

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 26, 2019

Mr. Greg Lalicker
Chief Executive Officer
Hilcorp Energy Company
1111 Travis Street
Houston, Texas 77002

CPF 5-2019-0026

Dear Mr. Lalicker:

On July 29 through August 1, 2019, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected Harvest Alaska, LLC's (Harvest)¹ Kenai-Nikiski Pipeline (KNPL) system near Kenai, 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. § 192.179 Transmission line valves.

(a)

(c) Each section of a transmission line, other than offshore segments, between main line valves must have a blowdown valve with enough capacity to allow the transmission line to be blown down as rapidly as practicable. Each blowdown discharge must be located so the gas can be blown to the atmosphere without hazard and, if the transmission line is adjacent to an overhead electric line, so that the gas is directed away from the electrical

¹ Harvest is a wholly-owned subsidiary of Hilcorp Alaska, LLC, which is a wholly-owned subsidiary of Hilcorp Energy Company.

conductors.

Harvest failed to equip the KNPL with a blowdown valve between main line valves VD-1 and VF-1 as required by § 192.179(c). The pipeline was constructed in 1965 and valve VF-1 was installed in 1979. Section 192.13(b) requires that no person operate a segment of pipeline that is replaced, relocated, or otherwise changed after November 12, 1970, unless the replacement, relocation or change has been made according to the requirements in Part 192. As such, a blowdown valve consistent with § 192.179(c) was required when valve VF-1 was installed. Records provided by the operator show that KNPL was, at one time, equipped with a blowdown valve but that sometime around 2012 the prior operator removed the blowdown and, as of the August 1, 2019 inspection, Harvest failed to replace the blowdown valve.

2. § 192.707 Line markers for mains and transmission lines.

(a) Buried pipelines. Except as provided in paragraph (b) of this section, a line marker must be placed and maintained as close as practical over each buried main and transmission line:

- (1) At each crossing of a public road and railroad; and**
- (2) Wherever necessary to identify the location of the transmission line or main to reduce the possibility of damage or interference.**

Harvest failed to place and maintain line markers as close as practicable over the KNPL at each crossing of a public road as required by 192.707(a). The KNPL lacked markers in the vicinity of Forest Drive and the Kenai Spur Highway. Neither the nearest upstream nor downstream markers were visible from the intersection, where the KNPL crossed under the Kenai Spur Highway, then turned and crossed Forest Drive.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to 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. 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. The Compliance Officer has reviewed the circumstances and supporting documentation involved for the above probable violation and has recommended that you be preliminarily assessed a civil penalty of \$50,100 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$50,100

Warning Item

With respect to item 2 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 promptly correct this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to item 1 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Harvest Alaska LLC. 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 Compliance 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 5-2019-0026** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Dustin Hubbard
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

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

cc: PHP-60 Compliance Registry
PHP-500 J. Gano (#165166)
Richard Novcaski, Vice President, Harvest Alaska, LLC, 3800 Centerpoint Drive, Suite 1400,
Anchorage, Alaska 99503
Ben Wasson, Hilcorp Alaska (Via Email)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Harvest Alaska, LLC (Harvest) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Harvest Alaska, LLC with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to the alleged violation of § 192.179(c), Harvest must install a blowdown valve that can deinventory the Kenai-Nikiski Pipeline between mainline block valves VD-1 and VF-1 as rapidly as practicable and without hazard.
2. Harvest must complete paragraph 1 of the Proposed Compliance Order within 90 days of receipt of the Final Order. Within 30 days of completing paragraph 1, Harvest must notify the Director of the Western Region, in writing, of the completion. This notification must include records demonstrating that the installation is in accordance with the applicable portions of 49 CFR Part 192. These records must show, at a minimum:
 - How Harvest determined the blowdown system's capacity, and how it determined that the capacity is sufficient to blow down the pipeline as rapidly as practicable;
 - How Harvest selected the location for the blowdown to ensure the gas will be blown to the atmosphere without hazard;
 - The records must show that the materials, pipe design, and design of pipeline components used in the blowdown system met the applicable requirements of 49 CFR Part 192 Subparts B, C, and D; that welding and non-destructive examination was completed consistent with Subpart E; and that pressure testing of the blowdown system was completed consistent with Subpart J.
3. Within 30 days of completing paragraph 1, Harvest must amend its operations and maintenance procedures and emergency response plan, as relevant, to include the new blowdown.

It is requested (not mandated) that Harvest Alaska, LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Dustin Hubbard, Director, Western 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.