Macpherson Oil Company
PO Box 5368
Bakersfield, CA 93388
Attn: Tim Lovley

Via: FedEx with Electronic Copy & emailed

October 7, 2016

Mr. Chris Hoidal
Director Western Region
US DOT PHMSA
12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228
Chris.Hoidal@dot.gov

RE: Notice of Probable Violation and Proposed Compliance Order CPF 5-2016-0016

Dear Mr. Hoidal:

This letter is in response to Notice of Probable Violation and Proposed Compliance Order CPF 5-2016-0016, and regards the June 22-25, 2015, audit by PHMSA of Macpherson Oil Company's gas transmission line in Kern County, California. Macpherson has committed significant resources to proactively managing and maintaining our facilities. Therefore, we understand improvements and enhancements are integral to the success of our program. As such, Macpherson Oil Company (MOC) appreciates the opportunity to respond to the Notice of Probable Violation and Proposed Compliance Order.

MOC owns a 6-inch, 6.8-mile natural gas pipeline that provides utility gas to its single user MOC's production field. The pipeline runs entirely on private property through a Class 1 area where cattle are grazed. The MOC pipeline system currently is 6.8 miles of 6" coated and cathodic protected pipe with a manual valve at each end. This is the extent of MOC's pipeline.

Macpherson Oil Company is a private, independent oil production company that employees 53 people and contracts all services and work on the pipeline to pipeline experts. MOC employed my predecessor, who initiated an effort to implement a pipeline compliance system. Issues related to that earlier effort were being resolved leading up to and at the time of the audit.

MOC has worked diligently over the last three years to develop and implement a pipeline compliance program that meets with 49 CFR 192 regulations and industry standards. One of these activities was to hire Kendrick Consulting LLC to help develop and document a gas transmission compliance program reflective of the regulatory requirements.

Macpherson Oil Company takes safety of its employees, contractors and the public seriously and has implemented new policies, procedures, and practices since the June 22-25, 2015 pipeline audit. Many of the revisions reflect the recommendations of PHMSA's auditor Hossein Monfared.

In response to the referenced notice, MOC is replying to each of the probable violations and proposed actions as noted below.

Item #1 §192.13(c) Each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this part.

- Macpherson Oil Company has committed significant resources to locate data relating to the original construction of the gas pipeline. The results are included below:
  - MOC has talked with the original contractor K.M. Scrivener, Inc. (doing business in 1998 as Scriveners Coalinga, CA - CA License No. 485655), that built the line. MOC was told that they had no documents related to the project.
  - MOC contacted the engineering firm Helt Engineering Inc. of Bakersfield CA, and requested information relating to the engineering and or construction of the pipeline. No information was available.
  - MOC contacted Kern County to locate the original construction permits.
  - MOC contacted the pipelines financing entity to locate project documents. No information was available.
  - MOC went through all files and archives including invoices for the pipeline
- Macpherson Oil Company was able to locate the following construction documents (these documents were in MOC's possession prior to the audit):
  - Original Contract to construct Schedule B (Attachment A)
    - Includes a description of the work to be performed:
      - Handling and storage of materials and equipment
      - Preparation and installation of all pipe, valves, fittings, and miscellaneous maters
      - Excavation, preparation of the ditch, hauling, filling, backfilling and compacting excavations
      - Bending, cutting, and modifying pipe
      - Installation of five (5) Electrical Test Stations (ETS) required for monitoring cathodic protection
        - Cathodic protection installed and maintained by Farwest Corrosion
      - Hydrostat testing
        - Hydrostat testing results and qualifications by Akri on 10-01-1998 (see Attachment B)
      - Holiday surveys to insure integrity of the coating on the installed pipe
      - Shrink sleeves and repair of pipe coating where required
      - Turn over to the company a set of "Red Line" drawings showing the as built installation of the pipeline
        - Drawing showing minimum coverage, pipeline route, and weld locations (see Attachment C)
      - Installation of pipeline markers
      - Provide all record documents to the company
    - Pritec two layer PE coated pipe Product Data Sheet (see Attachment D)
  - In addition to the original construction documents referenced above, MOC was able to locate pipe wall strength calculations using NDT wall thickness results from 2014 (see Attachment E)

MOC is proposing the following in lieu of PHMSA's proposed actions:

- The PHMSA auditor recommended during the audit that MOC should develop a Fit For Service (FFS) program. The FFS was developed to address the issues identified in the Notice of Probable Violation and are as proposed by the PHMSA auditor.
  - Whenever MOC excavates the gas pipeline, NDT testing and depth of cover

measurements shall be taken. The coating of the pipe shall be inspected, and all data documented.

