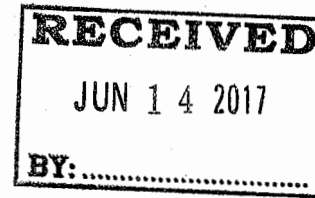


June 9, 2017

U.S. Department of Transportation
Terri J. Binns
Acting Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
8701 South Gessner, Suite 630
Houston, Texas 77074



Subject: RE: Notice Of Probable Violation and Proposed Civil Penalty - CPF 4-2017-7001

Dear Ms. Binns,

A representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), conducted an onsite pipeline safety inspection of Energy XXI USA, Inc. (EXXI USA) procedures from February 23, 2016 through April 14, 2016 for its crude oil operations in the Gulf of Mexico and Grand Isle, Louisiana areas.

Pursuant to the PHMSA referenced Notice of Probable Violation (NOPV) and Proposed Civil Penalty listed above, dated May 16, 2017, this letter serves as EXXI USA's formal response to that NOPV and Proposed Civil Penalty. EXXI USA does not contest the allegation of violation and the Civil Penalty assessed (\$37,100), but would like to provide you information on how EXXI USA plans to address and mitigate any future concerns associated with Items 2 and 3 identified within said letter.

2. §195.440 and §192.616 Public Awareness.

(c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

API RP 1162 – 8.4 MEASURING PROGRAM EFFECTIVENESS

Operators should assess progress on the following measures to assess whether the actions undertaken in implementation of this RP are achieving the intended goals and objectives:

- *Whether the information is reaching the intended stakeholder audiences*
- *If the recipient audiences are understanding the messages delivered*
- *Whether the recipients are motivated to respond appropriately in alignment with the information provided*
- *If the implementation of the Public Awareness Program is impacting bottom-line results (such as reduction in the number of incidents caused by third-party damage).*

EXXI USA did not perform a review of their Public Awareness Plan to measure effectiveness of the program every 4 years as required by API RP 1162 Sections 8.4, 8.5 and their written Public Awareness Plan.

During records and procedures review, PHMSA inspectors inspected EXXI USA's Public Awareness Plan (Plan). EXXI USA's Plan Section 13 - Perform Program Evaluation states that the effectiveness review must be completed every four years. While inspecting the Plan, the Review and Revision Log noted that Version 1 of the Plan was revised and updated on November 24, 2011. Also, the Plan's Review and Revision Log Version 3 stated in August 2014 that the due date for the Effectiveness Evaluation required in Section 13.3 was changed from April 1, 2015 to November 1, 2017. EXXI USA's could not provide an explanation or justification to the PHMSA Inspectors as to why the Plan's Effectiveness Evaluation date was changed to well past 4 years to complete the review EXXI USA did complete their Plan's Effectiveness Evaluation on March 3, 2016 and it was reviewed by PHMSA inspectors.

EXXI USA's Response:

EXXI USA has added this Effectiveness Evaluation review to TaskOp (EXXI's Computerized Compliance Maintenance System) to help alleviate human error associated with task assignments and dates.

3. §195.505 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

(b) Ensure through evaluation that individuals performing covered tasks are qualified;

EXXI USA did not demonstrate compliance with Subpart G-Qualification of Pipeline Personnel ensuring through evaluation that individuals performing covered tasks are qualified.

During the inspection, PHMSA noted on EXXI USA's API 653 inspection records that Tank 2052 had an internal inspection on February 17, 2012 performed by non-qualified personnel. EXXI USA only provided a sign in/out log for the project. EXXI USA could not provide documentation to demonstrate that contractors performing maintenance or inspection activities were qualified individuals, the dates of current qualifications, identification of the covered tasks or the qualification methods.

EXXI USA's Response:

EXXI USA has enhanced its process by adding a flowchart within TaskOp (EXXI's Computerized Compliance Maintenance System) and its OQ Manual to incorporate what qualifications are needed and who is responsible when a pipeline / facility project is initiated. (See attachment (A)).



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Page 3 of 3

Please be assured that Energy XXI USA, Inc. shares with PHMSA a commitment to safely operate its pipeline assets. EXXI USA believes that its existing manuals, procedures and processes complied with the applicable regulations, but it is our desire that both parties work cooperatively to assure this common objective and we have made these revisions to clarify the above matters in our manuals.

Sincerely,

Wesley Stout

A handwritten signature in black ink that reads "Wesley Stout" with a long horizontal flourish extending to the right.

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