



United States Department of the Interior
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT
Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394

In Reply Refer To: GE 432A

September 4, 2013

Mr. John Hoffman
President and CEO
Black Elk Energy Offshore Operations, LLC
11451 Katy Freeway, Suite 500
Houston, Texas 77079

Re: Performance Improvement Plan - Status Update

Dear Mr. Hoffman:

This letter is follow up to my letter of November 21, 2012, which provided Black Elk Energy Offshore Operations, LLC (Black Elk) notice pursuant to 30 CFR §250.135 that Black Elk was required to take immediate steps to enhance its overall performance. Specifically, the Bureau of Safety and Environmental Enforcement (BSEE) identified a number of steps that were to be taken.

This letter identifies those tasks reported as complete under the Performance Improvement Plan (PIP) submitted December 14, 2012, by Black Elk, a status of the ongoing tasks, and a summary of the remaining PIP items that need to be resolved prior to possible termination of the PIP. The enclosure provides a summary of the status of many of the actions undertaken by Black Elk. We ask that you review, update, and verify the status of these actions under company signature by September 16, 2013.

BSEE's summary of the actions undertaken indicate an ongoing commitment by Black Elk to improve the safety and environmental compliance of operations. There are remaining actions to be resolved before BSEE will no longer consider Black Elk on notice for possible disqualification as specified in my November letter. Specifically:

- Complete the SEMS audit Corrective Action Plan. Estimated to be completed by October 1, 2013.
- Complete the remaining PIP Task List items and/or obtain BSEE approval required for any ongoing PIP Task List items.
- Update SEMS Plan to reflect the appropriate modifications necessitated by the completed PIP tasks.
- Demonstrate further improvement in reducing incidents of noncompliance. Although the Black Elk INC-to-Component and INC-to-Inspection Ratios have improved, further work needs to be done in reducing the number of BSEE INC's issued on re-inspections in order to achieve compliance closer to the Gulf of Mexico industry average.

- Eliminate the serious violations that could lead to possible civil penalty assessments. Since January 1, 2013, Black Elk was issued 4-P103 Component INC's, and the following Structure Shut-in INC's: 1-G110, 2-G111, and 1-G112. Black Elk must submit additional corrective action procedures beyond task items 8-11 that will ensure risk reduction in their overall production operations.

Please contact our Annual Performance Review Coordinator, Tommy Machado, at (504) 736-2833 should you have any questions. Subsequent to BSEE's collection of additional data, we will contact Black Elk regarding upcoming PIP meetings.

Sincerely,

A handwritten signature in black ink that reads "Lars Herbst". The signature is written in a cursive, slightly slanted style.

Lars Herbst
Regional Director

Enclosure

ENCLOSURE

Completed BSEE Direct Order Status

1. BSEE has received documentation of the appropriate corrective actions taken to safely return each of the Black Elk shut-in facilities into operational status to BSEE's satisfaction. This excludes the West Delta 32 E Platform until such point as the New Orleans District has reevaluated the facility and safety system modifications.
2. BSEE has been notified at least 48 hours prior to returning these facilities to production to allow for the proper BSEE inspection.
3. BSEE verified that hot work operations to date are being conducted as approved, and a safety manager is in place whose responsibility is to improve hazard identification, training, and oversight for such operations. BSEE will continue increased oversight and, therefore, will maintain a requirement to notify BSEE of hot work plans.

