

May 14, 2024

**VIA ELECTRONIC MAIL TO: glalicker@hilcorp.com**

Mr. Greg Lalicker  
Chief Executive Officer  
Hilcorp Alaska, LLC  
1111 Travis Street  
Houston, Texas 77002

**Re: CPF No. 5-2023-063-NOA**

Dear Mr. Lalicker:

Enclosed please find a Consent Order incorporating the terms of the Consent Agreement between the Pipeline and Hazardous Materials Safety Administration (PHMSA) and Hilcorp Alaska, LLC, which was executed on May 10, 2024. Service of the Consent Order and Consent Agreement by electronic mail is deemed effective upon the date of transmission and acknowledgement of receipt, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

Enclosures: Consent Order and Consent Agreement

cc: Mr. Dustin Hubbard, Director, Western Region, Office of Pipeline Safety, PHMSA  
Mr. Luke Saugier, Senior Vice President, Hilcorp Alaska, LLC,  
lsaugier@hilcorp.com  
Ms. Cynthia Monnin P.E., Director of Integrity, Hilcorp Alaska, LLC,  
cmonnin@hilcorp.com

Ms. Denali Kemppe, General Counsel, Hilcorp Alaska, LLC,  
dkemppel@hilcorp.com

Mr. James Curry, outside counsel for Hilcorp Alaska, LLC, Babst Calland,  
jcurry@babstcalland.com

CONFIRMATION OF RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

In the Matter of	)	
Hilcorp Alaska, LLC,	)	
Respondent.	)	
	)	CPF No. 5-2023-063-NOA

**CONSENT ORDER**

Since 2012, Hilcorp Alaska, LLC (Hilcorp) and the Pipeline and Hazardous Materials Safety Administration (PHMSA) have engaged in good faith discussions regarding the jurisdictional status and appropriate regulatory classification of certain surface piping and associated facilities that service native gas production and underground gas storage in the Swanson River Field, Kenai Gas Field, and Pretty Creek Unit in the Cook Inlet area in Alaska. PHMSA has maintained that certain of the facilities are jurisdictional under 49 U.S.C. § 60101 et seq. and not otherwise exempt from PHMSA’s pipeline safety regulations. Hilcorp has contested the applicability of the pipeline safety regulations as it relates to select facilities.

By letter dated December 19, 2023, the Director, Western Region, PHMSA, Office of Pipeline Safety, issued a Notice of Amendment (Notice) to Hilcorp alleging Hilcorp’s procedures were inadequate for conducting operations, maintenance activities and for emergency response because it was unclear which pipelines were subject to the federal pipeline safety regulations.

In response to the Notice, Hilcorp requested a hearing, contesting the Notice in its entirety, while also asking to continue the discussions regarding this topic. As a result of those discussions, Hilcorp and PHMSA have agreed to a Consent Agreement that requires Hilcorp to modify its procedures in accordance with the regulatory classifications detailed below and sets a schedule for integrating the subject facilities into Hilcorp’s 49 C.F.R. Part 191, 192 and 199 compliance programs.

Accordingly, the Consent Agreement is hereby approved and incorporated by reference into this Consent Order. Hilcorp is hereby ordered to comply with the terms of the Consent Agreement pursuant to its terms. Pursuant to 49 U.S.C. § 60101, *et seq.*, failure to comply with this Consent Order may result in the assessment of civil penalties as set forth in 49 U.S.C. § 60122 and 49 C.F.R. § 190.223, or in referral to the Attorney General for appropriate relief in a district court of the United States.

The terms and conditions of this Consent Order are effective upon service in accordance with 49 C.F.R. § 190.5.

May 14, 2024

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Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

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Date Issued

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

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In the Matter of	)	
	)	
Hilcorp Alaska, LLC,	)	CPF No. 5-2023-063-NOA
	)	
Respondent.	)	

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**CONSENT AGREEMENT**

Since 2012, Hilcorp Alaska, LLC (Hilcorp) and the Pipeline and Hazardous Materials Safety Administration (PHMSA) (collectively, the Parties) have engaged in good faith discussions regarding the jurisdictional status and appropriate regulatory classification of certain surface piping and associated facilities (Facilities) that service native gas production and underground gas storage in the Swanson River Field (SRF), Kenai Gas Field (KGF), and Pretty Creek Unit (PCU) (collectively, the Alaska Fields) in the Cook Inlet area in Alaska. PHMSA has maintained that certain of the Facilities are jurisdictional under 49 U.S.C. § 60101 et seq. and not otherwise exempt from PHMSA's pipeline safety regulations. Hilcorp has contested the applicability of the pipeline safety regulations as it relates to select Facilities. In an effort to evaluate Hilcorp's position, PHMSA has toured the Facilities and reviewed related documentation and drawings.

The Parties acknowledge that the Alaska Fields were originally designed and operated as production fields not subject to PHMSA's statutory authority. However, the Alaska Fields operational characteristics have changed over time and are now involved in PHMSA regulated activities. Due to the original design and repurposing of the operations at the Alaska Fields, the Facilities contain a highly integrated combination of gas production and gas storage, with many of the Facilities serving both of these functions.

