer proposes an additional sidetrack of the Hansen 1A. The well will be primarily located on state leases but may extend up to 1000 feet (less than 5% of the well bore) into Federal Lease No. Y1664 (Exploration Plan Supplement Figure 3). The federal activity for the purposes of this supplement is limited to the portion of the well that extends into the outer continental shelf (OCS) lease.

Well evaluations (testing) will be performed at the well location. The tested or completed well would remain in place until final plans are made for appraisal and development.

3.1 OCS Exploration Activities Schedule

The approximate schedule of activities is shown in Exploration Plan Supplement Table 1-1.

3.2 Current Status of Permits and Plans

Pioneer has applied for each permit or authorization listed in the Exploration Plan Supplement Table 4-1. This table also provides the status of each permit or authorization. All permits are valid for the proposed activity, with the exception of the pending applications as noted.

4.0 Environmental Effects

This section is being provided to supplement existing environmental information, as it is relevant to the federal action. The Environmental Impact Analysis (EIA) information is generally organized as listed in 30 CFR 250.227.

Since all surface activities are being conducted onshore, greater than three miles from the OCS, any potential effects to the OCS would be indirect and attenuated. Types of activities that could have effects would be waste discharges, air emissions, or oil spills that travel offshore. However, as described below, potential releases from the site are not anticipated to affect the OCS for the following reasons: they will not be discharged (wastes), are shown not to enter the marine environment (oil spills), or meet limits onshore (air emissions).

4.1 Introduction

This section describes those resources, conditions, and activities listed below that could be affected by the exploration activities proposed in the EP including threatened or endangered species and their critical habitat as defined by the Endangered Species Act of 1973 (ESA), as amended. This section will then:

- Analyze and describe the potential direct and indirect impacts that the proposed exploration activities will have on the identified resources; and
- Describe potential measures to minimize or mitigate these potential impacts.

4.2 Impact Analysis

This section is tiered from previous assessments of projects in Cook Inlet, specifically the following:

- The Biological Survey for the Cosmo Proposed Oil and Gas Exploration Site, Harding Lawson Associates, Included as Appendix A in the Cosmopolitan Project Permit Package for Phillips Alaska, Inc. (October 2000);
- The Environmental Assessment, Proposed Geophysical Survey, Cosmopolitan Unit, Cook Inlet (July 2005);
- The Cook Inlet Multiple-Sale Final EIS (November 2003); and
- Sections 2.3, 2.4, and 2.5 of the ODPCP, which provided the potential discharge analysis for this proposed exploration project.

4.2.1 Potential for Oil Spill to Open Water or Well Blowout

Potential impacts to wildlife from an oil spill reaching open water are discussed in the ODPCP. Sections 1.6.10 and 3.10 of this plan describe wildlife protection, spill prevention, and a response action plan for the unlikely event of an open water oil spill. Project contact information is discussed in Environmental Plan Supplement Section 4.6. In addition, ODPCP Table 1.1-1 provides a list of agency, governmental, and spill response organizations contacts that may be pertinent for spill response notification and Table 1.2-2B provides contact information for agency spill reporting.

A well blowout would be the source of the largest potential oil spill at this exploration site. Section 2.3.4 of the ODPCP addresses the probability for a well blowout. Table 2.3-1 of this plan outlines an analysis of potential discharges, which includes each type of potential discharge and actions taken to prevent potential discharge. ODPCP Section 3.2.3 shows that a response planning standard spill would not reach open water under ADEC planning guidelines. Under some scenarios (ODPCP Section 3.2.2) less than ten percent of the planning standard volume might reach water. Containment strategies from the water would prevent significant volumes from reaching open water.

Section IV.A.4 of the Cook Inlet Multiple-Sale Final EIS (November 2003) summarized oil spill information and related environmental affects for small, large, and very large oil spill categories and Section IV.F.3 states that a low probability, very large spill is a highly unlikely event. In discussing analysis of impacts from a very large blowout oil spill, the MMS emphasized that such a spill is not considered a possibility of exploration activities, that available data indicates that such a spill is very unlikely to occur, and that it is not an expected activity of either exploration or of potential future development or production. The very large spill analyzed in the EIS is much larger than could occur from the proposed appraisal activities.

4.2.2 Threatened and Endangered Species

Species that are listed as either threatened or endangered under the ESA, proposed for listing, currently listed as candidates for listing, designated as Species of Concern by the National Marine Fisheries Service (NMFS), and recently removed from the list of species protected under the ESA occur in or adjacent to the proposed exploration area. Section 3 of the ESA, as amended, provides definitions for these species designations.

4.2.3 Threatened and Endangered Birds – Steller's Eider and Kittlitz's Murrelet

The Steller's eider is listed as a threatened species under the ESA and as a Species of Special Concern by the State of Alaska. Steller's eiders are diving ducks that feed on mussels in marine water during the winter and insect larvae in freshwater ponds during the spring and summer. In winter, most of the world's populations of Steller's eiders range throughout the Alaska Peninsula and Eastern Aleutian Islands. During aerial surveys in January 2004, an estimated 897 Steller's eiders were observed on the east side of lower Cook Inlet.

The Kittlitz's murrelet, a diving seabird, was designated a candidate for ESA listing in May 2004. The entire North American population of these birds occurs in Alaska's water, migrating

between winter offshore and summer inshore regions. Highest summer densities of Kittlitz's murrelets in Cook Inlet are observed in the Anchor Point area, but its annual distribution generally is not well documented.

