

12245

HOUSE RES

# Preliminary 2001 Budget

All \$ in \$000's

	2000			2001	
	EOA	WOA	00 Total	-10%	01 Total
<b>CIC Manager/Staff</b>	\$ 1,420	\$ 1,300	\$ 2,720	\$ (272)	\$ 2,448
<b>Process</b>	\$ -	\$ 710	\$ 710	\$ (71)	\$ 639
<b>Corrosion Inhibition</b>	\$ 14,627	\$ 8,761	\$ 23,388	\$ (2,339)	\$ 21,049
<b>Monitoring</b>	\$ 1,052	\$ 450	\$ 1,502	\$ (150)	\$ 1,352
<b>Pigging</b>	\$ -	\$ 400	\$ 400	\$ (40)	\$ 360
<b>Inspection</b>	\$ 7,852	\$ 3,050	\$ 10,902	\$ (1,090)	\$ 9,812
<b>Total \$</b>	<b>\$24,952</b>	<b>\$14,671</b>	<b>\$39,623</b>	<b>\$(3,962)</b>	<b>\$35,661</b>
<b>PW Inhibition</b>					\$ 1,000
<b>Wet gas inhib</b>					\$ 500
<b>Total \$</b>					<b>\$37,161</b>

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**From:** Woollam, Richard C  
**Sent:** Sunday, January 07, 2001 5:38 PM  
**To:** Sprague, Kip P (ASCG)  
**Cc:** Matthews, Lonnie T; PBU, CIC NS TL Felix/Phillips  
**Subject:** Smart Pigging the Oil Sales Lines

Kip,

Can we smart pig both the EOA and the WOA oil sales line? If there are issues what are they?

Also, what sort of inspection data and damage, if any, are we seeing in the oil sales lines?

The reason is, as part of the 1% leak detection for ADEC rather than install \$ 20 million of metering one option would be to smart pig every 3 years instead, at approx \$50,000 x 2, every third year is considerably cheaper than \$ 20 million!!!

Thanks.

Richard.

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**From:** Woollam, Richard C  
**Sent:** Monday, January 08, 2001 12:10 PM  
**To:** Anderson, Doug M (ASCG)  
**Cc:** Sprague, Kip P (ASCG)  
**Subject:** FW: Smart Pigging the Oil Sales Lines

**Attachments:** OT Metal Loss.ppt

Doug,

Could you please pull the inspection data for the EOA and WOA oil sales lines and review.

Thanks.

Richard.

-----Original Message-----

**From:** Sprague, Kip P (ASCG)  
**Sent:** Monday, January 08, 2001 10:43 AM  
**To:** Woollam, Richard C  
**Subject:** RE: Smart Pigging the Oil Sales Lines

Richard,

We could likely Smart Pig each of these lines but not without considerable amount of work. A few issues are:

- Difficult launch do to short traps and long pigs. (managed in '98 but had to modify the nose cone of the pig to squeeze it in the trap)
- Flow rates are below smart pig recommended specifications. Successful in the '98 and data was pretty good but, PII cannot guarantee quality/sizing.
- Current configuration of EOA piping at SK-50 (18" jumper to WOA 34"). Piping would have to be reconfigured and I believe the PS1 metering has been removed. Would likely have to speak with shared service to find out what would be required or what options exist. Also, I am not familiar with physical access to the launch trap but, assume we can load the pig.

WOA has seen quite a bit of internal and a fair amount of external damage. Internal is small pit networks @ 6:00 azimuth. I don't have access to CATS right now but my thoughts are that the oils sales line has continued to degrade very slowly. I am fairly sure we did very little of the planned flowline program in 1999 and 2000 so, not sure there is much recent inspection to analyze.

EOA has done little or nothing for inspection of the sales line. Nothing to offer there.

Enclosed plot of '98 S\_Pig Reported Metal Loss -

Let me know if you want to proceed with the smart pig option, when you have to have all the answers, and I will do some investigation.

Kip

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**From:** Foust, Nancy C  
**Sent:** Monday, May 14, 2001 7:47 PM  
**To:** Woollam, Richard C  
**Subject:** RE: CIC Group Team Leader Meeting - 21st May

Richard --

I had not heard this. I will be attending the FMT meeting tomorrow and will attempt to ascertain the status of these programs in regards to the MR budget.

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Monday, May 14, 2001 7:24 PM  
**To:** Foust, Nancy C  
**Subject:** FW: CIC Group Team Leader Meeting - 21st May

Nancy,

Please see below, obviously these are difficult times for the GPB budget and, unfortunately, I shall not be at the FMT meeting tomorrow, however given all the press coverage recently around integrity I would like to understand the thinking behind the decision John/Rick are indicating has been taken for the CUI (corrosion under insulation) and below-grade road crossings (smart pigging). Could you please help me understand the context/forward plan

Thanks.

Richard.

-----Original Message-----

**From:** PBU, CIC NS TL Felix/Phillips  
**Sent:** Monday, May 14, 2001 6:36 PM  
**To:** Woollam, Richard C  
**Cc:** Felix, Rick D  
**Subject:** RE: CIC Group Team Leader Meeting - 21st May

Based on what RDF just showed me at handover, CUI Mitigation, CUI Detection, and Smart Pigging are all on "hold" and are below the line. I believe he just found this from Jack out prior to handover, so hadn't had time to relay it yet. It does look quite bad thus far. Rick can provide better context than I can on the discussions held over the past few days.

John

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Monday, May 14, 2001 6:30 PM  
**To:** PBU, CIC NS TL Felix/Phillips  
**Subject:** RE: CIC Group Team Leader Meeting - 21st May

John,

What is the latest on the MR? Did s-pigging/CUI fall off the list?

Richard.

-----Original Message-----

**From:** PBU, CIC NS TL Felix/Phillips  
**Sent:** Monday, May 14, 2001 6:28 PM  
**To:** Woollam, Richard C

**Subject:** RE: CIC Group Team Leader Meeting - 21st May

I take it the current ASCG issues will be covered under Inspection Program delivery? Also, we need to be ready to commit to what we're really going to do (or not do) this year based on the new bloodbath numbers. .i.e. drop s-pigging, scale back CUI, drop crews/activity, whatever.  
John

----- Original Message-----

**From:** Woollam, Richard C  
**Sent:** Monday, May 14, 2001 5:50 PM  
**To:** PBU, CIC NS TL Felix/Phillips; Paisley, Dominic M; Felix, Rick D  
**Cc:** Foust, Nancy C  
**Subject:** CIC Group Team Leader Meeting - 21st May

All,

Please plan on a CIC Group Team Leader meeting for the 21st May, 10:00 am start.

The main agenda topics,

- YTD HSE Review
- YTD Technical Review
- YTD Financial Review
- New people issues
- Inspection program delivery
- GPB budget pressure and options

Are there any other topics? Please be prepared to talk about our options around the GPB budget, in particular, can we see any cross-department opportunities?

Richard.

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**From:** Woollam, Richard C  
**Sent:** Monday, May 14, 2001 7:57 PM  
**To:** Foust, Nancy C  
**Subject:** RE: CIC Group Team Leader Meeting - 21st May

Nancy,

Thanks, I know there are some tough decisions to be made, but, on the face of it this seems like a poor choice, however, there maybe some other grand plan which I am simply not aware of or some other circumstances/background - I'd really just like to understand the context.

If, at the end of the day, the FMT has decided that this is the most appropriate action and the FMT is prepared to deal with the regulatory/reputational fallout then we, the CIC Group, will defer the external program and stand-down our current contract manpower.

Did you get copied on the FMT agenda?

Thanks.

Richard.

-----Original Message-----

**From:** Foust, Nancy C  
**Sent:** Monday, May 14, 2001 7:47 PM  
**To:** Woollam, Richard C  
**Subject:** RE: CIC Group Team Leader Meeting - 21st May

Richard --

I had not heard this. I will be attending the FMT meeting tomorrow and will attempt to ascertain the status of these programs in regards to the MR budget.

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Monday, May 14, 2001 7:24 PM  
**To:** Foust, Nancy C  
**Subject:** FW: CIC Group Team Leader Meeting - 21st May

Nancy,

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Thanks.

Richard.

-----Original Message-----

**From:** PBU, CIC NS TL Felix/Phillips  
**Sent:** Monday, May 14, 2001 6:36 PM  
**To:** Woollam, Richard C  
**Cc:** Felix, Rick D

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From: PBU, CIC NS TL Felix/Phillips.

Sent: 5/16/2001 12:14 PM.

To: Felix, Rick D; Woollam, Richard C; Paisley, Dominic M.

Cc:

Bcc:

Subject: RE: CIC Group Team Leader Meeting - 21st May

Gents,

Discussed all this with Ruth yesterday. She indicated that \$2MM will be earmarked from contingency to do CUI work; we're already working on a program redesign based on that assumption. Several of us will be having a telecon meeting this morning at 10:00 to discuss further. I assume we will focus on detection and let repairs get covered outside the CIC AFE's.

I also have a meeting with Ruth and George Blankenship tomorrow to plead our case for smart pigging. Dominic/Kip are working up some backup material to support that discussion, i.e. ADEC commitments and pipeline integrity management philosophy.

I am also intending to tell ASCG Site Supervisor to freeze hiring till they hear from us next week after our related discussions are held. There was a package rolled out at the morning Ops meeting today which attempts to explain why we're taking the budget measures that are happening, will roll that out to core staff today. Other groups are in the process of scaling back work, so the work environment here at GPB is not going to be too good the next few weeks.

Regards,  
John

-----Original Message-----

From: Felix, Rick D

Sent: Wednesday, May 16, 2001 1:07 AM

To: Woollam, Richard C

Cc: PBU, CIC NS TL Felix/Phillips

Subject: RE: CIC Group Team Leader Meeting - 21st May

Richard,

Those projects are indeed below the line. Discussions at Sunday's Ops meeting definitely recognized (by Jack and several of other OTLs) that at least "some" of the CUI work had to get done this year. However, no one volunteered to drop any of the items above the line to make room. My understanding is that Jack/Ruth or ?? will be taking the latest iteration of the MR Budget back to the Owners to show/tell them what we've decided (or not) to do. My guess, and I think Jack's, is that they will also see that not doing CUI will put us at odds with the regulators, resulting in them authorizing more funds or will expect BP to identify which items above the line will fall off to make room.

John - can you talk with Ruth if she's up this week to see what spin she has. Any response from Jack on the smart pigging?

Rick  
CIC NS Team Leader  
x5050, bpr 2267

-----Original Message-----

From: Woollam, Richard C  
Sent: Monday, May 14, 2001 6:40 PM  
To: Felix, Rick D  
Cc: PBU, CIC NS TL Felix/Phillips  
Subject: RE: CIC Group Team Leader Meeting - 21st May

Rick,

What's the story here? How did it all change or was there no rationale?

Richard.

-----Original Message-----

From: PBU, CIC NS TL Felix/Phillips  
Sent: Monday, May 14, 2001 6:36 PM  
To: Woollam, Richard C  
Cc: Felix, Rick D  
Subject: RE: CIC Group Team Leader Meeting - 21st May

Based on what RDF just showed me at handover, CUI Mitigation, CUI Detection, and Smart Pigging are all on "hold" and are below the line. I believe he just found this from Jack out prior to handover, so hadn't had time to relay it yet. It does look quite bad thus far. Rick can provide better context than I can on the discussions held over the past few days.

John

-----Original Message-----

From: Woollam, Richard C  
Sent: Monday, May 14, 2001 6:30 PM  
To: PBU, CIC NS TL Felix/Phillips  
Subject: RE: CIC Group Team Leader Meeting - 21st May

John,

What is the latest on the MR? Did s-pigging/CUI fall off the list?

Richard.

-----Original Message-----

From: PBU, CIC NS TL Felix/Phillips  
Sent: Monday, May 14, 2001 6:28 PM  
To: Woollam, Richard C

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**From:** Foust, Nancy C  
**Sent:** Monday, October 15, 2001 10:34 AM  
**To:** Woollam, Richard C  
**Subject:** RE: ACTION: 2001 Year End Forecast

Thanks, Richard. If the things you're working come to fruition, along with the increases, you should end up \$2.0m over instead of the current \$3.0m. Hopefully additional insights will come up that will help to reduce the negative variance even more.

Nancy

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Monday, October 15, 2001 8:52 AM  
**To:** Foust, Nancy C  
**Cc:** NSU, CIC TL; Felix, Rick D (Anchorage)  
**Subject:** RE: ACTION: 2001 Year End Forecast

Nancy,

The following budget adjustments are known to date,

- ~\$ 750,000 moving as much O&M money to CUI AFEs as appropriate
- ~\$ 300,000 of MeOH which should have been charged to the field
- ~\$ 100,000 in stores issues which can be charged to ASCG Insp Inc. under the contract
- ~\$ 50,000 in overhaul crew costs/manhours which should have been charged to Operations Support

Being worked,

- ~\$ 150,000 in scaffolding costs which should be charged to Operations Support as this was a temporary installation rather than permanent
- ~\$ 100,000 in AII overhead costs and manpower if negotiations are successful

Upward pressure/declined options,

- ~\$ 200,000/month in PW/CI costs which can not be saved as indicated by George
- ~\$ 200,000/month in AII manpower costs which can not be saved, again as directed by George, however, I have not told AII as I'm still trying to get an overhead reduction and this is all part of the pressure
- ~\$ 200,000/month in increased CI costs when B Train and Big AL come back on line

If there are any questions please let me know.

