NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 16, 2014

Mr. Tad LeBlanc
Vice President, HSE and Compliance
Black Elk Energy LLC
11451 Katy Freeway, Suite 500
Houston, TX 77079

Dear Mr. LeBlanc:

From August through November 14, 2013, representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Black Elk Energy, LLC (Black Elk) procedures and records for the Operations and Maintenance manuals in Houston, Texas.

On the basis of the inspections, PHMSA has identified the apparent inadequacies found within Black Elk’s plans or procedures as described below:

1. §195.402 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.
Throughout Black Elk’s O&M Manual, the procedures replicate and paraphrase the regulations and reference the regulations instead of their own procedures. In addition, the procedures are too general to establish specific tasks on how to perform the procedure. Black Elk’s procedures must be amended to be more specific to the Black Elk system, provide adequate details and not simply paraphrase the regulations for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

The following sections of Black Elk’s O&M Manual need to be amended:

1. Sections 1.8 Company Training Program, 1.10 Operating Personnel and Section 19.1 Training procedures to meet the requirements of § 195.403 Emergency response training.
2. Section 1.12 Communications procedure to meet requirements of § 195.408 Communications.
3. Section 4.11 Operator ID procedure to meet the requirements of § 195.64 National Registry of Pipeline and LNG Operators.
4. Section 9.1 Maximum Operating Pressure/General procedure to meet requirements of §195.406 Maximum operating pressure.
5. Section 9.3 Pressure Limiting Device Inspections procedure to meet the requirements of § 195.428 Overpressure safety devices and overfill protection systems.
6. Section 10.1 Internal Corrosion procedures to meet the requirements of §195.579 What must I do to mitigate internal corrosion?
7. Section 10.2 External Corrosion procedure to meet the requirements of § 195.559 What coating material may I use for external corrosion control?
8. Section 10.2 External Corrosion Control procedure to meet the requirements of § 195.569 Do I have to examine exposed portions of buried pipelines?
9. Section 10.5 Cathodic Protection procedures to meet the requirements of §195.573(a)(2) Identify not more than 2 years after cathodic protection is installed, the circumstances in which a close-interval survey or comparable technology is practicable and necessary to accomplish the objectives of paragraph 10.1.1.3 of NACE SP 0169 (incorporated by reference, see § 195.3).
10. Elk’s Section 10.5 Cathodic Protection procedures to meet the requirements of §195.573(b)(1) Determine the areas of active corrosion by electrical survey, or where an electrical survey is impractical, by other means that include review and analysis of leak repair and inspection records, corrosion monitoring records, exposed pipe inspection records, and the pipeline environment.
11. Section 10 Corrosion Control procedures to meet the requirements of §195.573 (e) Corrective action. You must correct any identified deficiency in corrosion control as required by § 195.401(b). However, if the deficiency involves a pipeline in an integrity management program under § 195.452, you must correct the deficiency as required by § 195.452(h).
12. Section 10.6 Rectifier and Interference Bond Inspection procedures to meet the requirements of §195.575 Which facilities must I electrically isolate and what inspections, tests, and safeguards are required?
13. Section 10.7 External Corrosion Control-Monitoring and Maintenance of Test Leads procedure to meet the requirements of § 195.567 Which pipelines must have test leads and what must I do to install and maintain the leads?
14. Section 10.8 Atmospheric Corrosion and 10.10 Remedial Action for Atmospheric Corrosion procedures to meet the requirements of § 195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?

15. Section 10.8 Atmospheric Corrosion procedures to meet the requirements of § 195.583(b) During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.

16. Section 10.10 Remedial Action for Atmospheric Corrosion procedures to meet the requirements of § 195.583(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by § 195.581.

17. Section 12.2 Firefighting Equipment procedure to meet the requirements of § 195.430 Firefighting equipment.

18. Section 12.4 Smoking & Open Flames to meet the requirements of § 195.438 Smoking or open flames.

19. Section 13.9 Reviewing Operation Response procedures to meet the requirements of §195.402(d)(5) Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.

20. Section 13.10 Abnormal Operations procedures to meet the requirements of §195.402(d)(2) Checking variations from normal operation after abnormal operation has ended at sufficient critical locations in the system to determine continued integrity and safe operation.