Given the typically clumped distribution of this species and probably small Cook Inlet population, randomly selected sample transects easily could miss a majority of individuals during a survey; therefore, surveys to date may not accurately portray its distribution and abundance in this area.

Potential impacts on birds in lower Cook Inlet, including oil spills or well blowouts, displacement from foraging or resting areas, collisions, and adverse physiological or behavioral changes are highly unlikely due to the subsurface nature of the proposed exploration activities. Any potential impacts would be minimal population-level effects. The only event that could be reasonably expected to impact listed bird species is a large spill (well blow-out). As shown in the ODPCP Section 2.3.4, the probability of a well blow-out is extremely low (1×10^{-6}).

4.2.4 Threatened and Endangered Mammals – Sea Otter

Sea otters are marine mammals that have unique adaptation for survival in marine environments and inhabit nearshore coastal areas in many parts of southcentral and southwestern Alaska. Sea otters from two designated stocks, the southwestern stock and the southcentral Alaskan stock are year-round residents in different areas near or "down stream" of the Cook Inlet area, including nearshore areas in parts of western and eastern Cook Inlet and associated bays.

The FWS has delineated the range of the southwest Alaska Distinct Population Segment (DPS) as extending from the western tip of the Aleutian Islands through the Alaskan Peninsula and the Kodiak Archipelago and extending along the western shore of Cook Inlet. This southwest Alaska DPS stock is listed as threatened species under the ESA and Alaskan sea otters are considered a Species of Special Concern by the State of Alaska. Thus, this southwest Alaska DPS stock is not expected to occur in waters within or adjacent to where this proposed exploration project will occur.

The FWS has concluded that sea otters that occur on the eastern side of Cook Inlet belong to the southcentral Alaska stock, which is not considered threatened or endangered under the ESA; therefore, sea otters are discussed in the other marine mammals section below.

4.2.5 Threatened and Endangered Mammals – Steller Sea Lion

The Western U.S. stock (population west of Cape Suckling, Alaska) is listed as endangered and the Eastern U.S. Stock (population east of Cape Suckling, Alaska) is listed as threatened under the ESA. Both distinctions of the Steller sea lion are considered Species of Special Concern by the State of Alaska. Steller sea lions congregate on rookeries, typically on remote islands, rocks, reefs, and beaches, several of which are in Kachemak Bay. The closest sea lion rookeries are on the Barren Islands at the entrance to Cook Inlet, more than 60 miles south of the proposed exploration project area.

Potential impacts on the Steller sea lions in the Cook Inlet area, including oil spills or well blowouts, displacement from critical habitat areas, and adverse physiological or behavioral changes are highly unlikely due to the onshore/subsurface nature of the proposed exploration activities.

4.2.6 Threatened and Endangered Mammals – Fin Whale

The Fin whale was listed as an endangered species under the ESA in 1970. Fin whales are large, fast-swimming baleen whales known to inhabit and feed in areas with the Gulf of Alaska, entrances from the Gulf of Alaska to Cook Inlet, and Shelikof Strait.

They are among those species that may occur in water of eastern, lower Cook Inlet near the proposed exploration project area. Potential impacts to the fin whale from oil spills or well blowouts are considered highly unlikely (details on potential oil spills and well blowouts discussed above).

4.2.7 Threatened and Endangered Mammals – Humpback Whale

The Humpback whale was listed as an endangered species under ESA in 1970. Humpback whales are a medium-sized baleen whale that inhabits a wide range of ocean habitats, including documented use of areas adjacent to the proposed exploration project area. In summer, humpback whales regularly are present and feeding near and within the Cook Inlet, including Shelikof Strait, bays of Kodiak Island, and the Barren Islands, in addition to the Gulf of Alaska adjacent to the southeast side of Kodiak Island (especially Albatross Banks), the south sides of the Kenai and Alaska Peninsulas, and south of the Aleutian Islands. There is some evidence for a discrete feeding aggregation of humpbacks in the Kodiak Island region. Humpbacks also may be present in some of these areas throughout autumn. Within the proposed exploration project area, humpbacks have been observed in late spring and early summer feeding near the Barren Islands. Potential impacts to the humpback whale from oil spills or well blowouts are considered highly unlikely (details on potential oil spills and well blowouts discussed above).

4.2.8 Threatened and Endangered Mammals – Blue Whale, North Pacific Right Whale, North Pacific Sei Whale, and Sperm Whale

These whale species are listed endangered either under ESA or by the State of Alaska. The proposed exploration project in the relatively nearshore water of lower Cook Inlet near and northwest of Anchor Point is not likely to have any discernable effects on these species, primarily because these species do not typically occur within, near, or within 9 kilometers of the proposed exploration project area.

4.2.9 Other Marine and Coastal Birds

Numerous species groups occupy nearshore water within about 5 kilometers of shore in the lower Cook Inlet, including waterfowl, alcids, gulls, and cormorants. Marine and coastal birds that are not covered by the ESA are likely to experience only minimal population-level effects from potential impacts such as oil spills or well blowouts, displacement, collisions, adverse physiological or behavioral changes (as discussed for bird species covered by the ESA).

4.2.10 Other Marine Mammals

The probability of the proposed exploration activities disturbing other marine mammals not considered threatened or endangered is very low (as discussed for species covered by the ESA).