Black Elk Safety and Environmental Management System (SEMS) Audit Status

4. a) BSEE was provided the Black Elk SEMS audit plan on December 14, 2012, with the BSEE Office of Safety Management (OSM) completing review of the plan. Subsequent to ensuring compliance with 30 CFR Subpart S, the BSEE National SEMS Branch sent an approval letter to Black Elk on January 2, 2013.

b) The Black Elk SEMS audit commenced on January 17, 2013, utilizing OSM oversight throughout the process.

c) The Black Elk SEMS audit integrated a BSEE approved independent third-party audit team to conduct the audit.
5. BSEE received Black Elk's SEMS audit report and Corrective Action Plan (CAP) on April 10, 2013.
6. Subsequent to BSEE's review of the SEMS audit report and CAP, the BSEE approval letter was sent to Black Elk on April 18, 2013. On July 1, 2013, Black Elk sent an updated CAP in accordance with the requirements laid out in the BSEE audit approval letter. BSEE has received an additional CAP update on July 31, 2013. Thirteen (13) CAP deficiencies remain open with an expected target completion date nearing October 1, 2013.

Black Elk Completed PIP Task List Items

7. The Black Elk PIP Task List has been completed as reported:

(Through July 2013)	
Task	Status
1. SEMS Audit	SEMS CAP update completed with reporting to BSEE occurring this month.
2. Onsite Safety Coordinator (OSC)	Staffed drilling, major well work and construction projects with OSCs, and supplemented OSCs with contract OSCs who have attended the Black Elk Safe Work Practice (SWP) training.
3. Operations Specialist (OS)	Identified 38 OS that are current Black Elk employees, with the custodian of the list being the Sr. Operations Superintendent.
4. Construction Work Oversight	OSCs and SMEs are identified in Project Execution Plan (PEP), Black Elk Supervisors witness that all requirements of the approved PIP or Hot Work Plan (HWP) are followed, and oversight personnel were at the immediate work area during performance of Hot Work.
5. Enhance Internal Compliance Monitoring	Black Elk has appointed a Compliance Manager, 4 Compliance Technicians, 4 Offshore Quality Supervisors and 2 Training Supervisors to conduct field audits and support compliance efforts.
6. Stop Work Authority (SWA)	SWA is covered in the Black Elk Orientation and Offshore Worker SWP training. The Incident Reporting Standard was revised to require SWA tracking, with SWA actions reported in weekly incident reporting.
7. Production Operations Performance Incentive Program	Incentive bonuses have been implemented with results being calculated for the first period of 2013.
8. Reduce P103 INC's through amending Bridging Document.	Requires contractors to follow Black Elk's out-of-service safety device standard (BEE-0664-S).
9. Conduct Safety Device Out-of-Service Awareness campaigns.	Awareness has been raised in all areas via crew changes and safety meetings.
10. Revise Black Elk Standard requiring an annual assessment of employees/contractors for understanding of placing safety devices in by-pass.	Black Elk (BEE-064-S) Standard revised, with Management of Change 1937 approved and closed.
11. Add Task to SEMPCheck Checklist to perform annual assessment for P103s.	Annual Assessment task added to Black Elk's E-Library Compliance Checklist.

12. Hiring Drilling Foreman to staff drilling operations.	4 Drilling Foreman have been hired.
13. Utilizing third party onsite Drilling SEMS/Safety Specialists at each drilling location.	Staffed all drilling and workover projects with Hyperion SEMS / Safety Specialists.
14. Utilizing Drilling Consultants to supplement and support the drilling foreman.	4 Drilling Consultants were hired.
15. Initiate a sump issue awareness campaign.	Awareness elevated through training, safety meetings, sump assessments and maintenance planning.
16. Develop sump database.	Compiled and completed database of fleet sumps, with designation (good, fair, poor) assigned, and all sumps categorized as poor will take priority and require a remediation plan.
17. Conduct an initial assessment of each sump system for all platforms.	Platform PICs completed assessments for sump database. Construction Supervisor is evaluating sumps that were reported in poor condition and developing work scope for repairs.
18. Develop a preventative maintenance plan for each sump as applicable and appropriate.	Sump preventative maintenance plan includes daily inspections of external components, operational reliability checks of sump pumps, bi-monthly safety device testing and annual internal inspection and cleaning of sump tanks if required.
19. Create an Environmental Assessment Checklist with daily and bi-weekly tasks.	Environmental Assessment Checklists have been developed for daily and bi-weekly environmental inspections, and implemented E-forms in SEMPCheck E-Library.
20. Onsite audit protocol for pollution to be revised to include visual verification that checklists are being completed and findings are consistent with actual condition of equipment being checked.	Audit protocol developed to audit Environmental Assessment Checklists during onsite HSE audits; to include onsite observation, document verification and operator interviews of HSE Technicians.
21. Add Training Foreman (Black Elk Employee) position staffed with two employees experienced in instrumentation.	2 Training Foreman in place; one each in Eastern GOM and Western GOM.
22. Implement Policy to Conduct End Device testing during each hitch.	Field Operators are testing each shift on manned platforms and monthly on unmanned. Field Operators are now able to upload End Device test results in SEMPCheck twice per month to obtain a drift report that includes all testing data.
23. Add Compliance Manager Position and Field Compliance Tech Positions with 2 working	Black Elk has appointed a Compliance Manager, 4 Compliance Technicians, 4 BEE Offshore Quality Supervisors and 2 BEE Training Supervisors to conduct

