

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 12, 2017

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

CPF 4-2017-3001W

Dear Mr. Mallett:

On September 6, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code were onsite and inspected Freeport LNG (FLNG) Pre-Treatment Facility's 8-inch natural gas liquids (NGL) pipeline in Freeport Texas.

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

1. §195.1 Which pipelines are covered by this Part?

(a) Covered. Except for the pipelines listed in paragraph (b) of this Section, this Part applies to pipeline facilities and the transportation of hazardous liquids or carbon dioxide associated with those facilities in or affecting interstate or foreign commerce, including pipeline facilities on the Outer Continental Shelf (OCS). Covered pipelines include, but are not limited to:

(b) Excepted. This Part does not apply to any of the following:

(3) Transportation of a hazardous liquid through any of the following low-stress pipelines:

(ii) A pipeline that serves refining, manufacturing, or truck, rail, or vessel terminal facilities, if the pipeline is less than one mile long (measured outside facility grounds) and does not cross an offshore area or a waterway currently used for commercial navigation;

Freeport LNG (FLNG) failed to show that a 2.2 mile long 8-inch NGL pipeline meets the requirement for an exception under §195.1 (b)(3)(ii). FLNG constructed a 2.2 mile long hazardous liquids pipeline designed to transport natural gas liquids from their pre-treatment facility near Freeport, TX to a truck loading facility near Texas Highway 523 and Jeffers Road. The operator then claimed the pipeline was exempt from Part 195 Regulation because the length of the pipeline outside the facility was 0.92 miles. FLNG stated that they had acquired or leased property to increase the pre-treatment facility site to over a mile across which reduced the length of the hazardous liquid pipeline to less than one mile.

In order to verify this, PHMSA requested the following documentation: FLNG's survey procedures, the surveyors training and qualifications records, field notes that were made during the survey, the equipment used in order to conduct the survey and accompanying calibration certificates, any GIS software used to conduct the survey, plot plans that show what areas will be fenced and what types of fencing will occur around the 8-inch NGL line, and easement agreements along the length of the property that the 8-inch NGL traverses showing the operator controls the site property, and "as-built" drawings of the pipeline.

According to FLNG email response, the requested documents are not available or have not been developed at the time of the inspection. As a result, FLNG failed to provide evidence to support their exception requirement of §195.1 (b)(3)(ii).

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. 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 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 4-2017-3001W**. 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