



**James Barnum**  
General Manager  
Operations - Transition

**Chevron Pipe Line Company**  
4800 Fournace Place  
Bellaire, TX 77401  
Tel 713043206174  
JBarnum@chevron.com

October 29, 2013

Mr. Rod M. Seeley  
Director, Southwestern Region  
Pipeline and Hazardous Materials Safety Administration  
8701 South Gessner, Suite 1110  
Houston, TX 77074



**RE: Chevron Petrochemical Pipeline LLC – Federal OPID No. 31554  
NOPV-PCP-PCO, CPF No. 4-2013-5019**

Dear Mr. Seeley:

On October 1, 2013, Chevron Petrochemical Pipeline LLC (“**CPP**”) (Federal OPID No. 31554), received the captioned Notice of Probable Violation (“**NOPV**”), Proposed Civil Penalty (“**PCP**”) and Proposed Compliance Order (“**PCO**”) from the Pipeline and Hazardous Materials Safety Administration (“**PHMSA**”) dated September 25, 2013. The NOPV arose out of PHMSA’s inspection of the maintenance and integrity management records for CPP’s Evangeline Ethylene Pipeline System (“**Evangeline**”) between April 16, 2013 and June 14, 2013, which is operated and maintained by Chevron Pipe Line Company (“**CPL**”) (Federal OPID No. 02731) (together, CPP and CPL are referred to as “**Chevron**”). This letter is Chevron’s formal response to the NOPV, PCP and PCO.

In accordance with the “Response Options for Pipeline Operators in Compliance Proceedings” enclosed with the NOPV, Chevron is not contesting the violations and will pay the PCP and comply with the PCO. However, as discussed in more detail below, Chevron disagrees with the NOPV’s conclusion that the assessment methods selected by Chevron for Evangeline violate either PHMSA regulations or Chevron’s pipeline integrity procedures. Nevertheless, Chevron is committed to maintaining the highest standards in the safe and prudent operation of its pipelines and had already planned on its own initiative to undertake the majority of the recommendations in the PCO prior to receiving the NOPV. The purpose of this response is to provide further information regarding the alleged violation to demonstrate Chevron’s commitment to safety and operational excellence, as well as its commitment to cooperate fully with PHMSA as it relates to these matters.

**Response to Notice of Proposed Violation**

**NOPV Finding.** The NOPV asserts that there is a probable violation of 49 C.F.R. § 195.452(e)(1), which requires operators to “base the assessment schedule on all risk factors that reflect the risk conditions on the pipeline segment. The NOPV concludes that, per the ILI selection processes set forth in Appendix G of CPL’s Pipeline

Integrity Management Program Manual (“PIM Manual”), Evangeline should have been assessed in 2012 by either a tool capable of assessing the longitudinal seam or by a hydro-test. This conclusion was based on the following facts:

1. Evangeline is a 16”, .312/.314 wt., X52 LF (low frequency) ERW (electric resistance welded) pipe manufactured in 1953; and
2. Evangeline had two “seam related” leaks in 2011.

**Chevron Response.** Chevron disputes the NOPV’s conclusion that the assessment method chosen for Evangeline violated either 49 C.F.R. § 195.452(e)(1) or Appendix G of the PIM Manual because a seam-related leak is different from a seam failure. In determining the method of reassessment, Appendix G states if the pipeline is pre-1970 ERW pipe and the pipeline is susceptible to seam failure Chevron has two options for reassessing the pipeline, either by using a smart pig or by hydro-testing.

On May 10, 2012, Chevron completed its review of the CY2007 reassessment findings as well as leak history from CY2007 through CY2012. Based on the risk analysis of Evangeline, Chevron selected a geometry and magnetic flux leakage (“MFL”) tool for its CY2012 reassessment method. Evangeline had two seam-related pinhole leaks in CY2011. These two leaks were considered during the risk analysis as pinhole leaks and not as “seam failures.” It is important to note that there is no definition of “seam failure” within the PHMSA regulations, nor was Chevron able to find a commonly-accepted industry definition of “seam failure” after a rigorous review of industry materials. Accordingly, Chevron reasonably relied on its pipeline integrity experts, who defined a “seam failure” as a failure of a weld that causes the pipe to fracture along the longitudinal seam weld.

Based on that definition, Chevron determined that the two leaks that occurred in CY2011 did not experience “seam failure” because there was no fracture along the longitudinal seam weld. If the pinhole leaks had met the definition above of seam failure, Chevron would have followed PIM Manual process for assessing longitudinal seam failure and conducted a hydro-test. However, based on Chevron’s experience and PHMSA’s conclusion in the NOPV, Chevron is currently re-evaluating its PIM Manual and pipeline integrity procedures to more clearly define “seam failure”. While Chevron believes its definition of “seam failure” to eliminate any potential confusion over which assessment methods should be applied.

### **Response to Proposed Civil Penalty**

As discussed above, Chevron has elected not to contest the alleged violations and accordingly and will provide electronic payment of the PCP in the amount of \$33,100. Chevron’s decision not to contest the NOPV and to pay the PCP is not an acknowledgement or admission of wrongdoing or liability on the part of Chevron as to any of the matter set forth in the NOPV. Rather, Chevron desires to continue its cooperation with PHMSA to ensure ongoing compliance and pipeline safety.

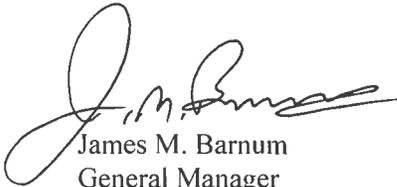
### **Response to Proposed Compliance Order**

**Assessment of Evangeline.** PCO Item 1 requires Chevron to assess Evangeline by a method prescribed in Appendix G of its PIM Manual. Item 2 requires Chevron to complete the assessment within 30 days of a final PHMSA order. Chevron informs PHMSA that it began taking steps to prepare for hydro-testing Evangeline in early September, 2013. Chevron expects to complete the hydro-testing by December 31, 2013 and will notify PHMSA once the assessment has been completed.

**Documentation of Compliance Costs.** PCO Item 3 requests, but does not mandate, that Chevron maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mr. R.M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. PHMSA 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. Chevron agrees to maintain the cost data and will provide the final cost data to Mr. Seeley within three months following the completion of the assessment of Evangeline.

Thank you for your consideration of Chevron's response to the Notice of Proposed Violation, Proposed Civil Penalty and Proposed Compliance Order. If you have any questions regarding these responses, please contact Mr. Gary Saenz at 713-432-3332 (office) or 281-450-5523 (cell).

Sincerely,



James M. Barnum  
General Manager  
Operations - Transition

*Electronic Transmittal*

cc: C. Stevens, PHMSA Engineer  
J. Oveson, CPL AM  
J. Youngblood, CPL Supervising Counsel  
T. Martin, CPL BB Manager  
M. Hildebrand, CPL Pipeline Integrity Technology Supervisor  
G.M. Saenz, CPL Team Leader  
H. Leger, CPL DOT Specialist