

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 28, 2011

Mr. Thomas F. Feeney
Sr. Vice President, Mfg. Engineering and Technology
Occidental Chemical Corporation
5005 LBJ Freeway, Suite 2200
Dallas, Texas, 75380-9050

CPF 4-2011-5009S

Dear Mr. Feeney:

Enclosed is a Notice of Proposed Safety Order (Notice) issued in the above-referenced case. The Notice proposes that you take certain measures with respect to your Lake Charles/Orange Ethylene Pipeline to ensure pipeline safety. Your options for responding are set forth in the Notice. Your receipt of the Notice constitutes service of that document under 49 C.F.R. § 190.5.

We look forward to a successful resolution to ensure pipeline safety. Please direct any questions on this matter to me at 713-272-2852.

Sincerely,

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

Enclosure: Notice of Proposed Safety Order
49 C.F.R. § 190.239

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
Southwest Region
Houston, Texas 77074**

_____)	
In the Matter of)	
)	
Occidental Chemical Corporation,)	CPF No. 4-2011-5009S
)	
Respondent)	
_____)	

NOTICE OF PROPOSED SAFETY ORDER

Background and Purpose

Pursuant to Chapter 601 of title 49, United States Code, the Pipeline and Hazardous Materials Safety Administration (PHMSA) has initiated an investigation and on-site inspection of the safety of your Lake Charles/Orange Ethylene Line in Louisiana and Texas.

As a result of the investigation and on-site inspection, it appears that a condition or conditions exist on your pipeline facilities that pose a pipeline integrity risk to public safety, property or the environment. Pursuant to 49 U.S.C. § 60117(l), PHMSA issues this Notice of Proposed Safety Order, notifying you of the preliminary findings of the investigation, and proposing that you take measures to ensure that the public, property, and the environment are protected from the potential risk.

Preliminary Findings

- Occidental Chemical Corporation is the owner of the Lake Charles/Orange Ethylene Line. The project at issue involves Occidental bringing back into service the pipeline which had been previously idled by isolating the line and filling the line with nitrogen in 2001. Occidental contracted with another company to operate the pipeline, Pipeline Operators of Texas, L.P., which began regular maintenance activities in 2009. Records for pipeline maintenance between 2001 and 2009 have not been made available to PHMSA for review and determination of compliance.

- The owner determined that in order to bring the line back into service, it would require certain repairs of the pipeline in 33 locations that were identified by inline inspection

tools as either dents or anomalies. PHMSA has not been able to evaluate the adequacy of this assessment for compliance with the regulations. The pipeline is a 6 5/8-inch diameter liquid line that starts at the Glen Springs Holding Plant (currently an idled plant) in Sulphur, Louisiana. The pipeline ends at a Chevron Plant in West Orange, Texas. The pipeline is 32.7 miles in length with approximately 12 miles in marshy areas.

- An inspection by PHMSA of the ongoing rehabilitation efforts resulted in numerous findings where the company had no operations and maintenance (O&M) procedures or inadequate O&M procedures to ensure needed repairs were properly performed, to identify and rectify other integrity issues such as coating assessments and repairs, and to ensure that employees hired to work on the subject pipeline were qualified to perform covered tasks under an operator qualification (OQ) program.
- A Southwest Office inspector inspected the facility and noted these issues on May 19, 2011. The inspector witnessed one excavation activity to replace a previously identified dent where the operator did not have:
 - adequate contractor construction procedures consistent with operator O&M procedures,
 - required excavation activities based on operator O&M procedures,
 - required coating procedures based on operator O&M procedures to deal with the coating which was mostly disbonded at the site,
 - consistent procedures between the contractor and the operator for cutting into the line based on operator O&M procedures, and
 - required operator O&M and OQ welding qualifications and procedures.

