U.S. Department
of Transportation
Pipeline and Hazardous
Materials Safety Administration

901 Locust Street, Suite 480
Kansas City, MO 64106

NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER

VIA ELECTRONIC MAIL TO: GHill@hess.com , bbiggs@hess.com, vsund@hess.com **and** slarson@hess.com

March 2, 2021

Mr. Gregory P. Hill
President & Chief Operating Officer
HESS Corporation (HESS ND)
1501 McKinney Street, 28th Floor
Houston, TX 77010

CPF 3-2021-5008

Dear Mr. Hill:

On July 29 – August 2, August 5 – 9, 12 – 16, and 19 – 23, 2019, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Hess Corporation's (Hess) Red Sky System in Minot, North Dakota.

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. **§194.7 Operating restrictions and interim operating authorization.**
   (a) . . . .
   (b) An operator must operate its onshore pipeline facilities in accordance with the applicable response plan.

Hess failed to operate its pipeline facilities in accordance with its response plan. Specifically, Hess did not perform all Preparedness for Response Exercise Program (PREP) drills within a 3-year period as required in the response plan per § 194.107(c)(1)(ix). Hess personnel were unable to provide documentation, and indicated to PHMSA they had not performed a qualified individual notification exercise for the 4th quarter of 2016.

2. **§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.

Hess failed to prevent welding of supports to pipe that will be operated at a pressure of more than 100 pounds per square inch (psig). PHMSA observed pipe with a maximum operating pressure of 1,250 psig that had supports welded directly to the pipe. This pipe with welded supports is downstream of the pump at the Hawkeye Compressor Facility and is part of the natural gas liquids pipeline. According to Hess, this pipe was built to ASME B31.3 which allows welding of supports to the pipe; however, that practice is not allowed per §195.208 when the pipe was installed in 2017.

3. **§195.402 Procedural manual for operations, maintenance, and emergencies.**

   (a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

Hess failed to perform annual reviews of written procedures. The pipeline safety regulations and Hess procedures require an annual review at intervals not exceeding 15 months, but at least once each calendar year. The Hess Public Awareness Program, required by § 195.440, was reviewed on 4/22/2015, and not again until 10/10/2016 or 17.5 months. This exceeds the 15 months allowed by 2.5 months.

4. § 195.402 Procedural manual for operations, maintenance, and emergencies.

(a) . . . .

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(1) . . . .

(13) Periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

Hess failed to prepare a procedure that is compliant with the requirements of §195.402(c)(13) to periodically review the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and take corrective action where deficiencies were found. Specifically, during the inspection, Hess pointed to Appendix 6-9 of its Operator Qualification (OQ) Program, last revised on 3/26/2018, when asked for its §195.402(c)(13) procedure. This Appendix simply repeats the text of the regulation and appears to be an OQ review to ensure employees and contractors are adequately trained to follow the procedures. Additionally, Hess was unable to provide any documentation that it had performed a review of work done by operator personnel to determine the effectiveness of the procedures per §195.402(c)(13). Specifically, Hess' procedure fails to do the following:

1. Define periodically or clearly state how often the effectiveness review will take place for each procedure used in normal operation and maintenance.
2. Clearly indicate who will perform the effectiveness review.
3. State clear documentation requirements.
4. Detail a process for how a review of work done by operator personnel to determine the effectiveness of the procedures should be performed.

5. § 195.428 Overpressure safety devices and overfill protection systems.

(a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

Hess failed to inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used at intervals not exceeding 15 months but at least once per calendar year or not to exceed 7 ½ months, but at least twice each calendar year for pipelines that carry highly volatile liquids. Specifically, Hess did not complete 28 inspections on the following overpressure control devices.

Hess ND Red Sky Sysem Jurisdictional PSV Inspections Missing or Over Inspection Interval Limits