21. Section 16.4 Welding Weather procedure to meet the requirements of § 195.224 Welding: Weather.

22. Section 16.8 Non-Destructive Testing procedure to meet the requirements of § 195.234 Welds: Nondestructive testing.

23. Section 17 Hydrostatic Testing procedures to meet requirements of Subpart E Pressure Testing.

24. Section 18.3 Pipeline Markers procedure to meet the requirements of § 195.410 Line markers.

2. § 195.226 Welding: Arc burns.

(a) Each arc burn must be repaired.

(b) An arc burn may be repaired by completely removing the notch by grinding, if the grinding does not reduce the remaining wall thickness to less than the minimum thickness required by the tolerances in the specification to which the pipe is manufactured. If a notch is not repairable by grinding, a cylinder of the pipe containing the entire notch must be removed.

(c) A ground may not be welded to the pipe or fitting that is being welded.

Black Elk must amend Section 16.5 Welding – Arc Burns to meet the requirements of § 195.226. The procedure does not mention the remaining wall thickness required for safe operation after grinding. In addition, the procedure does not prohibit a ground to be welded to the pipe or fitting.
(c) Maintenance and normal operations. The manual required by paragraph (a) of
this section must include procedures for the following to provide safety during
maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with
each of the requirements of this subpart and subpart H of this part.

§ 195.412 Inspection of rights-of-way and crossings under navigable waters.
(a) Each operator shall, at intervals not exceeding 3 weeks, but at least 26 times each
calendar year, inspect the surface conditions on or adjacent to each pipeline right­
of-way. Methods of inspection include walking, driving, flying or other appropriate
means of traversing the right-of-way.

At the time of the inspection, Black Elk’s Section 7.1 procedure, did not establish procedures on
how remedial measures will be implemented when deficiencies are encountered during right-of­
way inspections. Black Elk needs to amend their procedure to consider remedial measures to
meet the requirements of 194.412(a).

4. § 195.413 Underwater inspection and reburial of pipelines in the Gulf of Mexico
and its inlets.

(a) Except for gathering lines of 4½ inches (114mm) nominal outside diameter or
smaller, each operator shall prepare and follow a procedure to identify its pipelines
in the Gulf of Mexico and its inlets in waters less than 15 feet (4.6 meters) deep as
measured from mean low water that are at risk of being an exposed underwater
pipeline or a hazard to navigation. The procedures must be in effect August 10,
2005.

(b) Each operator shall conduct appropriate periodic underwater inspections of its
pipelines in the Gulf of Mexico and its inlets in waters less than 15 feet (4.6 meters)
deep as measured from mean low water based on the identified risk.

(c) If an operator discovers that its pipeline is an exposed underwater pipeline or
poses a hazard to navigation, the operator shall—

(1) Promptly, but not later than 24 hours after discovery, notify the National
Response Center, telephone: 1-800-424-8802, of the location and, if available,
the geographic coordinates of that pipeline.

(2) Promptly, but not later than 7 days after discovery, mark the location of
the pipeline in accordance with 33 CFR Part 64 at the ends of the pipeline
segment and at intervals of not over 500 yards (457 meters) long, except that
a pipeline segment less than 200 yards (183 meters) long need only be
marked at the center; and
Within 6 months after discovery, or not later than November 1 of the following year if the 6 month period is later than November 1 of the year of discovery, bury the pipeline so that the top of the pipe is 36 inches (914 millimeters) below the underwater natural bottom (as determined by recognized and generally accepted practices) for normal excavation or 18 inches (457 millimeters) for rock excavation.

(i) An operator may employ engineered alternatives to burial that meet or exceed the level of protection provided by burial.

(ii) If an operator cannot obtain required state or Federal permits in time to comply with this section, it must notify OPS; specify whether the required permit is State or Federal; and, justify the delay.

Black Elk’s Section 7.3 procedure does not mention the identification of pipelines in waters less than 15 feet that are at risk of being exposed. In addition the procedure does not require the inspection time frames to be based on identified risks. The procedure also references 33 CFR Part 64 to mark the locations of exposed pipelines, which is too vague to meet the requirements. Black Elk must amend their procedure to meet the requirements of 195.413.

