

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

ELECTRONIC MAIL - RETURN RECEIPT REQUESTED

October 27, 2020

Robert Peterson
Senior Vice President and Chief Financial Officer
Occidental Petroleum Corporation
5 Greenway Plaza
Houston, Texas 77046

CPF 4-2020-5015

Dear Mr. Peterson:

From January 22, 2018 through May 4, 2018, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected Occidental Petroleum's (OXY) Bravo CO2 Pipeline System in Sundown, Texas.

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. § 195.571 What criteria must I use to determine the adequacy of cathodic protection?

Cathodic protection required by this subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained paragraphs 6.2.2, 6.2.3, 6.2.4, 6.2.5 and 6.3 in NACE SP 0169 (incorporated by reference, see § 195.3).

OXY failed to comply with the cathodic protection criteria required by § 195.571, which states that cathodic protection required by Subpart H must comply with one or more of the applicable criteria in addition to other considerations included in the incorporated by reference NACE SP 0169. In accordance with NACE SP 0169, OXY's corrosion control procedures require a criterion of a negative (cathodic) potential of at least 850 millivolts with cathodic protection current applied, with consideration given to voltage drops other than those across the pipe-to-soil boundary. Based on the inspector's review of annual readings (three years of pipe to soil readings from 2015-2017), OXY failed to meet the established criteria in both NACE SP 0169 and the operator's corrosion control procedures for the following pipeline segments:

ROW Code/Pipe	Milepost	IR Free Reading In Volts (Year)
Bravo Slaughter-Anton 8" CO2	46.190	-.782V (2015), -.795V (2016), & -.809V (2017)
	46.611	-.835V (2015), -.812V (2016), & -.806V (2017)
	46.792	-.832V (2015), -.768V (2016), & -.764V (2017)
	46.970	-.778V (2015), -.717V (2016), & -.715V (2017)
Bravo Dome Station	0.000A	-.741V (2015), -.692V (2016), & -.699V (2017)
	0.000B	-.761V (2015), -.776V (2016), & -.726V (2017)
	0.000C	-.752V (2015), -.802V (2016), & -.748V (2017)
	0.000D	-.715V (2015), -.758V (2016), & -.738V (2017)
	0.000E	-.689V (2015), -.740V (2016), & -.710V (2017)
	0.000F	-.705V (2015), -.727V (2016), & -.719V (2017)
	0.000G	-.609V (2015), -.650V (2016), & -.637V (2017)
	0.000H	-.690V (2015), -.710V (2016), & -.748V (2017)
	0.000I	-.564V (2015), -.564V (2016), & -.630V (2017)
	0.000J	-.630V (2015), -.639V (2016), & -.648V (2017)
Bravo 20" CO2 Line	0.010	-.752V (2015), -.661V (2016)
	1.340	-.731V (2015) & -.727V (2016)
	2.910	-.719V (2015) & -.716V (2016)
	4.340	-.728V (2015) & -.746V (2016)
	5.310	-.722V (2015) & -.717V (2016)
	6.920	-.729V (2015) & -.738V(2016)
	7.940	-.754V (2015) & -.766V (2016)
	9.020	-.752V (2015) & -.757V (2016)
	10.960	-.727V (2015) & -.792V (2016)
	15.300	-.719V (2015) & -.794V (2016)
	17.510	-.714V (2015) & -.733V (2016)
	19.850	-.737V (2015) & -.741V (2016)
	22.870	-.759V (2015) & -.770V (2016)
24.780	-.764V (2015) & -.796V (2016)	
25.760	-.770V (2015) & -.782V (2016)	
27.270	-.808V (2015) & -.805V (2016)	
Sheep Mountain/OMS to Johnson Mesa	3.500	-.828V (2015) & -.827V (2016)
	3.950	-.840V (2015) & -.822V (2016)
	13.200	-.748V (2015) & -.792V (2016)

The above information was sourced from the Bravo Pipeline All Test Stations Report 2015-2017 and Sheep Mountain Pipeline All Test Stations Report 2015-2017. The operator did not provide any subsequent documentation to the inspector demonstrating remediation or that cathodic protection criteria was met for the identified test stations listed above.

2. § 195.589 What corrosion control information do I have to maintain?

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to § 195.569, § 195.573(a) and (b), and § 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

OXY failed to maintain its Bravo CO2 Pipeline records in sufficient detail to demonstrate the adequacy of corrosion control measures. Specifically, the operator's atmospheric corrosion inspection reports for the years 2014 and 2017 failed to document that timely atmospheric corrosion remediation occurred after pipeline and components were inspected for atmospheric corrosion. The Sheep Mountain Seminole Station 2014 atmospheric corrosion inspection forms (Bravo CO2 Pipeline Form PI-0750a) identified several items that required atmospheric corrosion maintenance and repair; however, OXY provided no subsequent documentation demonstrating remediation for the reported items.

In subsequent communication between the operator and the inspector, the operator provided documentation demonstrating remediation of the atmospheric corrosion issues identified during the 2014 and 2017 atmospheric corrosion inspections.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. 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 documentation involved for the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$105,500 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$105,500

Proposed Compliance Order

With respect to item 1 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Occidental Petroleum. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Item

With respect to item 2, 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 Enforcement 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 4-2020-5015** 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 Enforcement Proceedings

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 1 of the Notice pertaining to Occidental Petroleum's failure to comply with the cathodic protection criteria required by § 195.571 for portions of the Bravo CO2 Pipeline system, Occidental Petroleum must provide documentation that demonstrates that the Bravo CO2 Pipeline system is in compliance with 49 CFR §195.571. This demonstration must include those pipe-to-soil test points specifically listed in the table of this letter meeting criteria and must be submitted to Mary McDaniel, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. Occidental Petroleum must comply with this item within 180 days following receipt of the Final Order.
2. It is requested (not mandated) that Occidental Petroleum maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mary 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.