7 & 7 in each region (East, Central, and West).	field audits and support compliance efforts.
24. Address the pollution inspection INC's by adding an additional helicopter to the area.	One helicopter was added to Area 3 Deep on 15 December 2013.
25. Completed audit program for paperwork INC's, while devoting additional resources to ensure drawings are accurate and up-to-date.	Compliance Techs are performing walk-downs on platforms to validate drawings. Mark-ups are reviewed by Black Elk Facility Engineers (2 Facility Engineers [PEs] hired by Black Elk), with Black Elk draftsmen revising drawings. As drawings are updated, a Compliance Specialists initiates MOC, submits drawing packages to PEs, who reviews and return approved drawings for submittal to Black Elk.
26. SEMPCheck Compliance Management System training.	SEMPCheck training is required prior to a person receiving a user account.
27. Periodic evaluations of contractor's equipment to ensure properly being maintained.	Black Elk Representative is required to complete Black Elk Contractor Equipment Pre-Mob integrity Inspection Checklist and submit to Black Elk Project Manager prior to shipment to platform.
28. Maintenance Team to develop an audit protocol for performing regular onshore and offshore assessments of contractor's equipment.	Inspection protocol based on type of job and equipment used to perform work scope.
29. Maintenance Team to revise daily equipment report for compressors and generators to include a visual survey of equipment.	Forms completed and equipment being monitored.
30. Maintenance Team to revise Crane Pre-Use form to include visual verification.	Forms completed and equipment being monitored.
31. Maintenance Team to assign resources to evaluate all reports developed to identify piping and other leaks.	Crane and Rotating Equipment Manager is monitoring on a daily basis.
32. Maintenance Team will provide a leak status report on weekly basis to Area Superintendents and Field Foreman.	Reports are being sent on a weekly basis.

33. Maintenance and Execution Team to conduct audits of contractors that provides mechanical equipment to Black Elk facilities.	Black Elk Crane Supervisor has attended Crane Contractor Site Audits, and the Execution Managers have attended site audits of Well Workover Contractors.
34. Crane Supervisor to oversee and ensure crane inspections and maintenance are conducted properly.	Black Elk has hired 2 Crane Supervisors; one for Eastern GOM and one for Western GOM. Both are Black Elk employees.
35. Utilize Measurement Technicians working 7&7 to manage inspection calibrations and maintenance are conducted properly.	Hired 2 Measurement Technicians that are both Black Elk employees.

Black Elk Remaining PIP Task List Status

8. The status of the remaining PIP Task List items (as of July 2013) include the following:

Training

Hazard Recognition (HR) and Safe Work Practices (SWP) refresher training **is ongoing**, with classes scheduled every week in Lafayette. Approximately 440 BEE employees and contractors have received the HR training, Hot Work Permit (HWP) and Job Safety Analysis (JSA) processes. Phase 2 will include development of a Black Elk HR and SWP overview training module to be completed by all contract workers nominated by the Management of Change (MOC) process for permanent offshore assignment prior to going offshore.