Thanks.

Richard.

-----Original Message-----

**From:** Foust, Nancy C  
**Sent:** Monday, October 15, 2001 8:12 AM

**To:** Woollam, Richard C  
**Subject:** RE: ACTION: 2001 Year End Forecast

Richard --

What is the impact of this for you?

Nancy

-----Original Message-----

**From:** Blankenship, George R  
**Sent:** Friday, October 12, 2001 11:01 AM  
**To:** Foust, Nancy C  
**Cc:** Woollam, Richard C  
**Subject:** RE: ACTION: 2001 Year End Forecast

Two issues. 1) stopping the planned CUI program at the end of the program. I think we are clear, we will stop.  
2) where the money gets charged. I do not have an opinion on that, it all comes out of the opex budget and it does not change how much is available to spend.

George

-----Original Message-----

**From:** Foust, Nancy C  
**Sent:** Friday, October 12, 2001 10:47 AM  
**To:** Blankenship, George R; Woollam, Richard C  
**Subject:** RE: ACTION: 2001 Year End Forecast

Yes, it makes sense. To make sure we're all clear, you want Richard to move the \$800k from O&M to the \$2.0m AFE?

-----Original Message-----

**From:** Blankenship, George R  
**Sent:** Friday, October 12, 2001 10:38 AM  
**To:** Foust, Nancy C; Woollam, Richard C  
**Subject:** RE: ACTION: 2001 Year End Forecast

The planned program for the CUI inspection has been completed therefore the program is over for 2001. We will have a stepped up program for 2002. The sound bite is that this is NOT a reduction, but a completion of the planned program.

Does that make sense?

George

-----Original Message-----

**From:** Foust, Nancy C  
**Sent:** Friday, October 12, 2001 10:16 AM  
**To:** Woollam, Richard C; Blankenship, George R  
**Subject:** RE: ACTION: 2001 Year End Forecast

George --

Refresh my memory -- did you decide to leave the \$800k CUI O&M where it is (i.e. not move it to the \$2m CUI AFE which would effectively shut down the program for the rest of the year)? I don't recall a decision but you did ask about the possible explanatory "sound bite."

Nancy

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Thursday, October 11, 2001 4:59 PM  
**To:** Blankenship, George R  
**Cc:** GFB, Ops Mgr; Foust, Nancy C; NSU, CIC TL; Felix, Rick D (Anchorage)

**Subject:** RE: ACTION: 2001 Year End Forecast

George,

Just to confirm our conversation,

- CIC Group will look for all and every opportunity to close the budget gap and save funds through the remainder of this year, including, eliminating overtime, giving folk the opportunity to go on vacation, reducing stores/warehouse issues etc., etc...

However, the following options are not, at this time, viewed as viable,

- PW corrosion inhibition - reinstate this program which was terminated yesterday
- Production adding corrosion inhibition - make sure that the added production is cost effective, highly likely, otherwise continue
- Seek opportunities to reduce NDE manpower costs, as discussed above, but do not implement a 1/3 reduction in workforce
- Move the \$ 800,000 O&M money to the AFE therefore completing the 2001 program of \$ 2 million
- It is recognized that there will be an up-tick in corrosion inhibition costs with the start-up of B-Train at FS-2 and with Big AI

To be implemented,

- Back-out corrosion inhibition changes due to ER probes - do this quietly

Hopefully, this summarizes the discussion, if I made any errors, please let me know.

Thanks.

Richard.

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Thursday, October 11, 2001 2:25 PM  
**To:** Blankenship, George R  
**Cc:** GPB, Ops Mgr; Foust, Nancy C  
**Subject:** RE: ACTION: 2001 Year End Forecast

George,

Certainly, 4:00 pm it is. In summary, here are the immediate actions I'm proposing to take to reduce the CIC Group costs/over-run,

- Shut-off the PW corrosion inhibitor on the WOA
- Remove the corrosion inhibitor added for velocity control/management and lower the velocity limit to the new operating procedure
- Back-out some chemical changes which were implemented based on ER probes, these are pretty conservative changes so not a huge risk
- Reduce the O&M NDE/inspection crews by approx. 1/3 for remainder of the

year, this is approximately 30 people. The concern is that they are members of PACE/OCAW and how this would be interpreted in view of the integrity issues raised by ORT

- Move O&M costs which have been spent on external corrosion to the external corrosion AFE. In a sense this will reduce expenditure on external corrosion since we would have effectively spent an additional ~\$1 million had we not been forced to move this money to the AFE

There is a major up-tick coming in CIC costs with the re-start of FS-2 B Train/Big AL and the large water volumes associated with this production.

Hope this helps.

Richard.

-----Original Message-----

**From:** Blankenship, George R  
**Sent:** Thursday, October 11, 2001 2:12 PM  
**To:** Woollam, Richard C  
**Cc:** GPB, Ops Mgr; Foust, Nancy C  
**Subject:** RE: ACTION: 2001 Year End Forecast

Richard, apparently me and several other folks are confused. I have a meeting in Jack Fritts' office at the BOC with Nancy at 4pm. Can you call in there and we can talk about this.

Thanks,

George

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Thursday, October 11, 2001 2:01 PM  
**To:** Blankenship, George R  
**Subject:** RE: ACTION: 2001 Year End Forecast

... I'm confused because I haven't suggested at anytime reducing our external corrosion program, the NDE crew reductions are for the general/internal inspection program.

The only impact for external is that we are going to move some costs which are currently carrying under the O&M budget, which we accumulated in the first half of the year awaiting various decisions, into the correct AFE.

Richard.

-----Original Message-----

**From:** Blankenship, George R  
**Sent:** Thursday, October 11, 2001 1:58 PM  
**To:** Woollam, Richard C  
**Subject:** RE: ACTION: 2001 Year End Forecast

Specifically "corrosion under insulation" inspection, I thought the second sentence said that. Sorry if I confused you.

George

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Thursday, October 11, 2001 1:48 PM

**To:** Blankenship, George R  
**Subject:** RE: ACTION: 2001 Year End Forecast

George,

Sorry, I'm confused, does this refer to the external inspection program? Internal inspection program? PW inhibition? Can I give you a call somewhere to clarify?

Thanks.

Richard.

-----Original Message-----

**From:** Blankenship, George R  
**Sent:** Thursday, October 11, 2001 1:26 PM  
**To:** Woollam, Richard C; Foust, Nancy C; GPB, Ops Mgr; GPB, Ops Support Mgr  
**Cc:** Farnham, C Drais  
**Subject:** RE: ACTION: 2001 Year End Forecast

We have actually had quite a bit of discussion on this subject with Neil McCleary and Steve Marshall up here on the slope the last couple of days. It is a consensus that reducing corrosion under insulation for the last couple months of this year is not a good business decision, given all the factors involved. While I appreciate and applaud the effort to identify opportunities for savings, we need to keep looking. This one will not pass the test.

Thanks,

George

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Wednesday, October 10, 2001 12:00 PM  
**To:** Foust, Nancy C; Blankenship, George R; GPB, Ops Mgr  
**Subject:** RE: ACTION: 2001 Year End Forecast

All,

I agree, we need to understand the variances, however, I needed to take some immediate action in order to get after reducing costs. Given the timing before year-end which didn't allow time to analyse and then react.

If I need to reverse the PW because of employee/integrity concerns then please let me know, the others, I think are good solid optimization opportunities.

Richard.

-----Original Message-----

**From:** Foust, Nancy C  
**Sent:** Tuesday, October 09, 2001 8:44 PM  
**To:** Woollam, Richard C; Blankenship, George R; GPB, Ops Mgr  
**Subject:** RE: ACTION: 2001 Year End Forecast

Richard --

Although, I believe this particular proposed cost-cutting measure is a George/Ruth/Jack call, I am concerned about making decisions of this sort when we don't know what really is driving our negative variances. It may be that we find it necessary to jerk around because it's imperative we meet the budget and we have a very short time to make up the variance. It does really highlight, however, the need for us to stay on top of our costs and understand what is driving them so that we can respond early and in a controlled, thoughtful manner. Been a great (although not fun!) learning experience for me.

I encourage you and your team leaders to continue digging to determine what it is that is driving the costs and what may be differing in our operations from the 2001 plan.

Let me know if there is anything at all I can do to help.

Nancy

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Tuesday, October 09, 2001 6:51 PM  
**To:** Foust, Nancy C; Blankenship, George R; GPB, Ops Mgr  
**Cc:** NSU, CIC TL; Felix, Rick D (Anchorage)  
**Subject:** FW: ACTION: 2001 Year End Forecast

Nancy/George/Ruth/Jack,

Please see below, we are taking some very specific short term actions to reduce the spend rate within the CIC Group. Note that some of this action is to reduce and/or eliminate chemical injection in the last three months of this year, these are the lower risk options available to us, but, you should be aware that there may be some concerns raised within the workforce.

If there are any questions, please let me know.

Thanks.

Richard

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Tuesday, October 09, 2001 6:44 PM  
**To:** Morales, Noah L (NEEC); Crawford, Gary R; NSU, CIC TL  
**Cc:** Felix, Rick D (Anchorage); Foust, Nancy C  
**Subject:** FW: ACTION: 2001 Year End Forecast

Gary/Dominic/Noah,

As you may know we under a huge budget pressure for the last quarter of the year and therefore we have to take some rather disagreeable measures. Can you please implement the following changes/reviews,

- Shut down the PW inhibition systems for remainder of the year
- Dis-continue the addition of corrosion inhibition for velocity control
- Reverse all chemical changes made since 1/1/01 which were based on purely ER probe changes and which did not involve either  $wLC > 2$  or  $\alpha > 0$
- Wet gas inhibition to continue - the consequences are too high here
- Review all the CL/LDF data for potential reductions beyond the reversals identified above

These need to happen as soon as possible.

Thanks.

Richard.

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Tuesday, October 09, 2001 8:51 AM  
**To:** Woollam, Richard C  
**Cc:** Felix, Rick D (Anchorage)  
**Subject:** RE: ACTION: 2001 Year End Forecast

Richard,

Based on your other note, it appears that Ops Corrosion and Inspection are the 2 areas that are over spent based on 3 quarters of the year.

The Ops Corrosion is not too surprising as 1Q and some of 2Q were expensive, with 129/118 on the East and Summer version not in the system. The comparison I did with Andy's numbers indicated we are broadly in line to meet the (non linear) projections for chemical & transportation costs, with costs currently running under projections by \$0.25 million. The detail showed costs to be down by \$1 million at FS-2 due to B-train etc but up elsewhere, most notably GC-2. There is a potential over-spend of ~ \$0.5 million if B-train, Big AL and 16/17C come on mid-October, which seems a worst case estimate.

Of course, this doesn't compare the current status with the budget but it does indicate that chemical

and transportation costs are largely where we predicted them to be, with the exception of GC-2. As we predicted a spend of ~ \$3.5 million less than we started the year, it looks like we are still going to deliver the \$3 million we set out to, even if B-train comes back up.

Re: Inspection, do these costs include the external inspection that we have not transferred to an AFE ? If that is backed out, where do we stand ? Can we work up some simple inspection costs from the ground up in a similar manner, to give an indication if the costs are reasonable i.e. X,000 items at Y items/manhour and Z \$/hour. It may give us something to focus us.

Ideas for saving money, in no particular order:

- Turn off PW chemical and hope the BCQ inhibitor will help out here.
- Turn off the wet gas inhibitor on the West (not a wise choice but could be defended as a short term measure ?).
- Stop the velocity additional chemical. This is proposed in the revised velocity g'lines but not enacted until the new g'lines are formally adopted by Ops. ~ \$125,000/qtr. Easy win.
- Re: backing out CI increases. There are a couple of options:
  - We recently decided to limit CI increases based on ER probe data to +5% due to data quality/reliability. We could apply this retroactively to the start of the year. This would have the advantage of not breaking any of our protocols - just back dating a recent revision.
  - Remove all ER-probe based changes since 1/1/01, as proposed.

I can carry on digging in to cost codes but it would be great to get some professional help. Who can help us one on this ?

Cheers,

Dominic

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- Satellite production and E/F pad impacts \$ 0.750 million
- Total \$ 1.155 million**

Details below,

RE: F and E PAD  
Production Imp...

The intent, as discussed in the e-mail above is to meet both these challenges within the original \$44.5 million budget for 2002 through judicious program management and optimization. As a consequence of these pressures there is little room for further program 'optimization' however, with careful management of OT and strict closure of programs at completion of work scope it is probable that a revised LE for 2002 of \$44 million is a challenging but achievable target for 2002.

Note, the proposed target of \$44 million is approximately \$0.5 million below the last LE submitted at the beginning to Steve St J and John B., please see below.

RE: GPB Budget LE  
Update

Further reductions beyond the proposed LE of \$ 44 million will require significant changes to the program scope above and beyond the optimization opportunities which will allow us to deliver the \$44 million discussed above.

