PXP

Plains Exploration & Production Company

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CERTIFIED – RETURN RECEIPT REQUESTED

December 21, 2007

Mr. Chris Hoidal, P.E.
Director, Western Region
Pipeline and Hazardous Materials Safety Administration
12300 W. Dakota Ave, Suite 110
Lakewood, Colorado 80228

Re: Notice of Probable Violation and Proposed Compliance Order
CPF 5-2007-7006

Dear Mr. Hoidal,

Plains Exploration & Production Company (PXP) has reviewed the Notice of Probable Violation and Proposed Compliance Order, CPF No. 5-2007-7006, dated December 5, 2007 (NOPV). This NOPV is a result of a pipeline safety inspection of facilities and records pertaining to the pipeline system from the offshore platform Irene to the inland Lompoc Oil and Gas Plant (LOGP). Said inspection was conducted from June 11 through 14, 2007, by your staff engineer, Mr. Phillip Nguyen.

PXP respectfully objects to the proposed compliance order in whole, and we believe the two probable violations are erroneous. Below we provide the basis for our objection and supporting documentation for your consideration.

Probable Violation One:

The first probable violation in the NOPV relates to the whether or not the pipeline is equipped to fail safe. The NOPV states:

> **1. § 195.402 Procedural manual for operations, maintenance, and emergencies. ... The manual required by ... this section must include procedures for the following to provide safety during maintenance and normal operations. (9) In the case of facilities not equipped to fail safe...** The pipeline was not equipped to fail safe. PXP operator personnel monitor pipeline data on the offshore platform and at the Lompoc Gas Plant. At the Lompoc Gas Plant, PXP operator personnel recorded pipeline pressure every two hours. They contacted the offshore platform personnel twice a day regarding this data. Temperature, flow or other appropriate operational data for the pipeline were not monitored and transmitted to this attended location.

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PXP Response:

The statement describing the pipeline as not being fail safe is incorrect. The subject pipeline is equipped to fail safe. The August system on the platform monitors flow and pressures continuously and the pipeline is automatically shut-in when preset high and low pressures are met.

Attached for your review are pages 2-2 and 2-3 from our pipeline procedure manual. The third paragraph in section 2.1 CRUDE OIL PIPELINE explains that a shutdown valve (SDV-171), located at the inlet of the pipeline on platform Irene, is actuated automatically by the interlocks on the pressure transmitter PT-171, which is located directly downstream of the SDV-171. The same paragraph in this section lists the alarm and shut-in pressures monitored by pressure transmitter PT-171.

Probable Violation Two:

The second probable violation relates to whether or not the pipeline is equipped with a leak detection system. The NOPV sates:

> **195.452 Pipeline integrity management in high consequence areas. ...** PXP did not have a leak detection system for this pipeline. PXP personnel revealed that possible study for a leak detection system could be available for the Irene pipeline when the Arguello pipeline project will be completed in the near future. A leak detection system was designed and made available for the Arguello.

PXP Response:

The statement in the NOPV about the nonexistence of a leak detection system is incorrect. The subject pipeline (Irene to shore) is equipped with a leak detection system. Please again refer to the attached page 2-2 from our pipeline procedure manual. The second paragraph in section 2.1 describes the present leak detection system on the subject pipeline.

There may have been confusion due to discussions during the inspection about our efforts to evaluate the feasibility of upgrading the present leak detection system (because of limitations in the current system). The ATMOS software is presently being researched as an upgrade. This software was recently successful in upgrading PXP's leak detection system at the Point Arguello project, on the platform Hermosa-to-shore pipeline.

The evaluation for the upgrade to the leak detection system should be complete by the end of February 2008.

Because of the incorrect statements in the NOPV discussed above, we respectfully request that this matter be closed.

Should you have any questions, please contact Mr. Bob Marsalek at (805) 934-8223,

Sincerely,

David Rose
Manager
Environmental, Health and Safety

Attachment(s)

2.0 DESCRIPTION

This section provides a detailed description of each of the pipelines between Platform Irene and the LOGP Facility as well as appurtenances and associated controls. A schematic of each pipeline is attached, Figure 2-1. Piping and instrument diagrams for the pipelines, launchers, and receivers are also attached at the end of this section. The following drawings are included:

Drawing No.	Title	Location
1168-IG-506	Shipping Tank and Well Clean Tank	Irene
1168-IG-511	Final Gas Cooling and Dehydration	Irene
1168-IG-519	Wash Water and Firewater Pumps	Irene
14-I-206	Valve Sites 1, 2, 3, and 4	Pipelines
14-I-207	Valve Sites 5, 6, 7, 8, 9, and 10	Pipelines
16-I-201	Launchers and Receivers	LOGP
16-I-202	Inlet Scrubber and Wet Crude Exchangers	LOGP
16-I-203	Gas/Oil Separator and FWKO	LOGP

Additional drawings covering the pipeline routing details and selected construction details are included in Appendix A.

