

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 5, 2018

Larry Alexander
President
Crimson Gulf, LLC
3760 Kilroy Airport Way, Suite #300
Long Beach, California 90806

CPF 4-2018-5028

Dear Mr. Alexander:

On October 23 – 27, 2017; February 26 – March 2, 2018; March 12 – 16, 2018; and May 21 – 25 2, 2018, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected your Crimson Gulf, LLC (Crimson), Crimson Onshore and Crimson Gulf crude pipeline in Louisiana.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violation(s) are:

- 1. §195.452 Pipeline integrity management in high consequence areas.**

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

- (1) A process for identifying which pipeline segments could affect a high consequence area;**
- (3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);**
- (6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);**

Crimson failed to identify breakout tank (BOT) #2051 in their facilities risk analysis and analyze the consequences of a failure as required by 195.452(f)(3) and potential impact to HCAs.

Crimson's IMP Manual, revision date January 1, 2014, Section 8: Facilities addresses valves and pump stations; however, it does not include breakout tanks. Crimson has one in-service BOT #2051 at their Raceland facility which is 120' diameter with a capacity of 80 barrels which is located adjacent to Bayou Lafourche.

On September 21, 2018, Crimson submitted a revision to their IMP Manual (dated April 18, 2018) Section 8: Facilities to include the one breakout tank; however, Crimson does not have a process to identify preventive and mitigative measures to protect high consequence areas for BOT #2051.

2. §195.573 What must I do to monitor external corrosion control?

(d) Breakout tanks. You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API Recommended Practice 651. However, this inspection is not required if you note in the corrosion control procedures established under Sec. 195.402(c)(3) why compliance with all or certain operation and maintenance provisions of API Recommended Practice 651 is not necessary for the safety of the tank.

Crimson failed to inspect the cathodic protection system used to control corrosion on the bottom of the aboveground breakout tank # 2051 to ensure that operation and maintenance of the system are in accordance with API Recommended Practice 651.

Crimson has one in-service breakout tank # 2051 located at the Raceland facility which has five permanently installed copper-copper sulfate reference electrodes underneath the tank bottom.

At the time of inspection, Crimson's Operations & Maintenance procedure H-1 Corrosion Control Procedures, revision date 01/16/18, pg. 4, Section 6: Cathodic Protection on Breakout Tanks and Section 7: Monitoring of Cathodic Protection and Corrosion on Breakout Tank Bottoms state:

“The Crimson Gulf System does not contain Break-out Tanks therefore this section does not apply but prior to putting Break-out Tanks into service this section will be developed.”

As a result of inspection, Crimson updated this section of their Operations & Maintenance procedure H-1 Corrosion Control Procedures, revision date 02/15/18, pg. 4, Section 6: Cathodic Protection on Breakout Tanks to state:

“All aboveground breakout tanks of more than 500 barrels capacity and their associated underground metallic pipelines or appurtenances shall have adequate Cathodic Protection per NACE SP0169-2007 and RP0285... Existing as-built breakout tank cathodic protection systems are maintained to the above applicable NACE standards when tanks are in-service.”

Both NACE SP0169 & RP0285 are specifically for underground storage tanks. Crimson's process does not mention API Recommended Practice 651. Additionally, the process does not explain why complying with all or certain operation and maintenance provisions of API RP 651 is not necessary for the safety of the tank.

Proposed Compliance Order

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$209,002 per violation per day the violation persists, up to a maximum of \$2,090,022 for a related series of violations. For violations occurring prior to November 2, 2015, 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.

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 item(s) 1 and 2 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Crimson Gulf, LLC. 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 4-2018-5028** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Mary L. McDaniel, P.E.
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

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

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Crimson Gulf, LLC a Compliance Order incorporating the following remedial requirements to ensure the compliance of Crimson Gulf, LLC with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to Crimson's IMP Program, Crimson must identify and include all facilities that could affect an HCA into their IM Program. Crimson must perform an evaluation of risk on BOT #2051 which considers the nature and characteristics of the product transported, release volume, overland transport including topography, drainage flow paths, and valid consideration of containment, and water transport which includes evaluating the effects of stream conditions, flow characteristics, seasonal conditions.
2. In regard to Item Number 2 of the Notice pertaining to external corrosion control for BOT #2051, Crimson must ensure their process and procedures to inspect the cathodic protection system for the aboveground breakout tank ensure that operation and maintenance of the system are in accordance with API RP 651. Crimson must document and justify why compliance with all or certain operation and maintenance provisions of API PR 651 was not necessary. Crimson must ensure all procedures related to the external corrosion control of BOT #2051 reference the correct NACE standards.
3. Within 60 days following the Final Order, Crimson must complete items 1 and 2.
4. It is requested (not mandated) that Crimson Gulf, LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mary McDaniel, 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.