U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 9, 2020

Mr. David Rose
Director, Environmental Health & Safety
Freeport-McMoRan Oil & Gas
201 S. Broadway
Orcutt, CA 93455

CPF 5-2020-7002W

Dear Mr. Rose:

In November 2019, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your 8-inch diameter oil pipeline from Platform Irene to the Lompoc Oil and Gas Plant (Point Pedernales Pipeline) in California.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§ 195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?**

   (a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.
   (b) Coating material must be suitable for the prevention of atmospheric corrosion.
   (c) Except portions of pipelines in offshore splash zones or soil-to-air interfaces, you need not protect against atmospheric corrosion any pipeline for which you

demonstrate by test, investigation, or experience appropriate to the environment of the pipeline that corrosion will—
(1) Only be a light surface oxide; or
(2) Not affect the safe operation of the pipeline before the next scheduled inspection.

At Valve Site 1, the Point Pedernales Pipeline is supported by pipe supports which are unable to be adjusted to allow for the inspection of the pipeline at the pipe-to-pipe support interface. Therefore, it is not possible to determine if the pipeline is properly coated under the supports.

2. § 195.583 What must I do to monitor atmospheric corrosion control?

(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months.
Offshore	At least once each calendar year, but with intervals not exceeding 15 months.

(b) During inspections, you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.
(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by §195.581.

At Valve Site 1, the Point Pedernales Pipeline is supported by pipe supports which are unable to be adjusted to allow for the inspection of the pipeline at the pipe-to-pipe support interface at the requisite intervals in § 195.583(a). Based on the lack of an insulator between the pipe and pipe support, and the proximity of Valve Site 1 to the salty air atmosphere near the Pacific Ocean, it is likely that the pipeline will experience external corrosion at these locations.

3. § 195.573 What must I do to monitor external corrosion control?

(a) *Protected pipelines.* You must do the following to determine whether cathodic protection required by this subpart complies with §195.571:
(1) ...
(2) Identify not more than 2 years after cathodic protection is installed, the circumstances in which a close-interval survey or comparable technology is

practicable and necessary to accomplish the objectives of paragraph 10.1.1.3 of NACE SP 0169 (incorporated by reference, *see* § 195.3).

After more than two years' post-cathodic protection installation, the operator did not identify the circumstances in which a close interval survey of the Point Pedernales Pipeline or comparable technology is practicable and necessary to accomplish the objectives of NACE SP 0169 10.1.1.3.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to 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. 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 items identified in this letter. Failure to do so may result in Freeport-McMoRan 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 5-2020-7002W.** 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,

Dustin Hubbard
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 M. Petronis (#161482)