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May 10, 2017

State of Alaska  
30<sup>th</sup> Legislature  
House Resources Committee

RE: Cook Inlet Offshore Update

Members of the Committee,

I appreciate the opportunity to provide you an update on the recent issues Hilcorp has faced in Cook Inlet. First and foremost I want to restate that Hilcorp is passionate about doing things right. All of our operations are predicated on one overarching mandate; *that they are safe*. No project is allowed to proceed without this basic requirement being met, here in Alaska, and everywhere we work.

#### **Middle Ground Shoal – “A” Pipeline**

Dive crews safely and successfully installed a clamp on the fuel gas line in Middle Ground Shoal on April 14, 2017, stopping the release of natural gas from the affected pipeline. Weather and ice conditions allowed divers to begin their work on Saturday, April 8. A total of 12 dives were completed on the fuel gas line in order to locate the leak, then properly position, stabilize and prepare the pipeline for repair. The leak point was located on the very bottom of the pipeline, resting on a boulder embedded in the seafloor. Initial visual inspections noted the breach to be approximately 2” in size. The affected section of the line was lifted approximately 1.5’ from the seafloor, then stabilized, allowing for closer, more careful inspection of the leak site.

Divers removed scaling and cleaned the exterior of the line. Exact measurements of the breach were taken, recording the actual size at 3/16”W x 3/8”L. After proper cleaning and preparation, a steel and rubber clamp was installed over the leak. The clamp assures a gas tight, liquid tight seal that will reinforce the pipeline.

The repair operation was provided to the Alaska Department of Environmental Conservation and the Pipeline and Hazardous Materials Safety Administration.

Further inspection and stabilization of both the oil and gas pipelines in Middle Ground Shoal are currently in progress. Platforms A & C remain shut-in at this time and neither the associated oil or gas pipelines will be returned to regular service until Hilcorp, along with state and federal regulators, agree it is safe to do so.

Extensive environmental monitoring and sampling conducted by both Hilcorp and regulators have shown no negative impacts to the environment or the Inlet’s wildlife. The release was limited to a small location

almost five miles from the shoreline, clear from nautical traffic and far from the general public. The size of this release is smaller than many naturally occurring seeps found across the state and in many other places. All of the data collected is being processed and will be provided to regulators, the University Of Alaska, Cook Inlet Regional Citizens Advisory Council and others for analysis and discussion.

#### **Anna Platform & Pipeline**

Following approval from state and federal regulators, operations crews on the Anna Platform in Cook Inlet successfully restarted oil production on May 2, 2017. The restart was achieved without issue and was observed by both the Alaska Department of Environmental Conservation and the US Coast Guard.

On April 8th Hilcorp completed a successful hydrostatic pressure test of the pipeline. Divers also conducted a visual and tactile inspection which showed no deficiency in the line. The results of the pressure test and inspection, considered together with the small volume (estimated at less than 3 gallons) of the release, confirm the initial indication that the pipeline was not the source of the small sheens observed in the vicinity of the Anna platform. There were no measurable impacts to the environment and no impacts to wildlife were observed.

After a full investigation was conducted, the source of the leak was determined to be from the flare gas system. The fuel gas supply line to the flare on the Anna Platform had been isolated for maintenance. To keep the flare system active an alternative fuel gas source for the pilot was drawn from an adjacent well. During the repair, small amounts of natural gas condensate were able to drop out and accumulate in the flare system. The platform was later jolted by river ice, at which time the fluid was forced out of the line and into the inlet. Hilcorp operations and the Alaska Department of Environmental Conservation estimate the total volume released to the inlet was less than 3 gallons of natural gas condensate. Corrective measures have been taken to prevent this from happening again.

#### **Steelhead – Pipeline “A”**

As a result of the natural gas leak discovered at Middle Ground Shoal, we began a comprehensive look at all of our pipeline assets in the Cook Inlet. This included a pipeline at the Steelhead Platform, which produces natural gas from the Grayling Gas Sand Formation in the Trading Bay Unit on the west side of Cook Inlet.

Following an observation of a discrepancy in the metering between volume of the gas shipped from the platform and the gas received at the shore-based processing facility, Hilcorp performed several overflights which found no signs of a subsea gas release.

