

BP Alaska to pay largest per barrel penalty to date

McAfee & Taft RegLINC - May 2011

On May 3, 2011, the Environmental Protection Agency, the Department of Justice and the Department of Transportation's PHMSA announced the penalty assessed against BP Exploration Alaska, Inc. for its crude oil spill in March 2006 on Alaska's North Slope. The initial spill of 5,054 barrels was followed five months later by a 24-barrel spill, both resulting from BP Alaska's failure to properly inspect and maintain the pipeline to prevent corrosion. A PHMSA Corrective Action Order set forth what repairs needed to take place; however, when the company allegedly failed to fully comply, the matter was referred to the DOJ.

Ultimately, \$25 million in civil penalties were assessed, and BP Alaska was required to implement a system-wide pipeline integrity program covering 1,600 miles of pipeline. In addition to the \$200 million the company has already spent to replace the pipeline following the spills, another \$60 million will be expended to pay for the mandated pipeline integrity management program, which requires regular inspections and a risk-based assessment system implemented to address, evaluate and correct threats to the company's oil pipelines. These civil penalties are in addition to the criminal penalties assessed in 2007 following a misdemeanor guilty plea for the same incident, which itself resulted in a \$40 million fine. The overall cost: \$315 million and a criminal conviction.

The government hopes this sends the message that companies need to act responsibly because they will be held accountable for testing and maintaining their pipelines.

LINKS

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