



U.S. Department
of Transportation

400 Seventh Street, S.W.
Washington, D.C. 20590

**Pipeline and Hazardous
Materials Safety Administration**

MAY 22 2007

David Rouse
Manager, WBU-Offshore
Environmental, Health and Safety
Plains Exploration and Production Energy (formerly Nuevo Energy Company)
201 S. Broadway
Orcutt, CA 93455-4606

Re: CPF No. 5-2004-7002

Dear Mr. Rouse:

Enclosed is the Final Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation and finds that you have completed the actions specified in the Notice required to comply with the pipeline safety regulations. The Final Order also finds that you have addressed the inadequacies in your procedures that were cited in the Notice of Amendment. This case is now closed. Your receipt of the Final Order constitutes service under 49 C.F.R. § 190.5.

Sincerely,

James Reynolds
Pipeline Compliance Registry
Office of Pipeline Safety

cc: Chris Hoidal
Director, Western Region, PHMSA

Enclosure

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590

In the Matter of)	
)	
Plains Exploration and Production Co.,)	CPF No. 5-2004-7002
)	
Respondent)	
)	

FINAL ORDER

On February 24 and 25, 2004, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration (“PHMSA”), Office of Pipeline Safety, conducted an on-site pipeline safety inspection of Respondent’s facilities and records in Orcutt, California.¹ As a result of the inspection, the Director, Western Region, PHMSA, issued to Respondent, by letter dated September 23, 2004, a Notice of Probable Violation, Proposed Compliance Order, and Notice of Amendment (“Notice”). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had committed violations of 49 C.F.R. § 195.452 and ordering that Respondent take certain measures to correct the alleged violations. The Notice also proposed, in accordance with 49 C.F.R. § 190.237, that Respondent amend its written procedures for its integrity management program (“IMP”).

Respondent responded to the Notice by letter dated October 19, 2004 (“Response”). Respondent did not contest the allegations of violation but provided information concerning the corrective measures it had taken in response to the allegations and submitted copies of its amended procedures. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

Pursuant to 49 C.F.R. § 190.213 and U.S.C. § 60122, I find that Respondent violated the following sections of 49 C.F.R. Part 195, as more fully described in the Notice:

Notice Item 1a:

49 C.F.R. § 195.452 (c) -- What must be in the baseline assessment plan?

- (1) An operator must include each of the following elements in its written baseline assessment plan:

¹ At the time of the audit, the Respondent was known as Nuevo Energy Company (Nuevo). Since the time of the audit, Nuevo merged with and is now referred to as Plains Exploration and Production (PXP) Company.

(i) The methods selected to assess the integrity of the line pipe. An operator must assess the integrity of the line pipe by any of the following methods. The methods an operator selects to assess low frequency electric resistance welded pipe or lap welded pipe susceptible to longitudinal seam failure must be capable of assessing seam integrity and of detecting corrosion and deformation anomalies.

(A) Internal inspection tool or tools capable of detecting corrosion and deformation anomalies including dents, gouges and grooves;

Geometry tools were not used in conjunction with the metal loss in-line inspection (ILI) tools in the assessment relied upon for the baseline assessment plan (BAP). Geometry tools provide more precise information about the pipe anomalies that the ILI tools detect. This more detailed information enables an operator to properly assess the integrity of the line pipe. In the alternative, the operator could have only run a metal loss ILI tool and treated all dent indications as immediate repairs.

Notice Item 2c:

49 C.F.R. § 195.452(f) -- What are the elements of an integrity management program?

An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

.....
 (4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);

.....
 (8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

Respondent did not adequately assess ILI data through comparison of the data to actual dig results. This comparison allows operators to determine ILI tool tolerance. Understanding tool tolerance is necessary for assessing anomalies reported in the ILI data and establishing criteria for effective remedial action.

Notice Item 5a:

49 C.F.R. § 195.452(h) -- What actions must an operator take to address integrity issues?

(1) General requirements. An operator must take prompt action to address all anomalous conditions that the operator discovers through the integrity assessment or information analysis. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity. An operator must be able to demonstrate that the remediation of the condition will ensure that the condition is

unlikely to pose a threat to the long-term integrity of the pipeline. A reduction in operating pressure cannot exceed 365 days without an operator taking further remedial action to ensure the safety of the pipeline.