By letter dated December 19, 2023, the Director, Western Region, PHMSA, Office of Pipeline Safety, issued a Notice of Amendment (Notice) to Hilcorp alleging Hilcorp's procedures were inadequate for conducting operations, maintenance activities and for emergency response because it was unclear which pipelines were subject to the federal pipeline safety regulations.

In response to the Notice, Hilcorp requested a hearing, contesting the Notice in its entirety, while also asking to continue the discussions regarding this topic. In order to resolve these long running discussions, the Notice of Amendment, and to avoid continued uncertainty and further proceedings or litigation, the Parties have reached this agreement (Agreement). The purposes of this Agreement

are to establish the regulatory classification of the Facilities and to set an orderly schedule for integrating certain Facilities into Hilcorp's 49 C.F.R. Part 191, 192 and 199 compliance programs.

Therefore, pursuant to 49 U.S.C. § 60101, *es seq.* and 49 C.F.R. Part 190, without adjudication of any issue of fact or law, and upon consent and agreement of Hilcorp and PHMSA, the Parties agree as follows:

## I. General Provisions

1. ***Acknowledgements.*** Hilcorp acknowledges that as of the ***Effective Date*** of this Agreement, Hilcorp, as the operator of pipeline facilities that transport natural gas in the Alaska Fields, is subject to the jurisdiction of the Federal Pipeline Safety Laws, 49 U.S.C. § 60101, et seq., and the regulations and administrative orders issued thereunder. Specifically, Hilcorp acknowledges the following:

- a. The ***Covered Transmission Facilities*** listed in Tables 1-3 in Attachment Band depicted on the drawings in Attachment C, are gas transmission pipelines subject to the jurisdiction of the Federal Pipeline Safety Laws, 49 U.S.C. § 60101, et seq., and the relevant regulations and administrative orders issued thereunder.
- b. Pursuant to 49 C.F.R. 192.3, an underground natural gas storage facility (UNGSF) typically extends to the wing-valve assemblies that isolate the wellhead from connected piping beyond the wing-valve assemblies. PHMSA considers the transition from an UNGSF to regulated piping to occur at the valve used to shut the well in.
- c. The ***Covered Gathering Facilities*** listed in Tables 1-3 in Attachment B and depicted on the drawings in Attachment C, are gas gathering pipelines and are subject to the jurisdiction of the Federal Pipeline Safety Laws, 49 U.S.C. § 60101, et seq., and the relevant regulations and administrative orders issued thereunder. While the ***Covered Gathering Facilities*** qualify as a mix of Type C and Type R gathering, Hilcorp will classify all of the ***Covered Gathering Facilities*** as Type C.
- d. ***Production Facilities***<sup>1</sup> are pipelines and facilities at the Alaska Fields that are determined to not be ***Covered Transmission Facilities or Covered Gathering***

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<sup>1</sup> While the on-pad treatment, separation, compression facilities and associated facility piping listed in Tables 1-3 are production equipment, the Parties agree that PHMSA may inspect and regulate any pressure control devices located within those facilities that Hilcorp relies on to prevent exceedance of an MAOP established pursuant to this Agreement on an inbound or outbound Part 192 regulated transmission pipeline, Type A or B gathering pipeline should one arise in the future, or Type C gathering pipeline above 12.75 inches outside diameter. These ***Pressure Control Devices*** will be specifically identified pursuant to Section 5(g) of the Compliance plan.

**Facilities.** The **Production Facilities** are not currently subject to the Federal Pipeline Safety Laws, 49 U.S.C. § 60101, et seq., and the regulations and administrative orders issued thereunder.

- e. **Out-of-Service Well Pipelines**<sup>2</sup> as defined in Table 4 in Attachment B are pipelines not currently used in Hilcorp's operations. Hilcorp will purge the **Out-of-Service Well Pipelines** and will include these pipelines in its API 570 inspection program. If Hilcorp returns any of these **Out-of-Service Well Pipelines** to service by placing product in the pipelines, Hilcorp will follow its procedures to determine whether the line should be treated as a **Covered Transmission Facility, Covered Gathering Facility**, or an unregulated **Production Facility**. Before returning any **Out-of-Service Well Pipeline** to service as a transmission or Type A, B or C gathering line, Hilcorp will perform a Part 192, subpart J pressure test on such line. Hilcorp will add cathodic protection, where required, to any **Out-of-Service Well Pipeline** that is returned to Part 192 service as a transmission or Type A or B gathering line or a Type C gathering line when required<sup>3</sup> within 2 years of return to service.

