

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 11, 2019

Joel Plauche
Vice President, HSE and Regulatory
Fieldwood Energy, LLC
2014 W. Pinhook Rd, Suite 800
Lafayette, Louisiana 70508

CPF-4-2019-5007

Dear Mr. Plauche:

From July 18 to October 27, 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 your Fieldwood Energy, LLC (Fieldwood Energy) Grand Isle Pipeline System in Lafayette, Cameron, and Grand Isle, Louisiana.

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. §195.49 Annual report

Each operator must annually complete and submit DOT Form PHMSA F 7000-1.1 for each type of hazardous liquid pipeline facility operated at the end of the previous year. An operator must submit the annual report by June 15 each year, except that for the 2010 reporting year the report must be submitted by August 15, 2011. A separate report is required for crude oil, HVL (including anhydrous ammonia), petroleum products, carbon dioxide pipelines, and fuel grade ethanol pipelines. For each state a pipeline traverses, an operator must separately

complete those sections on the form requiring information to be reported for each state.

Fieldwood Energy failed to submit an accurate PHMSA Annual Report (F 7000-1.1) for their hazardous liquid pipelines for calendar years 2014, 2015, and 2016. While Annual Reports were submitted, Fieldwood Energy failed to include the Grand Isle Breakout Tank in Part M-Breakout Tanks for the 2014 and 2016 reports. Additionally, the 2015 Annual Report for hazardous liquid did not include assessments conducted in 2015. Hydrotests were performed in 2015 for the East Cameron 14 to Grand Chenier pipeline segment, but the hydrotest assessment was not included in either Part F-Integrity Inspections Conducted and Actions Taken Based on Inspection or Part G-Miles of Baseline Assessments and Reassessments Completed in Calendar Year, of the 2015 Annual Report.

2. §195.402 Procedural manual for operations, maintenance, and emergencies.

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(13) Periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

Fieldwood Energy failed to follow their Operations, Maintenance & Emergency Manual procedure to periodically review work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance, and taking corrective action where deficiencies are found. The Inspector reviewed the **Scope Section** of Fieldwood Energy's Operations, Maintenance & Emergency Manual (page 4) which states that Fieldwood Energy operations supervisors shall periodically review work done by operations personnel to determine compliance and effectiveness of the O&M procedures for DOT pipelines. Fieldwood Energy did not provide any documentation to show that their operations supervisors were periodically reviewing work done to determine compliance and effectiveness.

3. §195.440 Public awareness

(i) The operator's program documentation and evaluation results must be available for periodic review by appropriate regulatory agencies.

Fieldwood Energy failed to follow their O&M Manual, **DOT Public Awareness Program** procedure (page 22) to evaluate their Public Awareness Program and to provide their program evaluation results for review by PHMSA Inspectors. Fieldwood Energy did not follow their procedure which requires Fieldwood Energy to complete an annual audit or review of whether the program has been developed and implemented according to the requirements listed in the procedure and API RP 1162.

4. **§195.452 Pipeline integrity management in high consequence areas.**

(e) What are the risk factors for establishing an assessment schedule (for both the baseline and continual integrity assessments)?

(1) An operator must establish an integrity assessment schedule that prioritizes pipeline segments for assessment (see paragraphs (d)(1) and (j)(3) of this section). An operator must base the assessment schedule on all risk factors that reflect the risk conditions on the pipeline segment. The factors an operator must consider include, but are not limited to:

- (i) Results of the previous integrity assessment, defect type and size that the assessment method can detect, and defect growth rate;**
- (ii) Pipe size, material, manufacturing information, coating type and condition, and seam type;**
- (iii) Leak history, repair history and cathodic protection history;**
- (iv) Product transported;**
- (v) Operating stress level;**
- (vi) Existing or projected activities in the area;**
- (vii) Local environmental factors that could affect the pipeline (e.g., seismicity, corrosivity of soil, subsidence, climatic);**
- (viii) geo-technical hazards; and**
- (ix) Physical support of the segment such as by a cable suspension bridge.**

Fieldwood Energy failed to establish an integrity assessment schedule that prioritizes pipeline segments for assessment based on all risk factors reflecting the risk conditions on the pipeline segment as required by §195.452. Fieldwood Energy based their assessment schedule on an email from Fieldwood Energy's Construction Senior Advisor, stating that their testing frequency should remain at 5-year intervals based on the successful hydrotesting thus far and that no pipelines have failed hydrotests since Fieldwood Energy started IMP Management.

5. **§195.452 Pipeline integrity management in high consequence areas.**

(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:

- (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).**

Fieldwood Energy failed to adequately document the qualifications required by Fieldwood Energy personnel who are responsible for conducting integrity assessment results and information analysis. In the Fieldwood Energy IMP Team Qualification Process, it discusses what qualifications are required by in-house and third party personnel in order to review and evaluate integrity assessment results. These include the following knowledge requirements: principles of pipe manufacture, basic strength design of pipe, pressure testing of pipelines, risk based techniques for the prioritization of integrity work, inspection and monitoring methods including in-line inspection, and defect assessment and the evaluation of remaining strength of damaged pipe, etc. When the PHMSA Inspector requested to see the qualifications of Fieldwood Energy employees responsible for reviewing and evaluating integrity assessment results and information analysis, they provided a brief biographic summary paragraph for two employees. The summary paragraphs did not adequately show that these two employees are qualified to review and evaluate integrity assessment results.

Proposed Compliance Order

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. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to items 4 and 5 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Fieldwood Energy, L.L.C.. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to items 1, 2, and 3, 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.

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. Be advised that 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-4-2019-5007** 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 Fieldwood Energy, LLC a Compliance Order incorporating the following remedial requirements to ensure the compliance of Fieldwood Energy, LLC with the pipeline safety regulations:

1. In regard to Item Number 4 of the Notice pertaining to establishing an integrity assessment schedule prioritizing pipeline segments, Fieldwood Energy must review their risk evaluation process for analyzing the risks (threats and consequences) to their pipeline assets to take into account all of the §195.452(e)(1) risk factors. Once the review is completed, Fieldwood Energy must prioritize their pipeline segments to establish an integrity assessment schedule that prioritizes the pipeline segments for assessment. This must be done within 60 days following receipt of the Final Order.
2. In regard to Item Number 5 of the Notice pertaining to not adequately documenting the qualifications of Fieldwood Energy personnel who are responsible for conducting integrity assessment results and information analysis. Fieldwood Energy must review the IMP Qualification Process and follow the process for each individual and document the training each individual, in-house and third party personnel, who are responsible for reviewing and evaluating integrity assessment results and information analysis. Fieldwood Energy shall provide documentation within 60 days following receipt of the Final Order.
3. It is requested (not mandated) that Fieldwood Energy, LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mary L. McDaniel, 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.