

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 18, 2019

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

CPF 5-2019-5008W

Dear Mr. Lalicker:

On March 4 through 8 and March 18 through 20, 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 North Star and Endicott Pipeline systems near Prudhoe Bay, Alaska, and associated operational procedures and records in Anchorage, 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 Harvest is a wholly-owned subsidiary of Hilcorp Alaska, LLC, which is a wholly-owned subsidiary of Hilcorp Energy Company.

1. § 195.208 Welding of supports and braces.

Supports or braces may not be welded directly to pipe that will be operated at a pressure of more than 100 p.s.i. (689 kPa) gage.

Braces were directly welded to the pipeline on the upstream and downstream pig traps of the Endicott pipeline. The pipeline was operating at less than 100 psig during the site visit. However, the control room operators stated that the line had been operated at greater than 100 psig in the recent past and, based on a review of the piping and instrument diagrams and site visit, the pumps are still configured in a way that the pipeline could be pressured to greater than 100 psi.

2. § 195.579 What must I do to mitigate internal corrosion?

(a)

(c) ***Removing pipe.*** Whenever you remove pipe from a pipeline, you must inspect the internal surface of the pipe for evidence of corrosion. If you find internal corrosion requiring corrective action under §195.585, you must investigate circumferentially and longitudinally beyond the removed pipe (by visual examination, indirect method, or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the removed pipe.

In late 2016 through early 2017, Harvest replaced piping at the metering facilities at downstream end of the NorthStar and Endicott pipelines, between these pipelines' pig receivers and Pump Station 1. This project included hot taps, a stoppled section of the pipeline, and removed spools of the pipeline. For this project, Harvest removed piping and exposed internal surfaces of the pipeline (for example, on the hot tap coupons), but failed to inspect the internal surfaces for evidence of internal corrosion.

3. § 195.583 What must I do to monitor atmospheric corrosion control?

(a) **You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:**

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months.
Offshore	At least once each calendar year, but with intervals not exceeding 15 months.

Harvest failed to inspect each portion of a pipeline that is exposed to the atmosphere for evidence of corrosion at the required intervals. Specifically:

- For the North Star pipeline, the valve at Pt. Storkenson (Valve SDV-0011) was inspected for atmospheric corrosion on March 17, 2014 and on March 7, 2018, which exceeds the maximum 39-month inspection interval. Harvest personnel stated that they inspect the valve at Pt. Storkenson as part of their annual walking speed survey, but the annual walking speed survey inspections are not equivalent to atmospheric corrosion inspections (for example, the walking speed survey records do not demonstrate that the insulation blanket at the valve are removed for the purposes of inspections).
- For the Endicott Pipeline, the March 8, 2018 Atmospheric Corrosion Inspection report states that all areas of the pipeline that are exposed to the atmosphere were inspected (e.g. valves, PSVs) but the prior inspection reports do not demonstrate that has been the practice. Harvest personnel provided visual right-of-way inspection reports that showed the general condition of the pipeline (for example, noting mechanical damage to the jacketing) but did not show that pipeline facilities (e.g. valves, PSVs) were inspected for atmospheric corrosion. Therefore, inspection records do not demonstrate that the pipeline was adequately inspected for atmospheric corrosion prior to March 8, 2018.

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.

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 items identified in this letter. Failure to do so will result in Hilcorp Energy Company 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 5-2019-5008W**. 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,

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

cc: PHP-60 Compliance Registry
PHP-500 J. Gano (#163211, #161716)
Richard Novcaski, Vice President, Harvest Alaska, LLC, 3800 Centerpoint Drive,
Suite 1400, Anchorage, Alaska 99503
Ben Wasson, Hilcorp Alaska (Via Email)