Contractor training to ensure safety devices placed out-of-service meets the Black Elk (BEE-064-S) Standard is **approximately 20% complete**. Training Supervisors and Compliance Techs are conducting the offshore training and testing of devices; 29 of 142 operators and technicians have been trained offshore.

Production platform personnel sump operation and maintenance training was completed for 139 operators, but this training is an ongoing process for new arrivals of platform production personnel.

NACE Corrosion training is **approximately 75% complete**, with 6 Black Elk employees receiving the training. These employees consist of the Facilities Manager, Construction Superintendent, Construction Foreman, Compliance Techs, HSE Tech and Production Supervisor. Additional employees registered for the next course include 1 Construction Manager and 2 Construction Superintendents.

NPDES regulatory training is **50% complete** with 74 Black Elk and contract personnel having attended the BEE Quarterly Safety meeting in Lafayette on June 5, 2013. Black Elk Training Supervisors will be attending upcoming train-the-trainer courses.

Simultaneous Operations Plan (SIMOPS)

The SIMOPS is **approximately 80% complete** and has been updated with 5 checklists to enhance safety and hazard recognition during SIMOPS projects. Awareness training is included in safety meetings and project spud meetings. A SIMOPS Safety meeting Module will cover the SIMOPS Plan and Checklists for production operation crews. The onsite Safety Coordinator will be responsible for ensuring the SIMOPS Plan is followed during all SIMOPS operations.

Blasting and Painting (B&P) Crews

The Black Elk B&P program is **40% complete** having completed work on 6 platforms, with 3 platforms scheduled for August 2013.

Better Implementation of Black Elk Policies with Contractors

Black Elk is developing a comprehensive contractor management program to include development of a functional Contractor Management Standard, selection of a Contractor Pre-Qualification Service (ISNetworld), and formation of a Contractor Oversight Team. Black Elk is also utilizing Bridging Assessments and Contractor Site Evaluations to address issues with language and sub-contractors.

End Device Failure Trend Analysis

A bi-weekly testing program has been implemented to reduce end device failures. Additional improvement measures will be implemented with the assistance of Compliance Techs and Quality Supervisors focusing on INC reduction activities. The program is **approximately 75% complete**.

Painting Valve Handles

Painting of PSV isolation, level isolation, etc. is completed, but **an ongoing task** requiring additional painting during maintenance. Also, the use of fluorescent paint was replaced with a contrasting colored paint (red, orange) to improve durability.

Recruitment of Experienced Operators

The task is **75% complete**. Since December 2012 Black Elk has hired 46 new field engineers; 50% were Lead and "A" Operators. Black Elk is continuing to evaluate additional personnel under consideration for direct hiring, with employment offers to extend to 30 current contract workers.

SEMP Check Audits of Documents

SEMPCheck audits being conducting bi-annually of documents uploaded to the Black Elk E-Library, with findings reported to the Compliance Techs. Although **approximately 30% complete**, process improvements to be implemented included Black Elk Compliance Techs

performing E-Library and site documentation file audits. Audit findings and corrective actions will be tracked via SEMPCheck PINC Tracker.

Use of Lead Electrician to Maintain Equipment

The task is **50% complete** with 1 Black Elk Lead Electrician hired, but still searching for qualified individual for the Western GOM.

Utilizing API Accredited Crane Contractors

Two crane contractors are accredited, so task is **66% complete**. The third crane contractor has completed all of the requirements for accreditation; submitted applications in January 2013 and awaiting API audit scheduled for this month. Black Elk has also reduced the work scope of the non-accredited crane contractor.

INSTRUCTIONS: Please review and update by redline strikeout and submit to Mr. Tommy Machado (GE 1073E) by September 16, 2013. The signature of the company official should be affixed to verify the submission.