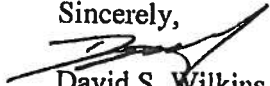
As a precaution, we started emptying the A Pipeline of natural gas on April 1, 2017 and that process was completed early morning on April 3rd. The line is now flooded with filtered seawater. We have decided to leave the line filled with seawater until a later time when we are able to further investigate and address the meter discrepancy. Leaving the line out of service does not impact our day to day operations nor does it interrupt gas supply to the local utilities.

The Steelhead “A” Pipeline has never been in oil service, there was and is no danger of an oil release. There is no risk of the discharge of oil or gas into the Inlet with the line in its current state.

In an effort to incorporate lessons learned and improve our regulatory performance we are investing tens of millions of dollars in a robust integrity and maintenance statewide. Our Integrity Team is employing new technology and methodology in the field to get the highest quality data possible. We are also looking at different ways to reduce risk in our day to day operations. In fact, recently we sanctioned a \$75 Million project to transport oil across Cook Inlet via subsea pipeline. The project will greatly reduce tanker traffic in the Inlet and eliminate the need to store oil at the Drift River Terminal. The concept has the support of both Cook Inletkeeper and Cook Inlet Regional Citizens Advisory Council. Pending all necessary regulatory approvals, our goal is to have the pipeline operational by the end of 2018.

In closing, we recognize that operating in Alaska bears great responsibility and we don't take that lightly. The entire Hilcorp team is dedicated to doing things right at all times. And by "right" we mean maintaining operations that are safe for our personnel, our neighbors, and our environment. These decisions are not made without robust oversight. In the future, Hilcorp will only implement a course of action that has been fully vetted by our experts and given careful consideration.

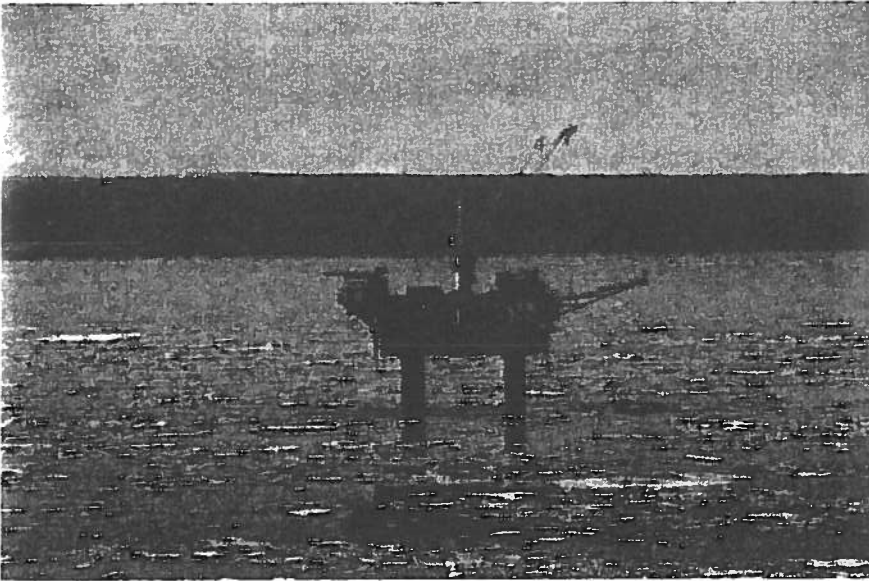
Sincerely,



David S. Wilkins  
Senior Vice President  
Hilcorp Alaska

# Only 3 gallons spilled from Hilcorp platform in April...and it wasn't crude

By Elizabeth Harball, Alaska's Energy Desk - Anchorage - May 8, 2017



*Hilcorp's Anna Platform in Upper Cook Inlet, where workers felt an impact before observing several oil sheens on Saturday. (Photo courtesy Cook Inletkeeper)*

The state has concluded that just three gallons of liquid escaped from one of Hilcorp's platforms into Cook Inlet in early April.

Vm

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The spill was reported on April 1, when workers on one of Hilcorp's oil platforms felt an impact and then spotted a sheen on the water. At first, the state thought it was a crude oil leak from one of the pipelines connected to the platform.

But according to a situation report released today by the Alaska Department of Environmental Conservation, the leak's source was a feed line for the platform's gas flare system, not the underwater oil pipeline.

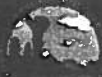
According to Hilcorp, a liquid called natural gas condensate had formed in the line. The company arrived at its 3-gallon estimate based on how much condensate the line can hold and how much was recovered.

The state also reports that Hilcorp restarted the crude oil pipeline on May 2. Four overflights were conducted afterward, and the state reports that no sheen or release was observed.

After determining the oil pipeline wasn't the source of the spill, the federal Pipeline and Hazardous Materials Safety Administration has withdrawn a corrective order they issued to Hilcorp after the incident that would have required more stringent daily monitoring of the pipeline.

Hilcorp was forced to shut down several other pipelines and platforms in Cook Inlet this spring, including platforms connected to a fuel line that leaked natural gas for several months before ice conditions allowed divers to make repairs.

Last week, the company announced a new pipeline project to eliminate the need to store oil at the Drift River Terminal, which is located at the base of an active volcano.



## Division of Spill Prevention and Response Prevention Preparedness and Response

### Hilcorp Anna Platform Crude Oil Line

<b>Location</b>	Anna Platform and 8-inch crude oil pipeline located in the Upper Cook Inlet near Granite Point. (Lat/Long: 60.9763667, -151.315766)
<b>Product/Quantity</b>	Cook Inlet crude oil. The amount released to the environment is unknown at this time. The 8-inch line's maximum capacity is 461 barrels. The line was at full capacity when the impact occurred.
<b>Cause</b>	Based on personnel observation and engineering analysis, the source is likely an 8-inch crude transmission pipeline linking the Anna and Bruce platforms. The pipeline runs 75-feet below Cook Inlet water surface.
<b>Time/Date of Incident</b>	Exact time of release is unknown; however, the spill was discovered at 11:20 am on April 1, 2017.

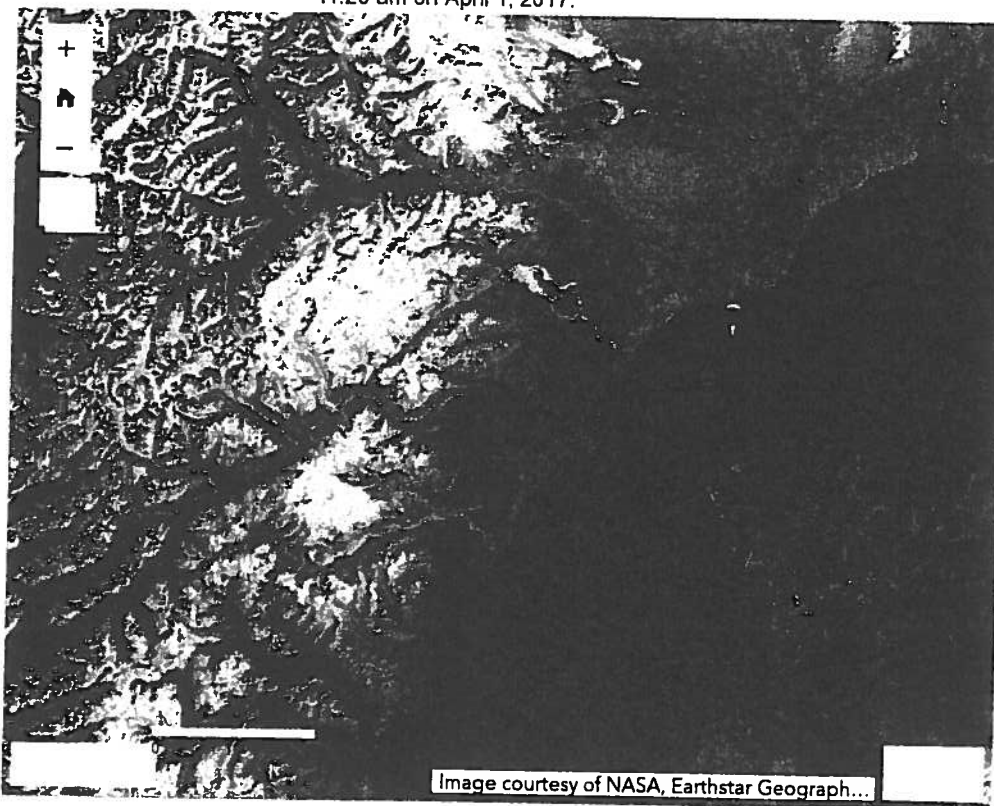
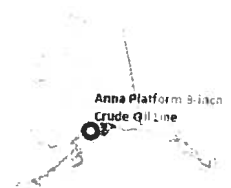


Image courtesy of NASA, Earthstar Geograph...