2. **Scope of Agreement.** This Agreement identifies the classification for the **Covered Transmission Facilities, Covered Gathering Facilities, Production Facilities, and Out-of-Service Well Pipelines** as set out in Tables 1-4 in Attachment B, and **Pressure Control Devices** as identified by requirement in Attachment A **Compliance Plan** Section 5(g). This Agreement does not apply to any other assets not specifically identified.<sup>4</sup>

3. Hilcorp agrees to complete the actions in Attachment A to this Agreement (**Compliance Plan**) and abide by the terms of this Agreement. This Agreement does not constitute a finding of violation of any law or regulation and may not be used in any civil, criminal, or administrative proceeding of any kind as evidence or proof of any fact, fault, or liability, or as evidence of the violation of any law, rule, regulation, or requirement, except in a proceeding to enforce the provisions of this Agreement.

4. After Hilcorp returns a signed Agreement to PHMSA, the Agency's representative will present it to the Associate Administrator for Pipeline Safety, recommending that the

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<sup>2</sup> All jurisdictional pipeline is considered in service and regulated pursuant to Part 192 until they are abandoned per the requirements stated within Part 192. See ADB-2016-05 (81 FR 54512).

<sup>3</sup> Corrosion control is required on Type C gathering lines that are greater than 12.75 inches, and on Type C gathering lines greater than or equal to 8.625 inches when they are located near a building intended for human occupancy or other impacted site, as determined using either method in 49 C.F.R. § 192.9(t)(l).

<sup>4</sup> The Parties recognize that Hilcorp already operates certain transmission pipelines in the vicinity of the Alaska Fields pursuant to 49 C.F.R. Part 192. This agreement does not apply to those transmission lines: KGF-A, KGF-B, Jump-Over 6, and SRG.

Associate Administrator adopt the terms of this Agreement into a Consent Order incorporating the terms of this Agreement. The terms of this Agreement constitute an offer of settlement until accepted by the Associate Administrator. If the Associate Administrator accepts, the Associate Administrator will issue a Consent Order incorporating the terms of this Agreement.

5. Hilcorp consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Hilcorp waives all rights to contest the validity of the Consent Order or this Agreement, including all rights to administrative or judicial hearings or appeals, except as set forth herein. Hilcorp agrees to withdraw its request for an administrative hearing regarding the Notice of Amendment.

6. This Agreement shall apply to and be binding upon PHMSA, and upon Hilcorp, its officers, directors, employees, and its successors, assigns, or other entities or persons otherwise bound by law. Hilcorp agrees to provide a copy of this Agreement and any incorporated work plans and schedules to all of Hilcorp's officers, employees, and agents whose duties might reasonably include compliance with this Agreement.

7. For all transfers of ownership or operating responsibility of the Facilities, Hilcorp will provide a copy of this Agreement to the prospective transferee at least 30 days prior to such transfer. Hilcorp will provide written notice of a transfer of ownership or operating responsibility to the Western Region Director (Director) within 30 days after such transfer.

8. This Agreement constitutes the final, complete, and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this Agreement. The Parties acknowledge that there are no representations, agreements or understandings relating to this settlement other than those expressly contained in this Agreement.

9. Nothing in this Agreement affects or relieves Hilcorp of its responsibility to comply with all applicable requirements of the Federal Pipeline Safety Laws, 49 U.S.C. § 60101, et seq., and the regulations and orders issued thereunder; and nothing in this Agreement affects PHMSA's right of access, entry, inspection, and information gathering or PHMSA's authority to bring enforcement actions against Hilcorp pursuant to the Federal Pipeline Safety laws, the regulations and orders issued thereunder, or any other provision of Federal or state law; with the following mutual understandings regarding timing:

- a. The Parties agree that, to allow Hilcorp time to integrate the ***Covered Transmission Facilities and Covered Gathering Facilities*** into Hilcorp's PHMSA compliance program, PHMSA's inspections of the ***Covered Transmission Facilities and Covered Gathering Facilities*** during the pendency of this Agreement will be limited to inspections to verify compliance with this Agreement, in accordance with the timelines stated within the ***Compliance Plan***, and to investigate and address existing or developing safety conditions or



concerns.

- b. The Parties agree that nothing in this Agreement prevents PHMSA from investigating a pipeline incident on any Hilcorp pipeline facilities subject to PHMSA's regulations or employing its Corrective Action Order or Safety Order authorities under 49 U.S.C. §§ 60112 and 60117(1), respectively.
- c. The Parties agree that, in light of the Parties' long-running discussions of the appropriate jurisdictional status and regulatory classification of the **Facilities**, PHMSA will not bring actions for alleged violations of the Pipeline Safety Laws or PHMSA's Pipeline Safety Regulations that may have occurred with respect to the **Covered Transmission Facilities and Covered Gathering Facilities** prior to the **Effective Date**.
- d. The Parties agree that during the pendency of this Agreement, PHMSA will not bring enforcement actions against Hilcorp regarding alleged violations of the Pipeline Safety Laws or PHMSA's Pipeline Safety Regulations with respect to the **Covered Transmission Facilities and Covered Gathering Facilities**, except that PHMSA may bring an enforcement action with regard to alleged violations for failing to comply with the terms of this Agreement or enforcement actions necessary to address a threat to public safety or the environment.
- e. Notwithstanding subparagraph (d) of this paragraph, the Parties agree that PHMSA may commence normal inspection and enforcement activities for the activities covered in the **Compliance Plan** on expiration of the various compliance timeframes set forth in the **Compliance Plan**.