Service	PSV #	Inspection Interval Start	Inspection Interval End	Missing Inspections	Lapsed Time (Days)	Allowed Time (Days)
*Hawkeye NGL	0120A	2/15/2017	1/8/2020	4	1057	225
Hawkeye NGL	0120B	2/15/2017	7/2/2018	2	502	225
TGP-TRT Propane	593500	4/17/2017	7/27/2018	2	466	225
TGP-TRT Propane	593501	4/17/2017	7/26/2018	2	465	225
TGP-TRT Butane	593600	4/17/2017	7/27/2018	2	466	225
TGP-TRT Butane	593601	4/17/2017	7/27/2018	2	466	225
TGP-TRT Nautral Gasoline	593700	4/17/2017	7/27/2018	1	466	450
TGP-TRT Nautral Gasoline	593701	4/17/2017	7/27/2018	1	466	450
Silurian NGL	PSV-0520A	05/20/17	09/12/18	2	480	225
Silurian NGL	PSV-0520B	5/20/2017	9/12/2018	2	480	225
Silurian NGL	PSV-0420	02/15/17	09/12/18	2	574	225
Silurian NGL	PSV-0421A	02/15/17	09/12/18	2	574	225
Silurian NGL	PSV-0421B	02/15/17	09/12/18	2	574	225
Keene Crude Oil Gathering (including Johnson's Corner and Crestwood)	PSVCWF100104	09/17/17	07/19/19	1	670	450
Keene Crude Oil Gathering (including Johnson's Corner and Crestwood)	PSVDPL100104	09/17/17	07/19/19	1	670	450

*PSV 0120A has never received an inspection, range taken as inservice date to final date of records submission.

6. § 195.452 Pipeline integrity management in high consequence areas.

(a) . . . .

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

(1) . . . .

(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(1) General requirements. An operator must take measures to prevent and mitigate the consequences of a pipeline failure that could affect a high consequence area. These measures include conducting a risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Such actions may include, but are not limited to, implementing damage prevention best practices, better monitoring of cathodic protection where corrosion is a concern, establishing shorter inspection intervals, installing EFRDs on the pipeline segment, modifying the systems that monitor pressure and detect leaks, providing additional training to personnel on response procedures, conducting drills with local emergency responders and adopting other management controls.

Hess did not develop and implement a procedure for the identification of P&M measures that is compliant with § 195.452(f)(6). The current process, last revised on 3/12/2018, lists activities that may be included as P&M measures, but does not give any details on how to proceed with identifying measures to be implemented. Specifically, the process fails to do the following:

1. Define a timeframe for periodically identifying additional general P&M measures that includes a risk analysis in accordance with § 195.452(i).
2. Define a timeframe for additional leak detection and emergency flow restricting device (EFRD) evaluations.
3. Give details for how the identification of general P&M measures should be performed and how the leak detection and emergency flow restricting device evaluations should be performed.
4. Clearly indicate who will conduct the identification of general P&M measures and evaluations of the leak detection system and emergency flow restricting devices.
5. State the documentation requirements in accordance with § 195.452(l) for each evaluation, including the possible P&M measures considered and the basis supporting the decisions and analyses to implement certain additional P&M measures.

7. § 195.579 What must I do to mitigate internal corrosion?

(a) General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.

On multiple segments of its Bakken Red Sky pipeline, Hess failed to investigate the corrosive effects of the hazardous liquids transported. Despite being aware that the hazardous liquid transported would corrode the pipeline as confirmed by a 2011 study concluding that inhibitors be used in the Palermo segment; Hess did not investigate the corrosive effect on other segments until July 5, 2019 when the 8" Hawkeye (Oil) pipeline segment underwent an internal corrosion assessment. Of Hess's remaining system, there are a total of 23 line segments that required an investigation into the corrosive effects of hazardous liquids, of which, only 2 have received an investigation, leaving 21 segments shown below in the table that need to be investigated.

Segment Name	Service
TIOGA RAIL TERMINAL TO TIOGA GAS PLANT 6.625 in Nat Gasoline	NGL
TIOGA GAS PLANT TO TIOGA RAIL TERMINAL 6.625 BUTANE	NGL
TIOGA GAS PLANT TO TIOGA RAIL TERMINAL 8.625 PROPANE	NGL
SILURIAN COMPRESSOR STATION TO TIOGA GAS PLANT 8.625 in NGL	NGL
HAWKEYE NGL (NOR) 10"	NGL
HAWKEYE NGL (SOR) 8"	NGL
STONY CREEK PHASE II SOUTH	OIL
STONY CREEK PHASE II NORTH	OIL
GOLIATH SOUTH 10.750" OIL MAINLINE	OIL
GOLIATH 10.750" OIL MAINLINE	OIL
RTF TO TRT 14 in OIL (North)	OIL
RTF TO TRT REPLACEMENT 12 in OIL	OIL
RTF TO TRT 14 in OIL (South)	OIL
RTF to ETP 12 in OIL	OIL
HAWKEYE OIL (NOR) 12"	OIL
HAWKEYE OIL (SOR) 12"	OIL
KEENE OIL PHASE 1 (2014) 10.750 in	OIL
KEENE OIL PHASE 2 (2015) 10.750 in	OIL
KEENE TRUNKLINE TO TESORO KEENE STATION 10 in SALES OIL	OIL
KOG EXTENSION 10.75 in OIL	OIL
JOHNSON'S CORNER CRESTWOOD 16.00 in OIL	OIL

