

**April 14, 2016**

**TRANSMITTED VIA EMAIL &  
CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Mr. Doss Bourgeois, President  
Freeport-McMoRan Oil & Gas  
700 Milam Street, Suite 3100  
Houston, Texas 77002

**RE: CPF No. 5-2016-7001S**

Dear Mr. Bourgeois:

Enclosed please find a Consent Order incorporating the terms of the Consent Agreement between Pipeline and Hazardous Materials Safety Administration (PHMSA) and Freeport-McMoRan Oil & Gas (Freeport), a subsidiary of Freeport-McMoRan, Inc., that was executed on March 24, 2016. Service of the Consent Order and Consent Agreement by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5

Sincerely,

Jeffrey D. Wiese  
Associate Administrator  
for Pipeline Safety

Enclosure

cc: Mr. Huy Nguyen, Operations Supervisor, Western Region, OPS  
Mr. Terrence Larson, Operations Supervisor, Western Region, OPS  
Mr. Chris Hoidal, Director, Western Region, OPS  
Mr. Thomas B. Goeres, Operations Manager, Freeport-McMoRan Oil & Gas

**DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY**

In the Matter of	)	
	)	
Freeport-McMoRan Oil & Gas,	)	CPF No. 5-2016-7001S
a subsidiary of Freeport-McMoRan, Inc.,	)	
	)	
Respondent.	)	
	)	

**CONSENT ORDER**

By letter dated January 22, 2016, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety, issued a Notice of Proposed Safety Order (Notice) to Freeport-McMoRan Oil & Gas (Freeport), which operates the Lompoc Oil & Gas Plant facility near Lompoc, California, in this case.

In accordance with 49 C.F.R. § 190.239, the Notice alleged that conditions existed at the Lompoc Oil & Gas Plant facility and pipeline system that might pose an integrity risk to public safety, property, or the environment. The Notice also proposed that Freeport take certain corrective measures to remedy the alleged conditions and ensure that the public, property, and the environment were protected from the potential risk.

In response to the Notice, Respondent requested an informal consultation, whereupon the parties engaged in good-faith settlement discussions that resulted in the Consent Agreement attached to this Order and that settles all of the allegations in the Notice.

Accordingly, the foregoing Consent Agreement is hereby approved and incorporated by reference into this Order. The Respondent is hereby ordered to comply with the terms of the Consent Agreement, effective immediately.

Pursuant to 49 U.S.C. 60101, *et seq.*, failure to comply with this Consent Order may result in the assessment of civil penalties of up to \$200,000 per violation per day, or in the referral of the case for judicial enforcement.

The terms and conditions of this Consent Order are effective upon service in accordance with 49 C.F.R. § 190.5.

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Jeffrey D. Wiese  
Associate Administrator  
for Pipeline Safety

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Date Issued

**DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY**

	)	
<b>In the Matter of</b>	)	
	)	
<b>Freeport-McMoRan Oil &amp; Gas,</b>	)	<b>CPF No. 5-2016-7001S</b>
	)	
<b>Respondent</b>	)	
	)	

**CONSENT AGREEMENT**

On January 22, 2016, the Regional Director for the Western Region of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), issued a Notice of Proposed Safety Order (Notice) to Freeport-McMoRan Oil & Gas (Freeport), a wholly-owned subsidiary of Freeport-McMoRan, Inc., which operates a crude oil pipeline from Platform Irene to Freeport’s Lompoc Oil & Gas Plant facility near Lompoc, California. The Notice alleged that conditions exist on this pipeline that might pose an integrity risk to public safety, property, or the environment. The Notice also proposed that Freeport take certain corrective measures to remedy the alleged conditions and ensure that the public, property, and the environment were protected from the potential risk.

Freeport responded to the Notice by timely submitting a written response and request for an informal consultation. An informal consultation was held on February 4, 2016.

During the informal consultation, PHMSA and Freeport agreed that settlement of this proceeding will avoid further administrative proceedings or litigation of this Notice and that entry into this Consent Agreement is the most appropriate means of resolving issues raised in the Notice and in the public interest. Therefore, pursuant to 49 C.F.R. Part 190, without adjudication of any issue of fact or law, and upon consent and agreement of Respondent and the PHMSA (the Parties), the Parties agree as follows:

**I. General Provisions**

1. Respondent acknowledges that as the operator of the pipeline, Respondent and its pipeline are subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. § 60101 *et seq.* and the regulations and administrative orders issued thereunder. For purposes of this Consent Agreement, Respondent acknowledges that it received proper notice of the PHMSA’s action in this proceeding and that the Notice states claims upon which relief may be granted pursuant to 49 U.S.C. § 60101 *et seq.* and the regulations and orders issued thereunder.