10. This Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Hilcorp's pipeline systems. This Agreement is not a permit, or a modification of any permit, under any Federal, State, or local laws or regulations. Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations, and permits.

11. This Agreement does not create rights in, or grant any cause of action to, any third party not party to this Agreement. The U.S. Department of Transportation is not liable for any injuries or damages to persons or property arising from acts or omissions of Hilcorp or its officers, employees, or agents carrying out the work required by this Agreement. Hilcorp agrees to hold harmless the U.S. Department of Transportation, its officers, employees, agents, and representatives from any and all causes of action arising from any acts or omissions of Hilcorp or its contractors in carrying out any work required by this Agreement.

12. For the purposes of this specific agreement, Tables 1-4 in Attachment B identify all current PHMSA regulated and non-regulated piping as follows:

- a. Transmission piping at the Alaska Fields is identified as all piping transporting gas to an underground natural gas storage facility from transportation facilities not subject to this agreement.<sup>5</sup>
- b. Gathering piping at the Alaska Fields is identified as all piping transporting gas from an underground natural gas storage facility into transportation facilities not subject to this agreement.<sup>6,7</sup>
- c. With the exception of pressure control devices, as identified per the ***Compliance Plan***, all other piping at the Alaska Fields is non-regulated.

13. Hilcorp agrees to amend its procedures to explain how classification determinations are made and will be made at its facilities going forward, which shall, given the integration of gas storage and gas production at the Alaska Fields, generally provide for a transmission classification for lines feeding storage and a gathering classification for lines exiting storage. Hilcorp agrees to submit the amended procedures to the Director for approval within **90 days** of the ***Effective Date***.

14. Hilcorp agrees it will amend its procedures to address any changes in law, regulation, or operational status of any of the existing Facilities set out in Tables 1-4 in Attachment B that may affect their jurisdictional status or regulatory classifications. Hilcorp agrees to submit the amended procedures to the Director for approval within **90 days** of the ***Effective Date***.

15. Hilcorp agrees to amend its procedures to account for the possibility of production operations permanently ceasing at any Alaska Field. The procedures will include language that if production operations permanently cease, In that instance, Hilcorp's procedures shall also include language requiring it to follow the pipeline safety regulations existing at the time that production ceases, the steps it must follow to properly integrate said facilities into its existing Part 191 and 192 programs, and an appropriate time frame in which to bring said facilities into compliance. Hilcorp agrees to submit the amended procedures to the Director for approval within **90 days** of the ***Effective Date***

16. The Director may grant an extension of time for compliance with any of the terms of this Agreement, including the ***Compliance Plan***, upon a written request timely submitted demonstrating good cause for an extension. Absent unexpected delays, Hilcorp

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<sup>5</sup> E.g., transmission pipelines KGF-A, KGF-B, Jump-Over 6, and SRG, and the Beluga transmission pipeline operated by Alaska Pipeline Company near Pretty Creek.

<sup>6</sup> As stated in paragraph 1(c), all gathering piping is considered Type C gathering as defined and regulated under 49 CFR Part 192.

<sup>7</sup> E.g., transmission pipelines KGF-A, KGF-B, Jump-Over 6, and SRG, and the Beluga transmission pipeline operated by Alaska Pipeline Company near Pretty Creek.

will submit any requests for extension no less than 30 days before the applicable deadline. The Director shall respond to any such requests within 14 days of receipt.

## **II. Review and Approval Process**

17. With respect to any submission of any document or plan required by this Agreement that requires the approval of the Director, the Director may: (a) approve, in whole or in part, the submission, (b) approve the submission on specified, reasonable conditions, (c) disapprove, in whole or in part, the submission, or (d) any combination of the foregoing.

The Director shall respond within 60 days of a submission by Hilcorp. If the Director approves, approves in part, or approves with conditions, Hilcorp will take all action as approved by the Director, subject to Hilcorp's right to invoke the dispute resolution procedures in Section III. If the Director disapproves all or any portion of the submission, the Director will provide Hilcorp with a written notice of the deficiencies and a reasonable period of time to correct them. Hilcorp will correct all deficiencies within the time specified by the Director and resubmit for approval. If the Director does not act on a submission or any document or plan submitted under this paragraph within 60 days of submission, Hilcorp may proceed as provided in the document or plan, as submitted.

## **III. Force Majeure**

18. Hilcorp agrees to perform all the terms of this Agreement within the timeframes established under the *Compliance Plan*, unless performance is delayed by a force majeure. For purposes of this Agreement, a force majeure is defined as an event arising from causes beyond the control of Hilcorp, any entity controlled by Hilcorp, or Hilcorp's contractors which delays or prevents performance of any obligation under this Agreement despite Hilcorp's commercially reasonable efforts to fulfill the obligation.