2.1 CRUDE OIL PIPELINE

The onshore segment of the crude oil pipeline has an outside diameter of 20 inches with a wall thickness of 0.625 inches. The steel grade onshore is API 5L-X52. The steel grade offshore is API 5L-X46. The pipeline depth of cover onshore is at least 36 inches. Ten intermediate valve stations are included on the onshore portion of the crude oil pipeline for section isolation and protection of the environment in the event of a line rupture. The location of the valve stations is as indicated on Figure 2-2. Valve stations 1, 2, 4, 7, 8, and 10 utilize Motor Operated Valves (MOVs) which can be operated locally or from the LOGP. Valve stations 3, 5, 6, and 9 utilize check valves. Position indication of both the MOVs and check valves is transmitted to the ABB controller at the LOGP.

The crude is metered prior to shipment and as received at the LOGP. The signal from the LOGP flow meter is transmitted to the control room where it is compared with the flow meter reading from the platform. Should the total fluid production fall outside the following limits, an alarm will sound indicating a potential pipeline leak:

6 percent - 12 minutes
15 percent - 20 minutes

The 20-inch crude pipeline is equipped with the necessary alarms and controls to provide for operation of the equipment and protection during upset conditions. The pipeline is equipped with a shutdown valve at both the inlet and outlet. SDV-171, the inlet shutdown valve, is located at the outlet of the shipping tank prior to the pig launcher on Platform Irene. SDV-171 is actuated by platform Emergency Shut Down (ESD) as well as interlocks on the pressure transmitter, PT-171,

located directly downstream of the SDV. The transmitter will initiate alarms and shutdowns if the pressure deviates from prescribed points as follows:

PLSD-171	302 psig	Low Pressure Shutdown
PAL-171	330 psig	Low Pressure Alarm
PAH-171	760 psig	High Pressure Alarm
PHSD-171	810 psig	High Pressure Shutdown

These signals are subject to change as current operations dictate, but within guidelines and legislative limits.
The pressure, valve position, and shutdown signals are displayed in the control room on the platform.

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SDV-40 provides automatic protection and isolation at the pipeline outlet at the Lompoc LOGP. SDV-40 is actuated manually by the "Oil Process Stop" button, and automatically by the LOGP ESD as well as the following signals:

PHSD-40:	261 psig	P/L Outlet High Pressure SD
PLSD-40:	50 psig	P/L Outlet Low Pressure SD
LHSD-140:	--	Gas-Oil Sep. High Level SD
LLSD-140:	--	Gas-Oil Sep. Low Level SD
PHSD-140:	135 psig	Gas-Oil Sep. High Pressure SD
PLSD-140:	70 psig	Gas-Oil Sep. Low Pressure SD
LHSD-251:	--	Shipping Vessel High Level SD
PHSD-250:	35 psig	Shipping Vessel High Pressure SD
LHSD-250:	--	Flare Scrubber High Level SD

These signals are subject to change as current operations dictate, but within guidelines and legislative limits.

The pressure transmitter, PT-40, which relays the pipeline pressure alarm and shutdown signals to the August Systems' controller is mounted upstream of SDV-40. The pressure, SDV position, and shutdown signals are displayed in the control room.

The onshore portions of the pipelines are protected from external corrosion by a rectifier and deep-well anode bed which is installed adjacent to Valve Station Number Eight. The offshore pipeline is protected by sacrificial anodes. Test stations are installed onshore at one-mile intervals to monitor the performance of the system. Insulating joints have also been installed at Platform Irene, the beach, and at the Lompoc LOGP on each of the pipelines.
Since the crude oil line has been de-rated to 1194 psi and the shipping pumps are capable of 1700 psi, a second level of protection is required as per API RP 14C. Due to lack of containment volume on the platform, the MMS has granted a variance to utilize a second PHSD (PSH-172) in