

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 27, 2018

Mr. Greg Lalicker
President and COO
Hilcorp Alaska, LLC
1201 Louisiana Street
Suite 1400
Houston, Texas 77002

CPF 5-2018-0015W

Dear Mr. Lalicker:

From March 6 through March 8, 2017, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected your 10-inch Northstar natural gas pipeline and facilities located in the Beaufort Sea and on the North Slope in Alaska.

As a result of the inspection, it is alleged that you 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. **§ 192.475 Internal corrosion control: General.**
 - (a) **Corrosive gas may not be transported by pipeline, unless the corrosive effect of the gas on the pipeline has been investigated and steps have been taken to minimize internal corrosion.**

The Operator failed to test the gas going into the Northstar pipeline in violation of its procedure and the regulation. Procedure P-192.475 (Gas Internal Corrosion Control 11/24/2016, Rev 3, p. 2/4 under Procedure Steps) states “[w]here potentially corrosive gas is found as a result of testing, initiate the remedial action prior to the next test.” The Operator admits that they don't test the natural gas nor do they obtain records of the contents of the gas from the producer.

2. **§ 192.709 Transmission lines: Record keeping.**
Each operator shall maintain the following records for transmission lines for the periods specified:
 - (a)....
 - (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**

The operator presented valve inspection records ostensibly for 2015, but they were not properly dated with the year. Retention for the specified time period consistent with the code is not possible without a proper date on the valve inspection reports.

3. **§ 192.805 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:...
 - (a)....
 - (h) **After December 16, 2004, provide training, as appropriate, to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities;**

The Operator failed to properly train individuals to perform covered tasks. On July 8, 2015, an employee of the Operator tested two pressure relief valves NS-RV-129 (NS-PSV-2500) and NS-RV-295 (PSV-940S-DOT). The Operator provided records that the employee was qualified in Inspecting and Testing of Relief Devices between April 2016 and April 2019, but no records were provided to show that he was qualified in 2015, when the work was performed. In addition, the records provided by the Operator failed to demonstrate that the employee was qualified to react and respond to Abnormal Operating Conditions. The Operator also provided a Pressure Relief Service Valve Report from April 24, 2014 that showed another employee tested PSV 2500, Skid 50, but no operator qualification records for this employee were provided.

4. **§ 192.807 Recordkeeping.**
Each operator shall maintain records that demonstrate compliance with this subpart.
 - (a) **Qualification records shall include:**

- (1) Identification of qualified individual(s);**
- (2) Identification of the covered tasks the individual is qualified to perform;**
- (3) Date(s) of current qualification; and**
- (4) Qualification method(s).**

The Operator failed to qualify an employee for mainline valve testing. The Operator provided records showing that an employee was qualified under procedure 716OP to inspect, maintain, and operate valves through 2015. However, the Operator failed to provide records showing that this individual was qualified to perform the covered task on October 4, 2016, when he performed testing of valve SDV-0001.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$209,002 per violation per day the violation persists, up to a maximum of \$2,090,022 for a related series of violations. For violations occurring prior to November 2, 2015, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 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 item(s) 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 5-2018-0015W**. 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
Acting Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 J. Owens (# 155099)