

## NOTICE OF AMENDMENT

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 8, 2009

Mr. Bob Marsalek  
Environmental Advisor  
Plains Exploration & Production Company  
201 S. Broadway  
Orcutt, CA 93455

**CPF 5-2009-7002M**

Dear Mr. Marsalek:

On April 21-25, 2008 and May 5-9, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your procedures in Orcutt, California, related to integrity management, operation and maintenance of the hazardous liquid crude oil lines from the offshore platform Irene to the Lompoc Gas Plant (LOGP) and the offshore platform Hermosa to the Gaviota Oil & Gas Processing Facility for the Plains Exploration & Production (PXP) Company. The inspection team also completed a field inspection of the platform Irene and associated crude oil pipeline during this timeframe.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within PXP's plans or procedures, as described below:

**1. § 195.56 Filing safety-related condition reports.**

**(b) The report must be headed "Safety-Related Condition Report" and provide the following information:**

**(1) Name and principal address of operator.**

- (2) Date of report.**
- (3) Name, job title, and business telephone number of person submitting the report.**
- (4) Name, job title, and business telephone number of person who determined that the condition exists.**
- (5) Date condition was discovered and date condition was first determined to exist.**
- (6) Location of condition, with reference to the State (and town, city, or county) or offshore site, and as appropriate nearest street address, offshore platform, survey station number, milepost, landmark, or name of pipeline.**
- (7) Description of the condition, including circumstances leading to its discovery, any significant effects of the condition on safety, and the name of the commodity transported or stored.**
- (8) The corrective action taken (including reduction of pressure or shutdown) before the report is submitted and the planned follow-up or future corrective action, including the anticipated schedule for starting and concluding such action**

The O&M Manual, Procedure 1.02 does not specify the minimum criteria necessary to meet the rule requirements of 195.56(b).

**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:**

- (3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.**

The PXP procedures do not reflect or reference the tactical application of PXP's corrosion monitoring and mitigation strategies. PXP's employs a relatively comprehensive program to manage internal corrosion. Measures taken to mitigate the effects of internal corrosion include brush pig cleaning at weekly intervals, batch injection and continuous injection of corrosion inhibitor. Monitoring includes the use of weight loss coupons, corrosion probes, beta foil measurements, corrosion inhibitor residuals, microbiological cultures, UT measurements, chemical analysis, and ILI surveys. Regardless, Section 6.02 of the O&M Manual, which addresses PXP's strategy for monitoring and mitigating the effects of internal corrosion, does not reference a corrosion monitoring program plan or reflect the tactical approach PXP takes to meet the corrosion control requirements of Part 195, Subpart H, as required by 195.402(c)(3).

**3. § 195.452 Pipeline integrity management in high consequence areas.**

**(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.**

**(A) Internal inspection tool or tools capable of detecting corrosion and deformation anomalies including dents, gouges and grooves.**

No tool tolerances were provided in the following ILI Assessment reports: Magpie PXP Internal Pipeline Inspection Report, 24" Pipeline, Platform Hermosa to Gaviota Plant, 11/7/06; and Magpie PXP Internal Pipeline Inspection Report, 20" Pipeline, Platform Irene to LOGP, 10/30/07. Procedures must be revised to assure vendor ILI assessments are properly reviewed to confirm tool tolerances meet project specifications.

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

**(f) What are the elements of an integrity management program? . . . . An operator must include, at a minimum, each of the following elements in its written integrity management program:**

**(1) A process for identifying which pipeline segments could affect a high consequence area.**

The Integrity Management Plan (IMP) Manual, Section 1.4, must be revised to reference the Oil Spill Response Plan for the worst case release since this information may support identification of pipeline segments that could affect high consequence areas.

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

**(f) What are the elements of an integrity management program? . . . . An operator must continually change the program to reflect operating experience. . . . An operator must include, at a minimum, each of the following elements in its written integrity management program:**

**(3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of failure.**

The IMP Manual must be revised to specifically address consideration of the risks associated with alternate modes of pipeline operation (e.g., startup, shutdown, shut-in, slack line, pressure cycling, etc.).

**6. § 195.452 Pipeline integrity management in high consequence areas.**

**(g) *What is an information analysis?* In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure.**

The PXP IMP manual procedure for conducting a comprehensive information analysis is inadequate. IMP Manual, Section 3.6 only gives a high level overview of the integration

of other data with ILI assessment results. PXP needs to better describe the information analysis process and the specific information considered such as what is included in 195.452(g), including, previous assessment results; surveillance, testing, and other monitoring data (e.g., internal corrosion coupon monitoring).

**7. § 195.452 Pipeline integrity management in high consequence areas.**

**(h) *What actions must an operator take to address integrity issues?***

**(3) *Schedule for evaluation and remediation. An operator must complete remediation of a condition according to a schedule prioritizing the conditions for evaluation and remediation. If an operator cannot meet the schedule for any condition, the operator must explain the reasons why it cannot meet the schedule and how the changed schedule will not jeopardize public safety or environmental protection. An operator must notify OPS if the operator cannot meet the schedule and cannot provide safety through a temporary reduction in operating pressure.***

PXP has inadequate notification procedures for reporting delays in remediating anomalies. On June 25, 2007, PXP made a notification to the CASFM for delay of 180 day repairs on the San Vicente line and delay of an immediate repair (which has been repaired) and for delay of immediate and 180 day repairs on the Packard line (repairs now completed). PXP should have also made this notification to DOT per 195.452(h)(3) for the lines under the CASFM jurisdiction. PXP issued the required notifications during the inspection. The IMP Manual must be revised to clarify the notification requirements.

**8. § 195.452 Pipeline integrity management in high consequence areas.**

**(i) *What preventive and mitigative measures must an operator take to protect the high consequence area?***

**(2) *Risk analysis criteria. In identifying the need for additional preventive and mitigative measures, an operator must evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area.***

The IMP Manual does not meet the risk analysis requirements of 195.452(i)(2). The IMP Manual, Element 6, Section 6.2, states that: “the risk analysis shall focus on consequences of release, rather than on the likelihood of releases as focused on in other parts of the IM program”.

**9. § 195.555 What are the qualifications for supervisors?**

**You must require and verify that supervisors maintain a thorough knowledge of that portion of the corrosion control procedures established under §195.402(c)(3) for which they are responsible for insuring compliance.**

The PXP procedures do not require or have verification processes to ensure that their supervisors have thorough knowledge of the corrosion programs that they are responsible for implementing. PXP needs to identify supervisory personnel who have responsibility and accountability for ensuring contractor Corrosion Control Program

recommendations are implemented. Procedures do not assure supervisors are adequately trained in corrosion control as required by 195.555.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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 is subject to being 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). 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, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within [number of days] days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 5-2009-7002M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry  
PHP-500 K. Davis (#121332)

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*