

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED CIVIL PENALTY**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 29, 2016

Mr. Greg Smith, President
Shell Pipeline Company, L.P.
Two Shell Plaza
777 Walker Street
Houston, TX 77002

CPF 4-2016-5010

Dear Mr. Smith:

On December 29, 2015 representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code was onsite and inspected operator registry notifications by Shell Pipeline Company, L.P. in Houston, TX.

As a result of the inspections, it appears that Shell Pipeline Company, L.P. (Shell, the Operator) has committed probable violations of the Pipeline Safety Regulations, Title 49, and Code of Federal Regulations. The items inspected and the probable violations are:

1. §195.64 National Registry of Pipeline and LNG Operators

(c) Changes. Each operator must notify PHMSA electronically through the National Registry of Pipeline and LNG Operators at <http://opsweb.phmsa.dot.gov>, of certain events.

(1) An operator must notify PHMSA of any of the following events not later than 60 days before the event occurs:

(i) Construction or any planned rehabilitation, replacement, modification, upgrade, uprate, or update of a facility, other than a section of line pipe that costs \$10 million or more. If 60 day notice is not feasible because of an emergency, an operator must notify PHMSA as soon as practicable;

(ii) Construction of 10 or more miles of a new hazardous liquid pipeline; or

(iii) Construction of a new pipeline facility.

Shell Pipeline Company, L.P. failed to provide adequate notification for the “Shell - Nederland Reactivation” construction project as required by §195.64(c)(1). On April 15, 2014, Shell Pipeline submitted a construction notification to PHMSA (F-20140415-4643) with an anticipated start date of field work activities on May 1, 2014. PHMSA determined from information provided by Shell that this construction project actually started on April 1, 2014, which is prior to the notification. The notification should have been submitted no later than January 31, 2014 in order to provide PHMSA the required 60 day notice prior to construction.

In addition, the description of work on the Operator’s notification didn’t adequately represent the work that was actually performed. The Shell notification included the following description of work:

“Activate an idled/empty 12 inch line segment currently in nitrogen, approx. 4.2 mile in length, with an active 12 inch crude oil service line segment, approx. 1 mile in length, in the Nederland, Port Neches, Texas area. The two line segments will transport crude oil between two different companies tank farms to be shipped out of state by way of pipeline. Modification to the piping booster station, meter stations.”

A PHMSA inspection of project records at the Shell Pipeline offices in Houston, TX in December 2015 revealed that the Operator had installed two new pumping units at a cost of approximately \$13 million with a total overall project cost of \$21 million, not just make modifications to existing facilities.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$25,900.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. All material 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). 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.

In your correspondence on this matter, please refer to **CPF 4-2016-5010** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*