

**NOTICE OF PROBABLE VIOLATION
AND
PROPOSED COMPLIANCE ORDER**

VIA ELECTRONIC MAIL TO: caps@arenaenergy.com

January 30, 2024

Christopher Capsimalis
Chief Executive Officer
Rosefield Operating Company, LLC
2103 Research Forest
Suite 300
The Woodlands, Texas 77380

CPF 4-2024-014-NOPV

Dear Mr. Capsimalis:

From July 11, 2021, to November 27, 2023, 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.), reviewed and inspected an Integrity Assurance notification submitted on June 30, 2021, by Rosefield Operating Company, LLC (Rosefield), regarding its High Island Pipeline System that transports crude oil from offshore locations to Texas City, Texas.

As a result of the inspection, it is alleged that Rosefield has committed probable violation(s) of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (C.F.R.). The item(s) investigated and the probable violation(s) are:

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

(a)

(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(1) General. After completing the baseline integrity assessment, an operator must continue to assess the line pipe at specified intervals and periodically evaluate the integrity of each pipeline segment that could affect a high consequence area.

(2)

(3) Assessment intervals. An operator must establish five-year intervals, not to exceed 68 months, for continually assessing the line pipe's integrity. An operator must base the assessment intervals on the risk the line pipe poses to the high consequence area to determine the priority for assessing the pipeline segments. An operator must establish the assessment intervals based on the factors specified in paragraph (e) of this section, the analysis of the results from the last integrity assessment, and the information analysis required by paragraph (g) of this section.

Rosefield failed to continually assess the line pipe's integrity within a five-year interval, not to exceed 68 months, in accordance with 49 C.F.R. § 195.452(j)(3). Specifically, the last integrity assessment performed on the High Island Pipeline System was June 8, 2015. Therefore, Rosefield failed to assess its High Island Pipeline System within the interval required by §195.452(j)(3).

Proposed Civil Penalty

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 \$2,391,412 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 propose a civil penalty assessment at this time.

Proposed Compliance Order

With respect to item 1 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Rosefield. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be 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).

Following your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 4-2024-014-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Enforcement Proceedings

cc: Garrett Parker, Regulatory Specialist, GParker@rosefieldpipeline.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Rosefield a Compliance Order incorporating the following remedial requirements to ensure the compliance of Rosefield with the pipeline safety regulations:

- A. In regard to Item Number 1 of the Notice pertaining to Rosefield's failure to conduct a continual integrity assessment in accordance with 49 C.F.R. § 195.452(j)(3), Rosefield must perform an integrity assessment on its High Island Pipeline System within **90** days of receipt of the Final Order. Rosefield must submit records documenting the completion of the assessment to PHMSA within 60 days of receipt of the reassessment final report.

- B. It is requested (not mandated) that Rosefield maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Bryan Lethcoe, Director, Southwest Region, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.