Respondent did not adequately analyze the ILI results, which revealed a large number of anomalies and variance in anomaly severities in the Irene Platform to LOGP pipeline assessment.

Notice Item 8

49 C.F.R. § 195.452(i) -- What preventive and mitigative measures must an operator take to protect the high consequence area?

(1) General requirements. An operator must take measures to prevent and mitigate the consequences of a pipeline failure that could affect a high consequence area. These measures include conducting a risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Such actions may include, but are not limited to, implementing damage prevention best practices, better monitoring of cathodic protection where corrosion is a concern, establishing shorter inspection intervals, installing EFRDs on the pipeline segment, modifying the systems that monitor pressure and detect leaks, providing additional training to personnel on response procedures, conducting drills with local emergency responders and adopting other management controls.

Respondent did not establish criteria or procedures for implementing preventive and mitigative measures to enhance public safety and/or environmental protection in its IMP.

Notice Item 9

49 C.F.R. § 195.452(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(4) Emergency Flow Restricting Devices (EFRD). If an operator determines that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release, an operator must install the EFRD. In making this determination, an operator must, at least, consider the following factors--the swiftness of leak detection and pipeline shutdown capabilities, the type of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, proximity to power sources, location of nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

Respondent failed to implement a proper process for determining placement of Emergency Flow Restricting Devices (EFRDs). Respondent relied solely on the original construction design to determine EFRD placement.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a Compliance Order with respect to the violations listed in Items 1a, 2c, 5a, 8, and 9. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director, Western Region, PHMSA, has indicated that Respondent provided information in response to the Notice, demonstrating that Respondent has taken corrective measures to bring the specified portions of Respondent's IMP into compliance with the Part 195 requirements. Since compliance has been achieved with respect with these violations, it is unnecessary to include compliance terms in this Order.

AMENDMENT OF PROCEDURES

With respect to Items 1b, 2a, 2b, 4, 5b, 6, 7a, 7b, 10a, 10b, and 10c, the Notice alleged inadequacies in Respondent's IMP procedures and proposed to require amendment of the Respondent's IMP to comply with requirements of Part 195. In its Response, Respondent did not contest the proposed Notice of Amendment and submitted copies of its amended IMP procedures, which the Director, Western Region, PHMSA, reviewed. The Director determined that Respondent had satisfactorily amended its procedures. Based on the results of this review, I find that Respondent's original procedures as described in the Notice were inadequate but that Respondent has corrected the identified inadequacies. Accordingly, it is unnecessary to issue an order directing amendment.

WARNING ITEMS

With respect to items 1c and 3, the Notice alleged probable violations of Part 195 but did not propose a civil penalty or compliance order for these items. Therefore, these items are considered warning items. The warnings were for:

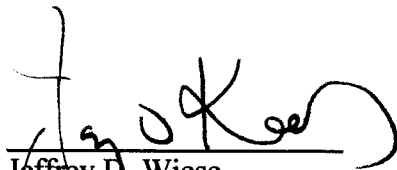
49 C.F.R. § 195.452(c)(1)(A)(2) (Notice Item 1c) — failure to document, prior to implementing any changes to the plan, any modification of the plan, and reasons for the modification. Respondent failed to document the baseline assessment plan changes and associated justification.

49 C.F.R. § 195.452(g)(1)-(4) (Notice Item 3)— failure to document the process of integration of information, which facilitates information analysis. Respondent's IMP did not require documentation of the process of information integration.

With regards to Notice Item 1c, Respondent maintained that at the time of inspection, its record of revision section included justification for revisions. Respondent presented information in its Response showing it had modified its IMP to address the Notice Item 3. Having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that probable violations of 49 C.F.R. § 195.452(c)(1)(A)(2) (Notice Item 1c) and 49 C.F.R. § 195.452(g)(1)-(4) (Notice Item 3) have occurred and Respondent is hereby advised to correct such conditions. In the event that OPS finds a violation for any of these items in a subsequent inspection, Respondent may be subject to

future enforcement action.

The terms and conditions of this Final Order are effective on receipt.



Jeffrey D. Wiese
Acting Associate Administrator
for Pipeline Safety

Date Issued