#### Spill Status Reports

5/08/2017★

4/03/2017★

4/02/2017★

4/01/2017★

#### Press Releases

Unified Command Stands Down its Response to Anna Platform Incident ★

Unified Command Established in Response to Anna Platform Incident★

#### For more information:

Candice Bressler, Public Information Officer,  
ADEC (907) 465-5009

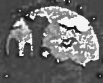
#### Photos

Images may be downloaded for free and used in publications provided credit is given to the source.

Photo Date: April 3, 2017



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## Division of Spill Prevention and Response Prevention Preparedness and Response

### Hilcorp Natural Gas Leak from 8-inch Pipeline

<b>Location</b>	Cook Inlet between Platform A and Nikiski. (Lat/Long: 60.776367, -151.43365)
<b>Product/Quantity</b>	The natural gas being released is not natural gas from the platform. The gas is processed dry natural gas (98.67% Methane) providing fuel gas to four platforms: Platform A, Platform C, Dillon Platform and Bakers Platform. The exact amount of gas released to water is unknown at this time. Following the placement of temporary clamp on the line, the pressure has stabilized at 66 psi.
<b>Cause</b>	Hilcorp was unable to determine the cause of the spill until recently when ice conditions allowed divers to access the site. A large rock, approximately 3 feet by 10 feet, was identified as causing a breach on the line that is 3/16 inch wide by 3/8 inch long.
<b>Time/Date of Incident</b>	Unknown

### Timeline

<b>May 1</b>	PHMSA's deadline for Hilcorp to stop the leak.
<b>April 26</b>	Hilcorp submits Environmental Sampling and Monitoring Report for sampling period #6 ending April 25.
<b>April 24</b>	Hilcorp demobilized divers from the site to await PHMSA's approval of a permanent repair plan.
<b>April 22</b>	Dive crew locates a flat spot on the pipe from the 3 o'clock to 6 o'clock position due to wear from a rock. Measurement shows the pipe is 1/8" out of round at that location.
<b>April 21</b>	Dive crew was able to get the temporary repair clamp properly torqued to seal properly, stopping the leak.
<b>April 20</b>	Dive crews remove permanent clamp because they are unable to get it to seal properly. They reinstall the temporary clamp, but run out of time to get the bolts sufficiently torqued to completely stop the leak.
<b>April 20</b>	5th Agency wildlife monitoring flight. Plentiful bird activity (roughly 2,000 birds noted). Extremely little ice. Seven beluga whales spotted near mouth of Beluga River.
<b>April 19</b>	Hilcorp reduces line pressure to 52 psi. Dive crews remove the temporary repair clamp and install the permanent repair clamp but unable to get it to seal properly.
<b>April 19</b>	Hilcorp submits Environmental Sampling and Monitoring Report for sampling period #5 ending April 18.
<b>April 18</b>	Dive crew continues preparation of pipeline leak location for installation of permanent repair clamp.
<b>April 17</b>	ADEC publishes SITREP#5. Dive crew continues preparation of pipeline for permanent repair clamp.
<b>April 14 - 16</b>	Dive crew prepares the pipeline for installation of a permanent repair clamp.
<b>April 13</b>	Divers successfully installed the temporary repair clamp on the evening of April 13 and stopped the leak.
<b>April 12</b>	Hilcorp submits Environmental Sampling and Monitoring Plan Summary Report for sampling period #4 ending on April 11, 2017.
<b>April 12</b>	PHMSA issues a Consent Agreement between PHMSA and Hilcorp regarding the Middle Ground Shoal Fuel Gas Pipeline "A". This agreement replaces the Notice of Proposed Safety Order (NOPSO) issued to Hilcorp on March 3, 2017. This Consent Agreement includes the following topics: <ul style="list-style-type: none"> <li>▶ Repair of the pipeline</li> <li>▶ Notification of pressure fluctuations</li> <li>▶ Temporary pressure restriction</li> <li>▶ Leak Inspection and Repair Plan</li> <li>▶ Shutdown Plan</li> <li>▶ Environmental Sampling and Monitoring Obligations</li> <li>▶ Modification and Inspection Plan</li> </ul>
<b>April 12</b>	Three additional dives were conducted to further stabilize the pipeline; prep the surface to install the temporary clamp; and install a temporary clamp near the 3/8" x 3/16" hole.
<b>April 11</b>	Three dives were conducted to clean the pipeline exterior with a wire