2. Respondent agrees, for purposes of this Consent Agreement, to address the integrity risks identified in the Notice by completing the actions specified in Part II of this agreement (Corrective Measures) and to abide by the terms of this Consent Agreement. These actions, including any work plans and schedules, shall automatically be incorporated into this Consent

Agreement. This Consent Agreement does not constitute a finding of violation of any Federal law or regulation and may not be used in any civil or administrative proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of the violation of any law, rule, regulation or requirement, except in a proceeding to enforce the provisions of this Consent Agreement.

3. After Respondent returns this signed agreement, the PHMSA's representative will present it to the Associate Administrator for Pipeline Safety recommending that the Associate Administrator adopt the terms of this agreement by issuing an administrative order (Consent Order) incorporating the terms of this Consent Agreement. The terms of this agreement constitute an offer of settlement until accepted by the Associate Administrator. Once accepted, the Associate Administrator will issue a Consent Order incorporating the terms of the agreement.

4. Respondent consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Respondent waives all the rights to contest the adequacy of notice, or the validity of the Consent Order of this Consent Agreement, including all rights to administrative or judicial hearings or appeals.

5. This Consent Agreement shall apply to and be binding upon the PHMSA, and upon Respondent, its officers, directors and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this Consent Agreement and any incorporated work plans and schedules to all of Respondent's officers, employees, and agents whose duties might reasonably include compliance with this Consent Agreement.

6. For all transfers of ownership or operating responsibility of Respondent's pipeline system, Respondent shall provide a copy of this Consent Agreement to the prospective transferee at least 30 days prior to such transfer and simultaneously provide written notice of the prospective transfer to the PHMSA Region Director (Director) who issued the Notice.

7. This Consent Agreement constitutes the final, complete and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this Consent Agreement, and resolves any claims that have been or could have been alleged regarding the repair and/or remediation of the operating pressure of the pipeline segment from Platform Irene to the Lompoc Oil & Gas Plant. The Parties acknowledge that there are no representations, agreements, or understandings relating to the settlement other than those expressly contained in this Consent Agreement, except that the terms of this Consent Agreement may be construed by reference to the Notice. CPF 5-2016-7001S will be closed once Freeport submits its Final Report to the Director.

8. Nothing in this Consent Agreement affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101 *et seq.*, and the regulations and orders issued thereunder. Nothing in this Consent Agreement alters the PHMSA's right of access, entry, inspection, and information gathering or the PHMSA's authority to bring enforcement actions against Respondent pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law.

9. This Consent Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Respondent's pipeline systems. This Consent Agreement is not a permit, or a modification of any permit, under any Federal, State, local laws or regulations.

Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

10. This Consent Agreement does not create rights in, or grant any cause of action to, any third party not party to this Agreement. The U.S. Department of Transportation is not liable for any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this Consent Agreement. Respondent agrees to hold harmless the U.S. Department of Transportation, its officers, employees, agents and representatives from any and all causes of action arising from any acts or omissions of Respondent or its contractors in carrying out any work required by this Consent Agreement.

## **II. Corrective Measures**

11. Upon issuance of the Consent Order, Respondent agrees to perform the Corrective Measures set forth below.

12. The Affected Segment of the pipeline is the segment from Platform Irene to main line valve #2 (Affected Segment). Until the Affected Segment is purged in accordance with the Work Plan described in Item #13, Freeport must maintain the operating pressure in the Affected Segment in accordance with the parameters set forth in its June 8, 2015 letter to PHMSA.<sup>1</sup>

13. Within 15 days of the execution of this Consent Agreement by all parties, Freeport must develop and submit to the Director, Western Region, OPS (Director) for approval a plan to purge and shut down the Affected Segment by April 29, 2016 (Work Plan). The Work Plan shall include the medium to be injected into the Affected Segment after the purge. Upon approval by the Director, the Work Plan will be incorporated into this Consent Order.

14. Freeport must provide bi-weekly status reports to the Director until the Affected Segment has been purged, shut down, and isolated, and must notify the Director within 5 days of its isolation. After the Affected Segment has been isolated, Freeport must monitor and maintain records of the medium pressure and temperature of the Affected Segment on a monthly basis, until the Affected Segment is either (1) repaired, tested and put back into service, or (2) abandoned pursuant to applicable regulatory requirements.

15. After shutdown, Freeport may restart the Affected Segment only with the Director's approval. The Director will only approve restart once repairs have been completed and the integrity of the pipeline has been confirmed by hydrotest and/or ILI assessment.

