

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 6, 2016

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

CPF 5-2016-0017W

Dear Mr. Lalicker:

On May 9 through May 11, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Hilcorp Alaska, LLC (Hilcorp) Harvest Kenai control room in Kenai Alaska and associated Control Room Management (CRM) Plan in Anchorage, Alaska.

As a result of the inspection, it is alleged that Hilcorp has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§192.631 Control room management.**
 - (c) **Provide adequate information. Each operator must provide its controllers with the information, tools, processes and procedures necessary for the controllers to carry out the roles and responsibilities the operator has defined by performing each of the following:**
 - (3) **Test and verify an internal communication plan to provide adequate means for manual operation of the pipeline safely, at least once each calendar year, but at intervals not to exceed 15 months;**

Hilcorp did not test and verify the internal communication plan for manual operation of the pipeline at the required interval of at least once per calendar year, not to exceed 15 months. Hilcorp provided documentation of a March 2016 drill testing the internal communications plan. However, according to records provided to PHMSA and discussions with the operator, an internal communication plan was not tested prior to March 2016. Hilcorp began operating Cook Inlet pipelines in 2012 and did not test the plan within 15 months of that time and annually since then.

2. §192.631 Control room management.

(c) Provide adequate information. Each operator must provide its controllers with the information, tools, processes and procedures necessary for the controllers to carry out the roles and responsibilities the operator has defined by performing each of the following:

(1) Implement sections 1, 4, 8, 9, 11.1, and 11.3 of API RP 1165 (incorporated by reference, see § 192.7) whenever a SCADA system is added, expanded or replaced, unless the operator demonstrates that certain provisions of sections 1, 4, 8, 9, 11.1, and 11.3 of API RP 1165 are not practical for the SCADA system used;

Hilcorp did not adequately implement the codified API 1165 display standards as of the May 2016 inspection by PHMSA. API 1165 (first edition, January 2007) is incorporated by reference in 49 CFR 192.631(c)(1) and 49 CFR 195.446 (c)(1). Hilcorp provided documentation to the PHMSA inspectors that it had conducted a third-party audit in 2015 of its CRM displays against the API 1165 requirements; implemented a number of the third-party's findings; rejected some findings as not applicable or not practical; and was in the process of implementing other findings. However, Hilcorp has operated a control room in Cook Inlet since 2012 and, as of May 2016, Hilcorp has not implemented several of the codified sections of API 1165.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violations occurring between January 4, 2012 and August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 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 5-2016-0017W**. 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. 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 J. Gano, R. Guisinger (#152893)

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