19. If a force majeure event occurs or has occurred that may delay the performance of any term of this Agreement beyond the approved timeframe, Hilcorp shall notify the Director in writing, within 10 business days of when Hilcorp knew that the event might cause a delay. Such notice shall identify the cause of the delay or anticipated delay and the anticipated duration of the delay; state the measures taken or to be taken to prevent or minimize the delay; and estimate the timetable for implementation of those measures. Failure to comply with the notice provision of this paragraph and to undertake reasonable efforts to avoid and minimize the delay shall waive any claim of force majeure by Hilcorp.

20. If the Director determines, upon notification by Hilcorp, that a delay or anticipated delay in performance is or was attributable to a force majeure, then the Director will extend the time period for the performance of that term for a reasonable period. The Director will notify Hilcorp, in writing, of the length of any extension of performance of such terms affected by the force majeure. Any such extensions shall not alter Hilcorp's obligation to

perform or complete other terms of this Agreement which are not affected by the force majeure.

#### **IV. Dispute Resolution**

21. The Director and Hilcorp will informally attempt to resolve any disputes arising under this Agreement, including but not limited to any decision of the Director. If Hilcorp and the Director are unable to informally resolve the dispute within 15 calendar days, Hilcorp may request in writing, within 10 calendar days of any failed attempt at informal resolution, a written determination resolving the dispute from the Associate Administrator for Pipeline Safety, PHMSA. Along with its request, Hilcorp will provide the Associate Administrator with all information Hilcorp believes is relevant to the dispute. If the request is submitted as provided herein, the Associate Administrator will issue a final determination in writing within 30 calendar days. Decisions of the Associate Administrator under this paragraph will constitute final agency action subject to judicial review. The existence of a dispute and PHMSA's consideration of matters placed in dispute will not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this Agreement during the pendency of the dispute resolution process, except as agreed by the Director or the Associate Administrator in writing or ordered by a court of competent jurisdiction.

#### **V. Recordkeeping and Information Disclosure**

22. Unless otherwise required in this Agreement, Hilcorp agrees to maintain records demonstrating compliance with all requirements of this Agreement for a period of at least five years following completion of the *Compliance Plan*, or as otherwise required by law or regulation, whichever period is longer.

23. For any reports, plans, or other deliverables required to be submitted to PHMSA pursuant to this Agreement, Hilcorp may assert a claim of business confidentiality or other protections applicable to the release of information by PHMSA, covering part or all of the information required to be submitted to PHMSA pursuant to this Agreement in accordance with 49 C.F.R. Part 7 and 49 C.F.R. § 190.343. Respondent must mark the claim of confidentiality in writing on each page and include a statement specifying the grounds for each claim of confidentiality. PHMSA will determine release of any information submitted pursuant to this Agreement in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and PHMSA policies, and other applicable laws, regulations and Executive Orders.

#### **VI. Effective Date**

The term "*Effective Date*," as used herein, is the date on which the Consent Order incorporating the terms of this Agreement is issued by the Associate Administrator,

PHMSA. Unless specified to the contrary, all deadlines or actions required by this Agreement run from *Effective Date* of the Consent Order.

## **VII. Modification**

24. The terms of this Agreement may be modified only by mutual agreement of the Parties. Such modifications must be in writing and signed by both Parties. Either party may request modification by submitting a written request to the other party.

## **VIII. Termination**

25. This Agreement terminates upon completion of all terms set forth in the *Compliance Plan*, except as provided in paragraph 27 of this Agreement. Upon termination of this Agreement, all *Covered Transmission Facilities* and *Covered Gathering Facilities* shall be subject to the requirements of 49 C.F.R. Parts 191, 192, and 199, as applicable. Hilcorp may request written confirmation from PHMSA when this Agreement is terminated, and the Director will provide such confirmation. Nothing in this Agreement prevents Hilcorp from completing any of the obligations earlier than the deadlines provided for in the *Compliance Plan*.

## **IX. Survival**

26. Absent a change in law, regulation, or operational status of any *Covered Transmission Facilities* and *Covered Gathering Facilities* that may occur and affect the jurisdictional status or regulatory classifications of the pipeline facilities subject to this Agreement, the acknowledgements of jurisdiction as provided for in Paragraph 1 of this Agreement, the regulatory classification of Hilcorp's assets as set forth in Tables 1-4 in Attachment B, Agreement Sections I.12 and I.13 (classification changes) and the obligations set forth in Attachment A *Compliance Plan* Section 5(a) (classification of gathering facilities), 5(b) and 5(c) (MAOP determination), Section 5(d) (design, construction, installation, and initial testing), and Section 5(g) (pressure control devices) shall, consistent with their terms, survive any termination or expiration of this Agreement and shall govern application of the pipeline safety regulations to the facilities by the Parties and their successors and assigns.