Between Platform A and  
Nikiski

### Environmental Sampling and Monitoring Reports

4/17/2017

3/14/2017

3/1/2017

2/21/2017

2/15/2017

### Hilcorp Sampling and Monitoring Periods

Posting Hilcorp's reports summarizing sampling results on the Department's incident webpage does not indicate concurrence with the results or their conclusions. The reports are being made available to the public in the spirit of transparency. The Department's review of submitted results is ongoing.

Environmental Sampling and Monitoring Report for Sampling Period #6, Ending 4/25/2017

Environmental Sampling and Monitoring Report for Sampling Period #5, Ending 4/18/2017

Environmental Sampling and Monitoring Report for Sampling Period #4, Ending 4/11/2017

Environmental Sampling and Monitoring Report for Sampling Period #3, Ending 4/04/2017

Environmental Sampling and Monitoring Report for Sampling Period #2, Ending 3/28/2017

Environmental Sampling and Monitoring Plan Summary Report for Sampling Period #1, Ending 3/21/2017

4/20/2017

4/6/2017

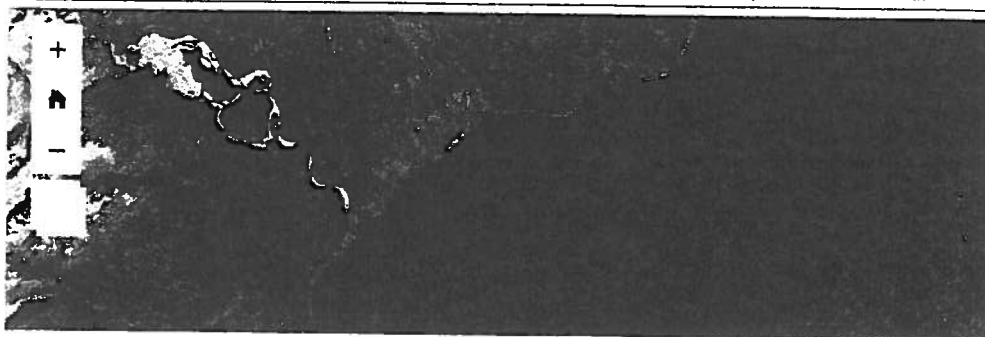
3/23/2017

3/9/2017

2/23/2017

ADEC Letter to Hilcorp RE: Initial Review of Results from Sampling Period #1 (3/23/2017)