The Cook Inlet stock of the beluga whales was designated as depleted under the Marine Mammal Protection Act in May 2000 based on a determination of the NMFS. Although the NMFS published a determination that listing the Cook Inlet stock under the ESA was not warranted in June 2000, the species remains on the ESA candidate species list and is listed as a Species of Special Concern by the State of Alaska.

After completion in 2005 of the Draft Conservation Plan for Cook Inlet belugas under the Marine Mammal Protection Act (MMPA): the National Marine Fisheries Service (NMFS) recommended that a Status Review be conducted to incorporate new scientific findings available since the publication of a scientific review in 2000 in the Marine Fisheries Review 62(3). NMFS formally initiated this review on March 29, 2006 to determine if Cook Inlet belugas should be listed under the Endangered Species Act (ESA). On April 20, 2006, NMFS received petition from the Trustees for Alaska to list Cook Inlet belugas as endangered under the ESA. After reviewing the information contained in the petition, as well as other scientific information readily available, NMFS determined the petitioned action may be warranted. Within 12 months (April 20, 2007) of the date of petition, NMFS must make one of the following findings:

- The petition is not warranted;
- The petitioned action is warranted and the Secretary of Commerce will publish in the Federal Register (FR) a proposed regulation to implement the action pursuant to 50 CFR 424.16; or
- The petition is warranted, but
 - The immediate proposal and timely promulgation of a regulation to implement the petitioned action is precluded because other pending proposals to list, delist, or reclassify species; and
 - expeditious progress is being made to list, delist, or reclassify qualified species, in which case such findings shall be promptly published in the FR.

A status review (Hobbs, et. al, 2006) was completed in November of 2006. The Status Review resulted in the following conclusions:

- The contraction of the range of this population northward into the upper Inlet makes it far more vulnerable to catastrophic events with the potential to kill a significant fraction of the population.
- The population is now growing at 2% to 6% per year as had been anticipated since cessation of unregulated hunting.
- The population is discrete and unique with respect to the species, and if it should fail to survive, it is highly unlikely that Cook Inlet would repopulate with belugas. This would result in a permanent loss of a significant portion of the range for the beluga species.
- The importance of anadromous fish runs in Cook Inlet to belugas is evident. The bulk of their annual nutrition is acquired during the summer months.
- The Population Viability Analysis shows a 26% probability of extinction in 100 years and 68% probability of extinction in 300 years (for the model assuming one predation mortality per year and a 5% annual probability of an unusual mortality event killing 20

% of the population). It is likely that the Cook Inlet beluga population will continue to decline or go extinct over the next 300 years unless factors determining growth and survival are altered in its favor.

Recent surveys indicate that the beluga whale stock may disperse throughout the northern Gulf of Alaska, including lower Cook Inlet, and at least some of the portion of the population remains in Cook Inlet for at least part of some winter seasons. However, given what is currently known about their current abundance and habitat use patterns, their occurrence in the proposed exploration area is not likely.

Potential impacts to the beluga whale from oil spills or well blowouts are considered highly unlikely (as discussed for marine mammal species covered by the ESA).

Other marine mammal species that might be in the proposed exploration project area include, but are not limited to, sea otters, harbor seals, and Dall's porpoises. Potential impacts to these marine mammal species from oil spills or well blowouts are considered highly unlikely (as discussed for marine mammal species covered by the ESA).

In the unlikely event of a large oil spill, subsistence harvest areas and resources could be contaminated. As a result of tainting, an array of resources could be rendered unavailable for use. Tainting concerns in communities nearest the spill could curtail traditional practices for harvesting, sharing, and processing resources. The harvesting, sharing, and processing of subsistence resources would be hampered to the degree these resources were contaminated. Tainting and contamination concerns could curtail subsistence harvests until such time as local subsistence users perceived resources as safe.

4.3 Summary of Impact Analysis

Available information indicates that Sections A.3 of the Environmental Assessment, Proposed Geophysical Survey, Cosmopolitan Unit, Cook Inlet (July 2005) and Section IV.B.1 the Cook Inlet Multiple-Sale Final EIS (November 2003) present a thorough summary of potential impacts to threatened and endangered species and Species of Special Concern. We incorporate this information by reference.

5.0 References

Code of Federal Regulations, Title 30 – Mineral Resources, Volume 2 – Minerals Management Services, Department of the Interior, Part 250 – Oil and Gas and Sulphur Operations in the Outer Continental Shelf, Subpart B – Plans and Information, 30CFR250.227, Revised July 1, 2006.

Harding Lawson Associates, *The Biological Survey for the Cosmo Proposed Oil and Gas Exploration Site*, included as Appendix A in the *Cosmopolitan Project Permit Package* for Phillips Alaska, Inc., October 2000.