In order to deliver substantial costs in the second half of 2001 then major changes to the major elements of the CIC's programs would be required. The major drivers for the program are,

Amount of in-service equipment	Drives inspection activity Drives monitoring activity
Fluid composition and rates	Drives chemical activity

Below are a list of options from within the CIC budget, each of which will deliver approximately \$1 million if implemented in the second half of the year. In summary,

- **Inhibition Program Reduction 8%** Reducing second half inhibition rates by approximately 8%, while it is difficult to estimate this associated corrosion rates, based on past years for a 10% change in inhibition rate there would be an approximately 30% increase in corrosion rates in flow lines and well lines
- **Internal Inspection Program Reduction 30%** Reducing the inspection program in the second half of the year by 30%, moving from approximately 9 to 6 crews, would reduce the 2H inspection scope by about 10,000 items. The obvious concern here is with impacts/perceptions of ORT and possibly PACE.
- **External Corrosion Inspection Reduction 40%** Reducing the external inspection program by 40% yield a new 2H scope of 10,000 versus the planned 17,500 for a total of 28,000 items as opposed to the 35,000 commitment to both partners and ADEC. In addition to the ORT perception impacts and ADEC, there is also the issue of partner perception since partners were concerned that money for external corrosion would be diverted once agreed.

Detailed calculations for the above options are contained in the attached spreadsheet. It should be noted that some gross assumptions about average unit costs have been made in order to arrive at the above estimates.

2002 Budget  
Options.xls (51 KB...)

The above options reflect action being taken within the CIC Group. There are an option which could be taken by

Operations/Production which would impact our budget directly, in summary,

- **Reduce Water Rates** Shutting-in the 30 most expensive wells across the field would reduce 2H 02 expenses by approximately \$3 million in corrosion inhibition costs - see e-mail exchange below. This data is a little out of date, but, it is save to assert that a \$1-2 million could be removed with the shut-in of the appropriate suit of wells provided that this production was not repalced elsewhere in the field.

RE: Vol vs exp

If you need any additional information on the items discussed above please let me lknow.

Thanks.

Richard.

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**From:** GPB, GC1/GC2/Fld Proc Engr  
**Sent:** Tuesday, October 16, 2001 05:45 AM  
**To:** GPB, Fld AMC  
**Subject:** FW: MOC Velocity change & Removal of additional corrosion inhibitor

**Attachments:** FW: Operational Limits for Management of Erosion and Corrosion

Jerry  
here is the gist of it.  
Richard

-----Original Message-----

**From:** GPB, Ops Mgr  
**Sent:** Saturday, October 13, 2001 10:59 PM  
**To:** Demby, Richard A; Powell, Jim E  
**Cc:** GPB, Fld TL; GPB, FS1 TL; GPB, FS2 TL; GPB, FS3/GC3 TL; NSU, CIC TL; GPB, Prod Opt TL  
**Subject:** MOC Velocity change & Removal of additional corrosion inhibitor

Richard and Jim,  
I was wondering if you guys would take the lead on putting together the MOC raising the allowable erosional flow velocity for the WOA to match that used on the EOA. Attached is the recommendation sent to Ruth and I in August by the CIC Group. If you need additional information or insight from me, let me know. If you have any other questions, please give Dominic or John a call.

Thanks in advance for your assistance,  
Jack

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Thursday, October 11, 2001 1:58 PM  
**To:** GPB, Ops Mgr; GPB, Prod Opt TL; GPB, Gas Lift Engr  
**Cc:** Woollam, Richard C; G SST Corr Engrs  
**Subject:** Removal of additional corrosion inhibitor

Jack, Hal & Russ,

We have made the decision to stop the practice of adding extra corrosion inhibitor to mitigate corrosion at elevated flow velocities, in order to meet our 2001 budget.


The practice of adding extra chemical was introduced last year and enabled CIC and Operations to raise the allowable flow velocities by 25 ft/sec and therefore increase production. In the new unified velocity guidelines we proposed dropping this program as it is inefficient, both in terms of chemical management and time. Our proposed guidelines allow for elevated flow velocities typically 10 to 15 ft/sec higher than the old guidelines without the requirement for additional chemical to be added proactively; rather we will add extra corrosion inhibitor in response to observed corrosion through our monitoring programs, as we have always done. The new guidelines also recommend raising the allowable erosional flow velocity (V/Ve) from 2.0 to 2.5, thereby increasing production. I believe therefore that implementation of the new guidelines should be broadly production neutral, relative to the current status although Russ will know much better.

As the proposed guidelines have not been formally adopted, the removal of the extra chemical program will return us to the previous default velocity limits. There will clearly be a production impact associated with this and therefore we should re-visit the recommendations to see if and when we can implement them. To quote from the recommendations:

"It should be recognized that these are only recommendations; unlike other operational parameters such as temperature

and pressure, there are no codified limits for flow velocity and therefore you may accept or reject these recommendations. These recommendations are presented as appropriate technical limits that aim to maintain the integrity of equipment whilst enabling high production rates and minimizing operational costs such as chemical consumption and equipment repair or replacement."

What this means in practice is that *CIC* and *Operations* can work together to implement a program quickly that meets the main requirements of the guidelines while maintaining production and this should probably be done via an *MoC*. Let me know how you want to proceed,

  
FW: Operational  
Limits for Man...

Cheers,

Dominic  
Dominic Paisley  
North Slope Team Leader  
Corrosion, Inspection & Chemicals Team  
BPX Alaska  
E-mail: nsucictl@bp.com  
Phone: +1 (907) 659 5050  
Fax: +1 (907) 659 5152  
Pager: +1 (907) 659 5100, pager 2267

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**CIC Group 2002 Budget Challenge - \$ 1 Million Opportunities**

Budget Area	Full Year	Half Year					\$ 1,000		Half Year
	2002 Bud.	2002 Bud.	Scope	Unit	Rate	New Scope	% Redction	New 02 2H	
4DF CIC Supervisor	\$ 1,948	\$ 974						\$ 974	
4DG Chemical Ops - Process	\$ 2,591	\$ 1,296						\$ 1,296	
4DH Chemical Ops - Corrosion	\$ 25,392	\$ 12,696	1.5	MM Gals	8.46 \$/gal	1.38	7.9%	\$ 11,696	
4DI Field Pigging Operations	\$ 1,259	\$ 630						\$ 630	
4DJ Inspection	\$ 7,285	\$ 3,643	35000	Items	104 \$/Item	25,391	27%	\$ 2,643	
4DK External Corrosion	\$ 5,000	\$ 2,500	17500	Items	143 \$/Item	10,500	40%	\$ 1,500	
4DY N/S Svcs - Anc Tech Labor	\$ 1,078	\$ 539						\$ 539	
<b>Subtotal CIC Group</b>	<b>\$ 44,553</b>	<b>\$ 22,277</b>						<b>\$ 19,277</b>	

**Notes**

- 4DF Largely BP labour and therefore difficult to impact in the short term
- 4DG Process chemicals such as EB which is impacting to production if altered
- 4DI Major BP labour component  
Smart pigging program for which work is complete or commitments made to service supplier
- 4DY Largely BP labour and therefore difficult to impact in the short term
- 4DH Difficult to assess but based on history a 10% reduction in inhibition levels would result in a 30% increase in corrosion rate
- 4DJ Obvious impacts wrt ORT and PACE
- 4DK Partner perception since this is the very issue they were concerned about

**Note:** The commitments made in the 2001 Corrosion Report to ADEC for 2002 were based on the \$44.5 million budget clearly this would be a concern to the agency if the program was substantially lower than forecast.

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was needed on the WOA. However, there has not been any communication with partners since that time that I am aware of.

*Rick*

Corrosion, Inspection, Chemicals  
Anchorage, AK  
(907)564-4466  
(907)748-3961 (cell)

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Wednesday, February 05, 2003 12:53 PM  
**To:** Felix, Rick D (Anchorage)  
**Subject:** FW: Master ID 2996 GPB Pig Launcher and Receiver Prelim Engineering

Rick,

Any input?

Thx,  
John

-----Original Message-----

**From:** Farnham, C Drais  
**Sent:** Wednesday, February 05, 2003 11:59 AM  
**To:** GPB, Ops Support Mgr; GPB, Ops Mgr; Woollam, Richard C; NSU, CIC TL  
**Cc:** GPB, Business Lead; Northcott, John (Accenture)  
**Subject:** Re: Master ID 2996 GPB Pig Launcher and Receiver Prelim Engineering

Folks, can anyone tell me if we have Partner "buy-in" on the above subject project anymore than we did on AFE 4N0492 which they rejected and requested withdrawn.

While I was of the understanding that the above subject AFE was related to preliminary engineering related to temporary / portable pigging facilities I would still have to ask if this is a way forward conversation which has been had with our Partners. While I am sure it is not our intention, approving the subject AFE within existing operator authority (WEOA) and communicating to our Partners as an fyi, could be misconstrued as circumventing the approval process and subject BP to future audit claims, given their position on 4N0492. We very much want to have them in agreement on this AFE, regardless of WEOA.

Also of concern is the description / justification ..... should this proceed as an AFE I would have expected it to be significantly different than the earlier AFE rejected / withdrawn.

**Master ID 2996 ..... to be approved WEOA \$1.0M:**

Develop scope and perform preliminary engineering for temporary or portable pig launching and receiving facilities on selected lines across GPB. Installations are required to support maintenance pigging activities to reduce corrosion rates on GPB cross-country lines. Facilities will also provide availability to intelligent pig GPB cross-country lines for the detection of both internal and external corrosion. New installations will be concentrated on historic EOA production common lines, and transit sales lines. These pigging facility installations will be for FS1, FS2, and, FS3, and associated drill sites to support integrity operations at these operating areas. See attachment "Pigging Facility Priority Listing" for an itemized listing of exact pipeline locations and relative priority. The purchase of some long lead materials will also be covered under this AFE.

Maintenance pigging is required to optimize existing corrosion control programs. Maintenance pigging will also eliminate flow restrictions present from sediment and fouling within the pipelines. Intelligent pigging is required to provide a full evaluation of current pipeline condition to ensure pipeline integrity and meet regulatory requirements. Intelligent pigging will provide an economic inspection opportunity for both internal and external corrosion monitoring. Intelligent pigging provides a comprehensive survey of the pipeline profile, which then allows other inspection resources to be more effectively utilized in verification of damage networks, which have already been discovered.

**AFE 4N0492 ..... rejected by Partners for approval \$2.5M:**

Install permanent pig launching and receiving facilities on selected lines across GPB. Installations are required to support maintenance pigging activities to reduce corrosion rates on GPB cross-country lines. Facilities will also provide availability to intelligent pig GPB cross-country lines for the detection of both internal and external corrosion. New installations will be concentrated on historic EOA production common lines, and transit sales lines. These pigging facility installations will be for FS1, FS2, and, FS3, and associated drill sites to support integrity operations at these operating areas. See attachment "Pigging Facility Priority Listing" for an itemized listing of exact pipeline locations and relative priority.

Maintenance pigging is required to optimize existing corrosion control programs. Maintenance pigging will also eliminate flow restrictions present from sediment and fouling within the pipelines. Intelligent pigging is required to provide a full evaluation of current pipeline condition to ensure pipeline integrity and meet regulatory requirements. Intelligent pigging will provide an economic inspection opportunity for both internal and external corrosion monitoring. Intelligent pigging provides a comprehensive survey of the pipeline profile which then allows other inspection resources to be more effectively utilized in verification of damage networks which have already been discovered.

My "two cents" ..... please let me know as to George / Partner "buy-in". As I noted below I am genuinely interested in not putting George between a "rock and hard spot", and not degrading the Partner relationships we have "grown" over the last couple years, and want to make sure we have appropriately communicated.

Thanks, Drais

-----Original Message-----

**From:** GPB, Business Lead  
**Sent:** Wednesday, January 29, 2003 4:13 PM  
**To:** Farnham, C Drais  
**Cc:** Northcott, John (Accenture); GPB, Ops Support Mgr; Woollam, Richard C; NSU, CIC TL; GPB, Ops Mgr  
**Subject:** RE: AFE 4N0492 Install Pig Launchers/Receivers in Flowlines

Drais,

Just finished the MR/Capex meeting and the subject line item was discussed. The subject AFE is being dropped and replaced by different scope. Nancy agreed to follow-up with the WIO's request for 'full scope' with regard to what are the total plans for GPB and pig launchers/receivers. My understanding is the original AFE was for permanent pig launchers / receivers the new approach calls for portable launchers / receivers.

Certainly agree that we do not want to put George in a difficult situation with the WIO's as you have outlined below.

Thanks,

**Steven E. St. John**  
**GPB, Business Lead**  
**Phone (907) 659-8054**  
**GPBBusinessLead@bp.com**

-----Original Message-----

**From:** Farnham, C Drais  
**Sent:** Wednesday, January 29, 2003 3:54 PM  
**To:** GPB, Business Lead  
**Cc:** Northcott, John (Accenture)  
**Subject:** RE: AFE 4N0492 Install Pig Launchers/Receivers in Flowlines

Steve, getting further into my e-mail ..... I do not think this is a good idea; not sure who's idea it is. At the last Ops Forum, both ConocoPhillips and ExxonMobil requested that this AFE also be removed from the list ..... except their reasons were quite different.

CPAI indicated that they had rejected this AFE and therefore saw no reason for it to be on the list, while ExxonMobil asked for it to be removed as they were also not likely to approve until further discussion and understanding of the Pig Launcher / Receiver strategy had been held and agreed to. They see this as the "tip of the iceberg" relative to projects of this sort and want to understand how they fit within the greater corrosion mitigation / management program.

I absolutely do not think dropping this below the threshold is the right thing to do ..... and before we put George between a "rock and hard spot", maybe discuss this with him. I know he does not like the Partners "directing" our work efforts, but I know he also doesn't want to have to explain this after the fact either.

