

**NOTICE OF PROBABLE VIOLATION
And
PROPOSED CIVIL PENALTY**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 21, 2015

Mr. Steve Rusch
Vice President of EH&S and Government Affairs
Freeport McMoRan Oil and Gas
5640 South Fairfax Avenue
Los Angeles, CA 92256

CPF 5-2015-7001

Dear Mr. Rusch:

Between March 9 and March 12, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Freeport-McMoRan Oil and Gas's (FMOG) records for your 20-inch pipeline that transports crude oil from Platform Irene to your LOMPOC Oil and Gas Plant. The onshore portion of the pipeline is located in Santa Barbara County, California.

As a result of the inspection, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation is:

1. §195.452 Pipeline integrity management in high consequence areas.

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

(2) Discovery of condition. Discovery of a condition occurs when an operator has adequate information about the condition to determine that the condition presents a potential threat to the integrity of the pipeline. An operator must promptly, but no later than 180 days after an integrity assessment, obtain sufficient information about a condition to make that determination, unless the operator can demonstrate that the 180-day period is impracticable.

FMOG did not obtain sufficient information about an anomalous condition on their crude oil system in accordance with Section 195.452(h) (2). Section 195.452(h)(2) requires that an operator promptly, but no later than 180 days after an integrity assessment, obtain sufficient information about an anomalous condition to determine whether the condition presents a potential threat to the integrity of the pipeline.

FMOG conducted integrity assessments of its 20-inch pipeline that transports crude oil from Platform Irene to the LOMPOC Oil & Gas Plant (LOGP) on July 16, 2013 and August 21, 2014. The Final Report for the 2013 in-line inspection was received on February 19, 2014 and the Final Report for the 2014 in-line inspection was received on March 16, 2015. FMOG did not receive either the 2013 or the 2014 Final Reports within 180 days after the integrity assessment was completed. When the final results were ultimately completed, the results from the 2013 and 2014 Final Reports indicated an anomalous condition requiring evaluation and remediation per § 195.452(h)(4)(iii). Therefore, FMOG did not obtain sufficient information about this anomalous condition within 180 days of the integrity assessment.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation and has recommended that you be preliminarily assessed a civil penalty of \$4,500.00 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$4,500.00

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 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.

In your correspondence on this matter, please refer to **CPF 5-2015-7001** and for each document you submit, please provide a copy in electronic format to PHP-WRADMIN@dot.gov whenever possible.

Sincerely,

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

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

cc: PHP-60 Compliance Registry
PHP-500 H. Monfared (#149168)