## **X. Enforcement**

27. This Agreement is subject to all enforcement authorities available to PHMSA under 49 U.S.C. § 60101, *et seq.*, and 49 C.F.R. Part 190, including administrative civil penalties under 49 U.S.C. § 60122, of up to \$266,015 per violation for each day the violation continues and referral of the case to the Attorney General for judicial enforcement, if PHMSA determines that Respondent is not complying with the terms of this Agreement in accordance with the determinations made by the Director, or in accordance with decisions of

the Associate Administrator if resolved pursuant to the Dispute Resolution process herein. The maximum civil penalty amounts are adjusted annually for inflation. *See* 49 C.F.R. § 190.223. All work plans and associated schedules set forth or referenced in Attachment A ***Compliance Plan*** are automatically incorporated into this Agreement and are enforceable in the same manner.

## **XI. Ratification**

28. The Parties' undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Agreement and to execute and legally bind such party to this document.

29. The Parties hereby agree to all terms and conditions of this Agreement.

[Signature Lines on Following Page]

**For Hilcorp Alaska, LLC:**

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Luke Saugier  
Senior Vice President, Hilcorp Alaska, LLC

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Date

**For PHMSA:**

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Dustin Hubbard  
Director, Western Region, Office of Pipeline Safety

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Date

## Attachment A - Compliance Plan

1. This *Compliance Plan* applies to the *Covered Transmission Facilities* and *Covered Gathering Facilities* as specified below. The Parties understand that the primary focus of this *Compliance Plan* is to provide for the integration of the *Covered Transmission Facilities* and *Covered Gathering Facilities* into Hilcorp's PHMSA regulatory compliance program. Once Hilcorp has integrated the *Covered Transmission Facilities* and *Covered Gathering Facilities* into its compliance programs, PHMSA will oversee those assets in the normal course and not as part of this *Compliance Plan*, unless specifically noted herein. After termination of the Agreement, which occurs upon completion of all the terms set forth in this *Compliance Plan*, subject to the Survival clause in Section IX of the Agreement, Hilcorp's subsequent activities will be within the normal oversight procedures and enforcement authority of PHMSA's inspection program. Any reference to Hilcorp's procedures or programs contained in the Agreement or this *Compliance Plan* does not serve as PHMSA's ratification of the procedure(s) or program(s).

### 2. Regulatory Reports & User Fees

- a. Hilcorp will comply with all relevant PHMSA 49 C.F.R. Part 191 reporting requirements for *Covered Transmission Facilities* and *Covered Gathering Facilities* beginning on the *Effective Date*.
- b. Hilcorp will submit incident notifications and reports and safety-related condition reports for any qualifying events under 49 C.F.R. Part 191 that may occur after the *Effective Date*.
- c. To the extent that Hilcorp has not already included the *Covered Transmission Facilities* and *Covered Gathering Facilities* in its annual PHMSA user fee payments, Hilcorp will begin paying user fees for any such lines at the appropriate due date pursuant to statute, with the first such payment due by the end of Fiscal Year 2024.

3. **Settlement Agreement Reporting.** Hilcorp will provide semi-annual reports to the Western Region Director (Director), with the first such report due 6 months from the *Effective Date*. These reports shall contain the following information:

- a. The completion status of the integration of those of the *Covered Transmission Facilities* that are subject to 49 C.F.R. Part 192, Subpart O into Hilcorp's Integrity Management (IM) Program.
- b. The completion status of the integration of the *Covered Transmission Facilities* and *Covered Gathering Facilities* into applicable Part 191 and 192 compliance programs.



- c. Regarding the first two semi-annual reports, Hilcorp and PHMSA, upon written request of either, shall meet to review progress and documentation. It is understood that these meetings will allow for the efficient exchange of information and are intended to avoid extensive requests for documentation.
  - d. In subsequent years, after the reports are submitted, Hilcorp will make available relevant compliance documentation of its integration activities upon request by PHMSA. Hilcorp will make available such documentation within 30 days of a request.
4. **Deliverables.** Hilcorp will complete the following deliverables within 12 months of the *Effective Date*.
- a. **Regulated Pipeline Data:** Hilcorp will provide a report with the following details, where available, about the *Covered Transmission Facilities* or *Covered Gathering Facilities*<sup>8</sup>: length, nominal diameter, wall thickness, material, seam type, MAOP, construction year, whether it's bare or coated, Class Location miles, and whether it's configured for In-Line Inspection (ILI) and if so, mileage configured for ILL
5. **Compliance Measures.** Hilcorp will complete the following compliance measures.
- a. **Classification of Covered Gathering Facilities:** While many of the gathering lines in the Alaska Fields meet the criteria for Type R gathering, Hilcorp will classify all *Covered Gathering Facilities* as Type C gathering pipelines under 49 C.F.R. § 192.8. Hilcorp will apply Part 192 to its *Covered Gathering Facilities* according to the following framework:
    - 1. *Covered Gathering Facilities* greater than 12.75 inches in outside diameter will be subject to all the requirements in 49 C.F.R. §§ 192.9(e), and the exception in 49 C.F.R. § 192.9(f)(1) shall not apply to these lines.
    - 11. *Covered Gathering Facilities* from 8.625 inches up to 12.75 inches in outside diameter will be subject to the requirements in 49 C.F.R. §§ 192.9(e)(1) and 192.9(e)(2)(ii), as adjusted by the exceptions in 49 C.F.R. § 192.9(f). In applying those exceptions, Hilcorp may use either method specified in § 192.9(f)(1).
    - 111. *Covered Gathering Facilities* below 8.625 inches outside diameter will be subject to the requirements in 49 C.F.R. §§ 192.9(e)(1)(iii) and 192.9(e)(1)(iv), and the exception in 49 C.F.R. 192.9(f)(1) shall not apply to these lines.
    - 1v. Additional details regarding compliance with specific Part 192

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<sup>8</sup> If some of these attributes are unknown, it is acceptable for Hilcorp to report that they are unknown.