Thanks, Drais

-----Original Message-----

**From:** GPB, Business Lead  
**Sent:** Monday, January 27, 2003 1:53 PM

**To:** Farnham, C Drais  
**Subject:** AFE 4N0492 Install Pig Launchers/Receivers in Flowlines

Drais,

The subject AFE is listed on the Ops Forum, you can pull it off (it's for \$2.5M & was submitted June-03). Speaking with Rick Felix today they are going to revise it & change the scope which will bring it below the \$1m threshold. The rev. will be for front end loading and engineering only.

Thanks,

**Steven E. St. John**  
**GPB, Business Lead**  
**Phone (907) 659-8054**  
**GPBBusinessLead@bp.com**

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**From:** NSU, CIC TL  
**Sent:** Sunday, December 07, 2003 5:39 PM  
**To:** Woollam, Richard C  
**Subject:** FW: ACTION: 2003 August LE's and Field OVERVIEW

**Importance:** High

FYI...

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Wednesday, September 10, 2003 2:43 PM  
**To:** Woollam, Richard C  
**Cc:** Felix, Rick D (Anchorage)  
**Subject:** RE: ACTION: 2003 August LE's and Field OVERVIEW  
**Importance:** High

Richard,

Steve generated a report for Roger and Jack showing CIC Actuals vs. Budget through August. His primary focus was on salaries which were apparently over estimated due to an error in a spreadsheet calculation when the 2003 budgets were created. The same error was propagated through all budgets and has been adjusted out of other LE's so significant pressure was placed on CIC to do the same. Steve calculated that CIC's salary budget had been over estimated by \$1MM so we were expected by the Ops and Ops Support Managers to adjust our LE.

I met with Roger and Nancy both this morning for a few hours (at separate times - they changed out)

Roger was very clear that we needed to adjust the budget and that he was mainly concerned about the overall Ops Support budget and individual groups would be viewed based upon that success (most other groups have increased 2003 budgets over 2002 while ours was significantly less carrying much of the organization). He wanted us to generate a challenging LE (25% probability of success), acknowledged that we have invoicing (outstanding \$2.3MM from August) and extra pressure issues (Y-36). His belief was that due to phasing in December and the salary error we could handle the budget reduction and still have a chance to meet the target.

Nancy was not in favor of the cut but felt we had to do it based upon pressure and Steve's comments. She was clear that she would not allow program cuts without being directed by George to do so and is sensitive to news of this cut getting out to the workforce which would undoubtedly cause HSE concerns regardless of impact on performance. Based upon burn rate through August and outstanding invoices of \$2.3MM for August (BJ for \$350k, BE/PTI for \$700k, Canspec for \$800k, U2 for \$400k) we calculated the LE to be \$40MM but obviously did not know how the entire budget had been planned so realized this simple exercise was not without risk. If we get into a position where the budget will be exceeded, she wants us to get with her to develop a plan as soon as possible.

Steve adjusted our LE by taking the \$1MM from the salary budgets.

Thanks,

Gary

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Tuesday, September 09, 2003 7:11 PM  
**To:** NSU, CIC TL  
**Cc:** Felix, Rick D (Anchorage)  
**Subject:** RE: ACTION: 2003 August LE's and Field OVERVIEW

Gary,

An interesting list, please note I do not want to roll-over on any of this stuff so don't use the term minimal risk. We

are being asked to cut our budget because others were not responsible budget owners at the beginning of the year - hence there is an overview while we cut our budget 5%.

There needs to be greater emphasis on regulatory impacts, relationship with ADEC, workforce perception, as well as the increased corrosion risks.

I have added a couple of comments, please amend the risks as per my comments. Once again, I don't want to give Roger et al any easy decisions as this whole process is bullshit - we should not have to compensate for other incompetence. Therefore, the bulk of the decisions the FMT should be forced to make should be difficult.

Richard.

<< File: Budget Challenge III.xls (Compressed) >>

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Tuesday, September 09, 2003 4:46 PM  
**To:** Woollam, Richard C  
**Cc:** Felix, Rick D (Anchorage)  
**Subject:** RE: ACTION: 2003 August LE's and Field OVERVIEW

Richard,

Please see the attached draft of options within CIC control. Also, we feel the high cost well lists could be useful for Operations to help reduce our costs.

Please let me know your comments. I will forward to Roger tomorrow when necessary with a note that you have not reviewed this if I do not hear back from you due to travel.

Thanks,

Gary

<< File: Budget Challenge II.xls (Compressed) >>

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Monday, September 08, 2003 5:11 PM  
**To:** NSU, CIC TL; Felix, Rick D (Anchorage)  
**Cc:** GPB, Ops Support Mgr; Foust, Nancy C  
**Subject:** RE: ACTION: 2003 August LE's and Field OVERVIEW

John/Rick,

Please see below a request from Roger.

As with previous years, our variable costs are in basically in two areas,

- Inspection scope - reduce scope and increase risks
- Inhibition levels - reduce inhibition levels and increase risks

When outlining the risks, it will be important to make sure that we note the all the potential risks not just the increased corrosion and leak risks, including,

- Commitments to ADEC
- Reputational issues
- Workforce perception if reducing inspection/inhibition levels

- Regulatory requirements - any risks here

Need to also identify any added workscope issues we face including Y-36 and whether to not these will be impacted.

I'll try and check my e-mail tomorrow morning your time, if the phone connections from Siberia permit, if you have any additional comments or questions.

Thanks.

Richard.

-----Original Message-----

**From:** GPB, Ops Support Mgr  
**Sent:** Monday, September 08, 2003 7:01 AM  
**To:** Woollam, Richard C; GPB, Business Lead  
**Cc:** NSU, CIC TL  
**Subject:** RE: ACTION: 2003 August LE's and Field OVERVIEW

Richard, you and your team need to work up a plan to safely reduce your spend. All teams are being asked to participate in this effort, including CIC. I want to see what it will take in terms of actions and risks and mitigations to those risks to reduce your LE by 1 million bucks by Wednesday morning. Then we will decide if the LE remains unchanged.

John, I know Richard wont see this note till tonite due to his trip, so you need to take the lead to make this happen.

Thanks,  
Roger

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Monday, September 08, 2003 1:59 AM  
**To:** GPB, Business Lead  
**Cc:** GPB, Ops Support Mgr; NSU, CIC TL  
**Subject:** RE: ACTION: 2003 August LE's and Field OVERVIEW

Steve,

The LE remained and remains unchanged, as we agreed earlier - Nancy/Steve and I, due to the fact we have a significant outstanding invoices and the NDE costs associated with the Y-36 spill.

Richard.

-----Original Message-----

**From:** GPB, Business Lead  
**Sent:** Sunday, September 07, 2003 6:13 PM  
**To:** NSU, CIC TL  
**Cc:** Woollam, Richard C; GPB, Ops Support Mgr  
**Subject:** RE: ACTION: 2003 August LE's and Field OVERVIEW

Richard/John,  
I agree with what is stated. However it doesn't change the fact that we have an \$11M overview that has to be addressed or we will bust the budget and risk eating the over run 100% BP dollars. We are in the process of shutting down major repair work to contribute some \$2m to \$4m.

**Steven E. St John**  
**GPB, Business Lead**  
**Phone (907) 659-8054**  
**GPBBusinessLead@bp.com**

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Sunday, September 07, 2003 6:05 PM  
**To:** GPB, Business Lead  
**Cc:** Woollam, Richard C  
**Subject:** RE: ACTION: 2003 August LE's and Field OVERVIEW

Steve,

At last month's LE review, Richard was hesitant to change our LE because of the following:

- In inspection, Canspec invoices have been lagging on submittal
- In pigging, the smart pigging vendor has yet to be paid for work just completed in August. This will drive the burn rate up near normal in this area

I have copied this memo to Richard directly so he can further comment. I would be hesitant to change our LE significantly until we understand what the costs of the above are going to be.

Thanks,  
John

-----Original Message-----

**From:** GPB, Business Lead  
**Sent:** Sunday, September 07, 2003 5:31 PM  
**To:** G GPB Operations OTLs  
**Subject:** FW: ACTION: 2003 August LE's and Field OVERVIEW  
**Importance:** High

All,

This is the note I spoke to in the Ops / Ops Support TL meeting and that Ruth asked me to forward to you (Gary H. this doesn't reflect the additional \$200k from GC-1 O&M).

Thanks,

**Steven E. St. John**  
**GPB, Business Lead**  
**Phone (907) 659-8054**  
**GPBBusinessLead@bp.com**

-----Original Message-----

**From:** GPB, Business Lead  
**Sent:** Saturday, September 06, 2003 8:06 PM  
**To:** GPB, Ops Mgr; GPB, Ops Support Mgr; GPB, Field Services TL; Hawley, Robert S; Higgs, Joseph A; Seccombe, Jim C; Merrill, Mark J; Gunkel, Fntz; Stanley, Mark J (ANC); Wiggs, Craig L; GPB, Safety TL; Seymour, Len I  
**Cc:** Farnham, C Drais; Boland, Dan (Accenture)  
**Subject:** ACTION: 2003 August LE's and Field OVERVIEW  
**Importance:** High

All,

Enclosed is the roll up of the August 2003 Field LE's as submitted.

<< File: 2003 Monthly LE INPUTS.xls (Compressed) >>

If I publish as is we will be flagging an \$8.7M overview to upper management and the WIO's. I do not believe the remaining overview is that large and would propose the enclosed additional LE adjustments (see tab # 1). Tab # 2 shows the Aug YTD Actuals vs submitted LE's.

<< File: Aug\_2003 LE's.xls >>

We Need to land this early this week or we will delay the publishing of the WIO / Management reporting.

If You have any questions please give me a call.

Thanks,  
**Steven E. St. John**  
**GPB, Business Lead**

Phone (907) 659-8054  
GPBBusinessLead@bp.com

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## **Opportunity to Make Stretch Budget**

- ***Reduce WOA Weight Loss Coupon Program***
  - Reduce WOA weight loss coupon program by 25%
  - Relax the WOA weight loss coupon pull frequency from every three months to every four months
  - Estimated cost saving: 1.1 man yr (\$250,000)

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## Grater Prudhoe Bay / 2004 Field Lifting Cost Challenge (LCC) Maintenance and Reliability

Opportunity	Sustaining	(Yes /	2004 Savings / Efficiencies / Deferrals \$M	Future Annual Savings / Efficiencies / Deferrals \$M
	No)	No)		
CIC: Cancel 2004 Smart Piggling Program	No		\$250	\$0
CIC: Cancel partial PW Inhibition at GC's	No		\$670	\$0
CIC: 25% Reduction In AES Chemical Operators	YES		\$150	\$200
CIC: 17% Inhibition Program Reduction*	No		\$1,560	\$0
CIC: 17% Inspection Program Reduction*	No		\$1,370	\$0
Managed Service: VECO Reduce ESI program by 50%. Eliminate UOSS inspectors and replace with VECO Inspector/repair. Make easy repairs part of inspection eliminating steps. Same folks that do inspection do repairs.	YES		\$150	\$300
Managed Services: VECO Project Manager budget reduced 10%	YES		\$300	\$400
Managed Services: ASCI Reduce ASCI by 10%	No		\$300	\$0
Managed Service: Utilities Reduce contract services.	No		\$100	\$0
Managed Service: Utilities Revisit charging lighting upgrade to a capital AFE. Lighting upgrade eliminated the need for scaffold or the construction of platforms.	No		\$70	\$0
Managed Service: Utilities Eliminate contract vacation relief position.	No		\$50	\$0
CPS: Defer all CPS turbine field device PM's to be performed only when unit comes down for HGP or Full Major Overhaul.	YES		\$28	\$28
CPS: Cut one permanent BP position.	No		\$200	\$0
CPS: Cut all Sunday BBQ's, CPS Fun Run and CPS Safety Fair booth for Safety Fairs	YES		\$25	\$25
CPS: Cut all discretionary spend on materials that are absolutely not required to produce electricity or maintain Safety, SCADA, COE and equipment for power production.	YES		\$20	\$20
CPS: Cut 10% Veco/AIM contract services to CPS	No		\$80	\$0
F&G: Discontinue Sunday Team Meetings	No		\$100	\$50
F&G: Vendor Technical Training	No		\$25	\$0
F&G: Transfer as built responsibility for project closeouts to document control	Yes		\$50	\$100
F&G: Transfer WOA/EOA Halon Shop refurbishment expenses to AFE 4N0705	No		\$100	\$0
AE&I: Eliminate Flow Measurements Contractor	No		\$75	\$0
AE&I: Reduce 619 Misc Personnel Expense	No		\$30	\$0
AE&I: Reduce 133 Parts and Materials	NO		\$20	\$0

