

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 24, 2011

Mr. Steve Rusch
Vice President
Plains Exploration & Production Company
5640 S. Fairfax Avenue
Los Angeles, CA 92256

CPF 5-2011-7001W

Dear Mr. Rusch:

On October 13-15, 2010, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your written procedures contained within your Integrity Management Program (IMP). Our representative also reviewed records to ensure that the IMP procedures were properly implemented. The procedures and records review were conducted at your Los Angeles, California office.

As a result of the inspection, it appears that Plains Exploration & Production Company (PXP) has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

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

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

(4) Special requirements for scheduling remediation.

(i) Immediate repair conditions. An operator's evaluation and remediation schedule must provide for immediate repair conditions. To maintain safety, an operator must temporarily reduce the operating pressure or shut down the pipeline until the

operator completes the repair of these conditions. An operator must calculate the temporary reduction in operating pressure using the formula in section 451.7 of ASME/ANSI B31.4 (incorporated by reference, see § 195.3), if applicable. If the formula is not applicable to the type of anomaly or would produce a higher operating pressure, an operator must use an alternative acceptable method to calculate a reduced operating pressure. An operator must treat the following conditions as immediate repair conditions:

(B) A calculation of the remaining strength of the pipe shows a predicted burst pressure less than the established maximum operating pressure at the location of the anomaly. Suitable remaining strength calculation methods include, but are not limited to, ASME/ANSI B31G ("Manual for Determining the Remaining Strength of Corroded Pipelines" (1991) or AGA Pipeline Research Committee Project PR-3-805 ("A Modified Criterion for Evaluating the Remaining Strength of Corroded Pipe" (December 1989)). These documents are incorporated by reference and are available at the addresses listed in §195.3.

PXP did not reduce the operating pressure or shut down its pipeline after a calculation of the remaining strength of the pipe showed a predicted burst pressure to be less than established maximum operating pressure (MOP) at the location of the discovered anomalies.

Following a September 30, 2009 in-line inspection, PXP conducted a follow-up ultrasonic (UT) inspection of its 20" oil pipeline from platform Irene to shore. The in-line inspection (ILI) revealed two external corrosion anomalies on the riser. The riser anomalies were measured by the ILI tool to have metal loss values of 21 and 46 percent. The UT inspection found the corrosion to be adjacent to a welded steel repair sleeve and was actually measured in the field to be between 28 to 68 percent wall loss. The extent of the corrosion included a 22-inch wide area around the circumference of the pipe. Following confirmation of these two anomalies on September 16, 2010, a Safety Related Condition report was sent to OPS. The anomalies were repaired by Clock Spring on September 18, 2010.

The resulting ASME B31.G calculating using the maximum wall loss of 68 percent and a length of 22 inches yielded a calculated remaining strength of 813 psi when using a 0.72 safety factor. The burst pressure without a safety factor would have been 1129 psi which is below the 1194 psi Maximum Operating Pressure (MOP) of the pipeline that PXP continued to use after discovery of the corrosion. In no circumstance should the pipeline MOP exceed its burst pressure. The MOP of the pipeline should have been reduced immediately upon discovery.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any 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 items identified in this letter.

Failure to do so will result in Plains Exploration & Production Company 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 5-2011-7001W**. 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,

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

cc: PHP-60 Compliance Registry
PHP-500 H. Monfared (#131602)