

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER**

VIA ELECTRONIC MAIL TO: baybry@clr.com; Patrick.mcgregor@clr.com

August 8, 2022

William B. Berry, President/CEO
Continental Resources
20 North Broadway
Oklahoma City, OK 73102

CPF 3-2022-001-NOPV

Dear Mr. Berry:

From April 27 through 30, 2021 a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Continental Resources (Continental) records and field assets in Sydney, Montana.

As a result of the inspection, it is alleged that Continental may have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

- 1. § 195.262 Pumping Equipment.**
 - (a) Adequate ventilation must be provided in pump station buildings to prevent the accumulation of hazardous vapors. Warning devices must be installed to warn of the presence of hazardous vapors in the pumping station building.**

Continental failed to install warning devices for the presence of hazardous vapor in pump station buildings. During the field asset inspection of Continental's McKenzie, County, North Dakota Alexander Terminal facilities, PHMSA staff observed the absence of a warning device to warn of the presence of hazardous vapors in the LACT buildings.

2. § 195.302 General Requirements.

(a) Except as otherwise provided in this section and in § 195.305(b), no operator may operate a pipeline unless it has been pressure tested under this subpart without leakage. In addition, no operator may return to service a segment of pipeline that has been replaced, relocated, or otherwise changed until it has been pressure tested under this subpart without leakage.

Continental operated its pipeline without first conducting a valid pressure test without leakage. Continental failed to pressure three segments of pipe for at least 4 continuous hours at a pressure of 125 percent, or more, of the maximum operating pressure and, in the case of pipeline that was not visually inspected for leakage during the test, for at least an additional 4 continuous hours at a press equal to 110 percent, or more, of the maximum operating pressure as required by § 195.304. Specifically, On June 27, 2014, a hydrotest was completed on 328 feet of 8 inch X52 pipe. On July 10, 2014 a hydrotest was completed on 490 feet of 8 inch X52 pipe. On July 18, 2014 a hydrotest was completed on 24 feet of 6 inch, and 2 feet of 4 inch pipe. The duration of the hydrotests listed above were all approximately 2 hours.

These hydrotests did not meet the continuous duration for lines that are not visually inspected for no leakage standard. Records showed the hydrotests were for approximately 2 hours each. Therefore, Continental Resources operated these pipelines without first conducting a valid pressure test which is a violation of § 195.302(a).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations.

For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

We have reviewed the circumstances and supporting documentation involved for the above probable violations and recommend that you be preliminarily assessed a civil penalty of \$12,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
2	\$12,000

Proposed Compliance Order

With respect to items 1 and 2 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Continental. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 3-2022-001-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Gregory A. Ochs
Director, Central Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Enforcement Proceedings

cc: Mr. Patrick McGrew Senior HSE Specialist Continental Resources, Inc.
(Patrick.mcgreg@clr.com)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Continental a Compliance Order incorporating the following remedial requirements to ensure the compliance of Continental Resources (Continental) with the pipeline safety regulations:

- A. In regard to item number 1 of the Notice pertaining to the absence of building warning devices, Continental must submit a progress update to the Central Region Director with **90** days of the Final order and documentation of completed work within **180** days of the Final Order.
- B. In regard to item number 2 of the Notice pertaining to pressure testing requirements for pipelines, Continental must pressure the pipeline per § 195.304 within 180 days of the Final Order and submit a progress update to the Central Region Director within **90** days of the Final Order.
- C. It is requested that Continental maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Gregory A. Ochs, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.