	brush to ensure proper sealing between the repair clamp and pipeline; place pipeline supports on the seafloor; lift the pipeline approximately 16 inches above the rocky substrate; and install supports to temporarily secure the pipeline from movement.	ADEC Letter to Hilcorp RE: Sampling and Monitoring Plan Approval (03/14/2017)
April 8	Hilcorp reduced the line pressure to 59 psi, reportedly reducing the line leak rate to 78,000 to 108,000 cubic feet per day.	Hilcorp Environmental Sampling and Monitoring Plan (03/08/2017)
April 8	Hilcorp's diving contractor successfully completed two dives. Divers reported a 1-1" long transverse abrasion to the line in the six o'clock position that appeared to have been caused by abrasion against a 3' x 10' rock imbedded in the sea floor approximately 2" from the pipe. Divers attempted to initiate temporary repair. Initial repair efforts were hampered due to insufficient clearance between the leaking pipe and the boulder and short operating windows during slack tide.	Hilcorp Letter RE: Pipeline Shutdown Contingency Plan (03/08/2017)
April 6	A fourth state agency wildlife observation overflight was provided by Hilcorp.	PHMSA Notice of Proposed Safety Order (03/03/2017)
April 5	Hilcorp submits Environmental Sampling and Monitoring Plan Summary Report for sampling period #3 ending on April 4, 2017.	ADEC Letter to Hilcorp (02/27/2017)
March 29	Hilcorp submits Environmental Sampling and Monitoring Plan Summary Report for sampling period #2 ending on March 28, 2017.	Hilcorp Letter RE: ADEC's February 10 letter (02/20/2017)
March 25	Hilcorp reduced the line pressure down to 65 psi, reportedly reducing the line leak rate to 85,000 to 115,000 cubic feet per day.	ADEC Letter of State Interest (02/10/2017)
March 23	ADEC provides response to Hilcorp's Environmental Sampling and Monitoring Plan Summary Report for sampling period #1 with initial comments from review. ADEC continues to review the report more fully.	
March 22	Hilcorp submits Environmental Sampling and Monitoring Plan Summary Report for sampling period #1 ending on March 21, 2017.	
March 14	ADEC publishes <b>SITREP#4</b> .	
March 14	ADEC issues <b>letter</b> detailing preliminary initial approval of Hilcorp to commence the sampling and monitoring plan as described.	
March 8	Hilcorp submits <b>environmental sampling and monitoring plan</b> to ADEC. Hilcorp also submits <b>letter</b> regarding the pipeline shutdown contingency plan which details Hilcorp's intent to submit the pipeline shutdown plan to PHMSA, as required by PHMSA's Notice of Proposed Safety Order.	
March 3	PHMSA issues <b>Notice of Proposed Safety Order</b> .	
March 1	ADEC publishes <b>SITREP#3</b> .	
February 27	Center for Biological Diversity issues <b>Notice of Intent to Sue</b> .	
February 27	ADEC sends <b>letter</b> to Hilcorp, again asking for a sampling and monitoring plan to be submitted by March 8 in order to determine environmental impacts. ADEC also requests pipeline shutdown plans to be submitted by March 13.	
February 24	ADEC issues a Notice of Violation to Hilcorp, stating the company is releasing a hazardous substance and needs to control it.	
February 21	ADEC publishes <b>SITREP#2</b> .	
February 20	Hilcorp responds to ADEC's February 10 letter, stating the spill is not unduly harming the environment and the company will not be able to safely stop the leak until the ice conditions improve. <b>Hilcorp's written response</b> does not adequately address monitoring plans, as requested.	
February 15	ADEC publishes <b>SITREP#1</b> .	
February 15	Citizen-based non-profit organization, Cook Inletkeeper, sends <b>Notice of Intent to Sue</b> Hilcorp under the Clean Water Act.	
February 14	ADEC requests Hilcorp conduct overflights of leak site.	
February 10	ADEC sends <b>Letter of State Interest</b> requesting information about stopping the leak and plans for monitoring and mitigation in the interim until pipeline repaired.	
February 9	ADEC informs Hilcorp of jurisdiction over the discharge of any hazardous substance in Alaska.	
February 7	Cook Inlet Regional Citizens Advisory Council engaged.	
February 7	Leak reported by Hilcorp; USCG, NRC, ADEC, PHMSA notified.	



**ADEC SOS:** Geoff Merrell, 907-267-7682  
**ADEC PIO:** Candice Bressler, 907-465-5009  
**PHMSA:** Dave Mulligan, 720-963-3193  
**HILCORP ALASKA:** Lori Nelson, 907-777-8300  
**NOAA FISHERIES:** Julie Speegle, 907-586-7032  
**ADF&G:** Jeanette Alas, 907-267-2805

#### Notice to Mariners

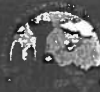
The U.S. Coast Guard has released the following notice to mariners on February 16, 2017: Due to the current level of ice in lower Cook Inlet, natural gas may be accumulating under the ice and unable to be dissipate safely into the atmosphere. Mariners are requested to stay outside of a 1,000-yard radius of the location and transit the area with caution.



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## Division of Spill Prevention and Response Prevention Preparedness and Response

### BPXA Flow Station 1 Drill Site 2 Well 3 Release

#### Location

BPXA Drill Site 2 (DS2) pad Well 3 in the G e a e r Prudhoe Bay area approximately 5 miles from the Deadhorse Airport (Lat/Long: 70 268653, -148.78641).