16. Freeport must maintain documentation of the safety improvement costs associated with fulfilling this Consent Agreement and submit the total to the Director. 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.

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<sup>1</sup> In its June 8, 2015 letter to PHMSA, Freeport stated that it would run the Affected Pipeline at 40-50% of its MOP, holding the receiving pressure at the LOGP to 115 psi to 130 psi, and running a test to determine if the inlet pressure at LOGP can be lowered approximately 15 psi while maintaining safe operations.

17. The Director may grant an extension of time for compliance with any of the terms of the Safety Order upon a written request timely submitted demonstrating good cause for an extension.

18. Respondent may appeal any decision of the Director to the Associate Administrator for Pipeline Safety. Decisions of the Associate Administrator are final.

### **III. Review and Approval Process**

19. With respect to any submission under Part II of this Consent Agreement that requires the approval of the Region Director, the Director may: (a) approve, in whole or in part, the submission, (b) approve the submission on specified conditions; (c) disapprove, in whole or in part, the submission, or (d) any combination of the foregoing. If the Region Director approves, approves in part, or approves with conditions, Respondent will take all actions as approved by the Director, subject to Respondent's right to invoke the dispute resolution procedures in Section IV with respect to any conditions the Director identifies. If the Director disapproves all or any portion of the submission, the Director will provide Respondent with a written notice of the deficiencies. Respondent will correct all deficiencies within the time specified by the Director and resubmit it for approval.

### **IV. Dispute Resolution**

20. The Region Director and Respondent will informally attempt to resolve any disputes arising under this Consent Agreement. If Respondent and the Region Director are unable to informally resolve the dispute within 15 days, Respondent may request in writing, within 10 days, a written determination resolving the dispute from the Associate Administrator for Pipeline Safety providing all information that Respondent believes is relevant to the dispute. If the request is submitted as provided herein, the Associate Administrator will issue a final determination in writing. The existence of a dispute and the PHMSA's consideration of matters placed in dispute will not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this agreement during the pendency of the dispute resolution process except as agreed by the Region Director or the Associate Administrator in writing.

### **V. Enforcement**

21. This Consent Agreement, as adopted by the Consent Order, is subject to all enforcement authorities available to the PHMSA under 49 U.S.C. § 60101 *et seq.* and 49 C.F.R. Part 190. All work plans and associated schedules set forth or referenced in Part II will be automatically incorporated into this Consent Agreement and are enforceable in the same manner.

### **VI. Recordkeeping and Information Disclosure**

22. Unless otherwise required by this Consent Agreement, Respondent agrees to maintain records demonstrating compliance with all requirements of this Consent Agreement for a period of at least 5 years following completion of all work to be performed. For any reports, plans or other deliverables required to be submitted to the PHMSA pursuant to this Consent Agreement, Respondent may assert a claim of business confidentiality or other protections applicable to the release of information by the PHMSA, covering part or all of the information required to be submitted to the PHMSA pursuant to this agreement in accordance with C.F.R. Part 7. Respondent

must mark the claim of confidentiality in writing on each page, and include a statement specifying the grounds for each claim of confidentiality. The PHMSA determines release of any information submitted pursuant to this Consent Agreement in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and/or the PHMSA policies, and other applicable regulations and Executive Orders.

**VII. Effective Date**

23. The “Effective Date” as used herein is the date on which the Consent Order is issued by the Associate Administrator incorporating the terms of this Agreement. Unless specified to the contrary, all deadlines for actions required by this Consent Agreement run from the Effective Date of the Consent Order.

**VIII. Modification**

24. The terms of this Consent Agreement may be modified by mutual agreement of the Parties. Such modifications must be in writing and signed by both parties.

**IX. Termination**

25. This Consent Agreement terminates upon completion of all terms set forth in Part II (Corrective Measures) as determined by the Director, Western Region. Respondent may request written confirmation from the PHMSA when this Consent Agreement is terminated. To the extent ongoing monitoring is required, PHMSA may terminate his Consent Agreement with respect to all other requirements with the exception of such monitoring. Nothing in this Consent Agreement prevents Respondent from completing any of the obligations earlier than the deadlines provided for in this Agreement.

**X. Ratification**

26. The Parties’ undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Consent Agreement and to execute and legally bind such party to this document.

27. The Parties hereby agree to all conditions and terms of this Consent Agreement.

**For Respondent:**

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**Mr. Steve Rusch, Vice President Environmental, Health, Safety and Government Affairs  
Freeport-McMoRan Oil & Gas**

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**Date**

**For the PHMSA:**

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**Chris Hoidal**  
**Director, Office of Pipeline Safety**  
**PHMSA Western Region**  
**U.S. Department of Transportation**

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**Date**