

**APRIL 4, 2014**

Mr. Gregory J. Goff  
President and Chief Executive Officer  
Tesoro Corporation  
19100 Ridgewood Parkway  
San Antonio, TX 78259

**Re: CPF No. 3-2012-5028**

Dear Mr. Goff:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by Tesoro High Plains Pipeline Company to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Central Region, this enforcement action will be closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese  
Associate Administrator  
for Pipeline Safety

Enclosure

cc: Ms. Linda Daugherty, Director, Central Region, OPS  
Mr. Rick Weyen, Vice President, Logistics, Tesoro High Plains Pipeline Company,  
19100 Ridgewood Parkway, San Antonio, TX 78259

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

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<b>In the Matter of</b>	)	
	)	
<b>Tesoro High Plains Pipeline Company,</b>	)	<b>CPF No. 3-2012-5028</b>
	)	
<b>Respondent.</b>	)	

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**FINAL ORDER**

On August 23-27, 2010, and August 30-September 3, 2010, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Tesoro High Plains Pipeline Company (Tesoro or Respondent) in North Dakota. Tesoro Corporation, through various subsidiaries, operates six refineries in the United States with a combined capacity of 850,000 barrels per day.<sup>1</sup>

As a result of the inspection, the Director, Central Region, OPS (Director), issued to Respondent, by letter dated December 27, 2012, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Tesoro violated 49 C.F.R. §§ 195.436 and 195.579 and proposed ordering Respondent to take certain measures to correct the alleged violations.

Tesoro responded to the Notice by letter dated January 25, 2013 (Response) and requested that PHMSA make certain modifications to the facts alleged in the Notice. The company did not contest the allegations of violation but provided written explanations and other materials related to the alleged violations. Respondent did not request a hearing and therefore has waived its right to one.

**FINDINGS OF VIOLATION**

In its Response, Tesoro did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

**Item 1:** The Notice alleged that Respondent violated 49 C.F.R. § 195.436, which states:

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<sup>1</sup> This statement was generally taken from the Tesoro website. <http://phx.corporate-ir.net/phoenix.zhtml?c=79122&p=irol-IRHome> (last accessed on January 24, 2014)

**§ 195.436 Security of facilities.**

Each operator shall provide protection for each pumping station and breakout tank area and other exposed facility (such as scraper traps) from vandalism and unauthorized entry.

The Notice alleged that Respondent violated 49 C.F.R. § 195.436 by failing to provide adequate protection for each pumping station and breakout tank area from vandalism and unauthorized entry. Specifically, the Notice alleged that certain pump stations and breakout tank areas were either inadequately fenced or without any adequate security.<sup>2</sup>

Respondent did not contest this allegation of violation.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.436 by failing to provide adequate protection for each pumping station and breakout tank area from vandalism and unauthorized entry.

**Item 2:** The Notice alleged that Respondent violated 49 C.F.R. § 195.579(a), which states:

**§ 195.579 What must I do to mitigate internal corrosion?**

(a) *General.* If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.

The Notice alleged that Respondent violated 49 C.F.R. § 195.579(a) by failing to investigate the corrosive effect of hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion. Specifically, the Notice alleged that Tesoro failed to provide records demonstrating that it investigated the corrosive effect of crude oil on its pipeline. During the inspection, a PHMSA investigator noted that, during an internal line inspection, it discovered a metal loss anomaly indicative of internal corrosion. However, Tesoro could not provide documentation that it conducted any subsequent investigation or mitigation.

Respondent did not contest this allegation of violation.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.579(a) by failing to investigate the corrosive effect of hazardous liquid or carbon dioxide on its pipeline and take adequate steps to mitigate internal corrosion.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

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<sup>2</sup> The Black Slough Pump Station and Breakout Tank area was secured by a four-foot tall barbed wire fence composed of 2-3 strands. The Tioga Pump station was similarly secured, and its breakout tank area was not fenced. In addition, the Poker Jim Breakout Tank area had an open, 31-foot wide entrance, without a gate. Pipeline Safety Violation Report (Violation Report), (December 27, 2012) (on file with PHMSA), at Exhibit B.

## COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1 and 2 in the Notice for violations of 49 C.F.R. §§ 195.436 and 195.579(a), respectively. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.436 (**Item 1**), Respondent must install adequate security for the Black Slough Pump Station and Breakout Tank area, Tioga Pump Station, and Poker Jim Breakout Tank Area.
2. With respect to the violation of § 195.579(a) (**Item 2**), Respondent must investigate the cause of the internal corrosion (anomaly located at 142366.5) and take adequate steps to mitigate the corrosion, as determined by the investigation.
3. With respect to Item 1, Respondent must submit documentation of the completion of these installations within 15 days of receipt of this Final Order. The Director, Central Region, will review the documents, and then specify any further actions that Respondent must take to comply. With respect to Item 2, Respondent must submit relevant records and a notice of completed action to the Director, Central Region, OPS, 901 Locust Street, Suite 462, Kansas City, MO 64106-2641, within 15 days of receipt of this Final Order.
4. It is requested (not mandated) that Respondent maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director. The costs should be reported in two categories: (1) total cost associated with preparation and revision of plans, procedures, studies, and analyses; and (2) total cost associated with replacements, additions, and other changes to the pipeline infrastructure.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$200,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

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Jeffrey D. Wiese  
Associate Administrator for Pipeline Safety

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Date Issued