- requirements are set out in paragraphs 5(b) through 5(q).
- v. The framework set out in paragraph 5(b)(i) through 5(b)(iii) shall apply to existing ***Covered Gathering Facilities*** and new pipelines constructed in the Alaska Fields, except where specified in paragraphs 5(b) through 5(q), below.
- b. **MAOP:** To comply with 49 C.F.R. § 192.619, Hilcorp will establish the Maximum Allowable Operating Pressure (MAOP) of the ***Covered Transmission Facilities*** and ***Covered Gathering Facilities***<sup>9</sup> by any of the following methods:
    1. a 5-year historical high operating pressure or, if one is not available on a pipeline, the 5-year historical high operating pressure of the storage injection or withdrawal wells served by that pipeline;
    11. the use of default SMYS values;
    111. the use of a past pressure test, if one is available; or
    - 1v. a Subpart J pressure test, if Hilcorp elects to perform one in the future.
  - c. **MAOP:** Hilcorp will make a MAOP determination under paragraph 5(b) within 1 year of the ***Effective Date***. The MAOPs that Hilcorp establishes under this provision shall not be considered to have been established under § 192.619(c). Following the determination of MAOP under paragraph 5(b), during its normal operations, maintenance and repair activities on the ***Covered Transmission Facilities*** and ***Covered Gathering Facilities***<sup>10</sup>, Hilcorp will collect data relevant to MAOP, as necessary, in an opportunistic fashion. Should any of this data warrant an adjustment in MAOP, Hilcorp shall make and document such change within 90 days of an analysis of the newly acquired data.
  - d. **Design, construction, installation, and initial testing requirements:** Many of the ***Covered Transmission Facilities*** and ***Covered Gathering Facilities*** were constructed decades ago as production facilities. Therefore, the requirements of 49 C.F.R. Part 192, Subparts B, C, D, E and G do not apply to the ***Covered Transmission Facilities*** and ***Covered Gathering Facilities*** that were constructed prior to September 28, 2018.
  - e. Corrosion Control
    1. Integrate the ***Covered Transmission Facilities*** and ***Covered Gathering Facilities***<sup>11</sup> into Hilcorp's corrosion control programs and begin to implement corrosion control measures in accordance

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<sup>9</sup> For ***Covered Gathering Facilities***, the scope of this provision is determined by Paragraph 5(a).

<sup>10</sup> For ***Covered Gathering Facilities***, the scope of this provision is determined by Paragraph 5(a).

<sup>11</sup> For ***Covered Gathering Facilities***, the scope of this provision is determined by Paragraph 5(a).

with 49 C.F.R. Part 192, Subpart I within 24 months of the **Effective Date**. Integration and implementation shall consist of the following tasks:

1. Modify Hilcorp's written corrosion control procedures to include these facilities.
2. Complete Close-Interval-Surveys of the **Covered Transmission Facilities**.
3. Perform the first periodic tests of the effectiveness of the cathodic protection systems on these facilities, or use cathodic protection readings, if available, taken in the preceding year.
4. Install new cathodic protection systems if and as needed.
5. Perform the first periodic atmospheric corrosion inspections on these facilities or use atmospheric inspections, if available, completed in the preceding three years.

f. Patrols and Leak Surveys

1. Begin to perform patrols of all **Covered Transmission Facilities**, in accordance with 49 C.F.R. § 192.705 within 12 months of the **Effective Date**.
- ii. Begin to perform leak surveys of all **Covered Transmission Facilities** and **Covered Gathering Facilities**<sup>12</sup> in accordance with 49 C.F.R. § 192.706 within 12 months of the **Effective Date**.
- iii. Perform a one-time leak detection survey of the **Covered Gathering Facilities** and repair any leaks found within 24 months of the **Effective Date**.

g. Overpressure Protection:

1. **Pressure Control Devices** are pressure control devices which protect **Covered Transmission Facilities or Covered Gathering Facilities** greater than 12.75 inches in outside diameter<sup>13</sup>, and which may be located within **Production Facilities**. The Parties agree that PHMSA may inspect and regulate these **Pressure Control Devices**.
- ii. Hilcorp will provide a list of all **Pressure Control Devices** and a description, location, valve numbers, set point pressures, size and which facilities are protected, for each **Pressure Control Device** within 12 months of the **Effective Date**.
- iii. Hilcorp will, in accordance with 49 C.F.R. §§ 192.739 and 192.743, perform overpressure protection device inspections, tests and capacity calculations for each **Pressure Control Device** listed per

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<sup>12</sup> For **Covered Gathering Facilities**, the scope of this provision is determined by Paragraph 5(a).

