

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 7, 2016

Mr. Donald R. Macpherson, Jr.
President and Chief Executive Officer
Macpherson Oil Company
100 Wilshire, Suite 800
Santa Monica, CA 90401

CPF 5-2016-0016

Dear Mr. Macpherson:

On June 22-25, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Macpherson Oil Company's written operation and maintenance procedures, maintenance records, and Kern County Gas Line facilities in Bakersfield, CA.

As a result of the inspection, it is alleged that Macpherson Oil Company (Macpherson) has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are as follows:

1. **§192.13 What general requirements apply to pipelines regulated under this part?
(c) Each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this part.**

Macpherson did not maintain the plans and programs it was required to establish under Part 192 for the Kern County Gas Line that was constructed and placed in service in 1998. The federal pipeline safety regulations in §192.13(a)(1) required Kern County Gas Line to be designed, installed, constructed, initially inspected, and initially tested in accordance with all

the applicable regulations in Part 192; and, the regulations in §192.13(c) required the operator to maintain the plans, procedures, and programs it used to design, install, construct, initially inspect, and initially test its pipeline in accordance with Part 192.

During the inspection when the inspector queried Macpherson personnel about the construction, installation, initial inspection, and initial testing of the Kern County Gas Line, they did not provide any records or any other documentation to demonstrate compliance with §192.13(c).

Because Macpherson did not maintain all the plans and programs it was required to establish under Part 192 for the Kern County Gas Line, it could not prove the pipeline was

- Welded using a qualified welding procedure(s) per §192.225(a) or that
- Each welding procedure was recorded in detail, including the results of the qualifying tests and that the record was retained and followed whenever the procedure was used per §192.225(b).

Further Macpherson could not prove that the

- Welders were qualified in accordance with the appropriate referenced standard(s) per §192.227(a),
- Pipeline welds were visually inspected by a qualified individual per §192.241(a),
- Pipeline welds were nondestructively tested in accordance with §192.243; and,
- The pipeline was initially installed with the minimum cover required by §192.327.

2. §192.603 General provisions.

(b) Each operator shall keep records necessary to administer the procedures established under §192.605.

Macpherson did not keep records necessary to administer the procedures it established under §192.605 for its Kern County Gas Line. Macpherson had written maintenance and normal procedures as required by §192.605; including procedures for making construction records, maps, and operating history available to appropriate operating personnel per §192.605(b)(3) and procedures for starting up and shutting down any part of its Kern County Gas Line in a manner designed to assure operation within the MAOP limits as required by §192.605(b)(5).

While Macpherson had the required procedures, however, your company did not provide any records necessary to administer those procedures. Specifically, Macpherson did not provide any records pertaining to the construction or pertaining to the starting up or shutting down of any part of its Kern County Gas Line.

3. §192.615 Emergency plans.

(a) Each operator shall establish written procedures to minimize the hazard resulting from a gas pipeline emergency. At a minimum, the procedures must provide for the following:

Macpherson did not establish written procedures to minimize the hazard resulting from a gas pipeline emergency. During the inspection, Macpherson did not provide the PHMSA inspector with any written emergency procedures for its Kern County Gas Line.

4. §192.705 Transmission lines: Patrolling.

(b) The frequency of patrols is determined by the size of the line, the operating pressures, the class location, terrain, weather, and other relevant factors, but intervals between patrols may not be longer than prescribed in the following table:

Class location of line	Maximum interval between patrols	
	At highway and railroad crossings	At all other places
1, 2	7 ½ months; but at least twice each calendar year.	15 months; but at least once each calendar year
3	4 ½ months; but at least four times each calendar year.	7 ½ months; but at least twice each calendar year.
4	4 ½ months; but at least four times each calendar year.	4 ½ months; but at least four times each calendar year.

Macpherson did not patrol its Kern County Gas Line at a frequency determined by the size of the line, the operating pressures, the class location, terrain, weather, and other relevant factors, but with intervals between patrols not being longer than prescribed in the above table.

During the inspection when the inspector queried Macpherson personnel about patrolling, Macpherson's personnel stated they had not conducted the pipeline patrols at the required frequency since the line was placed in service in 1998. They also did not provide any records or other documentation to demonstrate that the natural gas transmission pipeline, which is entirely located in a class 1 location, had been patrolled at the required intervals since it was placed in service in 1998.