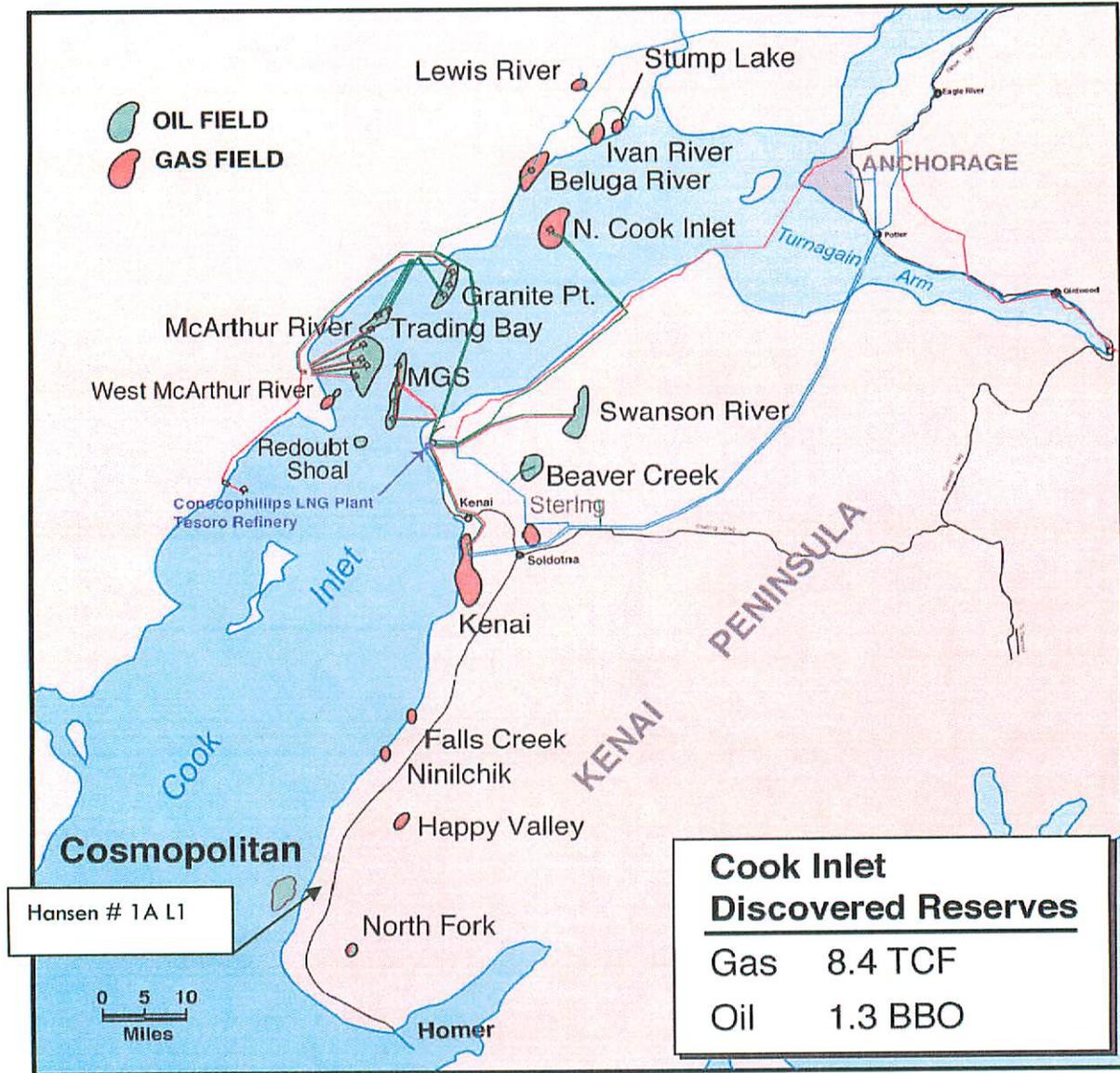
Hobbs, R. C., K. E. W. Sheldon, D. J. Vos, K. T. Goetz, and D. J. Rugh. 2006. *Status Review and Extinction Assessment of Cook Inlet belugas (Delphinapterus leucas)*. AFASC Processed Report. 2006-16, 74 p. Alaska Fish. Sci. Cent., NOAA, Natl. Mar. Fish. Serv., 7600 Sand Point Way NE, Seattle WA 98115