8. § 195.579 What must I do to mitigate internal corrosion?
(a) . . . .
(b) Inhibitors. If you use corrosion inhibitors to mitigate internal corrosion, you must—

(1) Use inhibitors in sufficient quantity to protect the entire part of the pipeline system that the inhibitors are designed to protect…

Hess failed to use inhibitors in sufficient quantity to protect the entire part of the pipeline system that inhibitors are designed to protect. Hess began injecting inhibitors into the Palermo Lateral segment in 2011, but not in sufficient quantity. Specifically, Hess representatives stated that the corrosion inhibitor injection rate did not meet the quantity specified, and the injection rate did not account for the flowrate of hazardous liquid in the pipeline segment to ensure a sufficient quantity of inhibitor was used.

9. §195.579 What must I do to mitigate internal corrosion?

(a) . . . .

(b) Inhibitors. If you use corrosion inhibitors to mitigate internal corrosion, you must—

(1) . . . .

(2) Use coupons or other monitoring equipment to determine the effectiveness of the inhibitors in mitigating internal corrosion; and

Hess failed to use coupons or other monitoring equipment to determine the effectiveness of inhibitors and examine the coupons or other monitoring equipment at least twice each calendar year not exceeding 7 ½ months. Specifically, Hess did not install coupons or other monitoring equipment on the Palermo Lateral line to determine the effectiveness of the inhibitors.

10. § 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.

Hess failed to perform internal examination of removed pipe for evidence of internal corrosion. Specifically, Hess did not perform an internal examination for pipe removed during a replacement project that occurred on the 14” pipeline between the Tioga Rail Terminal and the Ramberg Truck Facility.

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. We have reviewed the circumstances and supporting documentation involved for the above probable violation(s) and recommend that you be preliminarily assessed a civil penalty of $127,600 as follows:

Item number	PENALTY
5	$86,200
8	$19,000
9	$22,400

Warning Items

With respect to Items 1, 3 and 10, PHMSA has 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 these items. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to Items 2, 4, 6 and 7 pursuant to 49 U.S.C. § 60118, PHMSA proposes to issue a Compliance Order to Hess Corporation. 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 Enforcement 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 3-2021-5008** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

GREGORY OCHS Digitally signed by GREGORY OCHS
Date: 2021.03.02 12:52:43 -06'00'

Gregory A. Ochs
Director, Central Region, OPS
Pipeline and Hazardous Materials Safety Administration

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

CC:
Mr. Barry Biggs bbiggs@hess.com
Mrs. Vicky Sund vsund@hess.com
Mr. Shane Larson slarson@hess.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to HESS Corporation (Hess) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Hess with the pipeline safety regulations:

1. In regard to Item Number 2 of the Notice pertaining to welding of supports to pipe that will be operated at a pressure of more than 100 psig, Hess must remove all welded supports from the NGL line located within the Hawkeye Compressor Facility. Hess must submit a progress update to the Central Region Director within 90 days of the Final Order and documentation of completed work within 180 days of the Final Order.

2. In regard to Item Number 4 of the Notice pertaining to periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance, Hess must complete development of the procedures and send to the Central Region Director within 30 days of the Final Order. The first run implementation of the program must begin within 90 days of the Final Order, and documentation of the results submitted to the Central Region Director within 180 days of the Final Order.

3. In regard to Item Number 6 of the Notice pertaining to identifying preventive and mitigative (P&M) measures to protect high consequence areas, Hess must complete development of the procedures and send to the Central Region Director within 30 days of the Final Order. The first run implementation of the program must begin within 90 days of the Final Order, and documentation of the results submitted to the Central Region Director within 180 days of the Final Order.

4. In regard to Item Number 7 of the Notice pertaining to investigating and mitigating the corrosive effects of hazardous liquids on its pipelines, Hess must complete the investigation into the corrosive effects of each hazardous liquid pipeline. Hess must submit a progress update to the Central Region Director within 90 days of the Final Order and documentation of the completed investigations within 180 days of the Final Order.

5. For Items 1 through 4 of this compliance order, all required written submissions shall be sent to the attention of Gregory A. Ochs, Director, Central Region, at 901 Locust Street, Room 462, Kansas City, MO 64106.

6. It is requested (not mandated) that Hess maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Gregory A. Ochs, Director, Central 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.