NOTICE OF PROBABLE VIOLATION
and
PROPOSED CIVIL PENALTY

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

July 16, 2009

Jim Lamanna, President
BP Pipelines (North America) Inc.
Mail Code 7018
28100 Torch Parkway
Warrenville, IL 60555

CPF 3-2009-5009

Dear Mr. Lamanna:

During the weeks of November 12, 2007 and February 25, 2008, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your BP Oil Pipeline Company (BP) records and facilities in Ohio.

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. §195.406 Maximum operating pressure.
   
   (b) No operator may permit the pressure in a pipeline during surges or other variations from normal operations to exceed 110 percent of the operating pressure limit established under paragraph (a) of this section. Each operator must provide adequate controls and protective equipment to control the pressure within this limit.
BP permitted the pressure in a pipeline to exceed 110 percent of the pipeline’s maximum operating pressure. On August 31, 2007, BP experienced an inadvertent valve closure at the Fostoria Station that resulted in the Toledo to Fostoria, Ohio section of the TR10 pipeline exceeding 110% of its Maximum Operating Pressure (MOP) by 3.7 psi. BP had controls and protective equipment installed on the pump at Toledo, but the pre-determined set pressures and operation of these devices did not prevent this overpressure.

2. §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.

BP did not maintain each valve necessary for the safe operation of its pipeline system in good working condition. During the inspection, valve numbers 2 and 3 on the Lima to Columbus pipeline were not in good working order. At the time of the inspection, the ambient temperature was below freezing. Neither valve could be closed when 2 workmen applied steady pressure to the valve handle. Both valves were slightly closed with tremendous efforts and did not operate freely when re-opened. Your personnel inspected the valves and found water contaminated grease in the above ground valve extension which froze preventing proper operation of the valves.

3. §195.428 Overpressure safety devices and overfill protection systems
   (a) Each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

BP did not inspect overpressure safety devices at the Lima Pump Station during the calendar year 2006. At Lima, Ohio, BP had contracted Buckeye Pipeline to inspect, maintain and operate the pumps and control equipment that moves products through BP’s SL10, SL8, SL12, and SL12 pipelines. The units at this location are pumps # 41, 42, 43, 44, 45, and 46. The inspection records show that during calendar year 2006, Buckeye did not inspect the high pressure shutdown and high pressure case shutdown pressure switches (overpressure protection) for the pumping units. The 2006 inspections were performed in January 2007.
4. §195.440 Public awareness

(a) Each pipeline operator must develop and implement a written continuing public education program that follows the guidance provided in the American Petroleum Institute's (API) Recommended Practice (RP) 1162 (IBR, see § 195.3).

BP did not properly implement its written public education program. BP did not meet the provision of its public education program that requires notification of residents/occupants within 2640 feet of its HVL pipelines.

BP’s written public education program identifies a stakeholder audience as residents/occupants located adjacent to the liquid pipeline ROW. The plan presents the audience definition as residents/occupants who reside within a defined buffer adjacent to a natural gas and/or hazardous liquid transmission pipeline ROW. Buffer is defined as: 660 feet – Total ¾ mile either side of the pipeline for Non-HVL’s and 2640 feet – Total 1 mile either side of the pipeline for HVL’s. The targeted audience is residents/occupants. The media method is a Public Awareness Mailer with a frequency of a two year rotation.

BP operates an HVL pipeline from Toledo, Ohio to Lima, Ohio. During the inspection, it was discovered that BP had only sent public education mailers to residents/occupants living within a 660 feet radius of the pipeline, rather than the required 2640 feet. In response to the inspection, BP mailed public awareness mailers to the un-notified residents/occupants associated with the HVL pipeline.

5. §195.583 What must I do to monitor atmospheric corrosion control?

You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion...

During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.

BP had not inspected and monitored an exposed portion of pipeline for atmospheric corrosion. During the inspection, an exposure was discovered on the Miami Valley System. At the time of the inspection, the exposure was underwater. Due to the seasonal fluctuation of water in this small stream, this exposure could require atmospheric corrosion inspection. The exposure was not on BP’s list of areas requiring atmospheric corrosion inspections.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a 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 $66,300 as follows:

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<tr>
<th>Item number</th>
<th>PENALTY</th>
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<tr>
<td>2</td>
<td>$66,300</td>
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**Warning Items**

With respect to items 1, 3, 4 and 5, 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 items. Be advised that failure to do so may result in BP 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 3-2009-5009** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Ivan A. Huntoon  
Director, Central Region  
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*
Response Options for Pipeline Operators in Compliance Proceedings

The requirements of 49 C.F.R. Part 190, Subpart B (§§ 190.201–190.237) govern response to Notices issued by a Regional Director, Pipeline and Hazardous Materials Safety Administration (PHMSA).