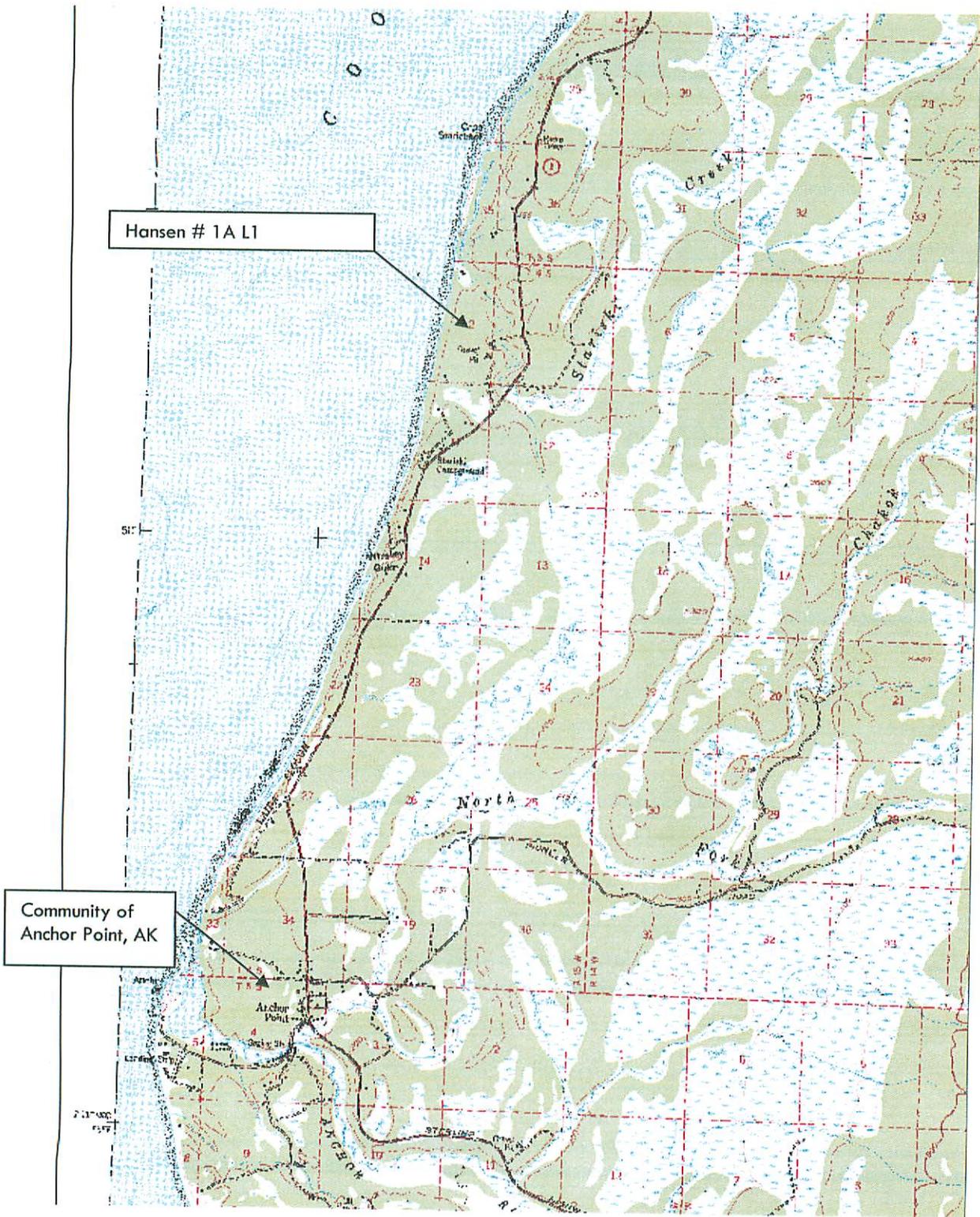
Minerals Management Service, Alaska OCS Region, *Environmental Assessment, Proposed Geophysical Survey, Cosmopolitan Unit, Cook Inlet*, July 2005.
[http://www.mms.gov/alaska/ref/EIS%20EA/Cosmo_EA/ea_Cosmo.pdf]

Minerals Management Service, Alaska OCS Region, *Cook Inlet Multiple-Sale Final Environmental Impact Statement*, volumes I, II, and III, November 2003.
[http://www.mms.gov/alaska/ref/EIS%20EA/Cook_Inlet_FEIS_191&199/CI%20EIS%20V1.pdf]

Pioneer Natural Resources Alaska, Inc., *Cook Inlet Area Exploration Oil Discharge Prevention and Contingency Plan*, February 2007.

United States Fish & Wildlife Service, *Endangered Species Act of 1973*, as amended through the 108th Congress.
[<http://www.fws.gov/endangered/esaall.pdf>]





Cosmo EA - Appendix E
Aerial Photo of Proposed Action Area





**ALASKA DEPARTMENT
of
Environmental Conservation
Certificate of Approval
for
Oil Discharge Prevention and Contingency Plan**



Certificate Number: 06CER-020

Plan Number: 06-CP-2234

Name of Plan: Pioneer Natural Resources Alaska, Inc. Cook Inlet Area Exploration

Name of Facilities: Hansen Well #1

Location of Facilities: Cook Inlet

Telephone: (907) 277-2700 Fax: (907) 343-2190

Region of Operation (18 AAC 75.495): Cook Inlet

Effective Date of Approval: August 17, 2006 Expiration Date: July 25, 2007

This approval is subject to the terms and conditions of the applicable Department of Environmental Conservation contingency plan approval letter and continuing compliance with the requirements of AS 46.04 and 18 AAC 75.

Betty Schorr
FOR Betty Schorr, Approving Authority 8/17/06
Acting Manager, Industry Preparedness Program Date



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Alaska Outer Continental Shelf Region
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823

JUN -8 2007

Memorandum

To: Regional Supervisor, Field Operations

Through: Chief, Environmental Assessment Section

From: Wildlife Biologist
Wildlife Biologist

Mark T. Schroeder
James M. Wilder

Subject: Cosmopolitan Exploration Project 2007

Pioneer Natural Resources Alaska, Inc. (Pioneer) proposes to drill a single well into Federal Offshore lease lands as part of the Cosmopolitan Exploration Project in the Cook Inlet watershed. Steller's eiders, a threatened species, are documented to over winter in coastal areas of Cook Inlet, between November and April of each year. The Kittlitz's murrelet, a candidate species, is found in coastal areas near the project all year. The southwest Alaska Distinct Population Segment of the northern sea otter, a threatened species, is also found in coastal areas near the project all year. The Minerals Management Service (MMS) must comply with the Endangered Species Act (ESA). An Environmental Report (ER) prepared by Pioneer attempted to assess whether the project may affect ESA-listed birds as follows:

The Steller's eider is listed as a threatened species under the ESA and as a Species of Special Concern by the State of Alaska. Steller's eiders are diving ducks that feed on mussels in marine water during the winter and insect larvae in freshwater ponds during the spring and summer. In winter, most of the world's populations of Steller's eiders range throughout the Alaska Peninsula and Eastern Aleutian Islands. During aerial surveys in January 2004, an estimated 897 Steller's eiders were observed on the east side of lower Cook Inlet.

