

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

VIA E-MAIL TO MR. LUKE SAUGIER

September 7, 2022

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

CPF 5-2022-006-NOPV

Dear Mr. Saugier:

From August 2 through September 2, 2021, a representative 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 the procedures and records of Hilcorp North Slope, LLC's (Hilcorp North Slope) Lisburne Pipeline, Greater Prudhoe Bay (NGL) Pipeline (NGL Pipeline), and Oil Transit Lines-North Slope (OTL Pipelines) near Prudhoe Bay, 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. § 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.

The Lisburne Pipeline, which operates at a pressure of more than 100 psig, had supports welded

directly to pipe.

This inspection was performed to follow up on Item 2 of the Warning Letter dated December 27, 2019 (CPF 5-2019-6011W), which resulted from a 2019 Integrated Inspection. Item 2 was a probable violation of § 195.208 for supports welded directly to the Lisburne Pipeline. The operator at the time of the 2019 Integrated Inspection, BP Pipelines (Alaska), Inc. (previous operator), responded to the warning letter and indicated that it disagreed with the 2019 finding. It argued that the Lisburne Pipeline was classified as a low-stress pipeline and, as such, was not subject to 49 CFR Part 195 at the time of construction, in 1985. The previous operator further indicated that 49 CFR 195, Subpart D - Construction requirements for welding of supports and braces could not be retroactively applied to the Lisburne Pipeline.

The follow-up during this inspection revealed that the Lisburne Pipeline was misclassified as a low-stress pipeline by the previous operator. The previous operator erroneously used the operating pressure of the pipeline (dead head pressure of the shipping pumps), as opposed to the maximum operating pressure (MOP), when it made the determination that the pipeline was a low-stress pipeline. When properly using the MOP in determining if the pipeline is a low-stress pipeline, the Lisburne Pipeline does not qualify as a low-stress pipeline. Hilcorp North Slope, current operator of the Lisburne Pipeline, does not classify the pipeline as low-stress pipeline and used the MOP of the pipeline for this determination. In establishing the MOP of the pipeline, which included consideration of the 1986 pressure test conducted at the time of construction, the limiting factor was the 950 psig design pressure of the piping, within modules located at the beginning of the pipeline. The 950 psig design pressure within the modules was based on the original design and construction records. There is no evidence that the MOP has been other than 950 psig, as presented in this inspection and the 2019 inspection. The Lisburne Pipeline does not and has not met the Part 195 definition of a low-stress pipeline and should have been subject to 49 CFR Part 195 and the Subpart D - Construction requirements for welding of supports and braces at the time of construction. The previous operator and Hilcorp North Slope have failed to correct Item 2 of the Warning Letter dated December 27, 2019.

The Lisburne Pipeline, which operates at a pressure of more than 100 psig, had supports welded directly to pipe, a violation of § 195.208.

2. § 195.214 Welding procedures.

(a) Welding must be performed by a qualified welder or welding operator in accordance with welding procedures qualified under section 5, section 12, Appendix A or Appendix B of API Std 1104 (incorporated by reference, see § 195.3), or Section IX of the ASME Boiler and Pressure Vessel Code (ASME BPVC) (incorporated by reference, see § 195.3). The quality of the test welds used to qualify the welding procedures must be determined by destructive testing.

Hilcorp North Slope failed to properly qualify the welding procedure specified for use during installation of a non-pressure containing sleeve on the NGL Pipeline.

On March 27, 2021, a non-pressure containing sleeve was installed on the NGL pipeline. The

in-process welding inspection data sheet indicated Welding Procedure Specification No. (WPS) GT/SM-PL-013, Rev. 2, was used. API 1104 was used to qualified WPS GT/SM-PL-013, Rev. 2. The welding procedure qualification record (PQR) for WPS GT/SM-PL-013, Rev. 2, was dated July 27, 1982. The July 27, 1982 PQR was based on a previous version of the welding procedure. There is at least one change in essential variables between the previous version and Rev. 2 of the welding procedure, i.e. speed of travel. API 1104 requires a welding procedure to be completely requalified when any essential variables are changed. In addition, API 1104 requires that the range for speed of travel shall be specified for each weld pass, where applicable, and identifies that a change in the range for speed of travel constitutes an essential variable.