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ty

**First Pass RBG**

Opportunity Implications (LTO, HSE, Production, People, Deferral, Can Do)
<ul style="list-style-type: none"> <li>LTO/HSE Defer smart pig on three 24" lines on the WOA.</li> <li>Reputation</li> </ul>
<ul style="list-style-type: none"> <li>LTO/HSE Will cause rate of pipe wall loss to increase.</li> <li>Reputation</li> </ul>
<ul style="list-style-type: none"> <li>Inefficient use of corrosion inhibitor. Eliminates one position but can be managed.</li> <li>Reputation and workforce concerns</li> </ul>
<ul style="list-style-type: none"> <li>LTO/HSE Maybe able to attain part of savings without significant risk. Requires detailed review.</li> <li>Reputation</li> </ul>
<ul style="list-style-type: none"> <li>LTO/HSE Maybe able to attain part of savings without significant risk. Requires detailed review.</li> <li>Reputation</li> </ul>
<p>Still demonstrates a presence but time doubled to complete project. Will generate employee concerns. Performing risk assessment prior to implementation may reduce employee concerns. EA may offset some issues. Major Repair.</p>
<p>Since Project Manager Budget is tied to head count VECO would have to do an additional 10% lay off for a total of 20%. HSE Production LTO</p>
<p>Any reductions in ASCI will directly impact service and would most likely increase costs in other areas. Would negatively impact resolution of Exxon audit findings. Production and People.</p>
<p>Will cause work to be deferred into 2005.</p>
<p>Work is complete. Only involves transferring charges. Originally intended for capital AFE but ended up below the line.</p>
<p>LTO and People. Eliminates our ability to develop renewal (Certifications) and runs a high risk of being out of compliance. Reduction of BP personnel either cause immediate compliance issue or only displace folks to other jobs with no cost savings. Reducing contractors is the only alternative</p>
<p>WE have a full real time SCADA system that tells us with alarms if we have a problem with our turbines/generators. This is definitely a 'CAN DO'. BP policy change required.</p>
<p>Safety, Production, People and power reliability. CPS is already minimally staffed for all the duties it performs. Also CPS is at a time when we should be putting on a couple of trainee positions in both Operators and T&amp;D ranks. CPS already has approximately one third of its total staffing getting three vacations a year.</p>
<p>People, Safety, Morale, will be viewed as take aways and could affect morale and productivity. BBQ's are used as a means of enhancing working relationships between non-bargaining, bargaining and contract employees. The CPS fun run and Safety Fair booth are Health, Safety and morale builders for CPS/T&amp;D personnel. These would be viewed very negatively as take aways.</p>
<p>Can do, may not be as convenient or exactly what employees want, but is a can do.</p>
<p>Production, Safety and People Impacts, not sustainable for safety of all production facilities or power reliability.</p>
<p>Long-term impact on HSE performance and PM Effectiveness (e.g. knowledge sharing and skills improvement). Reduction maybe possible as a result of increased efficiency. Do not recommend as a sustained opportunity, as impacts have proven to eventually out way savings.</p>
<p>Long-term impact toward maintaining F&amp;G Engineer and Technician skills and knowledge base. Do not recommend as sustained opportunity.</p>
<p>Eliminate 1/2 position by finishing shop drawing updates. Work will be complete on 6/1/04.</p>
<p>Ops CAPEX budget impact of \$100k, in progress, AFE already approved.</p>
<p>LTO - Possibility exists that environmental or custody meter proving could backlog could force a non-compliance situation.</p>
<p>Deferral - This bucket carries software license renewals, test equipment replace and upgrades. Risk is that maintenance and support for some test equipment may not be available.</p>
<p>Deferral - This bucket carries parts and materials and operations costs primarily for generator set maintenance and testing for fixed generator sets. This defers some discretionary costs for non-generator items</p>

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**From:** Woollam, Richard C  
**Sent:** Friday, April 16, 2004 8:27 AM  
**To:** NSU, CIC TL  
**Subject:** RE: Cost Challenge feedback

John,

If, by the end of your shift, you could take a look at North Slope activities and identify any opportunities for cost reduction in 2004 that would be helpful.

Thanks.

Richard.

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Friday, April 16, 2004 6:00 AM  
**To:** Woollam, Richard C  
**Subject:** RE: Cost Challenge feedback

OK, the feedback was requested by Nancy at her last Monday's meeting, Gary had passed on the info at handover.

-----Original Message-----

**From:** Woollam, Richard C  
**Sent:** Thursday, April 15, 2004 6:18 PM  
**To:** NSU, CIC TL; Sprague, Kip P; Felix, Rick D (Anchorage)  
**Subject:** RE: Cost Challenge feedback

All,

We need to coordinate our response back to Nancy thru me. Our budget position is not as it appears in the Field Cost Management (FCM) reports due to some issues with accruals - for example we will have a reversal of nearly \$1 million from correcting AES accruals alone!

Therefore, what we really need to look for is some options for removing costs from 2004 which have little or no material impact on the 2004 program - items 1 and 2 below are material in my opinion - so what activities do we not need to do in 2004!?

Thanks.

Richard.

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Thursday, April 15, 2004 5:59 PM  
**To:** Sprague, Kip P  
**Cc:** Woollam, Richard C  
**Subject:** Cost Challenge feedback

Confidential

Kip,

Gary was at a budget session the other day, and we require some feedback on consequences of a couple of options for Nancy by Monday. (Richard may have already briefed you).

- One option is to cancel the 2004 smart pigging program - what are the consequences of not doing it this year (the 3 LDF's)?
- Another option is to cancel partial PW inhibition at GC's - any opinions?
- There are also some reductions of inhibition and inspection programs proposed, although RCW doubts those will be necessary.

Thanks,  
John

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Jeanne Pascal, Esq.  
Northwest District Debarment Counsel  
U.S. Environmental Protection Agency  
Seattle, Washington

May 8, 2004

Re: Conversation with Joel Degner, Wasilla, Alaska

Dear Ms. Pascal,

This letter is being sent at your request relating to my telephone conversation with Joel Degner in April, 2004.

As you are aware, Mr. Degner was previously employed by British Petroleum as a corrosion control supervisor for their production operations on the North Slope of Alaska. He has also had considerable additional experience and credentials as a corrosion control expert. I am somewhat familiar with the Prudhoe Bay operations from my previous experience in Alaska, both in the oil industry and in government. Therefore, I felt I was in a position to understand the concerns expressed by Mr. Degner

First, Mr. Degner impressed me with the scope of his knowledge as it relates to the corrosion control applications necessary for the production operations at Prudhoe Bay and to what was actually being implemented (or neglected) by the local management of British Petroleum. During our hour and a half conversation, I found him to be sincere and very concerned for the welfare of the workers at Prudhoe Bay as well as for the negative effect any major incident would have on the future of the ANWR development. In over fifty years of experience in the oil industry, I found him to be one of the most knowledgeable corrosion experts to whom I have talked. He definitely is not someone with an "ax to grind" In fact, he made it very clear, he is currently very successful with his corrosion control business and has no further interest in working for B.P.

Mr. Degner advised me that proper corrosion control, detection, monitoring, and repair procedures were often being ignored in favor of "cost saving". He also said necessary (in his opinion) repairs were being delayed beyond the projected critical time for piping and associated equipment to the extent it has now become a hazard to the safety of workers and that procedures were being used to hide these problems from higher management. I am sure you are aware that corrosion detection and control is one of the major problems facing all oil and gas production operations. Pitting of the flow lines and associated piping causes thinning of the walls reducing the allowable internal operating pressure, otherwise the resulting burst pipe and sudden release of hydrocarbons to the surrounding atmosphere, indoor or outdoor, can cause serious harm to personnel and the environment. This can range from a minor oil spill problem in low-pressure "stripper" wells, to a very serious problem at Prudhoe Bay where much higher pressures exist.

It is Mr. Degner's opinion, and I concur, the upper management of British Petroleum consists of men and women of integrity who would never deliberately endanger employees to enhance the "bottom line". This type of unconscionable managerial behavior would never be sanctioned by the upper management in London. Therefore, it must be assumed they are unaware of the problems being created resulting from the decisions being made by some lower-level managers in Alaska.

I hope this serves to clarify, at least in part, the issue of B.P. corrosion control on the North Slope of Alaska.

Yours Truly,

Charles A. Champion  
Registered Petroleum Engineer  
State of Alaska        1738EP  
State of California    P1098

FROM :

PRR ID :

May 24 2004 05:14PM P5  
P.01

**TOWER PETROLEUM CORPORATION**

10101 Slater Avenue, Suite 120  
Fountain Valley, CA 92708  
Phone (714) 591-8723 • Fax (714) 591-8724

May 8, 2004

Kenneth Percival, Esq.,  
Northwest District Department Counsel  
U.S. Environmental Protection Agency  
Seattle, Washington

Re: Conversation with [redacted] about a

Dear Mr. Percival,

This letter is being sent in your request relating to my telephone conversation with [redacted] in April, 2004.

As you are aware, Mr. [redacted] was previously employed by British Petroleum as a corrosion control supervisor for their production operations on the North Slope of Alaska. He has also had considerable additional experience and credentials as a corrosion control expert. I am somewhat familiar with the Prudhoe Bay operations from my previous experiences in Alaska, both in the oil industry and in government. Therefore, I felt I was in a position to understand the concerns expressed by Mr. [redacted].

First, Mr. [redacted] informed me with the scope of his knowledge as it relates to the corrosion control applications necessary for the production operations at Prudhoe Bay and to what was actually being implemented (or neglected) by the local management of British Petroleum. During our hour and a half conversation, I found him to be sincere and very concerned for the welfare of the workers at Prudhoe Bay as well as for the negative effect any major incident would have on the future of the ANV/R development. In over 30 years of experience in the oil industry, I found him to be one of the more knowledgeable corrosion experts to whom I have talked. He definitely is not someone with an "ax to grind" in fact, he made it very clear, he is extremely very successful with his corrosion control business and has no further interest in working for B.P.

Mr. [redacted] advised me that proper corrosion control, detection, monitoring, and repair procedures were often being ignored in favor of "cost saving". He also said necessary (in his opinion) repairs were being delayed beyond the projected critical time for piping and associated equipment to the extent it has now become a hazard to the safety of workers and that procedures were being used to hide these problems from higher management. I am sure you are aware that corrosion detection and control is one of the major problems facing all oil and gas production operations. Plugging of the flow lines and associated piping causes thinking of the walls reducing the allowable internal operating pressure, otherwise the resulting burst pipe and sudden release of hydrocarbons to the surrounding atmosphere, indoor or outdoor, can cause serious harm to personnel and the environment. This can range from a minor oil spill problem in low-pressure "stripper" work, to a very serious problem at Prudhoe Bay where much higher pressures exist.

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FROM : [REDACTED] 10:00

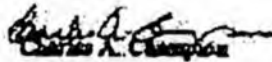
FX# 110. :

May. 24 2004 03:15PM PJ

It is Mr. [REDACTED] opinion, and I believe, the upper management of British Petroleum consists of men and women of integrity who would never deliberately endanger employees to enhance the "bottom line". This type of unconscionable managerial behavior would never be sanctioned by the upper management in London. Therefore, it must be assumed they are unaware of the problems being created resulting from the decisions being made by some lower-level managers in Alaska.

I hope this serves to clarify, at least in part, the issue of B.P. corporate control on the North Slope of Alaska.

Yours Truly,



Registered Petroleum Engineer  
State of Alaska 1738EP  
State of California P1098

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**To:** Sprague, Kip P  
**Subject:** RE: Emailing: CIC MR-Capex AFE Tracker 2006 .xls

Kip,

What I would like to get out from under is relying on the Detection Coordinator to determine what work gets done and when to call it complete - too many times burned by them not being organized enough to accomplish this.

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**From:** Sprague, Kip P  
**Sent:** Sunday, April 10, 2005 5:03 PM  
**To:** NSU, CIC TL  
**Subject:** RE: Emailing: CIC MR-Capex AFE Tracker 2006 .xls

Gary,

What I think, wouldn't actually be helpful and what is being asked isn't practical.

Reliable funding and resources is a yo-yo, accurate scheduling activities is a joke and predicting line lifts or impacts is even-further out of the realm of reality. We are sitting on a backlog of over 1000 locations with CUI and there are a dozen road crossings that need to be dug up and we have a huge infrastructure that is hanging-on with no margin for error. Without margin, we are not in a position for long-term detail planning, it is difficult enough just reacting to keep product inside the pipe. What we have is a long-term strategic plan and that should not be confused with a detailed execution plan.

Analogy: Plan-do-check act: You been asked to provide the 'plan' (which is fine, but that is short-term not long-term). You have also been asked to provide the 'act' before we have done, 'do - check', which of course determine that 'act' and as a result changes the 'plan'. Ridiculous to think we can predict all this (that is the fallacy).

Same story, can't do effective planning overnight after 20 years of minimalist resources and maintenance (which doesn't seem to be keeping pace with the current lofty ideas).

Bitch, bitch, bitch... I will try to wrestle down some middle ground between the reality of the situation and some feel good placeholders just to get people off your back. However, I will not run/sacrifice an inspection strategy and program with limited resources based on the conveyance of maintenance and/or operation impact. That, in my opinion, is negligent.

Wednesday, is the goal. Thanks for the reminder.

Kip

-----Original Message-----

**From:** NSU, CIC TL  
**Sent:** Sunday, April 10, 2005 3:29 PM  
**To:** Sprague, Kip P  
**Cc:** Keck, Danny L; GPB, Planner 6 East  
**Subject:** FW: Emailing: CIC MR-Capex AFE Tracker 2006 .xls

Kip,

A few items for discussion/comments.

#### CUI Detection Schedule

From a field execution perspective I believe we need to establish an external corrosion inspection schedule - something to show what category of equipment will be looked at when. My initial thought is the CUI detection work should be treated like the CIP's for the purpose of execution in the field (take a logical block of work, based upon system risk and geography which is similar to current methodology, but complete it as close to 100% as possible within access constraints then move to the next block). The blocks of work should be chosen by taking saddle lifts and repairs into consideration along with execution efficiency (currently, we can lift water injection and production lines on stream while gas/MI lines need to be depressured)

#### Line lifts

In addition to generating a 2006 line lift list based upon what we know now, we should probably ensure a list is complete for lift work this year - I have not seen anything like this yet.