The Kittlitz's murrelet, a diving seabird, was designated a candidate for ESA listing in May 2004. The entire North American population of these birds occurs in Alaska's water, migrating between winter offshore and summer inshore regions. Highest summer densities of Kittlitz's murrelets in Cook Inlet are observed in the Anchor Point area, but its annual distribution generally is not well documented.

Given the typically clumped distribution of this species and probably small Cook Inlet population, randomly selected sample transects easily could miss a majority of

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individuals during a survey; therefore, surveys to date may not accurately portray its distribution and abundance in this area.

Potential impacts on birds in lower Cook Inlet, including oil spills or well blowouts, displacement from foraging or resting areas, collisions, and adverse physiological or behavioral changes are highly unlikely due to the subsurface nature of the proposed exploration activities. Any potential impacts would be minimal population-level effects. The only event that could be reasonably expected to impact listed bird species is a large spill (well blow-out). As shown in the ODPCP Section 2.3.4, the probability of a well blow-out is extremely low (1×10^{-6}).

The Other Coastal and Marine Birds section of the ER, however, states:

“Numerous species groups occupy nearshore water within about 5 kilometers of shore in the lower Cook Inlet, including waterfowl, alcids, gulls, and cormorants. Marine and coastal birds that are not covered by the ESA are likely to experience only minimal population-level effects from potential impacts such as oil spills or well blowouts, displacement, collisions, adverse physiological or behavioral changes (as discussed for bird species covered by the ESA).”

The MMS specifically asked Pioneer to reconcile the different environmental effects on sympatric waterbirds, but Pioneer failed to do so. Absent this information, MMS will use the following assumptions to evaluate the potential effects of the project on ESA-listed birds.

- 1) The project will drill from the Kenai Peninsula, from the top of a bluff overlooking Cook Inlet; the drill site will not be in coastal waters. Direct or indirect impacts from disturbance (i.e., vibration, noise, or aircraft/vessel traffic activity) are not expected to occur as the drill site/activity is vertically separated from coastal waters.
- 2)
 - a) Exploration drilling can result in a blow-out situation. Pioneer states that the potential for a blow-out is 1×10^{-6} , which MMS considers to be an extremely low probability event.
 - b) In the unlikely event a blow-out occurs, a “worst-case scenario” for oil spill response planning purposes is based on an estimated 10% of the blow-out material reaching Cook Inlet waters. Pioneer has a state-approved Oil Spill Contingency Plan and spill response capability to address this potential, highly improbable event.
- 3) Steller’s eiders are in the project vicinity during the winter, with numbers peaking in February. The brief descriptions of Steller’s eiders and Kittlitz’s murrelet by Pioneer are outdated, but are sufficient for analysis. Expansion of these species descriptions would not change the resultant effects analysis.

The only conceivable potential adverse effects to threatened Steller’s eiders and candidate Kittlitz’s murrelets would arise from a blow-out situation. As murrelets are in the area all year, they have a greater potential for being affected. The MMS concludes that the simultaneous occurrence of low-probability events happening when eiders and murrelets are in nearshore

waters is so improbable as to not have a realistic chance of occurring. Thus, MMS concludes that the Pioneer Exploration Project would have *no effect* on listed eiders in the project vicinity.

The Pioneer ER also attempted to assess whether the project may affect ESA-listed sea otters as follows:

Sea otters are marine mammals that have unique adaptation for survival in marine environments and inhabit nearshore coastal areas in many parts of southcentral and southwestern Alaska. Sea otters from two designated stocks, the southwestern stock and the southcentral Alaskan stock are year-round residents in different areas near or "down stream" of the Cook Inlet area, including nearshore areas in parts of western and eastern Cook Inlet and associated bays.

The FWS has delineated the range of the southwest Alaska Distinct Population Segment (DPS) as extending from the western tip of the Aleutian Islands through the Alaskan Peninsula and the Kodiak Archipelago and extending along the western shore of Cook Inlet. This southwest Alaska DPS stock is listed as threatened species under the ESA and Alaskan sea otters are considered a Species of Special Concern by the State of Alaska. Thus, this southwest Alaska DPS stock is not expected to occur in waters within or adjacent to where this proposed exploration project will occur.

The FWS has concluded that sea otters that occur on the eastern side of Cook Inlet belong to the southcentral Alaska stock, which is not considered threatened or endangered under the ESA; therefore, sea otters are discussed in the other marine mammals section below.

Because the nearest location of the threatened southwest Alaska Distinct Population Segment of the northern sea otter occurs on the western side of Cook Inlet in Kamishak Bay, approximately 30-40 miles from the project site, and based upon the first two assumptions made above, MMS concludes that the Pioneer Exploration Project will have *no effect* on listed sea otters in the project vicinity.



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Alaska Outer Continental Shelf Region
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JUN 7 2007

Memorandum

To: Regional Supervisor, Field Operations

Through: Chief, Environmental Assessment Section *Debra Crown*

From: Wildlife Biologist, EAS *Jeffrey W. Denton*

Subject: Endangered Species Act Finding of No Effect-Pioneer Natural Resources Alaska, Inc. Proposed 2007 Cosmopolitan Exploration Project Kenai Peninsula, Alaska

Proposed Project Description:

Pioneer Natural Resources Alaska, Inc (Pioneer) proposes to drill a single well (Hansen #1A/L1) to Federal Offshore lease lands as part of the Cosmopolitan Exploration Project in the Cook Inlet watershed. The proposed appraisal drilling would occur at the Cosmopolitan Unit, located on private property on the Kenai Peninsula, Alaska approximately 5.5 miles north of Anchor Point, Alaska and 0.5 miles west of the Sterling Highway. The Federal action associated with this project is limited given that the proposed exploration activities will take place from an onshore existing (active drill/well site, the Hansen #1, and facilities from earlier State approvals) location on top of the bluff overlooking Cook Inlet; however, the well is planned to extend two to three miles offshore to Federal Lease (OCS-Y1664). All drilling wastes are to be reinjected into the subsurface well annulus. Access is from existing land based infrastructure. The projected period of activity is estimated to commence in July 2007 for setup of support facilities and drill rig; a drilling period from September, 2007 through April, 2008; and annular injection, well testing and demobilization and clean up by October of 2008.

