

# ALASKA Journal of Commerce

## Hilcorp replaces tankers with Cross Inlet-Pipeline Project

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Executive Director Mike Munger of the Cook Inlet Regional Citizens Advisory Council (with scissors) cuts a ribbon for Hilcorp's recently completed pipeline reconfiguration project during a ceremony on Friday, Oct. 19 in Kenai. Munger has been a long-time advocate of replacing cross-inlet crude oil tanker traffic with a pipeline, a goal Hilcorp will soon achieve by sending crude through a pipeline that previously carried natural gas, while diverting the gas through a new pipeline connection. The other dignitaries are (left to right) President Sean Kolassa of Hilcorp's Harvest Midstream subsidiary, state Senator Peter Micciche, Kenai Mayor Brian Gabriel, and Operations Manager Rich Novcaski of Harvest Alaska. (Photo/Ben Boettger/For the Journal)

KENAI — Crude oil from Cook Inlet’s west side will now reach Marathon’s refinery in Nikiski by pipeline instead of tanker after Hilcorp completed the \$90-million project.

Eliminating cross-inlet tanker traffic also eliminates the need for the Drift River oil terminal, realizing a long-sought goal of conservationists and oil-spill prevention specialists.

During a ribbon cutting in Kenai on Oct. 19 for the Cross-Inlet Pipeline Project, operations manager Rich Novcaski of Hilcorp’s pipeline-owning subsidiary Harvest Alaska said the first oil was piped across the Inlet the night before, traveling through an underwater line, which previously carried natural gas.

The displaced gas will travel through another pipeline that historically carried gas produced from the Tyonek Platform to the now inactive LNG export terminal on the Inlet’s east side.

To complete the cross-inlet connection, Hilcorp laid about six miles of new pipe from the Tyonek Platform to the existing west-side pipeline network. At the ribbon cutting Novcaski said gas would start flowing through that connection the following day.

“What I think this project ultimately embodies is a very creative use of all the infrastructure — gas lines, oil lines, and a limited amount of new construction for something very cost-effective,” said Hilcorp’s Sean Kolassa, president of Hilcorp’s Harvest Midstream pipeline subsidiary.

In a previous public presentation, Novcaski said tankering oil across the inlet cost about \$3 per barrel while piping it cost about \$2 per barrel, and estimated the cross-inlet pipeline could extend the economic life of Cook Inlet oil production by about 20 years.

Drift River’s outflow into Cook Inlet is among the few places where the west-side coast has depth to accommodate tankers, but as a location for a crude oil terminal, it has a downside, too; the Drift River tank farm is about 20 miles from the volcanic Mount Redoubt and has been threatened twice by its eruptions.

The ribbon was cut by Mike Munger, a long-time advocate for decommissioning the terminal. When Redoubt’s eruptions from December 1989 to January 1990 sent floods and mud flows toward the tank farm, Munger was an environmental specialist at the Alaska Department of Environmental Conservation and helped oversee installation of new defenses at Drift River: two diversionary dikes in the Drift River valley and a 20-foot wall of concrete-armored earth surrounding the tank farm.

By the time floods from a second eruption prompted Drift River to be shut-in in 2009, Munger was executive director of the oil spill prevention group Cook Inlet Regional Citizens Advisory Committee. In 2012, CIRCAC passed a resolution calling for Drift River to be replaced with a subsea pipeline within five years.

“So they’re a little behind, but not by much,” Munger said. “But it’s really a milestone for our organization to see this come to fruition.”

He noted in an interview with the Journal that closing the tank farm during the last eruption also meant halting west-inlet oil production as there was simply no place to put the crude.

“This will allow them during a volcanic eruption, in theory anyway, to continue oil production unless of course the offshore platforms were somehow threatened,” Munger added.

CIRCAC received the U.S. Coast Guard’s Meritorious Public Service Award during the council’s Sept. 7 board meeting in Kodiak. Alaska Coast Guard officials cited the council’s leadership on maritime safety and environmental stewardship in the region, according to a council release.

