

May 10, 2024

VIA ELECTRONIC MAIL TO: martyn.willsher@amplifyenergy.com

Mr. Martyn Willsher
President and Chief Executive Officer
Amplify Energy Corp.
500 Dallas Street, Suite 1700
Houston, Texas 77002

Re: CPF No. 5-2023-025-NOPV

Dear Mr. Willsher:

Enclosed please find a Consent Order incorporating the terms of the Consent Agreement between the Pipeline and Hazardous Materials Safety Administration (PHMSA) and Beta Offshore, a subsidiary of Amplify Energy Corp., which was executed on May 9, 2024. Service of the Consent Order and Consent Agreement by electronic mail is deemed effective upon the date of transmission and acknowledgement of receipt, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosures: Consent Order and Consent Agreement

cc: Mr. Dustin Hubbard, Director, Western Region, Office of Pipeline Safety, PHMSA
Mr. Daniel Furbee, Senior Vice President and Chief Operating Officer, Amplify Energy,
dan.furbee@amplifyenergy.com
Mr. Eric M. Willis, Senior Vice President and General Counsel, Amplify Energy Corp.,
eric.willis@amplifyenergy.com

Mr. Christopher Keegan, outside counsel for Beta Offshore, Kirkland & Ellis LLP,
chris.keegan@kirkland.com

Mr. James Curry, outside counsel for Beta Offshore, Babst Calland,
jcurry@babstcalland.com

CONFIRMATION OF RECEIPT REQUESTED

Date Issued

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of	)	
	)	
Beta Offshore,	)	CPF No. 5-2023-025-NOPV
	)	
Respondent.	)	
	)	

CONSENT AGREEMENT

From August 31 to September 3, 2021, 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 (U.S.C.), inspected Beta Offshore's (Beta or Respondent) San Pedro Bay Pipeline (SPBPL), a pipeline that transports crude oil from Platform Elly, located off the coast of California in Federal waters, to Beta Pump Station located onshore in the City of Long Beach, California.

As a result of the inspection, the Director, Western Region, OPS (Director), issued to Respondent, by letter dated April 6, 2023, a Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent violated 49 C.F.R. § 195.452(g) (Item 1), § 195.573(a) (Item 2), and § 195.573(c) (Item 3) and proposed ordering Respondent to take certain measures to correct the alleged violations and a civil penalty of \$58,400.

Beta responded to the Notice by letter dated May 4, 2023 (Response). The company contested the underlying violations, the proposed civil penalty, and portions of the proposed compliance order.

PHMSA and Respondent (the Parties) subsequently met to discuss the issues raised in the Response. As a result of those discussions and as explained in more detail below, the Parties have agreed to a Consent Agreement which includes findings of violation for Items 1, 2 and 3, a civil penalty of **\$46,600**, and a series of compliance provisions.

Having agreed that settlement of this proceeding will avoid further administrative proceedings or litigation and will serve the public interest by promoting safety and protection of the environment, pursuant to 49 U.S.C. § 60101, *et seq.* and 49 C.F.R. Part 190, and upon consent and agreement, the Parties hereby agree as follows:

I. General Provisions

1. Respondent acknowledges that as the operator of the pipeline facilities subject to the Notice, Respondent and its referenced pipeline facilities are subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and administrative orders issued thereunder. For purposes of this Consent Agreement (Agreement), Respondent acknowledges that it received proper notice of PHMSA's action in this proceeding and that the Notice states claims upon which relief may be granted pursuant to 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder.

2. After Respondent returns this signed Agreement to PHMSA, the Agency's representative will present it to the Associate Administrator for Pipeline Safety, recommending that the Associate Administrator adopt the terms of this Agreement by issuing an administrative order (Consent Order) incorporating the terms of this Agreement. The terms of this Agreement constitute an offer of settlement until accepted by the Associate Administrator. Once accepted, the Associate Administrator will issue a Consent Order incorporating the terms of this Agreement.

3. Respondent consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Respondent waives all rights to contest the adequacy of notice, or the validity of the Consent Order or this Agreement, including all rights to administrative or judicial hearings or appeals, except as provided in the Dispute Resolution provisions set forth herein. Upon issuance of the Consent Order, Respondent agrees to withdraw its request for an administrative hearing regarding the Notice.

4. This Agreement shall apply to and be binding upon PHMSA and Respondent, its officers, directors, and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this Agreement and any incorporated work plans and schedules to all of Respondent's officers, employees, and agents whose duties might reasonably include compliance with this Agreement.

5. This Agreement constitutes the final, complete and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this Agreement. The Parties acknowledge that there are no representations, agreements or understandings relating to settlement other than those expressly contained in this Agreement, except that the terms of this Agreement may be construed by reference to the Notice.

6. Nothing in this Agreement affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder. Nothing in this Agreement alters PHMSA's right of access, entry, inspection, and information gathering or PHMSA's authority to bring enforcement actions against Respondent pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law.