5. § 195.420 Valve maintenance.

(a) Each operator shall maintain each valve that is necessary for the safe operation of its pipeline systems in good working order at all times.

(b) Each operator shall, at intervals not exceeding 7 1/2 months, but at least twice each year, inspect each mainline valve to determine that it is functioning properly.

(c) Each operator shall provide protection for each valve from unauthorized operation and vandalism.

Black Elk’s Section 11.1 Valve Inspections procedure does not meet the requirements of 195.420. The procedure does not identify which valves are emergency valves and is too vague on how to check the valve for proper operating condition. Black Elk must amend their procedure to meet the requirements of 195.420.


Each operator shall provide protection for each pumping station and breakout tank area and other exposed facility (such as scraper traps) from vandalism and unauthorized entry.

Black Elk’s Section 18.5 Facility Security procedure does not meet the requirements of 195.436. The procedure states that all facilities will be fenced with locked gates as the only means of providing security. Black Elk must amend their procedure to detail how it will assess the threats of vandalism and unauthorized entry and develop protection based off of the specific threats.
7. § 195.561 When must I inspect pipe coating used for external corrosion control?

(a) You must inspect all external pipe coating required by § 195.557 just prior to lowering the pipe into the ditch or submerging the pipe.

(b) You must repair any coating damage discovered.

Black Elk’s Section 10.2 External Corrosion procedure did not have procedures established to require the inspection and repair of all external coating just prior to lowering the pipe into the ditch or submerging the pipe. Black Elk must amend their procedures to address the requirement of inspection and repair of all external coating just prior to lowering the pipe into the ditch or submerging the pipe to meet the requirement of 195.561.

8. § 195.563 Which pipelines must have cathodic protection?

(a) Each buried or submerged pipeline that is constructed, relocated, replaced, or otherwise changed after the applicable date in § 195.401(c) must have cathodic protection. The cathodic protection must be in operation not later than 1 year after the pipeline is constructed, relocated, replaced, or otherwise changed, as applicable.

(b) Each buried or submerged pipeline converted under § 195.5 must have cathodic protection if the pipeline –

1. Has cathodic protection that substantially meets § 195.571 before the pipeline is placed in service; or

2. Is a segment that is relocated, replaced, or substantially altered.

(c) All other buried or submerged pipelines that have an effective external coating must have cathodic protection. Except as provided by paragraph (d) of this section, this requirement does not apply to breakout tanks and does not apply to buried piping in breakout tank areas and pumping stations until December 29, 2003.

1 A pipeline does not have an effective external coating material if the current required to protect the pipeline is substantially the same as if the pipeline were bare.

(d) Bare pipelines, breakout tank areas, and buried pumping station piping must have cathodic protection in places where regulations in effect before January 28, 2002 required cathodic protection as a result of electrical inspections. See previous editions of this part in 49 CFR, parts 186 to 199.

(e) Unprotected pipe must have cathodic protection if required by § 195.573(b).

At the time of the inspection, Black Elk’s Section 10.2 External Corrosion procedure was inadequate to demonstrate which pipelines must have cathodic protection to meet the
requirements of 195.563. The procedure only states that each buried pipeline installed after July 31, 1971 must have cathodic protection. Black Elk must amend their procedures to address which pipelines must have cathodic protection in accordance with 195.563.

9. § 195.571 What criteria must I use to determine the adequacy of cathodic protection?

Cathodic protection required by this Subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained in paragraphs 6.2 and 6.3 of NACE SP 0169 (incorporated by reference, see § 195.3).

Black Elk’s Section 10.3 Cathodic Protection Survey and Section 10.5 Cathodic Protection procedures do not meet the cathodic protection criteria and other considerations for cathodic protection contained in NACE SP 0169. The procedures do not consider the measurement or calculation of voltage drops which must be considered for valid interpretation for the voltage measurements. In addition Section 10.3 mentions criteria for cathodic protection that is not contained in NACE SP 0169. Black Elk must amend their procedure to comply with NACE SP 0169 and meet the requirements of 195.571.

10. § 195.573 What must I do to monitor external corrosion control?