Endangered Species Act Listed Species Status:

The Cook Inlet beluga whale Distinct Population Segment (DPS) is currently proposed for listing as endangered under the Endangered Species Act (ESA) and is documented to occur in Cook Inlet and winter distribution may occur at times within or adjacent to the proposed project area. The humpback whale, fin whale, blue whale, North Pacific right whale, North Pacific sei whale, sperm whale and Steller sea lion are listed as endangered under the Environmental Species Act(ESA) These species are documented to occur in the vicinity of Cook Inlet but not typically within the vicinity of the proposed exploration well.

Pioneer Natural Resources, Inc. Environmental Report and ESA Species Excerpts:



An Environmental Report (ER) prepared by Pioneer prior to the proposed listing did present a biological and historical background of the Cook Inlet DPS beluga whale including designation as depleted in 2000 under the Marine Mammal Act, completion of a Draft Conservation Plan for Cook Inlet Beluga Whales in 2005, the petition for listing under the ESA from the Trustees for Alaska and the Minerals Management Service (MMS), and completion of the Status Review in 2006. The recent proposed listing occurred after the preparation of the ER and proposed listing update information will be included in the MMS National Environmental Policy Act (NEPA) Environmental Assessment. The ER attempts to assess whether the project may affect beluga whales as follows:

Recent surveys indicate that the beluga whale stock may disperse throughout the northern Gulf of Alaska, including lower Cook Inlet, and at least some of the portion of the population remains in Cook Inlet for at least part of some winter seasons.

Potential impacts to the beluga whale from oil spills or blowouts are considered highly unlikely...

Regarding humpback whales the ER description is brief:

The humpback whale was listed as an endangered species under ESA in 1970. Humpback whales are a medium sized baleen whale that inhabits a wide range of ocean habitats, including documented use of areas adjacent to the proposed exploration project area. In summer, humpback whales are present and feeding near and within the Cook Inlet, including Shelikof Strait, bays of Kodiak Island (especially, Albatross Banks), the south sides of the Kenai and Alaska Peninsulas, and south of the Aleutian Islands. There is some evidence for discrete feeding aggregation of humpbacks in the Kodiak Island regions. Humpbacks also may be present in some of these areas throughout autumn. Within the proposed exploration project area, humpbacks have been observed in late spring and early summer feeding near the Barren Islands 60 miles south of the proposed well site. Potential impacts to the humpback whale from oil spills or well blow-outs are considered highly unlikely (details on potential spills and well blow-outs discussed above).

In regard to the blue whale, North Pacific right whale, North Pacific sei whale and sperm whale; the ER description is as follows:

These whale species are listed endangered either under ESA or by the State of Alaska. The proposed exploration project in the relatively near shore waters of lower Cook Inlet near and northwest of Anchor Point is not likely to have any discernable effects on these species, primarily because these species do not typically occur within, near, or within 9 kilometers of the proposed project area.

In regard to the fin whale the ER description is as follows:

The fin whale was listed as an endangered species under ESA in 1970. Fin whales are

large, fast swimming baleen whales known to inhabit and feed in areas within the Gulf of Alaska, entrances from the Gulf of Alaska to Cook Inlet and Shelikof Strait.

They are among those species that may occur in water of eastern, lower Cook Inlet near the proposed exploration area. Potential impacts from oil spills or well blowouts are considered highly unlikely (details on oil spills and well blowouts discussed above).

In regard to Steller sea lion the ER description is as follows:

The Western U.S. stock (population west of Cape Suckling, Alaska) is listed as endangered and the Eastern U.S. stock (populations east of Cape Suckling, Alaska) is listed as threatened under the ESA. Both distinctions of the Steller sea lion are considered Species of Special Concern by the State of Alaska. Steller sea lions congregate on rookeries, typically on remote islands, rocks, reefs, and beaches, several of which are in Kachemak Bay. The closest sea lion rookeries are on the Barren Islands at the entrance of Cook Inlet, more than 60 miles south of the proposed exploration project area.

Potential impacts to the Steller sea lions in the Cook Inlet area, including spills or well blowouts, displacement from critical habitat areas, and adverse physiological or behavioral changes are highly unlikely due to the onshore/subsurface nature of the proposed exploration activities.