<sup>13</sup> While these pressure control requirements do not apply to any Type C pipelines under Part 192, Hilcorp will apply them to **Covered Gathering Facilities** above 12.75 inches outside diameter.

paragraph 5(g)(ii), within 12 months of the *Effective Date*.

- iv. Install any new overpressure protection devices that are necessary on the *Covered Transmission Facilities and Covered Gathering Facilities* greater than 12.75 inches or greater in outside diameter within 24 months of the *Effective Date*.

h. Valve Maintenance:

1. Perform the first inspection and partial operation of each valve that might be required in an emergency, under 49 C.F.R. § 192.745, on all *Covered Transmission Facilities* within 12 months of the *Effective Date*.

1. **Integrity Management:** Determine the applicability of the Integrity Management (IM) regulations at 49 C.F.R. Part 192, subpart O to the *Covered Transmission Facilities* within 6 months of the *Effective Date*. If there are any covered segments, integrate them into Hilcorp's gas IM program and begin to implement the program with respect to those lines within 24 months of the *Effective Date*. Integration and implementation will consist of the following tasks:

1. Update the written IM program to include the covered segments of the *Covered Transmission Facilities*.
11. Use the most recent assessment as the baseline assessment for the *Covered Transmission Facilities*, as applicable. In cases where previous assessments are used as the baseline assessment, reassessment is to be completed within 7 years of the *Effective Date* of the agreement.
111. Complete the baseline assessment within 10 years of the addition of newly covered segments to the IM program in accordance with 49 C.F.R. § 192.921(f).
- 1v. Complete an initial threat identification analysis under § 192.917 for all covered segments of the *Covered Transmission Facilities*.
- v. To comply with paragraphs i(i), i(ii), and i(iii) above, Hilcorp may use the most recent such document or prepare a new one.

J. **Assessments Outside of HCAs:** Determine the applicability of 49 C.F.R. § 192.710 to the *Covered Transmission Facilities* within one (1) year of the *Effective Date*.

1. For any *Covered Transmission Facilities* located within a Moderate Consequence Area (MCA), if the facility can accommodate inspection by means of an instrumented inline inspection tool, Hilcorp will develop and begin implementation of an MCA program within 24 months of the *Effective Date*.

k. **Operations & Maintenance:** Integrate the *Covered Transmission Facilities*

into Hilcorp's Part 192 O&M procedures required in 49 C.F.R. Part 192, Subparts L and M within 12 months of the *Effective Date*. Integration and implementation shall consist of the following tasks:

1. Modify Hilcorp's written O&M procedures to include the *Covered Transmission Facilities*.
  11. Begin application of the O&M procedures to the *Covered Transmission Facilities*.
  - m. Perform the first periodic annual inspections required Part 192, Subparts L and M.
1. **Operator Qualification:** Qualify personnel who will work on the *Covered Transmission Facilities* in accordance with Hilcorp's existing OQ procedures and 49 C.F.R. Part 192, Subpart N within 24 months of the *Effective Date*.
  - m. **Drug and Alcohol Testing:** Integrate covered employees who will perform covered functions, as defined in 49 C.F.R. § 199.3, on the *Covered Transmission Facilities* into Hilcorp's existing 49 C.F.R. Part 199 program within 24 months of the *Effective Date*.
  - n. **Public Awareness and Damage Prevention:** Integrate the *Covered Transmission Facilities* and *Covered Gathering Facilities*<sup>14</sup> in accordance with Hilcorp's existing Public Awareness and Damage Prevention program and 49 C.F.R. Part 192, Subpart L within 24 months of the *Effective Date*.
  - o. **Emergency Plans:** Develop and begin to implement procedures for emergency plans pursuant to 49 C.F.R. § 192.615 for the *Covered Transmission Facilities* and *Covered Gathering Facilities*<sup>15</sup> within 12 months of the *Effective Date*.
  - p. **Line Markers:** Install and begin to maintain line markers pursuant to 49 C.F.R. § 192.707 on the *Covered Transmission Facilities* and *Covered Gathering Facilities*<sup>16</sup> within 12 months of the *Effective Date*.
  - q. **Additional Part 192 Requirements:** To the extent that additional Part 192 requirements, not specifically called out above, also apply to the *Covered Transmission Facilities*, Hilcorp Alaska shall begin to comply with those provisions within 1 year of the *Effective Date* or the date specified in the regulation, whichever is later.

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<sup>14</sup> For *Covered Gathering Facilities*, the scope of this provision is determined by Paragraph 5(a).

<sup>15</sup> For *Covered Gathering Facilities*, the scope of this provision is determined by Paragraph S(a).

<sup>16</sup> For *Covered Gathering Facilities*, the scope of this provision is determined by Paragraph S(a).