(a) Protected pipelines. You must do the following to determine whether cathodic protection required by this subpart complies with § 195.571:

(1) Conduct tests on the protected pipeline at least once each calendar year, but with intervals not exceeding 15 months. However, if tests at those intervals are impractical for separately protected short sections of bare or ineffectively coated pipelines, testing may be done at least once every 3 calendar years, but with intervals not exceeding 39 months.

Black Elk’s Section 10.3 and Section 10.5 procedures, did not meet the requirements of 195.573(a)(1) which stated that cathodic protection must be tested at least annually, but with intervals not exceeding 15 months. Black Elk must amend their procedure to state that cathodic protection must be tested at least once each calendar year to meet the requirements of 195.573(a)(1).

11. § 195.573 What must I do to monitor external corrosion control?

(c) Rectifiers and other devices. You must electrically check for proper performance each device in the first column at the frequency stated in the second column.
<table>
<thead>
<tr>
<th>Device</th>
<th>Check frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rectifier</td>
<td>At least six times each calendar year, but with intervals not exceeding 2 1/2 months.</td>
</tr>
<tr>
<td>Reverse current switch</td>
<td></td>
</tr>
<tr>
<td>Diode</td>
<td></td>
</tr>
<tr>
<td>Interference bond whose failure would jeopardize structural protection</td>
<td></td>
</tr>
<tr>
<td>Other interference bond</td>
<td>At least once each calendar year, but with intervals not exceeding 15 months.</td>
</tr>
</tbody>
</table>

Black Elk’s Section 10.6 Rectifier and Interference Bond Inspections procedure did not establish the electrical check and check frequency for reverse current switches, diodes and other interference bonds. In addition, the inspection of rectifiers is too vague on how to take remedial action when deficiencies are encountered. Black Elk must amend their procedure to meet the requirements of 195.573(c).

12. § 195.577 What must I do to alleviate interference currents?
(a) For pipelines exposed to stray currents, you must have a program to identify, test for, and minimize the detrimental effects of such currents.

(b) You must design and install each impressed current or galvanic anode system to minimize any adverse effects on existing adjacent metallic structures.

Black Elk’s procedures did not address or establish a procedure to alleviate interference currents. Black Elk must amend their procedure to meet the requirements of 195.577(a) and (b).

13. § 195.589 What corrosion control information do I have to maintain?

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to § 195.569, 195.573 (a) and (b), and 195.579 (b) (3) and (c) must be retained for as long as the pipeline remains in service.

Black Elk’s Section 4.8 Corrosion Control Records procedure states that “a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist will be maintained,” but does not mention how all records will be documented or recorded. Black Elk must amend their procedure to allow a method of documenting or recording such records to meet the requirements of 195.589(c).

(a) Each operator shall maintain current maps and records of its pipeline systems that include at least the following information:

1. Location and identification of the following pipeline facilities:
   (i) Breakout tanks;
   (ii) Pump stations;
   (iii) Scraper and sphere facilities;
   (iv) Pipeline valves;
   (v) Facilities to which §195.402(c)(9) applies;
   (vi) Rights-of-way; and
   (vii) Safety devices to which §195.428 applies.

2. All crossings of public roads, railroads, rivers, buried utilities, and foreign pipelines.

3. The maximum operating pressure of each pipeline.

4. The diameter, grade, type, and nominal wall thickness of all pipe.

(b) Each operator shall maintain for at least 3 years daily operating records that indicate:

1. The discharge pressure at each pump station; and
2. Any emergency or abnormal operation to which the procedures under §195.402 apply.

(c) Each operator shall maintain the following records for the periods specified:

1. The date, location, and description of each repair made to pipe shall be maintained for the useful life of the pipe.
2. The date, location, and description of each repair made to parts of the pipeline system other than pipe shall be maintained for at least 1 year.
3. A record of each inspection and test required by this subpart shall be maintained for at least 2 years or until the next inspection or test is performed, whichever is longer.

Throughout Black Elk's O&M Manual, there was no procedure for the documentation of each record of each inspection and test required by this subpart. Black Elk must amend their procedures to require the documentation of each record and provide a means of documenting the record of each inspection required by §195.404.
Response to this Notice
This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled Response Options for Pipeline Operators in Compliance Proceedings. Please refer to this document and note the response options. 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). 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, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to CPF 4-2014-5015M and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings