

Alaska Dispatch News

Hilcorp plans \$75M project to remove dangers of oil tanks located near Redoubt volcano

The oil company that stores crude in tanks below an active volcano on the western side of Cook Inlet announced on Thursday a \$75 million project to close its at-risk terminal and move the oil by subsea pipeline.

The move, by terminal owner Hilcorp Alaska, was backed by watchdog groups. The project will eliminate the need for Inlet-crossing tankers and a tank farm dangerously close to Mount Redoubt volcano.



The Drift River terminal surrounded by a protective berm, March 30, 2009. (Lt. Cmdr Edward Wieland / U.S. Coast Guard)

David Wilkins, senior vice president for Hilcorp Alaska, told business officials at a Resource Development Council meeting in Anchorage the company will begin seeking regulatory approval for its plan to shut down operations at the Drift River Terminal in the western Inlet.

He said the project is the "right thing to do" and will better protect the environment.

During its most recent eruption cycle in 2009, Redoubt forced the shutdown of 10 Inlet platforms and of the active tanks at the tank farm. Mudflows from the volcano damaged the facility in a 1989-90 eruption. Neither eruption cycle led to a crude-oil spill.

The terminal and its storage tanks are part of the transportation system for oil pumped from offshore platforms on the west side of the Inlet. It was built with little public oversight in the 1960s and originally owned by producers Mobil, Unocal, Marathon and Atlantic Richfield.

Hilcorp will need to build about 10 miles of new pipelines, including a subsea section in the environmentally sensitive Inlet. But the project will use much larger stretches of existing pipelines to alter the way oil and gas is shipped in the basin, according to Hilcorp officials.

Hilcorp, based in Houston, Texas, has faced multiple challenges this winter over its aging infrastructure, including a monthslong natural gas leak from a subsea pipeline northwest of Nikiski that Hilcorp stopped in April.

[Aging Cook Inlet pipelines under scrutiny after oil and gas leaks]

The company has blamed the leak on rock abrasion, as the pipe **rubbed against a boulder in the seafloor**.

Other problems, including **a small release of oil** discovered at an offshore platform, have led to increased scrutiny from state and federal regulators.

Speaking publicly about those issues for the first time, Wilkins said the company exceeds regulatory requirements for inspections and operations. It is employing state of the art technology, including new, custom-made equipment such as pigs to internally inspect pipelines.

Next year, it will use drones to look for problems at offshore platforms, replacing rope-dangling crews.

Watchdog groups said shutting down the terminal would be safer for the Inlet.

"We will certainly be supporting this project provided it's done the way it should be done, and we will monitor it closely," said Lynda Giguere, with Cook Inlet Regional Citizens Advisory Council, a citizens oversight group created by Congress after the 1989 Exxon Valdez oil spill to promote safe oil operations.

The tank farm sits 22 miles downriver from Redoubt. Eruptions in 2009 sent dangerous floods of water, mud and huge ice chunks past the farm, where two tanks held 6.2 million gallons of crude.

Dikes built after the earlier eruption cycle held back the surge, but the danger was so high the terminal was shut down and crews could not stay on site.

Under Hilcorp's plan, the new flow of oil would be far removed from the Drift River site. The pipeline carrying the oil from fields in the area would start about 20 miles to the north, at a processing facility at Trading Bay.

Central to the plan is the conversion of a gas pipeline, part of the Cook Inlet Gas Gathering System, into an oil pipeline. That pipeline would deliver the oil to the Tesoro refinery in Nikiski.

Gas for electrical power and heating in Southcentral Alaska would continue to be produced. To make that happen, the company would build a 6-mile, underwater pipeline from the Tyonek platform to shore.

Eliminating dangers associated with the tank farm's location is an important step, said Giguere. Another environmental benefit, if the plan is successful, is that Hilcorp would no longer ship oil in tankers.

An oil spill from a pipeline would be smaller and can be controlled more quickly, said Giguere. She said the group will observe the regulatory process, in an effort to make sure facilities are in good shape.

Much of the Inlet's infrastructure was built in the mid-1960s before today's strong regulatory standards were put in place.

Hilcorp has acquired most of the platforms and pipelines in the Inlet, arriving in the basin in 2011 and helping boost oil and gas production after years of decline.

Numerous permits will be required for the project, said Lori Nelson, a spokesperson with Hilcorp Alaska.

The Inlet is home to endangered beluga whales, salmon and other animals. A pipeline will reduce risks, said Bob Shavelson, executive director of Cook Inletkeeper.

"We've been advocating for this for years," he said. "Hilcorp still have a long row to hoe to become a responsible operator in Cook Inlet, but this is a good step."

About this Author

Alex DeMarban

Alex DeMarban is a longtime Alaska journalist who covers the oil and gas industries and general assignments for Alaska Dispatch News.