



**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

7006 2150 0005 2244 1405

**Shell Pipeline Company LP**

Two Shell Plaza  
P.O. Box 2648  
Houston, TX 77252

March 11, 2010

U.S. Department of Transportation  
Pipeline and Hazardous Material Safety  
Administration  
Mr. R. M. Seeley  
Director, Southwest Region  
8701 South Gessner Road, Suite 1110  
Houston, TX 77074



**SUBJECT: Notice of Probable Violation, CPF No. 4-2010-5006**

Dear Mr. Seeley,

On February 15, 2010, Shell Pipeline Company LP (SPLC) received a Notice of Probable Violation (NOPV) from the Pipeline and Hazardous Materials Safety Administration (PHMSA), Southwest Region regarding its investigation of a July 25, 2009 release from the Eugene Island Pipeline System in Ship Shoal Block 142. The NOPV contained a Proposed Civil Penalty and a Proposed Compliance Order.

Below we have included a restatement of PHMSA's text (in italics) for each of the two items from the NOPV dated February 11, 2010. PHMSA's text is then followed by SPLC's response for each item.

**Item 1 – Reference §195.52 -- PHMSA's Statements:**

*Shell failed to provide a telephonic notice to the National Response Center (NRC) (NRC# 912739) that included the most accurate release volume estimate available at the time of the notification. On July 25, 2009 at 8:09 PM CDT, Shell telephonically notified the NRC of the release of crude oil from their Eugene Island pipeline system following confirmation of the release by a flyover of the release site. NRC # 912739 details that the quantity released was reported as "0 unknown amount". The flyover on July 25, 2009 provided information on the coloration and size of the oil sheen on the water from which an estimate of the amount of product released could have been calculated from available industry applications, and an accurate estimate should have been reported.*

*Shell failed to provide prompt follow-up reports during the emergency phase of the response when a revised estimate of the product release amount identified that the release was significantly greater than the original amount reported. A subsequent fly-over of the release site on July 26, 2009 provided additional information from which Shell could have estimated the volume released and provided updated information to the NRC. Also, information readily available to Shell from pipeline specifications and SCADA data provide for making estimates of*

*release volumes using available industry applications. On July 29, 2009, Shell provided telephonic notification to the NRC for report # 913179 (update to NRC # 912739) with the estimated quantity released being 1500 bbls.*

**SPLC's Response to Item 1:**

SPLC appropriately reported to the NRC that the volume was unknown at the time of the initial call to the NRC. A volume estimate had not been generated at the time of the call. The fly-over conducted during the evening of July 25, 2009 was conducted at dusk and the visibility did not permit the use of visual data to estimate a volume. Per *Advisory Bulletin. ADB-02-04* distributed by the Office of Pipeline Safety, the NRC will enter a spill estimate of "1000 barrels" when the operator does not provide a spill estimate. It is unknown to SPLC why the NRC entered "0" rather than "1000 barrels" as stated in the Advisory Bulletin.

SCADA data was utilized later on the evening of July 25, 2009 to estimate a volume. A fly-over on the morning of July 26, 2009 allowed for a visual estimate. These estimates were the basis for volumes communicated directly to Coast Guard personnel on July 26, 2009 during the early spill response and subsequent discussions with PHMSA and the MMS.

On July 29, 2009, PHMSA staff informed SPLC staff that the initial NRC report # 912739 contained "0" as the estimated spill volume. SPLC staff immediately took action and updated the spill volume to 1,500 barrels as documented in NRC report # 913179.

SPLC's procedures are written to comply with 49 CFR 195.52 and the content of *Advisory Bulletin. ADB-02-04*. It is reasonable for SPLC to expect that the NRC will execute their work as described in the advisory bulletin. If 1,000 barrels had been entered as described in the bulletin, then no updates were required given the actual estimated spill volume of 1,500 barrels.

While SPLC regrets the confusion associated with the initial notification to the NRC, it has committed no violations of 49 CFR 195.52 as alleged in item 1 of the Notice of Probable Violation. We request that PHMSA withdraw this item as an alleged probable violation.

**Item 2 -- Reference §195.54 -- PHMSA's Statement:**

*Shell failed to file a supplemental report for the Eugene Island pipeline system accident that occurred on July 25, 2009 within 30 days after the metallurgical failure report was obtained that provided information on the probable cause of failure. On July 25, 2009, at approximately 5:54 p.m. CST, a 20-inch crude oil transmission pipeline (MMS segment #4006) in the Eugene Island pipeline system, owned and operated by Shell Pipeline Company LP (Shell), ruptured in the Gulf of Mexico in Ship Shoal Area Block (SS) 142. A metallurgical failure analysis was performed by Stork Testing & Metallurgical Consulting, Inc. (Stork), in Houston, TX. The probable cause of the rupture was determined to be abrasion and gouging of the pipe, followed by fatigue cracking. The Stork Metallurgical Failure Report # 0608-09-19272 was provided by Stork to the operator on or about October 27, 2009. As of February 4, 2010, a supplemental PHMSA 7000-1 report has not been filed, updating the original report with the final metallurgical failure report information as to the cause of the accident.*

**SPLC's Response to Item 2:**

SPLC acknowledges that it did not update DOT Form 7000-1 within 30 days per 195.54(b). Upon receipt of the Stork metallurgical report, SPLC initiated a meeting with PHMSA staff that was held on November 13, 2009 at PHMSA's Southwest Region offices. This meeting was conducted 16 days after SPLC's receipt of the report. At this meeting, copies of the report were provided to PHMSA, the contents were reviewed, and PHMSA's questions were answered. SPLC is not suggesting that this meeting relieved them of the requirement to supplement the DOT Form 7000-1. However, it is demonstrative of SPLC's efforts throughout the investigation to keep the PHMSA investigation team informed and promptly updated.

PHMSA has proposed a fine of \$18,800 in association with this item 2 of the Notice of Probable Violation. Our review has concluded that this amount is excessive for this administrative oversight given our specific circumstances. The Stork report had been provided to PHMSA within 30 days of receipt and there were no associated consequences with the delay in providing a supplement to DOT Form 7000-1. Nevertheless, SPLC is willing to pay the proposed fine in order to bring this item to an expeditious closure.

With regard to the Proposed Compliance Order, the proposed items are no longer relevant given the activities that have already been performed and that there will be no future costs associated with fulfilling the compliance order. The applicable DOT Form 7000-1 has been filed as a final report and there will be no future costs associated with this activity.

SPLC is very aware and supportive of PHMSA's recent efforts to improve pipeline incident reporting to the NRC and to PHMSA via the 7000-1 form. We have been active participants in PHMSA's work with the American Petroleum Institute and the Association of Oil Pipe Lines on pursuing these improvements. We share PHMSA's commitment to this effort and to continuously improving the industry's pipeline safety performance.

Please contact me at 713-241-3620 if you have any questions or wish to discuss the items above further.

Sincerely,



Brian Sitterly  
Manager, Integrity & Regulatory Services