- MOC has developed a FFS program which is included in MOC's Operation and Maintenance Manual for the pipeline Form 9 in MOC's Gas Pipeline O&M Manual (Attachment F)
- The gas pipeline was excavated in 2016 (Attachment G)
  - MOC contracted repairs to the Cathodic Protection system

Support for MOC's proposed action:

- The gas pipeline passed a Hydrostat Test prior to being placed into service.
- A Cathodic protection system has been in use since initial commissioning.
- NDT performed on both buried and atmospheric exposed piping indicate wall strength to meet the conditions of design and operation.
- Drawings, excavations performed, and surveillance activities all indicate a minimum of 42" of cover.
- Cost to perform US DOT PHMSA proposed actions - $4,875,000 (Original cost estimate to construct $206,900)
  - Perform requested work - $1,200,000
  - Reduction in production - $750,000
  - 10 days without heat for processing oil – $1,800,000
  - Recovery time for reservoir heat – $1,125,000

Item #3 - Emergency plans

MOC immediately responded to the auditor's concerns regarding improvement to MOC's Emergency Response Plan. MOC's Operations and Maintenance Manual dated September 6, 2016 reflects MOC's updated O&M Manual in Reporting and Notifications, Abnormal Operations, and Emergency Operations Section 8. (Attachment H – page 24). – I believe this was provided to the inspector during or immediately after the audit. As MOC and Kendrick LLC updated MOC's O&M Manual at the end of each day of PHMSA's June 2015 audit.

Item #4 - §192.705 Transmission lines: Patrolling.

- Please see MOC's right-of-way patrol procedures in the current O&M Manual section 9.2 (Attachment F)
- Please see MOC's right-of-way patrol reports dated (Attachment H):
  - 09/20/2016
  - 06/11/2015
  - 07/29/2014
  - 05/07/2013
  - 05/29/2012

Item # 5 - §192.739 Pressure limiting and regulating stations: Inspection and testing.

- MOC discussed during the audit the inability of the gas supplier to exceed the pipelines MAOP. Further, the PSV at Mojave is owned and operated by Mojave Pipeline.
- MOC and its contractors tried to acquire the PSV data from Mojave Gas. All efforts were unsuccessful. Mojave Gas refused due to perceived liability.
- MOC additionally discussed installing a PSV on the line with the auditor during the audit. The auditor indicated that MOC should wait until it receives the findings of the audit.
  - MOC immediately began the process to design and install a PSV on MOC's gas pipeline.
  - If required, MOC is prepared to install and inspect a redundant PSV on its pipeline, and will report to PHMSA when the PSV has been installed, including procedures to test and inspect the PSV.
  - MOC will update its O&M Manual to include the PSV.
  - Estimated cost to install - $20,000
    - Engineering $2,000

- Purchase Equipment $2,500
- Install $15,500

Item # 6 - §192.745 Valve maintenance: Transmission lines

- MOC had written inspection requirements in its June 16, 2015 Pipeline O&M manual – I believe this was provided to the inspector during or immediately after the audit. As MOC and Kendrick LLC updated MOC's O&M Manual at the end of each day of PHMSA's June 2015 audit.
- MOC performed the required manual valve operations and inspections (Attachment I)
  - 09/02/2015
  - 09/20/2016

It is always MOC's intent to fully comply with all PHMSA and other regulatory requirements, as well as to address any known findings/deficiencies identified by PHMSA. It is our hope that we have largely addressed PHMSA's concerns regarding this inspection. MOC appreciates the PHMSA feedback and looks forward to further enhancing our pipeline compliance program.

Please let me know if you require additional information or if the information provided does not address your concerns.

Sincerely,

Tim Lovley
Director HSE
Macpherson Oil Company
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661-368-3909 Office
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Attachments:
Attachment A: Original Contract to construct Schedule B.
Attachment B: Hydrostat testing results and qualifications by Akri (10-01-1998)
Attachment C: Drawing showing minimum coverage and weld locations
Attachment D: Pritec two layer PE coated pipe Product Data Sheet
Attachment E: NDT wall thickness results from 2014
Attachment F: MOC's Gas Pipeline O&M Manual
Attachment G: 2016 Excavation data
Attachment H: MOC's right-of-way patrol records
Attachment I: Valve Inspections

Cc: Hossein F. Monfared – PHMSA Auditor- via email
Andy Kendrick, Kendrick Consulting LLC – via email
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