

WARNING LETTER

VIA ELECTRONIC MAIL TO: MMallett@freeportlng.com

October 16, 2023

Mark Mallett
Chief Operating Officer
Freeport LNG Development, LP
333 Clay Street
Houston, Texas 77002

CPF 4-2023-060-WL

Dear Mr. Mallett:

From February 27, 2023, to April 4, 2023, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety, pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected Freeport LNG Development, LP's (FLNG) natural gas transmission pipeline system in Freeport, Texas.

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

1. **§ 192.605 Procedural manual for operations, maintenance, and emergencies.**
 - (a) ***General.*** Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

FLNG failed to follow its manual of written procedures for conducting operations and maintenance activities in accordance with § 192.605(a). Specifically, FLNG failed to conduct an annual review in 2020 and 2021 of its procedures as required by section 3.1 of its Gas Pipeline Operations and Maintenance Manual, Revision No: 4, (12/4/19), FLNG-GOM-100.

FLNG failed to provide documentation of the operations and maintenance manual annual reviews for calendar years 2020 and 2021.

Therefore, FLNG failed to follow its manual of written procedures for conducting operations and maintenance activities in accordance with § 192.605(a).

2. § 192.805 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

(a)

(i) After December 16, 2004, notify the Administrator or a state agency participating under 49 U.S.C. Chapter 601 if an operator significantly modifies the program after the administrator or state agency has verified that it complies with this section. Notifications to PHMSA must be submitted in accordance with § 192.18.

FLNG failed to follow its written qualification program in accordance with § 192.805. Specifically, FLNG failed to notify the Administrator of significant modifications to its Operator Qualification Program (OQ Program) (Rev. 1, 1/18/2023), as required by section 4.3 of that procedure and § 192.805(i).

FLNG's OQ Program is a wholesale change from the previous version (Document No.: FLNG-OQM-100, Rev. 3, 10/23/2012). FLNG made changes to many, if not all, sections in the OQ Program. The significant modifications include a new table of contents, revised narratives for many sections, new task numbers and names, and a new program name and number (compare DOCUMENT NO. FLNG-OPS-PRC-9001-064.0001 with DOC ALT NO. FLNG-OQM-100). For instance, *Task 3 Inspect Cathodic Protection Rectifiers* in the previous OQ program is now *Task 0101 Inspect Rectifier and Obtain Readings* in the current OQ Program. FLNG also restarted the revision number in 2021, reflecting the magnitude of changes. As stated in section 4.3, a wholesale change is a significant modification that requires PHMSA notification.

Therefore, FLNG failed to follow its written qualification program in accordance with § 192.805.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,142 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of

violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. 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.

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 Freeport LNG Development, L.P. 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 4-2023-060-WL**. 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).

Sincerely,

Bryan Lethcoe
Director, Southwest Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

cc: Michael Stephenson, Regulatory Compliance Manager, MStephenson@freeportlng.com
David Pesses, Sr. Compliance Specialist, DPesses@freeportlng.com