#### Cased piping

In addition to getting the cased piping scope together for 2006 (at least what we suspect), we need to get the 2005 scope nailed down so we can begin the planning process.

I believe if we head toward the direction of having as much of our work scope as possible defined for 2006 soon (drop dead is around June 1st to match budget cycle goal), we can at least get the place holders in the planning and maintenance systems to ensure folks do not feel like we are 'surprising' them.

Please let me know what you think.

Thanks,

Gary

Danny - how is the list coming along?

-----Original Message-----

From: NSU, CIC TL

Sent: Sunday, April 03, 2005 1:17 PM

To: Keck, Danny L

Cc: Sprague, Kip P; GPB, Planner 6 East; Kuzma, John H; ACT, CIC Ops Integrity Support Specialist; NSU, CIC Fld Integ Ops; NSU, CIC Mech Integrity Insp; NSU, CIC OU Insp

Subject: Emailing: CIC MR-Capex AFE Tracker 2006 .xls

Danny,

I would like to get an initial draft list for our potential 2006 MR and Capex projects put together by mid week (Wednesday). I sent a note out several weeks ago to folks to solicit ideas and have received some feedback which is captured in the spreadsheet.

In addition to typical MR and Capex project work, we need to capture any O&M work that could impact operations next year (potential for production impacts). It appears that all known vessel/tank/PMP work scope has already been captured and relayed to Operations and the TAR TL.

Some potential areas for projects...

- 1) Cased piping digs
- 2) Any external corrosion special projects (lifts that could impact production or require special attention such as DOT regulated piping)
- 3) Smart pigging

John/Ray/Lumber - I would like to start adding ACT projects to the list also, please forward any potential projects you would like considered next year (EB tank at MPU, etc.)

Thanks,  
Gary

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**From:** NSU, CIC TL  
**Sent:** Saturday, October 22, 2005 6:43 AM  
**To:** Leach, Brett W  
**Cc:** Sprague, Kip P; Hedges, Bill  
**Subject:** Emailing: Control Options 10 22 05.xls

**Attachments:** Control Options 10 22 05.ZIP



Control Options 10  
22 05.ZIP (...

rett,

Attached, please find a list of potential budget control options - broken out by chemicals and manpower. If you are interested in exploring more detail about any of the options please let me know.

Bill/Kip - if you have any edits or additions, lets discuss so I can update the list...

Thanks,

Gary

Option	Rank	Category	Monthly Savings	2 Month Savings
3 Phase CI: Eliminate Xylene		Chemical	\$ 75,000	\$ 150,000
3 Phase CI: Shut in top 5 CI users		Chemical	\$ 75,000	\$ 150,000
3 Phase CI: Potential Optimization (5%)		Chemical	\$ 40,500	\$ 81,000
PW CI: Slow deployment/reduce injection rates		Chemical	\$ 400,000	\$ 800,000
STP: Reduce Biocide frequency to every two weeks		Chemical	\$ 36,000	\$ 72,000
Production Chemicals		Chemical	\$ -	\$ -
Corrosion Monitoring		Manpower	\$ -	\$ -
Chemical Deployment (C Pad and Chem. Ops.)		Manpower	\$ -	\$ -
Pigging: Contract support crew		Manpower	\$ 16,700	\$ 33,400
Pump Crew: Eliminate TD jobs		Manpower	\$ -	\$ -
Inspection: Comprehensive Inspection Program		Manpower	\$ 66,667	\$ 133,333
Inspection: Corrosion Rate Monitoring		Manpower	\$ 66,667	\$ 133,333
Inspection: Erosion Rate Monitoring		Manpower	\$ 16,667	\$ 33,333
Inspection: Corrosion Under Insulation Detection		Manpower	\$ 66,667	\$ 133,333
Inspection: Frequent Inspections		Manpower	\$ 16,667	\$ 33,333
Inspection: Special Request/ADHOC		Manpower	\$ 16,667	\$ 33,333
Rope Access Technology		Manpower	\$ 16,667	\$ 33,333
Veco		Manpower/Materials	\$ 195,000	\$ 390,000

Purpose	Risk
Potential for plugging continuous injection system	High
Production exceeds cost by >10x	Low
Plan not fully developed and locations not identified, 2-4 weeks to implement	Low
Lot of effort spent on getting the system up and running this year based on owner approvals. Technically, probably the least short-term risk of the options presented	Medium
MIC locations established resulting in long term effects	High
Without these chemicals, facilities would shutdown.	High
Regulatory commitments and significant attention over the last few years. There was an effort to unify the coupon schedule, but that is on hold.	High
Reduction in chemical volumes in 1 and 2 contain a labor component	High
Eliminate support crew - 2 personnel. Program has only been meeting ~75% of target YTD.	Medium
Program has been focused on freeze protects, with only 5 TDs performed in the past 3 months.	Low
Eliminate program to YE - 4 positions. 9750 items	Medium/High
Eliminate program to YE - 4 positions. 1840 items	Low
Eliminate program to YE - 1 position. 768 items	High
Eliminate program to YE - 4 positions. 6000 items	High
Eliminate program to YE - 1 position. 384 items	High
Eliminate program to YE - 1 position. 536 items	Medium
Eliminate RAT to YE - 1 position	Medium
Eliminate CUI Mitigation program to YE - 9 positions	Medium

**Risk Mitigation**

Batch treatment program  
None

Follow technical review protocol. Increase rates if data suggests necessary.

Increase rates January 1 2006. Corrosion mechanism is relatively slow. Initial cleaning to remove deposits may reduce corrosion rates substantially.  
Increase rates January 1, 2006.  
Shutdown facilities

Inspection

Third party contractors

BP Operators still pig with help of BP Ops and ad-hoc contractor help

Restart program January 1, 2006

Reschedule FS1, LPC, STP, SIP and remaining FL/WL programs

Rely on monitoring only

Reduce maximum allowable mixture velocities/ Minimize or cancel well-work and well strat-ups)

Shut-in Y LDF

Repair or shut-in equipment (PMP - High wastage areas i.e. G&I)

No response or action as a result of observations/discovers

Built scaffold for perceived or at risk locations

No response or action as a result of observations/discovers

**Reputation/Perception Risks**

ADEC/Workforce - only if problem occurs  
Governor/ADEC/Partners/Workforce

Workforce

ADEC/Partners/Workforce

ADEC/Partners/Workforce

Governor/ADEC/Partners/Workforce

ADEC/Workforce

ADEC/Partners/Workforce

Workforce

Workforce

ADEC/Workforce

ADEC

Workforce

ADEC

ADEC/Workforce

Workforce

Workforce

ADEC/Partners/Workforce

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**From:** Dengler, John M  
**Sent:** Thursday, March 09, 2006 4:45 AM  
**To:** Neill, David H (Baku)  
**Subject:** RE: GC-2 Oil Transit Line Spill

**Attachments:** image001.jpg



image001.jpg (2 KB)

The Daily News - now there is a source to believe.

It Isn't pretty,

Refresh my memory - wasn't the line from FS 2 to FS 1 so packed with solids just downstream of Module 4922 that an ultrasonic meter wouldn't work? Think there is any corrosion in that section of line?

John

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**From:** Neill, David H (Baku)  
**Sent:** Wednesday, March 08, 2006 8:04 PM  
**To:** Dengler, John M  
**Subject:** RE: GC-2 Oil Transit Line Spill

John,

Thanks for the update. I have been following the Daily News stories also. Too bad about the leak detection system not picking this up. I'm sure there will be renewed pressure from DEC regarding leak detection. FYI. I am installing the EFA leak detection system on our Western Route pipeline to the Black Sea. Stay Warm!

Dave

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**From:** Dengler, John M  
**Sent:** Wednesday, March 08, 2006 1:39 AM  
**To:** terrymorgan\_wyo@yahoo.com; James Ferguson; James. steward (James.steward@nana-colt.com); Schwab, Lorinda A; Connick, Eugene (Baku); Neill, David H (Baku); Athans, Murray P; Huff, Richard E.; Collins, Matt G (ConocoPhillips)  
**Subject:** FYI: GC-2 Oil Transit Line Spill

I'm headed to the slope tomorrow to get more involved. I don't like the second sentence of the first bullet. I REALLY don't like the second sentence of the fifth bullet.

John

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**From:** Johnson, Maureen L  
**Sent:** Tuesday, March 07, 2006 12:21 PM  
**To:** G AK All Users; G ANC ALT; G ANC Extended Leadership Team; G ANC External AFFRS Group; Pillari, Ross J;

Taggart, Sally B; Chappell, Ronnie W; Markin, Thomas A; Miller, Brian W; Hudson, Peggy R; Caballero, Jaime E.; Chapman, Nell A; Depland, Hugh; Tiernan, Elizabeth P; Foust, Nancy C; Nicolson, Don; Brock, Tony; 'sonny.rix@exxonmobil.com'; Hanus, Michael (Exxon); Jones, Darren C. (ConocoPhillips); Kruse, Dan P. (ConocoPhillips); Stramp, Ryan L (ConocoPhillips); Richard J. Owen; Tison, Joel K  
**Subject:** Update #8: GC-2 Oil Transit Line Spill

## BPXA GC-2 Oil Transit Line Spill

[REDACTED]

03/07/06 1100

### Spill Response

- Leak was discovered 16'8" from east culvert. Visual indications are that the leak was caused by internal corrosion.
- Preparation is underway for line lift procedure. In addition to removing all non-essential personnel, job review meeting will be held to insure this procedure is safely performed. Additional safety personnel are being sent to the North Slope to augment the current coverage.
- As of 0630, 3/7/06, 1335 bbls. of liquids have been recovered; recovery efforts have been temporarily shut-down due to line lift.
- Volume estimation survey will continue during daytime.
- Temperature is -20 Fahrenheit and getting colder. Thursday's weather prediction is -35.
- Contingency plan for blowing snow conditions is under development and snow fence is under construction

### Business Resumption

- **Pipeline Integrity:** UT inspection around leak site is planned for today.
- **Repair options:** sleeving plans at the known areas of integrity concern are being developed and material ordered. A temporary repair is currently in place for source control at the leak site.
- **Return to service:** options to return GC2 to service are being studied. Engineering, Operations, and CIC will be reviewing details for the selected option.
- **Priorities:** Unchanged - Focus is on pipeline integrity assessment, repair execution, jumper options, GC-2 start-up and return to normal operation.
- **Source control:** source control achieved this morning by technical staff on team.

### Incident Investigation

- The investigation team is up and running. The team consists of the lead, Bryant Chapman - Performance Unit Leader, Operations Excellence of Houston, John Alkire - EPTG Corrosion Expert, BJ Harris - Safety Engineer, Barry Vest - GC2 Operator and union rep, Gary Evans - DEC, Shelia Barnes - Administrative Assistant.

Please Note

- The Joint Information Center (JIC) continues to provide ongoing communication materials to the ADEC website: <http://www.dec.state.ak.us/spar/qc2> and continues to provide requested information to various organizations/agencies.
- Next update tentatively planed to be provided at 11:00 a.m. AST on Wednesday, March 8, 2006. Now that temporary source control has been achieved, we expect to reduce the frequency of the updates in the near future. Your feedback is welcome in determining update frequency.

1

*Maureen Johnson*  
*Performance Unit Leader, GPB*  
*(907) 564-5671*  
*johnsml@bp.com*

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**From:** GPB, FS2/COTU Area Mgr  
**Sent:** Thursday, March 23, 2006 2:24 PM  
**To:** Leach, Brett W  
**Subject:** FW: Piggng Facility Walk Down - Need your input on Piggng Concerns

Brett,

I know this is a little later than you requested but here's our input.....yes we can do it but it will require some effort.

In my opinion this is extreme overkill. Piggng is probably not a bad idea but the frequency should be more along the lines of twice a year or once a quarter.....not weekly

**Chris Rhoads**

alt: Bob Walker  
FS-2/COTU Area Manager  
office: (907) 659-5492  
pager: (907) 659-5100 #1115  
fax: (907) 659-8405  
e-mail: rhoadsca@bp.com

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**From:** GPB, FS2 Ops Lead  
**Sent:** Thursday, March 23, 2006 2:09 PM  
**To:** GPB, FS2/COTU Area Mgr  
**Subject:** RE: Piggng Facility Walk Down - Need your input on Piggng Concerns

Chris,

I have a couple concerns; the biggest being that we haven't piggng our sales transit line in over 15 years and I really don't know what to expect... Also, the condition of the launcher, i.e. the launcher door seal o-ring, the sump, sump pump and all of the associated piping are unknown. We can functionally check the drain sump system, but it would probably be prudent to have all of the associated lines inspected prior to returning this system to service as they are at a low point and have been stagnant for years. We need to spec out and order some replacement o-rings for the launcher doors - they haven't been opened for fifteen years. And operating procedures will need to be developed to include FSI for their part in receiving the pig.

Otherwise, yeah - we can do it...

---

**From:** GPB, FS2/COTU Area Mgr  
**Sent:** Thursday, March 23, 2006 12:39 PM  
**To:** GPB, FS2 Ops Lead  
**Subject:** FW: Piggng Facility Walk Down - Need your input on Piggng Concerns

Brad,

Will you take a look at this and give me your ideas/opinions?

