

## WARNING LETTER

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 27, 2018

Mr. Mark D. Pierce  
Carbon California Operating Company, LLC  
President  
270 Quail Court, Suite B  
Santa Paula, CA 93060

CPF 5-2018-0016W

Dear Mr. Pierce:

On October 15, 2018 to October 19, 2018, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code inspected the Carbon Energy Corporation's (Carbon) Ojai to Llamas and Sespe gas gathering pipeline systems in Ventura, California.

As a result of the inspection, it is alleged that Carbon has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§ 192.465 External corrosion control: Monitoring.**
  - (a) . . .
  - (b) **Each cathodic protection rectifier or other impressed current power source must be inspected six times each calendar year, but with intervals not exceeding 2½ months, to insure that it is operating.**

Carbon violated 49 CFR § 192.465(b) by failing to inspect each cathodic protection rectifier six times each calendar year, but with intervals not exceeding 2½ months, to insure that it is

operating. Specifically, Carbon's Procedure 6.05, *Cathodic Protection & External Corrosion Control*, Section 5.1 requires each cathodic protection rectifier or other impressed current power source to be inspected at least six times each calendar year, but at intervals not exceeding 2.5 months.<sup>1</sup> At the time of the inspection, Carbon provided inspection records to the OPS inspector, which showed that the cathodic protection rectifiers for Sespe gas gathering pipeline system had been inspected in February and April 2018.<sup>2</sup> However, Carbon could not provide records or other substantiating evidence to demonstrate that inspections of cathodic protection rectifiers were conducted in June and August 2018.

2. **§ 192.616 Public awareness.**

**(a) Except for an operator of a master meter or petroleum gas system covered under paragraph (j) of this section, each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (incorporated by reference, see §192.7).**

Carbon violated 49 CFR § 192.616(a) by failing to implement its written continuing public education program that follows the guidance provided in API 1162. At the time of the inspection, Carbon could not provide records to demonstrate that Carbon has implemented its written Procedure 18.01, *Public Awareness*.<sup>3</sup> Specifically, Carbon assumed operatorship and ownership of the Ojai to Llamas Type B gas gathering pipeline from the California Resources Corporation on February 15, 2017<sup>4</sup>, however it was not till October 2018, 20 months after ownership was assumed, that Carbon began to implement its public awareness program.<sup>5</sup>

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$213,268 per violation per day the violation persists, up to a maximum of \$2,132,679 for a related series of violations. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022. For violations occurring prior to November 2, 2015, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Carbon California Operating Company, LLC being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to CPF 5-2018-0016W. 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

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<sup>1</sup> See Exhibit A to Violation Report

<sup>2</sup> See Exhibit B to Violation Report

<sup>3</sup> See Exhibit C to Violation Report

<sup>4</sup> See Exhibit D to Violation Report

<sup>5</sup> See Exhibit E and F to Violation Report

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).

Sincerely,

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

cc: PHP-60 Compliance Registry  
PHP-500 M. Garcia (#162702, #162703)