

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 23, 2015

Mr. Greg Lalicker
President
Hilcorp Alaska, LLC
1201 Louisiana St., Suite 1400
Houston, TX 77002

CPF 5-2015-0019W

Dear Mr. Lalicker:

On March 23, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Beluga natural gas transmission pipeline from Kaloa Junction facility near Granite Point to Beluga near Kenai, 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. §192.905 How does an operator identify a high consequence area?

(a) *General.* To determine which segments of an operator's transmission pipeline system are covered by this subpart, an operator must identify the high consequence areas. An operator must use method (1) or (2) from the definition in §192.903 to identify a high consequence area. An operator may apply one method to its entire pipeline system, or an operator may apply one method to individual portions of the pipeline system. An operator must describe in its integrity management program which method it is applying to each portion of the operator's pipeline system. The description must include the potential impact radius when utilized to establish a high consequence area. (See appendix E.I. for guidance on identifying high consequence areas.)

Hilcorp Alaska, LLC (Hilcorp) did not comply with §192.905(a) for identifying the high consequence areas (HCAs). Hilcorp did not properly identify which buildings are intended for human occupancy and how many people occupy the area within the Potential Impact Radius (PIR) of the pipeline segment. At the time of the inspection, the records demonstrate that the method used was not properly applied and did not appropriately classify the pipeline segment.

Hilcorp used method 2 to determine HCAs. Subsequently, HCAs were incorrectly eliminated the covered segment of pipeline by the Chugach Power Plant and the Conoco Processing Facility based on "*No HCA due to revised class location*". Furthermore, Hilcorp revised a class 3 location unit in this segment to a class 1 location unit. However, Hilcorp could not provide a count of buildings that are intended for human occupancy in the class location unit of the pipeline in this area. Hilcorp had determined that 15 people were within the Potential Impact Radius (PIR) of pipeline at the Chugach Power Plant. Meanwhile, Hilcorp could not provide the number of people within the Potential Impact Radius (PIR) of pipeline at the adjacent Conoco Processing Facility and at other buildings.

2. §192.5 Class locations.

(a) This section classifies pipeline locations for purposes of this part. The following criteria apply to classifications under this section.

(2) Each separate dwelling unit in a multiple dwelling unit building is counted as a separate building intended for human occupancy.

Hilcorp failed to count each separate dwelling unit in a multiple dwelling unit building as a separate building intended for human occupancy in the "class location unit" of the Beluga pipeline as required by §192.5(a)(2). Therefore, Hilcorp failed to identify which buildings were intended for human occupancy in the "class location unit" of the pipeline. In addition, Hilcorp revised the previous class 3 location unit to a class 1 location unit at this section of the Beluga pipeline. The class location unit of the Beluga pipeline near the Chugach Power Plant, Conoco processing facility and Conoco Medic appears to have more than 10 buildings.

3. §192.745 Valve maintenance: Transmission lines.

(a) Each transmission line valve that might be required during any emergency must be inspected and partially operated at intervals not exceeding 15 months, but at least once each calendar year.

Hilcorp did not comply with §192.745(a) which requires inspecting and operating the mainline valve in 2013. At the time of the inspection, it was noted that the mainline emergency isolation valves X-009 and X-013 were not inspected and partially operated in 2013 by Hilcorp. In addition, valve inspection records for the year 2013 did not include any information regarding the inspections and operation of mainline isolation valves X-009 (MLV-1) and X-013 (MLV-2).

4. §192.479 Atmospheric corrosion control: General.

(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

Hilcorp did not comply with §192.479(a) for inspecting each pipeline or portion of pipeline for evidence of atmospheric corrosion. During the field, it was noted that the coating was in poor condition and general corrosion was found on above-ground piping at the Beluga metering station and the main line valve #2 (MLV-2 labeled X-009) at milepost 10.0. In addition, a pipeline inspection report in January of 2015 noted that the coating was in poor condition and there was light local corrosion. Interviews of Hilcorp personnel revealed that the coating will be repaired or replaced. Therefore, Hilcorp did not adequately maintain atmospheric coatings to prevent corrosion on their pipelines with a coating.

5. §192.709 Transmission lines: Record keeping.

Each operator shall maintain the following records for transmission lines for the periods specified:

(c) A record of each patrol, survey, inspection, and test required by subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer.

Hilcorp did not comply with §192.709(c) for maintaining the patrol and leak survey records prior to the year of 2012. Hilcorp acquired the Beluga pipeline from the previous operator in 2013. However, Hilcorp did not maintain the records for each patrol and leak survey prior to the year of 2012. In addition, it appears that one leak survey was conducted in February 2012.

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 Alaska, LLC 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 5-2015-0019W** and for each document you submit, please provide a copy in electronic format to PHP-WRADMIN@dot.gov whenever possible. 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 D. Hassell (#149005)