Due to the change of an essential variable, speed of travel, as incorporated in Rev. 2 of the welding procedure, the welding procedure was required to be completely requalified and invalidates the use of PQR dated July 27, 1982 as the qualification record for Rev. 2. As such, Hilcorp North Slope failed to properly qualify the welding procedure specified for use during installation of a non-pressure containing sleeve on the NGL Pipeline.

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.

Hilcorp North Slope failed to follow its procedures for recoding information pursuant to its Right-of-Way inspections required under § 195.412(a).

The DOT LPC Pipeline ROW Patrol Report, DOT NGL Pipeline ROW Patrol Report, and DOT OTL Pipeline ROW Patrol Report (Pipeline ROW Patrol Reports) are not completed in a comprehensive manner, nor per the instructions provided on the report. The Pipeline ROW Patrol Reports consisted of a checklist of required observations related to specific conditions. If a specific condition was observed, then additional detailed information was required to be recorded, including the precise location of the observed condition and whether it is a new or existing condition. PHMSA's review of Pipeline ROW Patrol Reports revealed that the location of observed conditions were not noted on the report for the majority of instances when the checklist indicated a specific condition was observed, contrary to report instructions. PHMSA's review also revealed that when the specific condition of "Any other discrepancies found" was observed, specific information related to the observed discrepancies were rarely noted on the report, contrary to report instructions.

In addition, when the Pipeline ROW Patrol Reports were insufficient to demonstrate compliance with the regulatory required inspection intervals, a second surveillance report (Oil Transit Line Surveillance) was used to fill in the gaps. The Oil Transit Line Surveillance report documents a

daily surveillance of multiple pipelines within the Greater Prudhoe Bay area. PHMSA's review of the Oil Transit Line Surveillance reports found them to be inferior to the Pipeline ROW Patrol Reports, because they lacked any details or comments of observed conditions.

4. § 195.452 Pipeline integrity management in high consequence areas.

(a)

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

(1)

(3) ***Leak detection.*** An operator must have a means to detect leaks on its pipeline system. An operator must evaluate the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator's evaluation must, at least, consider, the following factors - length and size of the pipeline, type of product carried, the pipeline's proximity to the high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.

Hilcorp North Slope failed to evaluate the capability of NGL Pipeline leak detection means, so that it could modify, as necessary, to protect the high consequence areas. During the inspection, Hilcorp North Slope could not provide a record of the required evaluation and indicated an evaluation had not been done. It should be noted that after the inspection the operator conducted the required evaluation and documented the evaluation in a report titled "Pipeline Leak Detection Evaluation" dated August 24, 2021.

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,142 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not 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.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to Items 1 and 2 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous

Materials Safety Administration proposes to issue a Compliance Order to Hilcorp North Slope. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to Items 3 and 4, 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 these items. Failure to do so may result in additional enforcement action.

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. 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, 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 5-2022-006-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

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

cc: PHP-60 Compliance Registry
PHP-500 M. Yeager (#21-213178)
Ben Wasson, Pipeline Risk and Compliance Manager, Hilcorp North Slope, LLC

PROPOSED COMPLIANCE ORDER

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

- A. In regard to Item 1 of the Notice pertaining to the Lisburne Pipeline, which had supports welded directly to pipe, Hilcorp North Slope must do the following:
 - a. Develop a plan and schedule for coming into compliance with § 195.208. The plan and schedule must bring Lisburne Pipeline into compliance with § 195.208 within **365** days of receipt of the Final Order. The plan and schedule must be submitted, for approval, to Dustin Hubbard, Director, Western Region, PHMSA, within **60** days of receipt of the Final Order.
 - b. In developing the plan and schedule, Hilcorp North Slope may consider removing the welded pipe supports, derating the pipe to operate below 100 psig, or obtaining a special permit.
- B. In regard to Item 2 of the Notice pertaining to the failure to follow a qualified welding procedure during installation of a non-pressure containing sleeve on the NGL Pipeline, Hilcorp North Slope must either 1) remove the installed sleeve and complete a Part 195 compliant pipeline repair; or 2) qualify, per § 195.214, the actual welding procedure utilized. Hilcorp North Slope must complete the above within **60** days of receipt of the Final Order.
- C. It is requested (not mandated) that Hilcorp North Slope 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.