

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 25, 2013

Mr. Mark Petersen
Vice President
Sinclair Transportation Company
550 East South Temple
Salt Lake City, UT 84102

CPF 5-2013-5005

Dear Mr. Petersen:

On July 10 to July 12, 2012, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Denver Products Terminal in Henderson, Colorado.

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. The items inspected and the probable violations are:

1. **§195.264 Impoundment, protection against entry, normal/emergency venting or pressure/vacuum relief for aboveground breakout tanks.**
 - (d) **Normal/emergency relief venting must be provided for each atmospheric pressure breakout tank. Pressure/vacuum-relieving devices must be provided for each low-pressure and high-pressure breakout tank.**

Sinclair Transportation Company (Sinclair) failed to meet the requirement for venting capacity for maximum liquid movement into or out of a tank as required by 195.264(e) (2). During the inspection, it was noted that Sinclair did not document the method of calculation of maximum flow rates for normal/emergency relief vents of their breakout tanks. An operator is required to comply with API Standard 2000 with respect to normal/emergency relief vents as required by 195.264(e)(2). API Standard 2000 requires that the method of calculation utilized must be documented.

2. §195.402 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

Sinclair failed to follow their written procedures for conducting normal operations and maintenance (O&M) activities as required by 195.402(a). Sinclair's O&M Manual states, "*Sinclair establishes inspections and inspections intervals according to API Standard 653.*" In addition, Section 4.5.2 Foundation Repair or Replacement from API 653 states, "*Concrete pads, ring walls, and piers, showing evidence of spalling, structural cracks, or general deterioration, shall be repaired to prevent water from entering the concrete structure and corroding the reinforcing steel.*" During the field inspection of their facility, it was noted that there were several instances of cracked concrete and corrosion in the area of the Tank foundations. Furthermore, the inspection report revealed that Sinclair did not follow-up the recommendation by their API 653 authorized tank inspector, i.e. cracks in concrete foundation on several breakout tanks. An operator is required to follow their written procedures for conducting operations and maintenance activities of their facility.

3. §195.402 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

Sinclair failed to follow their written procedures for conducting normal operations and maintenance (O&M) activities as required by 195.402(a). Sinclair's Section 206.6(e) from their O&M Manual states, "*An inspector performing the internal inspection shall be required to provide Sinclair with the internal inspection interval based upon the calculations as described in API 653 Section 6.4.2 and 6.4.3. In no case shall the internal inspection interval exceed 20 years.*" During the inspection, it was noted that the next internal inspection interval for their breakout tanks has been established for 20 years with an exception of one (1) breakout tank for 13 years. However, the method of calculation utilized to determine the next inspection interval of 20 years and 13 years was not documented. An operator is required to follow their written procedures for establishing the internal inspection interval.

4. §195.402 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

Sinclair failed to follow their written procedures for conducting normal operations and maintenance (O&M) activities as required by 195.402(a). Sinclair's Section 206.6 (c) from their O&M Manual states, "*Visual inspections, done by an authorized inspector, shall be done at least every 5 years when the corrosion rate is not known or $RCA/4N$ years (Where RCA is the difference between the measured shell thickness and the minimum required thickness in mils, and N is the shell corrosion rate in mils per year) whichever is less. This external inspection shall include but is not limited to the following elements:*

- *Ultrasonic thickness inspection of the shell*
- *Tank grounding system components such as shunts or mechanical connections of cables"*

During the inspection, it was noted that the next external inspection interval for their breakout tanks has been established for 5 years. However, the method of calculation utilized to determine the next external inspection interval of 5 years was not documented. An operator is required to follow their written procedures for establishing the external inspection interval.

5. §195.505 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

(c) Allow individuals that are not qualified pursuant to this subpart to perform a covered task if directed and observed by an individual that is qualified;

Sinclair failed to ensure their personnel are qualified in according to a written qualification program for performing a monthly inspection of in-service breakout tank as required by 195.505(c). It was determined that a representative of the company for performing a monthly inspection of in-service breakout tank wasn't qualified to perform this covered task. During the field inspection, PHMSA representative noted cracks in concrete foundation on several breakout tanks. Interviews with Sinclair representative revealed that an individual who has performed the covered task of their monthly in-service tank inspection did not annotate the conditions of the concrete foundation on the company's tank in-service inspection checklist. Furthermore, Sinclair representative stated that he did not have a proper tool to measure the cracks in concrete foundation. Therefore, the written comments and/or suggestions were not provided on the tank in-service inspection checklist. However, an "X" mark was placed next to the "inspect condition of foundation (ring wall)" on the tank in-service inspection checklist. Interview with Sinclair representative revealed that an "X" mark means that he checked the item on the checklist and the condition is satisfactory. An operator must ensure that their personnel are qualified to follow a written qualification program and perform this covered task.

Proposed Compliance Order

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Sinclair Transportation Company. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

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 5-2013-5005** 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 K. Nguyen/D. Hubbard (#138124)

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 Sinclair Transportation Company a Compliance Order incorporating the following remedial requirements to ensure the compliance of Sinclair Transportation Company with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to lack of records showing the calculations for normal/relief vents, Sinclair Transportation Company must perform calculations to show the normal/relief vents for all breakout tanks are adequate.
2. In regard to Items Number 2, 3 and 4 of the Notice pertaining to crack in concrete foundation on several breakout tanks, Sinclair Transportation Company must repair all the cracks in concrete foundation at your breakout tank facility and perform calculations to show how the in-service and out-of-service inspection interval for all breakout tanks are determined.
3. In regard to Item Number 5 of the Notice pertaining to the qualification of any in-service monthly breakout tank inspector, Sinclair Transportation Company must re-train and re-qualify the inspectors to ensure that the inspector is qualified to perform covered tasks in a manner that ensures the safe operation of pipeline facilities.
4. Sinclair Transportation Company must complete items 1, 2, and 4 within 90 days of the Final Order
5. Sinclair Transportation Company must complete item 5 within 30 days of the Final Order.
6. Sinclair Transportation Company maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. 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.