

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 4, 2015

Mr. Bill Henry
Vice President
Freeport LNG Development, L.P.
333 Clay Street, Suite 5050,
Houston, TX 77002

CPF 4-2015-1011W

Dear Mr. Henry:

On August 5-6, 2015, two representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the construction of your Freeport LNG (FLNG) expansion project in Freeport, Texas.

As a result of the inspection, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) is:

1. §192.303 Compliance with specifications or standards.

Each transmission line or main must be constructed in accordance with comprehensive written specifications or standards that are consistent with this part.

§192.55 Steel pipe.

(a) New steel pipe is qualified for use under this part if:

**(1) It was manufactured in accordance with a listed specification;
API 5L Annex A.**

A.1.2 welding procedures, welders and welding machine operators (hereafter called operators) shall be qualified in accordance with a standard approved by the purchaser.

FLNG failed to follow their written specification for the manufacturing of line-pipe standards used in the construction of their Freeport, Texas pipeline facility. Specifically, FLNG failed to approve the standard used to qualify the welding procedures and welders for the manufacturing of 7,664 ft. coated and 450 ft. bare 42-inch API 5L X-65 Grade natural gas pipeline that was manufactured at the JSW Steel Mill.

According to initial documentation and information provided during and after PHMSA's meeting with FLNG personnel, it seemed plausible that a manufacturing procedure and specification that encompasses welding and related processes in which the 42-inch steel pipe should have been fabricated in contingent to acceptable terms outlined and agreed on by both FLNG and JSW was not developed. As a result, the 42-inch API 5L, X65 grade line pipe was manufactured without an approved manufacturing agreement of a qualified procedure as required by their written specification and the provisions outlined in API 5L A.1.2 specification.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. Also, for LNG facilities, an additional penalty of not more than \$50,000 for each violation may be imposed. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Freeport LNG Development, L.P. being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 4-2015-1011W**. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b)

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration