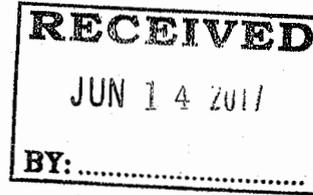




Energy XXI
1021 Main (One City Centre)
Suite 2626
Houston, TX 77002

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 4-2017-9002

Dear Ms. Binns,

A representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) conducted an onsite pipeline safety inspection of Energy XXI Pipeline, LLC (Energy XXI) procedures from February 23, 2016 through April 14, 2016 for its crude oil and gas pipeline 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 Energy XXI's formal response. Energy XXI does not contest the allegation of violation and the Civil Penalty assessed (\$30,200), but would like to provide you information on how Energy XXI plans to address and mitigate any future concerns associated with Items 3 and 4 identified within said letter.

3. *§195.413 Underwater inspection and reburial of pipelines in the Gulf of Mexico and its inlets.*

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*
- (3) 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.*

EXXI did not promptly, but not later than 7 days after discovery mark the location of ST21H-East Timbalier Island Facility 10-inch pipeline in accordance with 33 CFR Part 64. Also EXXI did not bury the pipeline so that the top of the pipe is 36 inches below the underwater natural bottom within 6 months after discovery.

During the records inspection, PHMSA inspectors reviewed EXXI's 2015 Underwater Inspection Procedure (UIP). EXXI performed the survey and found that ST21H-East Timbalier Island Facility 10-inch pipeline was exposed/hazard to navigation on March 19, 2013. The location marking for the exposure/hazard to navigation of this pipeline was not performed until May 15, 2013 according to the UIP. Also, the UIP showed that ST21H Oil-East Timbalier Island Facility 10-inch pipeline was not reburied until September 2014 which is 18 months past the date of discovery

Energy XXI's Response:

Energy XXI has enhanced its process flowchart within the Underwater Inspection Manual to incorporate what needs to be done if and when a pipeline is exposed/hazard to navigation is discovered. (See attachment (A)).

4. §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 - 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 did not perform a review of their Public Awareness Plan to measure effectiveness of the



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Page 3 of 3

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's Public Awareness Plan (Plan). EXXI'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 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 did complete their Plan's Effectiveness Evaluation on March 3, 2016 and it was reviewed by PHMSA inspectors.

Energy XII's Response:

Energy XXI 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.

Please be assured that Energy XXI Pipeline, LLC shares with PHMSA a commitment to safely operate our pipeline assets. Energy XXI believes that the 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; we have made these revisions to clarify the above matters in our manuals.

Sincerely,

Wesley Stout

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