Be advised that all material submitted by a respondent in response to an 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).

I. Procedures for Responding to a NOTICE OF PROBABLE VIOLATION:

Within 30 days of receipt of a Notice of Probable Violation, the respondent shall respond to the Regional Director who issued the Notice in the following way:

a. When the Notice contains a proposed CIVIL PENALTY*—

1. If you are not contesting any violations alleged in the Notice, pay the proposed civil penalty and advise the Regional Director of the payment. This authorizes PHMSA to issue an order making findings of violation and upon confirmation that the payment has been received PHMSA will close the case with prejudice to the respondent. Payment terms are outlined below;

2. If you are not contesting any violations alleged in the Notice but wish to submit written explanations, information, or other materials you believe warrant mitigation of the civil penalty, you may submit such materials. This authorizes PHMSA to make findings and to issue a Final Order assessing a penalty amount up to the amount proposed in the Notice. Refer to 49 C.F.R. § 190.225 for assessment considerations, which include the respondent’s ability to pay and the effect on the respondent’s ability to stay in business, upon which civil penalties are based;

3. If you are contesting one or more of the items in the Notice but are not requesting an oral hearing, submit a written response to the allegations and/or seek elimination or mitigation of the proposed civil penalty; or

4. Request a hearing as described below to contest the allegations and/or proposed assessment of a civil penalty.
b. When the Notice contains a proposed **COMPLIANCE ORDER***—*

1. If you are not contesting the compliance order, notify the Regional Director that you intend to take the steps in the proposed compliance order;

2. If you are not contesting the compliance order but wish to submit written explanations, information, or other materials you believe warrant modification of the proposed compliance order in whole or in part, or you seek clarification of the terms of the proposed compliance order, you may submit such materials. This authorizes PHMSA to make findings and issue a compliance order;

3. If you are contesting the proposed compliance order but are not requesting an oral hearing, submit written explanations, information, or other materials in answer to the allegations in the Notice and stating your reasons for objecting to the proposed compliance order items in whole or in part; or

4. Request a hearing as described below to contest the allegations and/or proposed compliance order items.

c. When the Notice contains a **WARNING ITEM**—

No written response is required. The respondent is warned that if it does not take appropriate action to correct these items, enforcement action will be taken if a subsequent inspection reveals a violation.

* Failure of the respondent to respond to the Notice within 30 days of receipt constitutes a waiver of the right to contest the allegations in the Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in the Notice without further notice to the respondent and to issue a Final Order.

II. **Proceedures for Responding to a NOTICE OF AMENDMENT***—*

Within 30 days of receipt of a Notice of Amendment, the respondent shall respond to the Regional Director who issued the Notice in the following way:

a. If you are not contesting the Notice, notify the Regional Director of your plans to address the inadequacies identified in the Notice;

b. If you are not contesting the Notice but wish to submit written explanations, information, or other materials you believe warrant modification of the Notice of Amendment in whole or in part, or you seek clarification of the terms of the
Notice of Amendment, you may submit such materials. This authorizes PHMSA to make findings and issue an Order Directing Amendment;

c. If you are contesting the Notice of Amendment but are not requesting an oral hearing, submit written explanations, information, or other materials in answer to the allegations in the Notice and stating your reasons for objecting to the Notice of Amendment items in whole or in part; or

d. Request a hearing as described below to contest the allegations in the Notice.

* Failure of the respondent to respond to the Notice within 30 days of receipt constitutes a waiver of the right to contest the allegations in the Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in the Notice without further notice to the respondent and to issue a Final Order.

III. Procedure for Requesting a Hearing

A request for a hearing must be in writing and accompanied by a statement of the issues that the respondent intends to raise at the hearing. The issues may relate to the allegations, new information, or to the proposed compliance order or proposed civil penalty amount. Refer to 49 C.F.R. § 190.225 for assessment considerations upon which civil penalties are based. A respondent's failure to specify an issue may result in waiver of the right to raise that issue at the hearing. The respondent's request must also indicate whether or not respondent will be represented by counsel at the hearing. Failure to request a hearing in writing within 30 days of receipt of a Notice waives the right to a hearing. In addition, if the amount of the proposed civil penalty or the proposed corrective action is less than $10,000, the hearing will be held by telephone, unless the respondent submits a written request for an in-person hearing. Complete hearing procedures can be found at 49 C.F.R. § 190.211.

IV. Extensions of Time

An extension of time to prepare an appropriate response to a Notice may be granted, at the agency's discretion, following submittal of a written request to the Regional Director. The request must indicate the amount of time needed and the reasons for the extension. The request must be submitted within 30 days of receipt of the Notice.