Assumptions:

MMS considers using the following assumptions to evaluate the potential effects of the project on the proposed Cook Inlet beluga whale:

- 1) The project drilling activities are land based from the Kenai Peninsula, from the top of the bluff overlooking Cook Inlet. The drill site will not be in coastal waters. Direct or indirect impacts from disturbance (i.e., vibration, noise, or aircraft/vessel activity) are not expected to occur as the drill site and associated activity is vertically and horizontally separated from coastal waters. Drill site access is via land based infrastructure.
- 2) Exploration drilling can result in a blow-out situation.
 - a) Pioneer states that the potential for a blow-out is 1×10^{-6} , which MMS considers to be an extremely low probability event
 - b) In the unlikely event a blow-out occurs, a "worst-case scenario" for oil spill response planning purposes is based on an estimated 10% of the blow-out material reaching Cook Inlet waters. Pioneer has a state-approved Oil Spill Contingency Plan and spill response capability to address this potential, highly improbable event.
- 3) The brief description by Pioneer regarding Cook Inlet beluga whales are not inclusive of the recent proposed listing, but are sufficient for analysis given the land (on-shore) based nature of the proposed action. Expansion of the species description and update of

proposed for listing as endangered status will be included in MMS NEPA documentation, but will not change the resultant effects analysis.

- 4) Regarding the other listed Threatened and Endangered Marine Mammals (humpback, fin, North Pacific right, North Pacific sei, sperm whale, and Steller sea lion, the Pioneer Natural Resources Alaska, Inc. ER descriptions are brief, but are sufficient for analysis given the land based nature of the proposed action and species' distribution. Expansion of species descriptions would not change the resulting effects analysis.

Finding:

The only conceivable potential adverse effects to Cook Inlet beluga whales would arise from a blow-out situation. The MMS considers at this time that the simultaneous occurrence of low probability events (blow-out situation whereby oil reaches coastal waters) when wintering beluga whales are in nearshore waters and contacted by spilled oil are so improbable as to not have a realistic chance of occurring. Thus, MMS concludes the Pioneer Exploration Project would have *no effect* on the proposed for listing Cook Inlet beluga whale Distinctive Population Segment; endangered blue whale, North Pacific Right whale, humpback whale, North Pacific sei whale, sperm whale and Steller sea lion.



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Alaska Outer Continental Shelf Region
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JUN - 7 2007

Memorandum

To: Regional Supervisor, Field Operations

Through: Chief, Environmental Assessment Section *Deborah Craswell*

From: Fisheries Biologist, EAS *PS*

Subject: Essential Fish Habitat (EFH) Finding of No Adverse Effect – Pioneer Natural Resources Alaska - 2007 Cosmopolitan Exploration Project – Kenai Peninsula, Alaska

Proposed Project Description:

Pioneer Natural Resources Alaska, Inc. (Pioneer) proposes an exploratory extended reach drilling project consisting of one sidetrack well from an onshore drilling location located on private property approximately 5.5 miles north of Anchor Point and 0.5 miles west of the Sterling Highway. The site is at an upland area that was previously used for exploration that has been logged in recent years and used for gravel mining. At this stage of the project, no aircraft, or vessels will be utilized on the Federal Outer Continental Shelf (OCS), and there will be no effluent discharge. A vessel will be utilized within one mile of the shoreline (State of Alaska jurisdiction) to collect bathymetry and geophysical data for future development. Activity is proposed to begin approximately June 2007, and continue through November 2007.

In contrasting the proposed Pioneer Corporation's 2007 Cosmopolitan Exploration Project with the EFH Programmatic Consultation for Cook Inlet Planning Area Lease Sales 191 & 199, MMS concludes at this time the proposed project would have *no adverse effect* on EFH. The onshore drilling location and the minimal use of vessels are expected to have no adverse effect on EFH in the marine environment. The nearest freshwater EFH to the drilling location, Stariski Creek, supports spawning populations of coho, chinook, and pink salmon as well as Dolly Varden and steelhead trout. There is sufficient separation between the drilling location and Stariski Creek such that exploration activity would have no adverse effect on freshwater EFH. No consultation with the National Marine Fisheries Service is necessary.



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Alaska Outer Continental Shelf Region
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JUN -7 2007

Ms. Judith Bittner
State Historic Preservation Officer
Office of History and Archaeology
550 West 7th Avenue, Suite 1310
Anchorage, Alaska 99501-3565

Dear Ms. Bittner:

The Minerals Management Service (MMS) is in receipt of Pioneer Natural Resources Alaska, Inc.'s 2007 Cosmopolitan (Cosmo) Exploration Project (EP), Kenai Peninsula, Alaska, Exploration Plan Supplement, dated April 18, 2007, and the Cosmopolitan Exploration Program Kenai Peninsula, Alaska, Unit Plan of Operations, dated May 10, 2007. The EP supplement and the Plan of Operations (Enclosed CD) describe Pioneer Natural Resources Alaska, Inc.'s proposal to drill a sub-seafloor appraisal well at the Cosmopolitan Unit that will reach into an Outer Continental Shelf (OCS) federal lease. The Cosmopolitan unit is a co-managed State/Federal unit. The drilling operations will be conducted from an existing onshore drill pad. The well will be a lateral sidetrack from an existing well bore, be drilled thousand of feet below the seafloor, and will extend into the OCS to the federal lease.

The MMS deemed the Cosmo EP as "submitted" on May 7, 2007, and, is pleased to consult with your agency regarding Section 106 of the National Historic Preservation Act. Because drilling will occur from an existing onshore drill pad and an existing well bore, and the new section of the well is far below the seafloor, the MMS has determined that there will be no effect on prehistoric or historic resources at the location of the proposed Cosmopolitan drill site.

The MMS requests your concurrence of our no effect determination for historic and prehistoric resources on the Cosmopolitan drill site.

If you have any questions, please contact Michael Burwell at (907) 334-5249 or Casey Buechler at (907) 334-5265.

Sincerely,

John Goll
Regional Director

Enclosure

