

Excerpt From PAA 11/6/15 10-Q Disclosure Regarding Line 901



Line 901 Incident . During May 2015, we experienced a crude oil release from our Las Flores to Gaviota Pipeline (Line 901) in Santa Barbara County, California. A portion of the released crude oil reached the Pacific Ocean at Refugio State Beach through a drainage culvert. Following the release, we shut down the pipeline and initiated our emergency response plan. A Unified Command, which includes the United States Coast Guard, the EPA, the California Office of Spill Prevention and Response and the Santa Barbara Office of Emergency Management was established for the response effort. Clean-up and remediation operations and contamination monitoring continue, and the cause of the release is currently under investigation.

Shortly after the incident, we developed an initial “worst case” estimate of the amount of oil spilled, representing the maximum volume of oil that we believed could have been spilled based on relevant facts, data and information available at the time of such calculation. Our initial worst case estimate was approximately 2,500 barrels, which was subsequently adjusted down to approximately 2,400 barrels. These estimates were based primarily on information regarding (i) an estimate of the amount of oil that flowed into Line 901 during the period between the estimated time of release and the point when the pumps were shut down and (ii) an estimate of the volume of oil that drained out of the line due to natural forces based on the characteristics of the pipeline (i.e., length, elevation profile, diameter and location of the release point).

Utilizing information that became available in June as a result of emptying and purging Line 901, we developed an alternative worst case discharge estimate of up to 3,400 barrels. This alternative estimate did not take into account certain factors that, while difficult to quantify, could account for a meaningful portion of the difference between the two estimates. As part of our effort to reconcile the difference between these two estimates, we retained a third party engineering and consulting firm to develop an independent estimate of the worst case discharge.

Although we have not yet received such firm’s final written report, we have discussed their findings with them. They have orally advised us that based on their detailed analysis of the pertinent data and materials, their estimate of the worst case discharge is approximately 3,000 barrels. Accordingly, while we have not finalized our calculation of the “worst case” discharge, based on the relatively narrow range of difference between the low and high end of the range of various worst case estimates that have been prepared, we do not anticipate that any variance between these estimates and the final estimate of the worst case discharge will have a material impact on our accrual for the estimated total costs that we have incurred or will incur with respect to the Line 901 incident.