V. Freedom of Information Act

Any material provided to PHMSA by the respondent, and materials prepared by PHMSA including the Notice and any order issued in this case, may be considered public information and subject to disclosure under the Freedom of Information Act (FOIA). If you believe the information you are providing is security sensitive, privileged, confidential or may cause your company competitive disadvantages, please clearly identify the material and provide justification why the documents, or portions of a document, should not be released under FOIA. If we receive a request for your material, we will notify you if PHMSA, after reviewing the materials and your provided justification, determines that withholding the materials does not meet any exemption.
provided under the FOIA. You may appeal the agency's decision to release material under the FOIA at that time. Your appeal will stay the release of those materials until a final decision is made.

VI. **Small Business Regulatory Enforcement Fairness Act Information**
The Small Business and Agricultural Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you wish to comment on the enforcement actions of the Pipeline and Hazardous Materials Safety Administration, call 1-888-REG-FAIR (1-888-734-3247) or go to http://www.sba.gov/ombudsman/dsp_faq.html.

VII. **Payment Instructions**

**Civil Penalty Payments of Less Than $10,000**

Payment of a civil penalty of less than $10,000 proposed or assessed, under Subpart B of Part 190 of the Pipeline Safety Regulations can be made by certified check, money order or wire transfer. Payment by certified check or money order (containing the CPF Number for this case) should be made payable to the "Department of Transportation" and should be sent to:

Federal Aviation Administration  
Mike Monroney Aeronautical Center  
Financial Operations Division (AMZ-341) P.O. Box 269039  
Oklahoma City, OK 73125-4915

Wire transfer payments of less than $10,000 may be made through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury. Detailed instructions are provided below. Questions concerning wire transfer should be directed to the Financial Operations Division at (405) 954-8893, or at the above address.

**Civil Penalty Payments of $10,000 or more**

Payment of a civil penalty of $10,000 or more proposed or assessed under Subpart B of Part 190 of the Pipeline Safety Regulations must be made wire transfer (49 C.F.R. § 89.21 (b)(3)), through the Federal Reserve Communications System (Fedwire) to the account of the U.S. Treasury. Detailed instructions are provided below. Questions concerning wire transfers should be directed to the Financial Operations Division at (405) 954-8893, or at the above address.
INSTRUCTIONS FOR ELECTRONIC FUND TRANSFERS

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<thead>
<tr>
<th>(1) RECEIVER ABA NO.</th>
<th>(2) TYPE/SUB-TYPE</th>
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<td>021030004</td>
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<th>(3) SENDING BANK ABA NO.</th>
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<th>(4) SENDING BANK REF NO.</th>
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<th>(5) AMOUNT</th>
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<th>(6) SENDING BANK NAME</th>
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<th>(7) RECEIVER NAME</th>
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<td>TREATS NYC</td>
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<th>(8) PRODUCT CODE</th>
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<td>(Normally CTR, or as provided by sending bank)</td>
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<tr>
<th>(9) BENEFICIAL (BNF) = AGENCY LOCATION CODE</th>
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<tr>
<td>BNF = /ALC-69-14-0001</td>
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<tr>
<th>(10) REASONS FOR PAYMENT</th>
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<td>Example: PHMSA - CPF # / Ticket Number/Pipeline Assessment number</td>
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**INSTRUCTIONS:** You, as sender of the wire transfer, must provide the sending bank with the information for blocks (1), (5), (7), (9), and (10). The information provided in Blocks (1), (7), and (9) are constant and remain the same for all wire transfers to the Pipeline and Hazardous Materials Safety Administration, Department of Transportation.

**Block #1** - RECEIVER ABA NO. - "021030004". Ensure the sending bank enters this 9-digit identification number; it represents the routing symbol for the U.S. Treasury at the Federal Reserve Bank in New York.

**Block #5** - AMOUNT - You as the sender provide the amount of the transfer. Please be sure the transfer amount is punctuated with commas and a decimal point. **EXAMPLE:** $10,000.00

**Block #7** - RECEIVER NAME - "TREATS NYC". Ensure the sending bank enters this abbreviation. It must be used for all wire transfers to the Treasury Department.

**Block #9** - BENEFICIAL - AGENCY LOCATION CODE - "BNF = /ALC-69-14-0001". Ensure the sending bank enters this information. This is the Agency Location Code for the Pipeline and Hazardous Materials Safety Administration, Department of Transportation.

**Block #10** - REASON FOR PAYMENT - "AC-payment for PHMSA Case # / To ensure your wire transfer is credited properly, enter the case number/ticket number or Pipeline Assessment number, and country."

**NOTE:** A wire transfer must comply with the format and instructions or the Department cannot accept the wire transfer. You as the sender can assist this process by notifying the Financial Operations Division (405) 954-8893 at the time you send the wire transfer.

February 2009