5. §192.739 Pressure limiting and regulating stations: Inspection and testing.

(a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is—

(1) In good mechanical condition;

- (2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;**
- (3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of §192.201(a); and**
- (4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.**

Macpherson did not inspect and test the pressure limiting relief device on its Kern County Gas Line at intervals not exceeding 15 months, but at least once each calendar year, to determine that it was in good mechanical condition, adequate from the standpoint of capacity and reliability of operation for the service in which it is employed, set to control or relieve at the correct pressure consistent with the pressure limits of §192.201(a); and, properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

During the inspection the PHMSA inspector observed that the Kern County Gas Line was connected to an upstream gas pipeline providing natural gas at an operating pressure of 754 psig. The inspector also observed a pressure relief device on the Kern County Gas Line that was set to relieve pressure at 930 psig. The maximum allowable operating pressure (MAOP) of the Kern County Gas Line is 984 psig.

While there is a relief device installed on the Kern County Gas Line, it is located in a fenced area controlled by the upstream gas provider. Macpherson does not have access to the relief device and does not inspect or test the relief device. Macpherson relies on the gas provider's personnel to perform these functions, but your personnel do not witness the inspections or testing of the relief device. Furthermore, Macpherson did not provide any records as required by §192.709(c) to show the relief device was inspected, tested, and the capacity calculated at the required intervals or any records as required by §192.807 to show that the gas provider's personnel were Operator Qualified to perform this covered task on the Kern County Gas Line. Lastly, Macpherson did not provide any written document to show there is an agreement with the gas provider to inspect and test the relief device.

- 6. §192.745 Valve maintenance: Transmission lines**
 - (a) Each transmission line valve that might be required during any emergency must be inspected and partially operated at intervals not exceeding 15 months, but at least once each calendar year.**

Macpherson did not inspect and partially operate the transmission line valves on its Kern County Gas Line that might be required during any emergency at intervals not exceeding 15 months, but at least once each calendar year.

Macpherson's Kern County Gas Line has two manually operated gate valves located on the line: one at the outlet of the Mount Poso Metering station, and the other at the Macpherson Oil Round Mountain Facility. These valves would be required during an emergency to shut-in the pipeline.

During the inspection when the inspector queried Macpherson personnel about the line valves, they stated that Macpherson had not inspected or partially operated the valves at the required intervals since the line was placed in service in 1998. They also did not provide any records or any other documentation to demonstrate that the transmission line valves had been inspected or partially operated at the required intervals since the line was placed in service in 1998.

7. §192.807 Recordkeeping

Each operator shall maintain records that demonstrate compliance with this subpart.

(a) Qualification records shall include:

(4) Qualification method(s).

Macpherson did not maintain records that demonstrated compliance with Part 192, Subpart N, with respect to the qualification method(s) it used for its Kern County Gas Line.

Macpherson adopted the Operator Qualification Standard Group (OQSG) default covered task list for use on its Kern County Gas Line. But, Macpherson did not provide records to show the qualifications methods it used to evaluate an individual to perform a covered task or to recognize an abnormal operating condition per §192.803.

8. §192.807 Recordkeeping

Each operator shall maintain records that demonstrate compliance with this subpart.

... (b) Records supporting an individual's current qualification shall be maintained while the individual is performing the covered task. Records of prior qualification and records of individuals no longer performing covered tasks shall be retained for a period of five years.

Macpherson did not maintain records that demonstrated compliance with Part 192, Subpart N, with respect to supporting an individual's current qualification while the individual performed a covered task on the Kern County Gas Line. Macpherson utilized contract personnel to perform covered tasks on its Kern County Gas Line; but, Macpherson did not provide records to show that the contractor personnel who performed the covered tasks were qualified to perform those tasks per §192.805(b).