7. For all transfers of ownership or operating responsibility of Respondent's pipeline system referenced herein, Respondent will provide a copy of this Agreement to the prospective transferee at least 30 days prior to such transfer. Respondent will provide written notice of the transfer to the Director no later than 60 days after the transfer occurs.

8. This Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Respondent's pipeline systems. This Agreement is not a permit, or a modification of any permit, under any Federal, State, or local laws or regulations. Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

9. This Agreement does not create rights in, or grant any cause of action to, any third party not party to this Agreement. The U.S. Department of Transportation is not liable for any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this Agreement. Respondent agrees to hold harmless the U.S. Department of Transportation, its officers, employees, agents, and representatives from any and all causes of action arising from any acts or omissions of Respondent or its contractors in carrying out any work required by this Agreement.

10. Respondent neither admits nor denies any allegation or conclusion in the Notice or this Agreement but agrees for purposes of this Agreement to comply with the terms of this Agreement.

11. This Agreement does not constitute a finding of violation of any federal law or regulation and may not be used in any civil proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of a violation of any law, rule, regulation, or requirement, except in a proceeding to enforce the provisions of this Agreement or in future PHMSA enforcement actions.

II. Findings of Violation:

12. ***Item 1 - 49 C.F.R. § 195.452(g)(1-4):*** The Notice alleged that Respondent failed to integrate all the data elements set forth in 49 C.F.R. § 195.452(g)(1)-(4) when evaluating the integrity of the Pipeline as required. In its Response, Beta recognized that its integrity management program could be improved and provided additional information on its plans for updating the program. As such, PHMSA finds a violation of 49 C.F.R. § 195.452(g)(1-4).

13. ***Item 2 - 49 C.F.R. § 195.573(a)(1):*** The Notice alleged that Respondent failed to conduct tests on the Pipeline once each calendar year, at intervals not exceeding 15 months, to determine whether cathodic protection complies with 49 C.F.R. § 195.571. During settlement discussions the parties discussed Beta's cathodic protection program, and Beta provided additional related documentation. However, PHMSA finds a violation of 49 C.F.R. § 195.573(a)(1).

14. ***Item 3 - 49 C.F.R. § 195.573(c):*** The Notice alleged that Respondent failed to electrically check rectifiers at the interval required by 49 C.F.R. § 195.573(c). During settlement discussions the parties discussed Beta's external corrosion control program and its practices around rectifier inspections. As such, PHMSA finds a violation of 49 C.F.R. § 195.573(c).

15. Items 1, 2, and 3 will be considered prior offenses in any future PHMSA enforcement action taken against Respondent for the five (5)-year period following the ***Effective Date*** of this Agreement.

III. Civil Penalty:

16. **Item 2:** The Notice proposed assessing a civil penalty in the amount of \$58,400 for Item 2. During settlement discussions, Beta provided PHMSA with additional documentation related to its cathodic protection program. Based on the documentation provided, PHMSA agrees to reduce the number of instances of violation from three (3) to one (1). This reduces the civil penalty to **\$46,600**.

IV. Compliance Plan:

17. **Item 1:** Respondent agrees to complete and submit a new Integrity Management risk assessment that incorporates and analyzes the data elements in § 195.452(g)(1)-(4) and submit to the Director within 60 days of the **Effective Date**.

18. **Item 2:** Respondent agrees to implement the following measures:

- (a) As part of its annual cathodic protection surveys going forward (from the **Effective Date**), Respondent will:
 - i. Include Test Points 16 and 17 as monitored points; and
 - ii. Evaluate cathodic protection at the location of Test Point 14 (on the carrier pipe) using a trailing wire survey or equivalent technology.
- (b) Conduct a close interval survey (CIS) for the onshore portion of the San Pedro Bay Pipeline marked in Attachment 1 at a minimum of three foot spacing in non-paved areas and ten (10) foot spacing in paved areas to verify that adequate CP has been maintained on the pipeline within 730 days from the **Effective Date**.
- (c) Provide the Director a copy of all test results from the CIS within 60 days of completing the CIS.
- (d) Revise and implement rectifier reading and critical bond inspection forms to improve monitoring and the ability to capture potential interference currents. To satisfy this requirement Respondent may adopt a form from its corrosion control contractor. Update and begin using these forms no later than the **Effective Date**.
- (e) Revise its IM Plan to require the evaluation of future ILI run data for external corrosion that may be an indicator of interference currents, and documentation of this evaluation. Respondent is to complete these revisions and submit this documentation to the Director within 90 days of the **Effective Date**.
- (f) Submit a summary implementation report with supporting documentation demonstrating compliance with the requirements set out in paragraphs 17(a)

through (e) to the Director within 90 days of the ***Effective Date***. The report shall include:

- i. The most recent cathodic protection survey report which includes Test Points 16 and 17, and results for the location of Test Point 14.
- ii. The revised rectifier reading and critical bond inspection form, which may be a completed form from a recent inspection in which that form was used.
- iii. A progress report on the CIS referenced in 17(b).
- iv. The revised IM plan risk assessment referenced in 17(e).