Thanks,

**Chris Rhoads**

alt: Bob Walker  
FS-2/COTU Area Manager  
office: (907) 659-5492  
pager: (907) 659-5100 #1115  
fax: (907) 659-8405  
e-mail: rhoadsca@bp.com

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(907) 670-3331  
alternate: George Ahumada

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**From:** NSU, CIC Prod Chem (Nalco)  
**Sent:** Sunday, June 04, 2006 3:10 PM  
**To:** Pogue, Cleve C; Todd, John B (Nalco); Spano, A J  
**Cc:** Ahumada, George R; Kuzma, John H  
**Subject:** RE: Sales Oil Pipeline Protection

Cleve,

Certainly there has been a lot of discussion lately about what to do with the oil transit lines. I think that virtually everyone agrees that the most important piece of preventive maintenance that can be done is to keep the line clean by pigging it on a regular basis. That will cure almost all your "ills". Currently, GC2 is the only one that is adding a supplemental corrosion inhibitor directly into their transit line for reasons that are probably obvious. We need to get John Kuzma involved in the discussion as I can't answer your question directly. Whether or not to treat the systems will certainly be an issue that will require further discussion, likely at a high level. My personal belief is that pigging is by far the most important single thing that you can do to prevent problems.

Best Regards,

John T.

---

**From:** Pogue, Cleve C  
**Sent:** Sunday, June 04, 2006 11:12 AM  
**To:** Todd, John B (Nalco); Spano, A J  
**Cc:** Ahumada, George R; Pogue, Cleve C  
**Subject:** Sales Oil Pipeline Protection

John and Andy,

Paul and myself had a discussion about corrosion concerns in the MPU Sales Oil Pipeline. What has been the common practice across the slope on Sales Oil Lines. I know you guys are reviewing a lot of the current practices. Should we or do we plan to do anything along the lines of chemical injection.

*Cleve Pogue*  
Milne Point Facilities Supervisor  
(907) 670-3331  
alternate: George Ahumada

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HENRY A. WAXMAN, CALIFORNIA  
EDWARD J. MARKEY, MASSACHUSETTS  
RICK BOUCHER, VIRGINIA  
EDDOLPHUS TOWNS, NEW YORK  
FRANK PALLONE, JR., NEW JERSEY  
BART GORDON, TENNESSEE  
BOBBY L. RUSH, ILLINOIS  
ANNA G. ESHOO, CALIFORNIA  
BART STUPAK, MICHIGAN  
ELIOT L. ENGEL, NEW YORK  
ALBERT R. WYNN, MARYLAND  
GENE GREEN, TEXAS  
DIANA DEGETTE, COLORADO  
VICE CHAIRMAN  
LOIS CAPPE, CALIFORNIA  
MIKE DOYLE, PENNSYLVANIA  
JANE HARMAN, CALIFORNIA  
TOM ALLEN, MAINE  
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ONE HUNDRED TENTH CONGRESS

**U.S. House of Representatives**  
**Committee on Energy and Commerce**  
**Washington, DC 20515-6115**

JOHN D. DINGELL, MICHIGAN  
CHAIRMAN

May 2, 2007

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Mr. Robert A. Malone  
Chairman and President  
BP America, Inc.  
200 Westlake Park Blvd.  
Houston, TX 77079

Dear Mr. Malone:

We are in receipt of your April 30 letter (attached) requesting a postponement of the hearing scheduled for May 3, 2007, before the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce entitled "2006 Prudhoe Bay Shutdown: Will Recent Regulatory Changes and BP Management Reforms Prevent Future Failures?" This hearing had been planned for some time as a follow up to our September 7, 2006, hearing. It was intended to assess the adequacy of efforts BP and various regulators have taken to address the organizational and mechanical failures leading to the March 2, 2006, leak in the "Western Operating Area" transit line and the subsequent discovery of severe corrosion and leaking in the "Eastern Operating Area" transit line.

Your request for a postponement of the hearing is based upon your recent discovery that "information relevant to the September, 2006 hearing was not provided to the Subcommittee." In addition, this information was apparently neither disclosed to you nor Steve Marshall, the former President of BP Alaska, before your testimony at our September hearings. The discovery of this material has clearly raised questions about the adequacy of your response to the Committee, as well as previous spending decisions made by your company—concerns that you clearly acknowledge in your April 30 letter and that form the basis for your request for additional time to investigate both issues in more detail.

Despite numerous requests for such material, going back nearly a year, it was only on April 17, 2007, that BP provided the Committee with a number of BP documents which reveal important internal discussions suggesting a severe cost-cutting atmosphere existed in your crude oil production operations at Prudhoe Bay. On their face, this new material raises concerns that shortsighted cost-cutting may have led to the spills and corrosion problems in Alaska. Some of

Mr. Robert A. Malone  
Page 2

the documents discuss stopping the injection of corrosion inhibitor to meet budget targets. Others suggest that other activities related to corrosion mitigation had to be reduced or put on hold due to budget constraints.

Equally troubling, these documents raise questions about the accuracy of Mr. Marshall's testimony when he suggested that "cost is not a consideration" as it relates to issues of both safety and integrity in Prudhoe Bay operations.

It is our understanding that significant redesign and rebuilding has already occurred on some of the key transit lines that failed last year. It is also our understanding that BP has made a number of management and personnel changes in Alaska, and that these efforts appear to be taking the company in a positive direction. We applaud your company for those undertakings. Nevertheless, to assess whether BP's new path forward will be successful, the Committee needs to explore whether the climate of top down cost-cutting affected the health, safety, or the environment of the Prudhoe Bay field and its workers. In order to make such a determination, we need you to respond to the questions raised by the newly discovered documents, as well as all previous requests for information made by this Committee.

As you know, in response to our receipt of the newly discovered documents, we forwarded to you another document request on April 30, 2007, which included: (1) documents that discuss whether BP managers ordered that corrosion inhibitor be turned off due to budgetary constraints; (2) answers to the question of if, when, and where corrosion inhibitor may have been turned off, and what consequences this may have had on program integrity; (3) records related to requests for smart pigging and maintenance pigging from officials in the Prudhoe Bay's Corrosion, Inspection, and Chemicals (CIC) Group from 2000-2005; and (4) e-mails sent or received by the CIC group related to reducing, suspending, or cutting back on corrosion inhibitor.

We are pleased that BP has promised to respond quickly to this request and accept BP's explanation that it needs "additional time to complete investigations and document searches, and to ensure the Subcommittee has all of the information it needs to complete its work."

Based upon your assurances that you need additional time to comply with our document requests and to be prepared to respond to the issues raised by the newly discovered internal BP documents, we have acquiesced to your request for a continuance and have rescheduled the hearing for 9:30 a.m. on Wednesday, May 16, 2007. At that hearing, we expect you and other BP officials to be prepared to address the following issues:

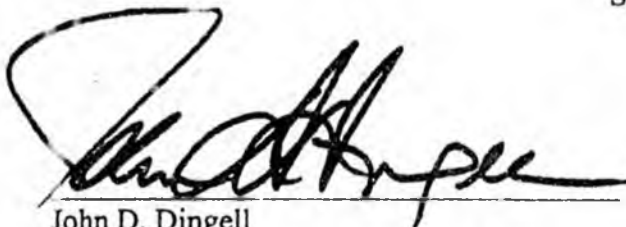
- BP's plan to rebuild and sustain the integrity of the oil pipeline system, including the Eastern Operating Area and Western Operating Area transit lines that failed and caused last year's shutdown. How is this effort progressing and what are the expected milestones for completion?

Mr. Robert A. Malone  
Page 3

- Whether BP believes the environment of cost-cutting as apparently reflected in some of these documents affected the ability of workers to safely operate the Prudhoe Bay field and, in particular, ensure adequate corrosion control. To the extent BP believes these documents do suggest a climate where workers had to make difficult decisions between budget savings and program integrity, what steps does the company intend to take to prevent the reoccurrence of such an atmosphere?
- What role did top down cost-cutting play in both Texas City and Alaska? What changes is BP institutionalizing that would reflect the lessons learned from both Texas City and Alaska, as identified in the Baker Panel report, the Booz Allen Hamilton report, and the Chemical Safety Board Investigation report?
- How will BP ensure that there is no tolerance for retaliation against workers who may attempt to raise safety and health concerns? In addition, as new concerns arise, how will BP put in place a transparent mechanism to ensure they are resolved in a timely manner?

If you have any questions regarding this matter, please contact us or have your staff contact Christopher Knauer or Richard Miller with the Committee staff at (202) 226-2424.

Sincerely,



John D. Dingell  
Chairman



Bart Stupak  
Chairman  
Subcommittee on Oversight and Investigations

Attachment

cc: The Honorable Joe Barton, Ranking Member  
Committee on Energy and Commerce

The Honorable Ed Whitfield, Ranking Member  
Subcommittee on Oversight and Investigations  
Committee on Energy and Commerce

bp



Robert A. Malone

Chairman & President

BP America Inc.  
4101 Winfield Road  
314 O  
Warrenville, IL 60555  
USA

April 30, 2007

The Honorable Bart Stupak  
Chairman  
Oversight and Investigations  
Committee on Energy and Commerce  
2352 Rayburn House Office Building  
Washington, DC 20515

The Honorable Ed Whitfield  
U.S. House of Representatives  
2411 Rayburn House Office Building  
Washington, DC 20515

Direct 630 821 2588  
Fax 830 821 2590  
Mobile 325 226 4111  
MaloneRA@bp.com

Dear Chairman Stupak and Representative Whitfield:

A hearing currently is scheduled before the Subcommittee on May 3, 2007, as a follow on to the September 7, 2006 hearing regarding the Prudhoe Bay issues resulting from the two Oil Transit Lines (OTLs) on the North Slope of Alaska. For the reasons explained below, BP respectfully requests that the hearing be rescheduled.

First, it has recently come to my attention that information relevant to the September, 2006 hearing was not provided to the Subcommittee – or to the President of BP Alaska or me. By way of background, as you know, I commissioned an investigation into the reasons that the OTL leak detection Compliance Order by Consent (COBC) was not disclosed to the Subcommittee prior to the first hearing. While that investigation is not yet complete, I have received, reviewed and provided to the Subcommittee staff the Interim COBC Report.<sup>1</sup> The Interim COBC Report identified a breakdown in our response and preparation process that resulted in relevant documents not being provided. Some of these documents are the same documents that the Subcommittee staff has identified as raising questions on the impact of the budget process on operational decision-making during 2000 - 2005.

Second, some of the documents recently produced to the Subcommittee staff raise concerns about previous spending decisions that cause me concern. We need time to determine how the concerns and frustrations expressed by workers were ultimately resolved. For example, as set out in some of the documents, it appears that there were serious discussions about discontinuing injection of corrosion inhibitor into some of the Produced Water lines in 2001- 2004. I do not know whether this happened at all; or, if it did, for how long, or what was the impact on the lines. I want to have, and I want the Subcommittee to have, a complete understanding of what happened in this case and why.

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<sup>1</sup> I am advised that the final investigation cannot be completed until all the relevant documents are reviewed and any necessary follow up interviews are completed.

The Honorable Bart Stupak  
The Honorable Ed Whitfield  
April 30, 2007  
Page Two


Additionally, I was troubled to see in some of the documents the extent of the frustration being expressed by the workforce throughout the 2000-2005 time frames. I want to eliminate the frustration voiced in many of the documents by creating a culture in which workers are confident their concerns will be heard and addressed before they would ever reach the level of frustration expressed in these historical documents. This process takes time, but I believe that we are making changes in the way we manage our business, and in building a positive safety culture.

I recognize that the Subcommittee wants to ensure that BP fully understands what led to the situation in Alaska and that it incorporates the lessons learned into its processes going forward. I want to do that as well. In order to do that, I would request additional time to complete investigations and document searches, and to ensure that the Subcommittee staff has all of the information it needs to complete its work.

Finally, as we have explained to the Subcommittee staff on a number of occasions, BP is involved in a substantial document production process in cooperation with various governmental investigations of the Prudhoe Bay spills of 2006.<sup>2</sup> Despite enormous effort the database is not yet complete. In some cases, the searches may have to be refined. As a result some of our responses on specific issues are not yet complete, while certain questions may require additional information, research and investigation. This will also apply to responding to the document request that we understand the Subcommittee is submitting to us today.

It has always been my intention to be fully responsive to the Committee, and I apologize for the breakdown in our process that has occurred. For these reasons, I respectfully request that the May 3 hearing be rescheduled so that we are able to more fully develop the record prior to the hearing.

Regards,



Robert A. Malone

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<sup>2</sup> As we said in our transmittal letter of April 17, 2007, we have created a searchable database of over 20 million documents, which we winnowed down in the interest of providing the subset of documents that appeared most relevant to the Subcommittee's interests. Our letter noted that we anticipated and welcomed additional questions. Following our further discussions with Subcommittee staff, we are searching for additional responsive documents and will invest the time and resources needed to provide them.

bp

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Doug Suttles  
President

BP Exploration (Alaska) Inc.  
P.O. Box 196612  
900 E. Benson Boulevard  
Anchorage, Alaska 99519-6612

April 30, 2007

**BY HAND DELIVERY**

The Honorable John D. Dingell  
Chairman, House Energy and Commerce Committee  
U.S. House of Representatives  
2328 Rayburn House Office Building  
Washington, D.C. 20515-2215

Dear Chairman Dingell:

Direct 907 564 5422  
Main 907 561 5111  
Fax 907 564 5900  
doug.suttles@bp.com

We have received a copy of a March 17, 2007 communication to you that raised two issues regarding our operations in Alaska. We address each issue below.