Proposed Compliance Order

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violations occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$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 maximum penalty not exceeding \$1,000,000 for related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to items 1, 3, 4, 5, & 6 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Macpherson Oil Company. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to items 2, 7, & 8 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 these item(s). Be advised that failure to do so may result in Macpherson Oil Company 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 5-2016-0016** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal
Director, Western
Pipeline and Hazardous Materials Safety Administration

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

cc: PHP-60 Compliance Registry
PHP-500 H. Monfared (#149179)

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item 1 of the Notice pertaining to Macpherson's failure to maintain the plans, procedures, and programs required under Part 192 for the Kern County Gas Line that was constructed and placed in service in 1998, Macpherson must develop a written Fitness for Service (FFS) plan to assess the condition of the pipeline system to demonstrate its safety and integrity. Macpherson must submit the written FFS to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration for review and approval within 90 days of the date of issuance of the Final Order. At a minimum, the FFS must include the following:
 - a. Girth Welds
 - i. Destructive Testing - cut out at least one in-line girth weld and destructively test it in accordance with §192.225 to establish the strength of the weld.
 - ii. Nondestructive Testing – write a nondestructive testing (NDT) procedure in accordance with §192.243 to NDT girth welds. Excavate and NDT at least 40 girth welds equally spaced along the entire pipeline, all tie-in girth welds made after the post construction pressure testing in 1998, and all known fabricated and station girth welds.
 - iii. Repair or replace all girth welds that fail the NDT and for every girth weld repaired or replaced, excavate and NDT one additional girth weld.
 - iv. Hydrotest the entire pipeline if more than three girth welds fail the NDT.
 - b. Depth of Cover
 - i. Perform a Direct Current Voltage Gradient (DCVG) survey and depth of cover survey over the entire pipeline. Repair all coating anomalies found during the DCVG survey that are classified as moderate (i.e. 35% IR and above) or severe based on NACE International Recommended Practice 0502-2002, "*Pipeline External Corrosion Direct Assessment Methodology*," (NACE RP 0502-2002 11). A minimum of two coating survey assessment classifications must be excavated, classified and/or remediated per each survey crew each time the survey is performed.
 - ii. Conduct a depth of cover survey at 50-foot intervals over the entire pipeline and remediate any cover depths that do not meet the requirements in §192.327.
 - c. Yield Strength
 - i. Include in the FFS pipe mill test reports (MTRs) to verify the yield strength of the pipe.

- ii. If MTRs are not available, perform tensile tests to establish the tensile properties in accordance with Part 192, Appendix B, Paragraph D - tensile properties.
2. In regard to Item 3 of the Notice pertaining to Macpherson's failure to establish written procedures to minimize the hazard resulting from a gas pipeline emergency, Macpherson must prepare and follow written emergency procedures that comply with §192.615 for its Kern County Gas Line.
3. In regard to Item 4 of the Notice pertaining to Macpherson's failure to patrol its Kern County Gas Line at the regulatory required frequency, Macpherson must
 - a. prepare (or amend) and follow written patrol procedures to ensure the Kern County Gas Line is patrolled in accordance with §192.705; and,
 - b. patrol the entire Kern County Gas Line within 30 days of the date of issuance of the Final Order.
4. In regard to Item 5 of the Notice pertaining to Macpherson's failure to inspect and test the pressure limiting relief device on its Kern County Gas Line at the regulatory required intervals, Macpherson must
 - a. prepare (or amend) and follow written test and inspection procedures for the pressure limiting device on its Kern County Gas Line to ensure it is tested and inspected in accordance with §192.739; and,
 - b. test and inspect the pressure limiting device on the Kern County Gas Line within 30 days of the date of issuance of the Final Order.
5. In regard to Item 6 of the Notice pertaining to Macpherson's failure to inspect and partially operate the transmission line valves on its Kern County Gas Line that might be required during any emergency at regulatory required intervals, Macpherson must
 - a. prepare (or amend) and follow written inspection procedures for the line valves on its Kern County Gas Line to comply with §192.745; and,
 - b. inspect and partially operate the line valves on its Kern County Gas Line within 30 days of the date of issuance of the Final Order.
6. Macpherson must submit the written procedures required by Items 2, 3(a), 4(a), & 5(a) above to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration within 120 days of the date of issuance of the Final Order.
7. Macpherson must submit records or other documentation to show that Items 3(b), 4(b), & 5(b) above were completed on time and as required to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration within 45 days of the date of issuance of the Final Order.
8. It is requested (not mandated) that Macpherson Oil 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. 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.