

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

Mr. John F. Wombwell
Vice President & Secretary
Arguello, Inc.
700 Milam, Suite 3100
Houston, Texas, 77002

Re: CPF No. 5-2004-7003

Dear Mr. Wombwell:

Enclosed is the Final Order issued in the above-referenced case. It makes findings of violation and finds that Arguello (now operating as PXP) has completed the actions specified in the Notice that were required in order to bring the company into compliance with the pipeline safety regulations. The Order also finds that Arguello has addressed the inadequacies in its procedures that were cited in the Notice of Amendment. Therefore, this case is now closed. Your receipt of the Final Order constitutes service of that document under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Chris Hoidal, Director Western Region, PHMSA
Mr. James Flores, Chairman, President, and Chief Executive Officer
Plains Exploration & Production Company (PXP)
700 Milam, Suite 3100, Houston, TX 77002
Mr. Thomas Goeres, Management Steering Committee Representative
Arguello, Inc., 201 South Broadway, Orcutt, CA 93455

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

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In the Matter of)	
)	
Arguello, Inc.)	CPF No. 5-2004-7003
a/k/a PXP – Arguello, Inc.,)	
)	
Respondent.)	
)	

FINAL ORDER

On May 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 (OPS), and the California State Fire Marshall inspected the Integrity Management Program (IMP) of Arguello, Inc. (Arguello or Respondent), the operator of a 24-inch crude oil pipeline in California and wholly-owned subsidiary of Plains Exploration and Production Company (PXP),¹ a national energy company headquartered in Houston, Texas.

As a result of the inspection, the Director, Western Region, PHMSA (Director), issued to Respondent, by letter dated September 27, 2004, a Notice of Probable Violation, Proposed Compliance Order, and Notice of Amendment (Notice).² In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had committed various violations of 49 C.F.R. § 195.452 and ordering Arguello to take certain corrective actions. The Notice also proposed, in accordance with 49 C.F.R. § 190.237, that Respondent amend its IMP procedures.

Respondent responded to the Notice by letter dated October 19, 2004 (Response). The company did not contest the allegations of violation, but provided information concerning the corrective actions it had taken and copies of its revised IMP procedures. Respondent did not request a hearing and has therefore waived its right to one.

FINDINGS OF VIOLATION

Item 1: Item 1 of the Notice alleged that Respondent had violated 49 C.F.R. §§ 195.452(c)(1)(i)(A) and (f), which state, in relevant part:

¹ In May 2007, Arguello transferred operation of the pipeline to PXP.

² The Notice was inadvertently issued to “PXP - Arguello Inc.,” but Arguello, Inc., filed a Response..

§ 195.452 Pipeline integrity management in high consequence areas.

(a) . . .

(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:

(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; . . .

(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 . . .

The Notice alleged that Respondent used an inadequate pipeline integrity assessment method in its baseline assessment plan (BAP), namely, one that was not conducted with the proper combination of “[i]nternal inspection . . . tools capable of detecting corrosion and deformation anomalies including dents, gouges and grooves.” 49 C.F.R. § 195.452(c)(1)(i)(A).³ Respondent do not contest the allegation. Accordingly, I find that Respondent violated 49 C.F.R. § 195.452(c)(1)(i)(A), as alleged in Item 1 of the Notice, by failing to select for its BAP a method to assess the integrity of line pipe that included an “[i]nternal inspection tool or tools capable of detecting corrosion and deformation anomalies including dents, gouges and grooves.”

Item 3: The Notice alleged that Respondent had violated 49 C.F.R. §§ 195.452(i)(1) and (4), which state, in relevant part:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(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

³ Specifically, the Notice alleged that Respondent used the results of a prior pipeline integrity assessment in its BAP, and that this prior assessment was conducted only with the use of a magnetic flux leakage (MFL) inline inspection (ILI) tool. According to the Notice, an adequate assessment would require either (1) the use of both an MFL and a geometry ILI tool to properly detect corrosion *and* deformation anomalies, or (2) only the use of an MFL tool but then, upon the detection of any dents, running a geometry tool or treating all dents as immediate repairs.

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 [emergency flow restricting devices] 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. . . .

(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. . . .

The Notice alleged that Respondent had developed, but not fully implemented, a process for the evaluation, identification, and implementation of preventive and mitigative measures (PMMs) to protect the high consequence areas (HCAs) of its pipeline system. Arguello did not contest the allegation. Accordingly, I find that Respondent violated 49 C.F.R. §§195.452(i)(1) and (4) by failing to fully implement a process for the evaluation, identification, and implementation of PMMs to protect the HCAs of its pipeline system.

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 Items 1 and 3 in the Notice for violations of 49 C.F.R. §§ 195.452(c)(1)(i)(A) and (f) and 195.452(i)(1) and (4), respectively. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of gas or 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 has indicated that Respondent has satisfactorily completed the following actions specified in the proposed Compliance Order:

With regard to the violation of 49 C.F.R. §§ 195.452(c)(1)(i)(A) and (f) described in Item 1 of the Notice, Respondent revised its Liquid IMP “to include the requirement of geometry tool or physical inspection in conjunction with a metal loss tool when the metal loss tool shows any indications of dents.” Respondent also provided a copy of this revision to the Director.

With regard to the violation of 49 C.F.R. §§ 195.452(i)(1) and (i)(4) described in Item 3 of the Notice, Respondent provided documentation of additional preventive and mitigative measures it has taken to the Director.

Accordingly, since compliance has been achieved with respect to these violations, the compliance terms are not included in this Order.

AMENDMENT OF PROCEDURES

The Notice alleged inadequacies in Respondent's Liquid IMP plans and procedures and proposed requiring Arguello to amend its plans and procedures to comply with the requirements of 49 C.F.R. § 195.452.

Respondent has submitted copies of its amended procedures to the Director, who has reviewed them. Based on the results of that review, I find that Respondent's original procedures, as described in the Notice, were inadequate to ensure safe operation of its pipeline system, but that Respondent has corrected the identified inadequacies. Therefore, no need exists to issue an order directing amendment.

The terms and conditions of this Final Order shall be effective upon receipt.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued