

**NOTICE OF PROBABLE VIOLATION  
PROPOSED CIVIL PENALTY  
and  
PROPOSED COMPLIANCE ORDER**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

January 28, 2019

Jeff Gifford  
Vice President  
GENESIS OFFSHORE HOLDINGS, LLC  
919 Milam St. Suite 2100  
Houston, Texas 77002

**CPF 4-2019-2001**

Dear Mr. Gifford:

On, March 6, 2017 through June 12, 2017, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected procedures, records, and facilities for your Viosca Knoll, Independence Trail, Anaconda, and High Island offshore gas pipeline systems in the Gulf of Mexico.

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

1. **§192.605 Procedural manual for operations, maintenance, and emergencies.**

**(c) *Abnormal operation.* For transmission lines, the manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:**

**(4) Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.**

Genesis Offshore Holdings failed to follow its O&M Gas Manual procedure for conducting periodic reviews. Genesis could not provide records to show the periodic reviews were conducted for work done by operating personnel.

Genesis O&M Procedure Manual – Gas - Abnormal Operation (Section 300) 3.3 requires that the Pipeline Control Room Manager and all Location Supervisors shall periodically review the response of their personnel to determine the effectiveness of these abnormal operation procedures and take corrective action where deficiencies are found. Additionally, Section 200, 2.0, item 4 requires that Form 201A to be completed for everyone during the effectiveness review.

During the audit, PHMSA requested a copy of form 201A as an example of record review. Genesis provided a copy of form 601A, which is the form referred to in O&M Procedure Manual -Liquid, but it applies to both gas and liquid systems which is inconsistent with O&M Procedure Manual - Gas requirements.

2. **§192.605 Procedural manual for operations, maintenance, and emergencies.**

**(a) *General.* Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.**

Genesis failed to follow its procedure (Abnormal Operation - Section 300 in the O&M Section 3.1) using the appropriate forms to document and record the communications and actions taken by the field personnel and control room during and after Abnormal Operation Condition.

During the audit, the PHMSA inspector reviewed two Abnormal Operation Conditions listed on console 4 in the Control Room report (9/27/2016\_AC Power Fail, and 11/20/2016\_Outgoing Valve shows open). The PHMSA inspector noticed that there were no forms or documentation generated as per the procedure to record the communications and actions taken by the field personnel. Genesis informed the PHMSA inspector, they only use phone calls and e-mail to communicate such actions.

**3. §192.479 Atmospheric corrosion control: General**

**(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.**

Genesis failed to clean and coat portions of their pipeline exposed to the atmosphere at the 30” HVL-301D valve area and at the 30” HVRT-304A valve area. The PHMSA inspector observed disbonded coating, atmospheric corrosion, and severe pitting on flanges, risers, valves, and the pipeline.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$213,268 per violation per day the violation persists, up to a maximum of \$2,132,679 for a related series of violations. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022. For violations occurring prior to November 2, 2015, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$52,400 as follows:

<u>Item number</u>	<u>PENALTY</u>
2	\$24,500
3	\$27,900

Warning Items

With respect to item 1 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 promptly correct this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to item 3 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to GENESIS OFFSHORE HOLDINGS, LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. All

material you submit in response to this enforcement action may be 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 4-2019-2001** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Mary L. McDaniel, P.E.  
Director, Southwest Region  
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*  
*Response Options for Pipeline Operators in Compliance Proceedings*

## **PROPOSED COMPLIANCE ORDER**

Pursuant to 49 United States Code §60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to GENESIS OFFSHORE HOLDINGS, LLC a Compliance Order incorporating the following remedial requirements to ensure the compliance of GENESIS OFFSHORE HOLDINGS, LLC with the pipeline safety regulations:

1. In regard to Item Number 3 of the Notice pertaining to atmospheric corrosion and coating damage on portions of pipeline that are exposed to the atmosphere on platform HIA-573 on HIOS gas gathering system, Genesis must complete remedial action and submit documentation to PHMSA's Southwest Region Director within 30 days of issuance of the Final Order.
2. It is requested (not mandated) that GENESIS OFFSHORE HOLDINGS, LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.