

NOTICE OF AMENDMENT

VIA ELECTRONIC MAIL TO: lsaugier@hilcorp.com

April 14, 2022

Mr. Luke Saugier
Senior Vice President
Hilcorp Alaska, LLC
3800 Centerpoint Drive, Suite 1400
Anchorage, Alaska 99503

CPF 1-2022-041-NOA

Dear Mr. Saugier:

From July 13 through July 16, 2021, and August 10 through August 11, 2021, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Hilcorp Alaska, LLC's (Hilcorp) procedures for the operation of Kenai, Swanson River, and Pretty Creek Gas Storage fields in Kenai Peninsula and Matanuska-Susitna counties, Alaska.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Hilcorp's plans or procedures, as described below:

1. § 192.12 Underground natural gas storage facilities.

(a) ...

(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations

or beginning an activity not yet implemented.

Hilcorp's written procedures for conducting operations, maintenance, and emergency preparedness and response activities under §192.12(b)(2) were inadequate to assure safe operation of a pipeline facility. Specifically, Hilcorp failed to develop a procedure to evaluate each annular gas occurrence that exceeds operator- or regulatory-defined threshold levels in accordance with API RP 1171, Section 9.3.2 (Section 9.3.2).

Section 9.3.2 states in relevant part, "[t]he operator shall evaluate each annular gas occurrence that exceeds operator- or regulatory-defined threshold levels determined from well integrity evaluation and from risk assessment."

During the inspection, PHMSA reviewed Hilcorp's Operations, Maintenance & Emergency Response (OMER) manual and found that it did not include a process to evaluate each annular gas occurrence that exceeds operator- or regulatory-defined threshold levels.

Therefore, Hilcorp's written procedures were inadequate regarding evaluation of annular gas occurrence exceedances. Hilcorp must revise its procedures to address the deficiency outlined above.

2. § 192.12 Underground natural gas storage facilities.

(a) ...

(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations or beginning an activity not yet implemented.

Hilcorp's written procedures for conducting operations, maintenance, and emergency preparedness and response activities under §192.12(b)(2) were inadequate to assure safe operation of a pipeline facility. Specifically, Hilcorp did not have a written process in place to use a risk-based approach for developing integrity demonstration, verification, and monitoring tasks and evaluating their frequency requirements in accordance with API RP 1171, Section 9.2.2 (Section 9.2.2).

Section 9.2.2 states in relevant part, "[r]isk assessments shall be used as a basis for developing the integrity demonstration, verification, and monitoring tasks and evaluating their frequency requirements."

During the inspection, PHMSA reviewed Hilcorp's OMER manual and found that it did not include a written process to use a risk-based approach for developing integrity demonstration,

verification, and monitoring tasks and evaluating their frequency requirements.

Therefore, Hilcorp's written procedures were inadequate regarding risk-based evaluation. Hilcorp must revise its procedures to address the deficiency outlined above.

3. § 192.12 Underground natural gas storage facilities.

(a) ...

(c) *Procedural manuals.* Each operator of a UNGSF must prepare and follow for each facility one or more manuals of written procedures for conducting operations, maintenance, and emergency preparedness and response activities under paragraphs (a) and (b) of this section. Each operator must keep records necessary to administer such procedures and review and update these manuals at intervals not exceeding 15 months, but at least once each calendar year. Each operator must keep the appropriate parts of these manuals accessible at locations where UNGSF work is being performed. Each operator must have written procedures in place before commencing operations or beginning an activity not yet implemented.

Hilcorp's written procedures for conducting operations, maintenance, and emergency preparedness and response activities under §192.12(b)(2) were inadequate to assure safe operation of a pipeline facility. Specifically, Hilcorp's Emergency Action Plan (EAP) did not address all the elements specified in API RP 1171, Section 10.6.1 (Section 10.6.1).

Section 10.6.1 states in relevant part:

For site security and safety, the operator shall develop and implement a structured emergency preparedness/response plan in order to address accidental releases, equipment failures, natural disasters, and third-party emergencies.

During the inspection, PHMSA reviewed Hilcorp's EAP and noted that equipment failures and third-party emergencies were not included as emergency scenarios.

Therefore, Hilcorp's written procedures were inadequate regarding its EAP's emergency scenarios. Hilcorp must revise its procedures to address the deficiency outlined above.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.206. Enclosed as part of this Notice is a document entitled Response Options for Pipeline Operators in Enforcement 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).

Following the receipt of this Notice, you have 30 days to submit written comments, revised procedures, or a request for a hearing under §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 an Order Directing Amendment. If 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. § 190.206). 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.

It is requested (not mandated) that Hilcorp Alaska, LLC maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to Robert Burrough, Director, Eastern Region, Pipeline and Hazardous Materials Safety Administration, 840 Bear Tavern Road, Suite 300, West Trenton, NJ 08628. In correspondence concerning this matter, please refer to **CPF 1-2022-041-NOA** and, for each document you submit, please provide a copy in electronic format whenever possible. Smaller files may be emailed to robert.burrough@dot.gov. Larger files should be sent on USB flash drive accompanied by the original paper copy to the Eastern Region Office.

Sincerely,

Robert Burrough
Director, Eastern Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: Response Options for Pipeline Operators in Enforcement Proceedings