

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 13, 2016

Mr. Greg Lalicker
President
Hilcorp Alaska, LLC
1201 Louisiana Street, Ste. 1400
Houston, Texas 77002

CPF 5-2016-0001W

Dear Mr. Lalicker:

On March 23-27, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected the Hilcorp Alaska, LLC's (Hilcorp's) Operations and Maintenance manual, Department of Transportation (DOT) Operator Qualifications program, records, Control Room Management program and Beluga pipeline specific Operations Manual for the pipeline from Kaloa Junction facility near Granite Point to Beluga, Alaska.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§192.739 Pressure limiting and regulating stations: Inspection and testing.**
 - (a) **Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is—**
 - (1) **In good mechanical condition;**

(2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;

Hilcorp did not perform an inspection or test on their relief device X-028 to determine that it is in good mechanical condition and adequate in capacity and reliability of operation within the required intervals. Hilcorp did not perform the required inspection and testing of relief device X-028 in 2013 or 2014.^a Hilcorp had a record for the inspection and testing of relief device for February 2015.

2. §192.743 Pressure limiting and regulating stations: Capacity of relief devices.

(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in § 192.739(b), the capacity must be consistent with the pressure limits of § 192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations.

Hilcorp did not determine the capacity as required for their X-028 relief device once each calendar year not to exceed fifteen months. Hilcorp did not have records for their capacity determination for 2013 or 2014.

In February 2015, Hilcorp determined their pressure relief device X-028 at Kaloa Junction did not have sufficient capacity to protect the facilities to which it was connected. An audit performed by third-party contractor found that the relief device was not capable of protecting the facilities to which they were connected. Hilcorp replaced the relief device on April 9, 2015.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the items identified in this letter. Failure to do so will result in Hilcorp being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2016-0001W**. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C.

^a Hilcorp purchased the Beluga pipeline in February 2013.

552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 D. Hassell (#149002)

Mr. Richard Novcaski, Vice President and Alaska Operations Manager for Harvest Alaska, LLC