In addition, numerous actions were taken that appeared to be of acceptable quality but were still not performed in accordance with approved operator O&M procedures such as:

 - locating the anomaly,
 - investigating for internal corrosion on a pipe cut out, and
 - non-destructive testing.
- The pipeline was constructed in 1957 with 6 5/8 inch, 5L Gr. B, ERW, 0.250 W.T. pipe. The pipeline is coated with composite hot enamel and has been cathodically protected with impressed current rectifiers since 2009 when the current contract operator, Pipeline Operators of Texas, L.P., assumed operation of the idled Occidental pipeline. The operation and maintenance records prior to 2009 for the pipeline owned by Occidental have not been made available for compliance review.
- The pipeline originally was designed for ethylene service. It was purged with nitrogen in 2001 and since then has been considered idled by the owner of the pipeline. Occidental's proposed MOP is 1700, but PHMSA has not evaluated any supporting documentation that validates the proposed MOP.
- The current pipeline traverses flat terrain typical of La. and Texas coastal areas, soils range for clay to marshy wetlands, and the pipeline crosses one navigable waterway the Sabine River.

- The pipeline traverses a wetland area about 12 miles in length. This is a marshy area adjacent to the Sabine River which is the boundary between Texas and Louisiana. The remainder of the pipeline is farm lands and some populated areas. It goes directly through the town of Sulphur in Louisiana, which is a liquid HCA.
- According to the 2000 census, the city of Sulphur has approximately 22,512 people with a population density of 2,043 persons per square mile and the city is heavily industrialized with refineries and chemical plants.
- There are no related NTSB recommendations.
- The overall condition of the pipe and the coating is in question. At the one excavation site inspected, the coating appeared to be completely disbonded from the pipe, which could pose significant problems for the overall pipeline integrity if this is a widespread condition not properly dealt with. These observed conditions, in combination with the lack of maintenance records, and the lack of plans and procedures for analyzing coating issues and implementing appropriate mitigative measures, pose a pipeline integrity risk.
- There is a high likelihood that problem coating conditions exist in other locations on the pipeline not currently planned for excavation. Disbonded coating could result in accelerated corrosion in areas currently not requiring investigation. Anomaly growth could impair the serviceability of the pipe. Occidental does not have plans and procedures for analyzing these integrity issues and implementing appropriate mitigating measures, which poses a pipeline integrity risk.
- Occidental has not provided all necessary historical documents and, as was mentioned previously, there were many years where maintenance records are missing. The operator will need to have adequate documentation to show the pipeline and any pipe replacements conducted in prior years was constructed according to regulatory requirements. On January 10, 2011, PHMSA issued an Advisory Bulletin titled, "Pipeline Safety: Establishing Maximum Allowable Operating Pressure or Maximum Operating Pressure Using Record Evidence, and Integrity Management Risk Identification, Assessment, Prevention, and Mitigation." The operator must review and adhere to the regulatory requirements referenced in the Advisory Bulletin to ensure proper records exist to establish MOPs and develop and implement Integrity Management Risk practices.

Proposed Issuance of Safety Order

Section 60117(l) of Title 49, United States Code, provides for the issuance of a safety order, after reasonable notice and the opportunity for a hearing, requiring corrective measures, which may include physical inspection, testing, repair, or other action, as appropriate. The basis for making the determination that a pipeline facility has a condition or conditions that pose a pipeline integrity risk to public safety, property, or the environment is set forth both in the above-referenced statute and 49 C.F.R. § 190.239, a copy of which is enclosed.

After evaluating the foregoing preliminary findings of fact and considering the age of the pipe involved, the length of time the pipeline has been idle, the lack of records demonstrating the line has been maintained during the entire period in which it was idle, the absence of O&M and OQ procedures and programs, the hazardous nature of the product to be transported and the pressure required for transporting such product, the characteristics of the geographical areas where the pipeline facility is located, and the likelihood that the conditions could worsen or develop on other areas of the pipeline and potentially impact its serviceability, it appears that the affected pipeline facility has a condition or conditions that pose a pipeline integrity risk to public safety, property, or the environment, requiring corrective action.

Accordingly, PHMSA issues this Notice of Proposed Safety Order to notify Respondent of the proposed issuance of a safety order and to propose that Respondent take measures specified herein to address the potential risk.