It marks the second time CIRCAC has received the award; the first being in 2010 for its work during the last Redoubt eruption.

Novcaski said the project involved 57 contractors, 27 of whom did on-site work. The heaviest construction was on the six-mile connection to the Tyonek Platform. The pipe was assembled in mile-long segments on shore and pulled into the Inlet by barge, making it the longest pull barge construction in Cook Inlet.

For its distance, this method was about half the cost of using a lay barge, though Cook Inlet, with its strong tides, “is not an easy place to do business,” he said.

### **Cataloging other Cook Inlet oil lines**

The commissioning of the cross-inlet oil transmission line coincides with the start of a study analyzing the state of the rest of Cook Inlet’s oil lines, another long-time priority of CIRCAC.

The Cook Inlet oil pipeline risk assessment will ultimately be a one-stop shop for all of the available information on each Cook Inlet pipeline used for oil production, according to Munger. It will focus not only on oil transmission lines but also pipelines that carry water produced alongside oil and gas lines used to support oil production, such as those that carry fuel gas to oil platforms, he clarified.

“The fact remains, a big bulk of this infrastructure has been in place since the mid- to late ‘60s in one of the most inhospitable bodies of water in North America (where) it is virtually impossible to do any visual inspection on it,” Munger said in highlighting the need for the first-time review.

“It’s long overdue but we’ve been advocating for it since at least 1999, I believe. Like many things it takes a long time to get things going.”

Hilcorp’s drawn out subsea natural gas pipeline leak during the winter of 2017 underscored the challenges of dealing with a wintertime spill in Cook Inlet and regenerated a discussion about the need to know more about the underwater pipeline network in Alaska’s original oil basin.

The Hilcorp leak demonstrated that if there was a large spill in the Inlet in winter there is little else that can be done other than shutting off the source, Munger said, as strong tidal currents and drifting ice pans would make recovering oil nearly impossible.

“That circles back to prevention is the key; that’s the mantra by which we live by. You have to keep the oil in the pipe; you have to keep the oil in the tanker and you need to put money towards that to make sure that happens,” he said.

The money for the pipeline assessment so far has come through a \$50,000 allocation from CIRCAC itself, a \$200,000 appropriation from the Legislature through the state Department of Environmental Conservation and a grant from the Kenai Peninsula Borough.

CIRCAC leadership also recently approved an additional \$31,000 for the project and the council is waiting to hear about a potential grant from the federal Pipeline and Hazardous Materials Safety Administration, or PHMSA, according to Munger.

He said the council has sufficient funds to complete the work now and the added federal money would only enhance the review.

At its most basic level, the assessment should help clarify which state or federal agency has jurisdictional authority over some of the oil lines in the inlet, Munger added.

Tim Robertson, a principal with the consulting firm Nuka Research and Planning Group of Seldovia, which CIRCAC hired to conduct the assessment, said the final report will be a snapshot of inlet oil production lines taken in early 2019.

The information will be gathered from all available public sources as well as from the operators; Nuka will not be gathering original data, according to Robertson.

“We’ll break it down into individual pipelines and then develop a database of information about each individual pipeline. It’s everything from its ownership and history to who installed it and how it was installed to its physical specifications; what kind of corrosion and other prevention measures (are) in place for that pipeline; any spill history that pipeline has had; any repairs that have been done to that pipeline,” Robertson explained.

That information will feed a database that will generate a report and that report will be forwarded to industry experts who will then discuss it with the operating companies, regulators and the public, culminating in a final set of recommendations on how to best manage the pipelines in the coming decades, he said.

The data gathering should be done by March, with the experts convening in May. Robertson said the assessment is currently scheduled for completion in the first quarter of 2020, but the schedule is tentative given the multiple inherent logistical challenges involved.

“We all have a common interest. There’s nothing to really disagree about here,” he said. “It’s basically, what are the recommendations of some of the best minds in the industry about how to keep this going and producing into the future.”

Journal reporter Elwood Brehmer contributed to this story.

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