19. ***Item 3:*** Respondent agrees to use NACE/AMPP-certified technicians to conduct all rectifier inspections required by § 195.573(c), beginning no later than on the ***Effective Date***. Within 30 days of the ***Effective Date***, Respondent will submit documentation to the Director demonstrating compliance with this requirement.

V. **Extensions of Time**

20. The Director may grant an extension of time for compliance with any of the terms of this Agreement, including the Compliance Plan in Section IV, upon a written request timely submitted demonstrating good cause for an extension. Except for the provisions in paragraph 18(b), absent unexpected delays, Beta will submit any requests for extension no less than 14 days before the applicable deadline. The Director shall respond to any such requests within 14 days of receipt.

21. With respect to the CIS provision in paragraph 18(b), Beta will submit any requests for an extension no less than 90 days before the applicable deadline. The request must be in writing and include documentation demonstrating good cause. The Director shall respond to any such request within 60 days of receipt.

VI. **Enforcement:**

22. This Agreement is subject to all enforcement authorities available to PHMSA under 49 U.S.C. § 60101, *et seq.*, and 49 C.F.R. Part 190, including administrative civil penalties under 49 U.S.C. § 60122, of up to \$266,015 per violation for each day the violation continues and referral of the case to the Attorney General for judicial enforcement, if PHMSA determines that Respondent is not complying with the terms of this Agreement in accordance with the determinations made by the Director, or in accordance with decisions of the Associate Administrator if resolved pursuant to the Dispute Resolution process herein. The maximum civil penalty amounts are adjusted annually for inflation. *See* 49 C.F.R. § 190.223. All work plans and associated schedules set forth or referenced in Section IV are automatically incorporated into this Agreement and are enforceable in the same manner.

VII. **Review and Approval Process:**

23. With respect to any submission under Section IV (Compliance Plan) of this Agreement that requires the approval of the Director, the Director may: (a) approve, in whole or in part, the submission; (b) approve the submission on specified, reasonable conditions; (c) disapprove, in whole or in part, the submission; or (d) any combination of the foregoing. If the Director approves, approves in part, or approves with conditions, Respondent will take all actions as approved by the Director, subject to Respondent's right to invoke the dispute resolution procedures with respect to any conditions the Director identifies. If the Director disapproves all or any portion of the submission, the Director will provide Respondent a written notice of the deficiencies. Respondent will correct all deficiencies within the time specified by the Director and resubmit it for approval.

VIII. Dispute Resolution:

24. The Director and Respondent will informally attempt to resolve any disputes arising under this Agreement, including any decision of the Director under the terms of Section IV. If Respondent and the Director are unable to informally resolve the dispute within 15 calendar days after the dispute is first raised, in writing, to the Director, Respondent may submit a written request for a determination resolving the dispute from the Associate Administrator for Pipeline Safety, PHMSA. Such request must be made in writing and provided to the Director, counsel for the Western Region, and to the Associate Administrator for Pipeline Safety, no later than 10 calendar days from the 15-day deadline for informal resolution referenced in this paragraph. Along with its request, Respondent must provide the Associate Administrator with all information Respondent believes is relevant to the dispute. Decisions of the Associate Administrator under this paragraph will constitute final agency action. The existence of a dispute and PHMSA's consideration of matters placed in dispute will not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this Agreement during the pendency of the dispute resolution process except as agreed by the Director or Associate Administrator in writing.

IX. Effective Date:

25. The term "***Effective Date***," as used herein, is the date on which the Consent Order is issued by the Associate Administrator, PHMSA, incorporating the terms of this Agreement.

X. Recordkeeping and Information Disclosure:

26. Unless otherwise required in this Agreement, Respondent agrees to maintain records demonstrating compliance with all requirements of this Agreement for a period of at least five (5) years following completion of all work to be performed. For any reports, plans, or other deliverables required to be submitted to PHMSA pursuant to this Agreement, Respondent may assert a claim of business confidentiality or other protections applicable to the release of information by PHMSA, covering part or all of the information required to be submitted to PHMSA pursuant to this Agreement in accordance with 49 C.F.R. Part 7. Respondent must mark the claim of confidentiality in writing on each page, and include a statement specifying the grounds for each claim of confidentiality. PHMSA determines release of any information submitted pursuant to this Agreement in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and PHMSA policies, and other applicable regulations and Executive Orders.

XI. Modification:

27. The terms of this Agreement may be modified by mutual agreement of the Parties. Such modifications must be in writing and signed by both parties.

XII. Termination:

28. This Agreement shall terminate on completion of all required tasks in the Compliance Plan in Section IV, as determined by the Director. Once Beta has completed all such tasks, Beta may request written confirmation of termination from PHMSA, and the Director will provide such confirmation. Nothing in this Agreement prevents Respondent from completing any of the obligations earlier than the deadlines provided for in this Agreement.

XIII. Ratification:

29. The Parties' undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Agreement and to execute and legally bind such party to this document.

30. The Parties hereby agree to all findings, conditions, and terms of this Agreement.

[Signature Lines on Following Page]

For Beta Offshore

Date

For PHMSA:

Dustin Hubbard
Director, Western Region, Office of Pipeline Safety

Date