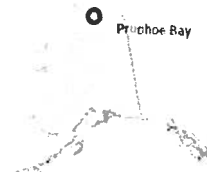
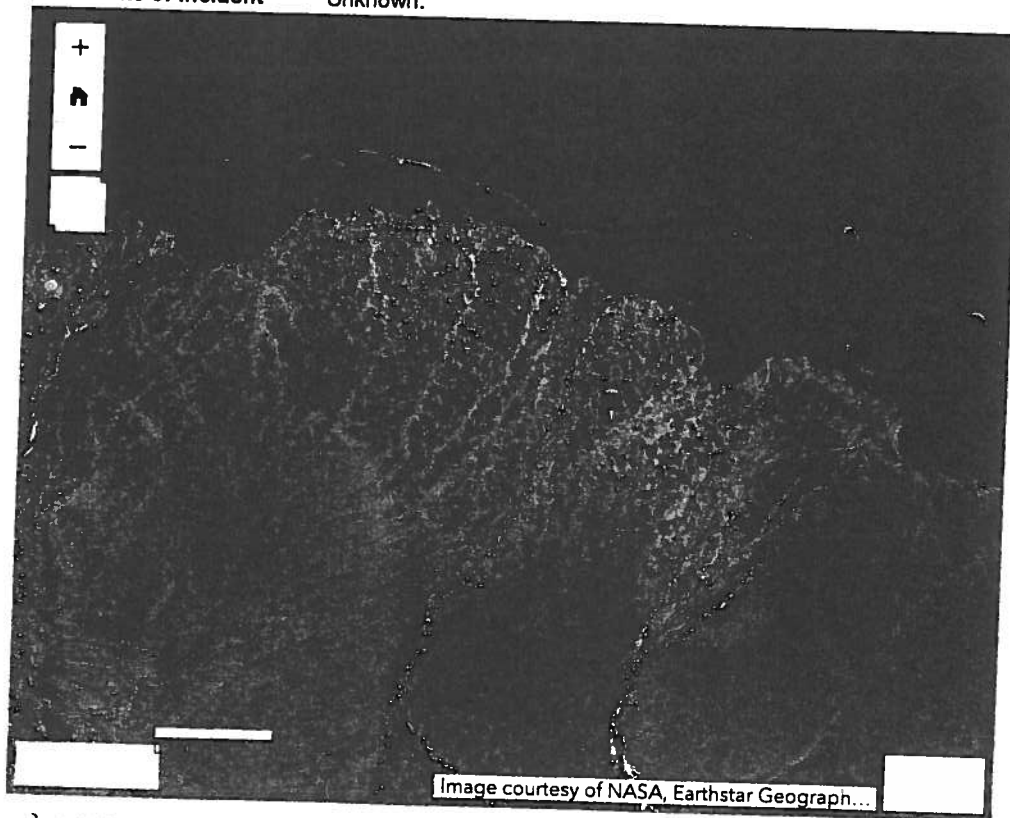
#### Product/Quantity

The well is no longer venting gas, which caused an initial spray of crude oil that impacted the well pad. A Forward Looking Infrared (FLIR) overflight on April 14, 2017, showed that the crude spray plume did not leave the pad. The impacted area is limited to the reserve pit of the gravel pad, however cleanup responders have not yet confirmed there are no impacts to adjacent tundra. No volume estimate for the crude spray released is available at this time.

#### Cause

The cause of the release is unknown at this time. ADEC is coordinating with BPXA and the Alaska Oil and Gas Conservation Commission (AOGCC) to investigate the cause of the release. Well 3 is an oil and gas production well. Unknown.

#### Time/Date of Incident



4/14/2017★

4/15/2017★

4/16/2017★

4/17/2017★

4/20/2017★

#### Unified Command and Press Release

BPXA, Alaska DEC, U.S. EPA and North Slope Borough Form Unified Command in Response to Oil and Gas Well Discharge Near Prudhoe Bay, Alaska★

Unified Command Announces BPXA Well 3 Gas and Oil Leak Stopped★

Candice Bressler, PIO, ADEC (907) 465-5009

#### PHOTOS

Images may be downloaded for free and used in publications provided credit is given to the source.

Photo Date: April 14, 2017

