



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

SENT TO COMPLIANCE REGISTRY

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12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

**NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
And
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 10, 2008

Mr. John Zager
General Manager
Union Oil Company of California
909 West 9th Avenue
Anchorage, AK 99501

CPF 5-2008-7003

Dear Mr. Zager:

On May 27–29, 2008, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected the following Union Oil Company of California (UOCC) crude oil facilities in the Cook Inlet, Alaska: The Steelhead, Granite Point, and Dillon offshore oil platforms, the onshore facilities of Trading Bay Production Facility, and the Granite Point Tank farm.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations, Part 195. The items inspected and the probable violations are:

1. **§195.420 Valve maintenance.**
 - (a) **Each operator shall maintain each valve that is necessary for the safe operation of its pipeline systems in good working order at all times.**

(b) Each operator shall, at intervals not exceeding 7 1/2 months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

UOCC did not properly inspect valve P-SDV-0002 on the Granite Point Platform during 2007. The UOCC inspection did not attempt to operate or stroke the valve to ensure it could function properly because crude oil was spraying out of the grease center pin.

Evidence: Granite Point Valve Maintenance Records, 2 sheets.

2. §195.426 Scraper and sphere facilities.

No operator may use a launcher or receiver that is not equipped with a relief device capable of safely relieving pressure in the barrel before insertion or removal of scrapers or spheres. The operator must use a suitable device to indicate that pressure has been relieved in the barrel or must provide a means to prevent insertion or removal of scrapers or spheres if pressure has not been relieved in the barrel.

The Granite Point Platform crude oil pig launcher was found to be missing a pressure sensing device on the closure.

Evidence: Photograph of closure on launcher.

3. §195.571 What criteria must I use to determine the adequacy of cathodic protection?

Cathodic protection required by this subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained in paragraphs 6.2 and 6.3 of NACE Standard RP0169-96.

Dolly Varden Platform's incoming lines were applying improper cathodic protection (CP) levels. The PHMSA inspector noted "instant off" readings, based on 2007 Closure Interval Survey (CIS) data, above 1400 mv and as high as 2200 mv. These do not meet NACE Standard RPO 169-96. Cathodic protection levels this high can cause coating damage.

Evidence: 2007 CIS readings, 1 sheet.

4. §195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?

(a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

(b) Coating material must be suitable for the prevention of atmospheric corrosion.

The Granite Point and Bruce Platform pipelines traverse the shoreline and are exposed at low tide. UOCC has a maintenance program that attempts to stabilize and repair the coating damage occurring on these lines whenever possible. However, during the field inspection of the pipeline right-of-way, extensive coating damage was found along with a section of bare pipe. Photographs were taken, and UOCC recorded GPS locations for future maintenance work.

Evidence: Photographs of coating damage, 4 Pictures.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to an administrative civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violations and has recommended that you be preliminarily assessed a civil penalty of \$29,000 as follows:

<u>Item Number</u>	<u>PENALTY</u>
1	\$29,000

Proposed Compliance Order

With respect to Items 1, 2, and 4 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to UOCC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to Item 3, we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct this item. Be advised that failure to do so may result in UOCC being subject to additional enforcement action.

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. 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). 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 5-2008-7003** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 B. Flanders (#120665, 120668, 120669)

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Union Oil Company of California (UOCC) a Compliance Order incorporating the following remedial requirements to ensure the compliance of UOCC with the pipeline safety regulations:

1. In regards to **Item Number 1** of the Notice pertaining to the lack of valve maintenance, within three (3) months of receipt of the Final Order, UOCC shall take appropriate action to repair the DOT-regulated valve, P-SDV-0002, so that it can be properly inspected per § 195.420.
2. In regards to **Item Number 2** of the Notice pertaining to the missing pressure sensing device on the crude oil launcher closure on Granite Point Platform, within three (3) months of receipt of the Final Order, UOCC shall install a sensing device on the launcher closure.
3. In regards to **Item Number 4** of the Notice pertaining to the exposed pipelines and coating damage, within nine (9) months of receipt of the Final Order, UOCC shall provide evidence of repair of the coating damage.
4. UOCC shall conduct the activities in Items 1 & 2 and submit documentation of compliance within 120 days of receipt of the Final Order. Documentation of completion of Item 4 shall be submitted within 30 days of completion.
5. UOCC shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.