**Prudhoe Bay Gathering Center #2 Fire Suppression System**

The letter first alleges risks in connection with the deactivation of the fire suppression system at our Gathering Center #2 (GC-2) facility during radiographic testing associated with corrosion monitoring activities.

I will address the specific allegations of the letter below, but I want to be clear at the outset that BP Exploration Alaska ("BPXA") is committed to safety. To that end, BPXA has acted to ensure all appropriate measures are taken in response to concerns such as those raised in the March 17 letter. BPXA assembled an internal team with appropriate experience and expertise to conduct a Process Hazard Analysis (PHA) to review whether the existing compensatory measures taken when the UV fire detection system is deactivated are sufficient and whether additional safety measures might be appropriate. This process addresses the review requested by the Office of the Ombudsman in response to a similar concern raised earlier by a worker.

The PHA team concluded that our practice of temporary disabling of the UV detectors is appropriate and necessary and identified additional safety measures that we are implementing. For example, we require an hourly patrol of the area with disabled UV detectors by an operator and we are managing the radiographic testing more actively to minimize the time the UV detectors are disabled.

Below, I have provided additional context about the UV detector deactivation issue to ensure that the March 17 letter does not leave any misimpressions.

First, the letter suggests that the entire fire suppression system at GC-2 is turned off during "x-ray corrosion monitoring." That is not the case. The GC-2 fire and gas detection and fire suppression system consists of multiple elements, including ultraviolet (UV) detectors, combination ultraviolet and infrared (UVIR) detectors, flammable gas

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detectors, smoke detectors, flicker detectors, fusible links in a water deluge system, and halon fire suppression. During radiographic (x-ray) activity in or near the facility, *only* the UV detectors are deactivated; all other detection and suppression systems remain activated and fully functional. The purpose of this temporary deactivation is to prevent the radiography from creating a false UV detection and triggering the fire suppression system.

Second, the letter does not identify the safety measures used when the UV detection system is disabled during radiographic testing. All other fire and gas detection and fire suppression systems remain activated and fully functional during the radiographic activity. Areas of the facility which have UV detectors also have gas detectors which are not deactivated during radiography. A minimum of five (5) operators must be present at the GC-2 facility for radiographic testing to take place to allow appropriate patrolling.

Additionally, the State of Alaska Department of Natural Resources, Oil & Gas Division investigated these same allegations. The Agency did not take exception with the practices and procedures that are used when the UV detection system is disabled during radiographic testing. The Agency's investigation recognized our thorough examination of the impact of disabling the UV detectors, the continued activation of other detection and suppression systems, and the additional safety measures recommended by the PHA team. Finally, the Agency concluded that the existing procedures to mitigate disabling the UV detectors are adequate.

Third, the letter describes the GC-2 fire suppression system as "defective." The fact is, the fire and gas detection and fire suppression system at GC-2, when implemented as designed, is adequate and, although it is somewhat cumbersome and not the system that BPXA would install today, it is fully functional. We continue to maintain these systems, and they provide the necessary protection for personnel and facilities. Indeed, at this point, a plan is under development for upgrading the fire and gas systems as part of our wider renewal efforts. This plan will be implemented in phases over the next several years. The company is committed to ensuring that fire and gas issues are addressed and to committed to providing the resources necessary to do so.

In addition, the Ombudsman's Office has been reviewing BPXA's fire and gas systems as part of the review of legacy employee concerns. The Ombudsman has engaged an independent engineering firm to evaluate the fire and gas system legacy concerns raised by BPXA employees and, in particular, to assess any need for near-term corrective action. The firm's initial examination of the system is ongoing, and a report is in development as part of the review of legacy employee concerns.

Operations Review Team

The March 17 letter also suggests that the Operations Review Team (ORT) Report completed in October 2001 -- a copy of which was provided to the Committee at that time, and which we are providing again with this letter -- omitted certain employee interview excerpts. In fact, as you know, no interview excerpts were selectively omitted because the ORT Report did not contain *any* interview excerpts in an effort to protect the confidentiality of the cooperating employees.

The ORT team was formed at the request of [Robert Malone, who was then BP's Regional President Western United States] to examine employee concerns about North Slope operating conditions. The review team examined employee and contractor operational integrity concerns, interviewed approximately 300 employees and contractors, and gathered more than 700 employee and contractor concerns. These employee concerns were analyzed and grouped into categories of related findings for further action by the review team.

In developing its recommendations for dealing with the issues raised by the workforce, the review team took into account suggestions made by the workforce for resolution of those concerns. A relatively small number of concerns (in comparison to other concerns) were expressed regarding corrosion management issues. Those concerns did result in findings and recommendations that we accepted and implemented.

If you would like any further information on either of these topics, please let us know. We would be happy to address any questions or concerns that you may have.

Sincerely,



Doug Suttles

cc: The Honorable Sarah Palin, Governor, Alaska *via hand delivery*

HENRY A. WAXMAN, CALIFORNIA  
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**U.S. House of Representatives**  
**Committee on Energy and Commerce**  
**Washington, DC 20515-6115**

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MARSHA BLACKBURN, TENNESSEE

April 30, 2007

Mr. Robert A. Malone  
Chairman and President  
BP America, Inc.  
200 Westlake Park Boulevard  
Houston, TX 77079

Dear Mr. Malone:

BP recently provided documents to the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce that suggest a severe cost-cutting atmosphere existed between 2000 and 2005 in crude oil production operations at Prudhoe Bay. Last week, BP representatives met with Committee staff to discuss these documents and explain what impact budget cuts may have had on Prudhoe Bay's Corrosion, Inspection, and Chemicals Group (CIC), which was responsible for corrosion mitigation at BP Exploration (Alaska) Inc. BP's representatives also commented on whether these budget cuts were in any way associated with the recent failures that led to last year's shutdown of the Prudhoe Bay field.

The documents suggest that budget pressures were severe enough that some BP field managers were considering measures as draconian as reducing corrosion inhibitor to save money. BP provided e-mails that detail proposals to cut funding for corrosion inhibitor during at least two different years and in two different locations. These locations included the "produced water" lines that are highly susceptible to corrosion. If senior BP managers were willing to consider turning off inhibitor at these locations, it suggests a budgetary environment in which other corrosion management activities may have been eliminated or reduced to a degree that may have directly affected corrosion of the portions of the oil transit lines (OTL) that experienced leaks last year.

Similarly, the documents suggest that corrosion-monitoring efforts such as smart pigging, coupon pulling, and digging up road crossings for visual inspection, were either reduced, put on hold, or "squeezed" in some cases due to budget constraints. In other words, important action items related to health, safety, and the environment, were being delayed, or cut altogether, and

that this was related to tight budgets possibly in an effort to maintain "flat lifting costs."

The documents provided to the Subcommittee confirm that people on the front lines of corrosion management believed that they were under extreme pressure, and they were attempting to do their best with what they had. As you prepare your testimony for the Subcommittee's hearing regarding operations at Prudhoe Bay, we ask that you be prepared to discuss your understanding of the impact that budget had on the CIC Group and how this may have affected both employee morale and the integrity of the corrosion monitoring program, including the willingness to raise concerns regarding imprudent decisions. As long as BP lacks an understanding of the environment in which these individuals were working, we remain skeptical that effective policies can be implemented to prevent recurrences of these kinds of incidents.

In light of this recent information, we ask that you include in your written testimony responses to the following questions regarding the CIC group's corrosion mitigation efforts:

1. At any time from 2000 to 2005, did BP managers order corrosion inhibitor injection to be turned off, specifically to save money or stay within budget constraints? If so, where in the system did this occur, during which dates, and what potential impact did such actions have on the lines or systems when it was halted?
2. On April 15, 2004, an e-mail was sent to Messrs. Kip Sprague and Richard Woollam in the CIC Group (Bates number 7159) referring to a proposal to cancel corrosion inhibitor at "GC's." Assuming that this abbreviation refers to the Gathering Centers, where within the Gathering Centers was the halting of inhibitor being proposed (regardless of whether such action was ever taken)? In view of the changing composition of crude oil being produced at Prudhoe Bay, would reducing corrosion inhibitor at the Gathering Centers have any impact on "carry over" to the OTLs that leaked?
3. Provide all records related to any requests for smart pigging and maintenance pigging from any officials in the CIC Group for the years 2000 through 2005.
4. Provide all e-mails sent and received by the CIC Group involving reducing, suspending, or cutting back on corrosion inhibitor, or any general concerns regarding corrosion in the OTLs.


Mr. Robert A. Malone  
Page 3

If you have any questions on this matter, please contact us or have your staff contact Christopher Knauer or Richard Miller with the Majority Committee staff at (202) 226-2424, or Dwight Cates with the Minority Committee staff at (202) 225-3641.

Sincerely,



John D. Dingell  
Chairman



Bart Stupak  
Chairman  
Subcommittee on Oversight and Investigations

cc: The Honorable Joe Barton, Ranking Member  
Committee on Energy and Commerce

The Honorable Ed Whitfield, Ranking Member  
Subcommittee on Oversight and Investigations

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RUD ALERIGHT, STAFF DIRECTOR

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U.S. House of Representatives  
Committee on Energy and Commerce  
Washington, DC 20515-6115

JOE BARTON, TEXAS  
CHAIRMAN

October 6, 2006

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Mr. Kurt Fredriksson  
Commissioner  
Alaska Department of Environmental Conservation  
410 Willoughby Ave., Suite 303  
P.O. Box 111800  
Juneau, AK 99811-1800

Mr. Robert A. Malone  
Chairman and President  
BP America, Inc.  
501 Westlake Park Boulevard  
Houston, TX 77079

Dear Commissioner Fredriksson and Mr. Malone:

Attached please find a copy of Compliance Order by Consent No. 02-138-10 between the State of Alaska and BP Exploration (Alaska) Inc. (BPXA). Several of the issues contained in this Order appear directly related to the spills on the Prudhoe Bay Western Operating Line (WOL) and the Prudhoe Bay Eastern Operating Line (EOL) that were the subject of a hearing by this Committee on September 7, 2006.

As you are aware, on March 15, 2006, the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) issued a Corrective Action Order (CAO) in response to the WOL failure. The CAO delineated specific requirements that BPXA needed to undertake to bring both its Eastern and Western lines into compliance.

Among the several items in the CAO was a requirement that BPXA "pig" several pipelines including the EOL and WOL. Subsequent to the issuance of the CAO, it was revealed that large sections of both the WOL and the EOL contained potentially significant amounts of scale, sludge, and/or other solids. For several months, following the issuance of the March CAO, BPXA attempted to develop solutions to (a) determine the amount of solids in each line, and (b) determine if and how it could pig these lines as required by the CAO. In early August of this year, BPXA discovered, after pigging part

of the EOL, that numerous instances of corrosion existed. Upon learning of this corrosion, BPXA subsequently ordered the shutdown of the Prudhoe Bay field.

In our September 7, 2006, hearing, BPXA acknowledged that it should have pigged both the WOL and EOL more frequently and that it had been caught off guard by the amounts of solids that were presently in these lines, particularly the EOL. However, this Compliance Order shows that BPXA was aware in at least 2001 that these lines possibly contained unacceptable amounts of solids and that the lines should be pigged. On page 5 of the Order are the following requirements:

- Determine sediment levels in EOL and WOL pipelines at Skid 50. [by 3/31/02]
- Modify EOL pig receiver at Skid 50. [by 3/31/02]
- Pig EOA pipeline from PS - 1 launcher to Skid 50. [by 6/30/02]
- Pig WOL pipeline segments if necessary. [by 9/30/02]
- Test and select flow meters at EOL pipelines, Skid 50 if necessary. [by 9/30/02]
- Complete WOL crude oil flow smoothing modifications. [by 12/31/02]
- Install and test meters on all pipelines. [by 12/31/02]
- Evaluate and establish leak detection systems' compliance. [by 12/31/02]

Had these actions been taken, BPXA would likely have been in a better position to understand the conditions that were forming in both the WOL and EOL -- conditions that ultimately resulted in the failures of these lines. However, it is unclear which, if any, of these actions occurred. Given the potential seriousness of this Order, and the direct relevance to the matters that occurred on both the Western and Eastern lines, we ask that you respond to the following questions by no later than Friday, October 20, 2006:

1. Was this Order received by BPXA? If so, by whom, and what actions were taken? If certain of these actions were not taken, explain why not.
2. The order is signed by a BPXA employee named Mr. Jack M. Fritts who is identified as the Greater Prudhoe Bay Unit Operations Manager. Does Mr. Jack M. Fritts still hold this position with the company? If not, is Mr. Fritts still employed by BPXA? If not, explain why not and provide the Committee with any documents surrounding his departure. Who did Mr. Fritts report to when this Order was signed, and is that person still employed by BPXA?
3. Why was this Order not provided to the Committee by BPXA pursuant to the Committee's document request letter dated August 31, 2006?
4. Prior to their sworn testimony before the Committee on September 7, 2006, was either Mr. Robert A. Malone or Mr. Steve Marshall briefed on or otherwise made aware of the existence of this Compliance Order? If not, why not? If so, why didn't either of them discuss the Order in their