Response to this Notice

In accordance with § 190.239, you have 30 days following receipt of this Notice to submit a written response to the official who issued the Notice. If you do not respond within 30 days, this constitutes a waiver of your right to contest 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 Safety Order with the corrective measures listed below. In your response, you may notify that official that you intend to comply with the terms of the Notice as proposed, or you may request that an informal consultation be scheduled (you will also have the opportunity to request an administrative hearing before a safety order is issued). Informal consultation provides you with the opportunity to explain the circumstances associated with the risk condition(s) alleged in the notice and, as appropriate, to present a proposal for a work plan or other remedial measures, without prejudice to your position in any subsequent hearing. If you and PHMSA agree within 30 days of informal consultation on a plan and schedule for you to address each identified risk condition, we may enter into a written consent agreement (PHMSA would then issue an administrative consent order incorporating the terms of the agreement). If a consent agreement is not reached, or if you have elected not to request informal consultation, you may request an administrative hearing in writing within 30 days following receipt of the Notice or within 10 days following the conclusion of an informal consultation that did not result in a consent agreement, as applicable. Following a hearing, if the Associate Administrator finds the facility to have a condition that poses a pipeline integrity risk to the public, property, or the environment in accordance with § 190.239, the Associate Administrator may issue a safety order

Be advised that all material you submit in response to this enforcement action is subject to being 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).

In your correspondence on this matter, please refer to **CPF 4-2011-5009S** and for each document you submit, please provide a copy in electronic format whenever possible.

Proposed Corrective Measures

Pursuant to 49 U.S.C. § 60117(l) and 49 C.F.R. § 190.239, PHMSA proposes to issue to Occidental Chemical Corporation a safety order incorporating the following remedial requirements with respect to the affected pipeline:

1. Occidental must develop and establish all applicable procedures required by 49 C.F.R. Part 195, such as O&M and OQ procedures, for the hazardous liquids pipeline. Within [60] days after a safety order is issued, submit the applicable procedures to the Director for approval.
2. Within [60] days after a safety order is issued, develop and submit to the Director for approval a pipeline reactivation work plan that includes repair plans and potential corrective measures for faulty coatings to ensure the safe restart of operations on the pipeline. The work plan must include:
 - (A) The performance of additional field testing, inspections, and evaluations to determine whether and to what extent the conditions described in this Notice, or other integrity conditions identified, are present elsewhere on the affected pipeline system. Make the results of the inspections, field excavations, and evaluations available to PHMSA or its representative;
 - (B) The performance of repairs or other corrective measures that fully remediate the identified risk condition(s). Include provisions for continuing long-term periodic testing and integrity verification measures to ensure the ongoing safe operation of the pipeline considering the results of the analyses, inspections, and corrective measures undertaken pursuant to the safety order;
 - (C) Submission of supporting documentation for the validation of the anticipated MOP for the pipeline; and
 - (D) A proposed schedule for completion of the actions required by paragraphs (A) through (C) of this Item.
3. Revise the remedial work plan as necessary to incorporate new information obtained during the evaluations and associated remedial activities. Submit any such plan revisions to the Director for prior approval. The Director may approve plan elements incrementally. The remedial work plan shall become incorporated into the safety order.
4. Implement the work plan as it is approved by the Director, including any revisions to the plan.

5. Submit quarterly reports to the Director that: (1) include available data and results of the testing and evaluations required by the safety order; and (2) describe the progress of the repairs and other remedial actions being undertaken. The first quarterly report is due 90 days after the safety order is issued.
6. The Director may grant an extension of time for compliance with any of the terms of the safety order upon a written request timely submitted demonstrating good cause for an extension.
7. Respondent may appeal any decision of the Director to the Associate Administrator for Pipeline Safety. Decisions of the Associate Administrator shall be final.
8. It is requested (not mandated) that Occidental Chemical Corporation maintain documentation of the safety improvement costs associated with fulfilling this Safety Order and submit the total to R. M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. It is requested 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.

The actions proposed by this Notice of Proposed Safety Order are in addition to and do not waive any requirements that apply to Respondent's pipeline system under 49 C.F.R. Parts 190 through 199, under any other order issued to Respondent under authority of 49 U.S.C. § 60101 et seq., or under any other provision of Federal or state law.

After receiving and analyzing additional data in the course of this proceeding and implementation of the work plan, PHMSA may identify other safety measures that need to be taken. In that event, Respondent will be notified of any proposed additional measures and, if necessary, amendments to the work plan or safety order.

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

Date issued