



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

8701 South Gessner, Suite 1110
Houston, TX 77074

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 2, 2007

Jim Sanders
Vice President, Operations
Citgo Pipeline Company
1293 Eldridge Parkway
Houston, TX 77077

CPF 4-2007-5010

Dear Mr. Sanders:

During the weeks of February 6 - 10, March 6 - 10, April 3 - 7, and May 31 - June 2, 2006, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected CITGO Pipeline Company's (CITGO) operations and maintenance procedures, and records, and conducted field inspections of your Sour Lake district pipelines and tank farm, the Eagle Line south pipeline unit, from Houston to Arlington, TX, and the Eagle Line north pipeline unit from Arlington, TX to the Drumright, OK area. An inspection of the Tulsa control center for the pipeline units was also conducted as part of these standard inspections.

As a result of the inspections, 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. § 195.128 Station Piping

Any pipe to be installed in a station that is subject to system pressure must meet the applicable requirements of this subpart.

The regulation requires that materials for permanent installation in facility piping be suitable, and meet the requirements of referenced standards. ASME B31.4 does not list rubberized, braided hoses as suitable for permanent installation in pipeline service.

Drag Reducing Agent (DRA) is introduced at a number of pump stations on the CITGO pipeline systems. The DRA is pumped into the station piping from permanently located tank and pump assemblies, but is being introduced into the pipeline system through braided, rubber covered hoses, casually laid on the ground between pump and the pipeline.

In addition, the rubber hoses laid on the ground present a tripping, or snagging safety hazard.

2. §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.

Pipeline must be protected against over pressures and surges that would exceed 110% of the MOP established for the pipeline. Adequate controls and protective equipment to control the pressure within this limit must be provided. CITGO was unable to provide documentation that surge pressures have been considered, or that the pipeline is adequately protected from surges.

3. § 195.410 Line markers

(a) Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:

(1) Markers must be located at each public road crossing, at each railroad crossing, and in sufficient number along the remainder of each buried line so that its location is accurately known.

CITGO does not have sufficient markers along their pipelines in some areas. When crossing cultivated agricultural fields, often the markers on the far side of the field could not be seen. From Valve sites, looking in both directions, the next marker for the pipeline could not be seen. The pipeline markers across Northgate Forest golf course are flush mounted markers. The markers are from Arco Pipeline, and the phone numbers on the markers are no longer valid.

4. § 195.412 Inspection of Right of Way

(a) Each operator shall, at intervals not exceeding 3 weeks, but at least 26 times each calendar year, inspect the surface conditions on or adjacent to each pipeline right-of-way. Methods of inspection include walking, driving, flying or other appropriate mean of traversing the right-of-way.

In order to perform pipeline surveillance, the right of way must be maintained so that the ROW is clearly visible by the means of surveillance employed. Aerial surveillance is the primary method of pipeline patrolling used by CITGO. Many areas of CITGO's pipelines have ROW areas that are lined with large trees. The trees have branches that overhang the ROW, and form a canopy that obscures the pipeline ROW from observation by aerial surveillance. Some areas are overgrown with deep brush and grass that should be cleared to allow clear observation of the ROW during surveillance, and to allow visibility of pipeline markers.

5. § 195.420 Valve Maintenance

(c) Each operator shall provide protection for each valve from unauthorized operation and from vandalism.

A number of the CITGO pipeline valves do not have protection from vandalism at the sites. The valves were chained and locked to prevent unauthorized use, but these locations did not provide any deterrence against vandalism. Local personnel did provide additional information regarding this issue.

During the inspections it was noted that CITGO's preferred method of complying with 195.420(c) is to install locked chain link fencing around the valves. This was evident in the three CITGO units that were inspected, where the majority of above ground valves were located in locked fences.

Some of the remaining valves in those units were located above ground with no fences. A number of above ground valves that were observed without fences by the inspector on the three Texas and Oklahoma units, and the lack of fencing was pointed out to CITGO personnel at the time of the inspections.

It should be pointed out that all of the unfenced valves were chain locked and most had steel barricade posts installed. A review of your procedures by our inspectors did not reveal any alternative method of security for valve sites acceptable to you. CITGO should review their program, procedures, and facilities to ensure they are compliant with this regulation.

6. §195.432 Breakout tanks.

(b) Each operator shall inspect the physical integrity of in-service atmospheric and low pressure steel aboveground breakout tanks according to section 4 of API Standard 653. However, if structural conditions prevent access to the tank bottom,

the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3).

(d) The intervals of inspection specified by documents referenced in paragraphs (b) and (c) of this section begin on May 3, 1999, or on the operator's last recorded date of the inspection, whichever is earlier.

A number of tanks at the Sour Lake facility, Fauna Station, and Arlington Station have items that are out of compliance with API-653. Most of these arise from items that are being missed during monthly inspections. The purpose of the monthly inspections is to catch minor items, such as vegetation growing adjacent to tanks, washouts of subsoil from under tank bottom or animal burrows, cracks in concrete ring wall, leaks or drips at mixers or flanges, etc. These items should be noted in the monthly inspections, as well as other items, as listed in the API-653 checklist. Once noted, the items should be resolved prior to the next inspection, or a reason given for why the item was not resolved.

Regulations require that the operator of pipeline breakout tanks adopt an API-653 tank inspection schedule, and inspect breakout tanks on a frequency prescribed in the standard. CITGO has adopted the API-653 tank inspection standard, but has not met the required tank inspection frequency, as required by the standard and regulation.

Two tanks are overdue for their out of service internal inspections. Eight tanks have been missed for the in-service external inspections, and it appears that eight tanks have been missed for their UT inspections. This information is based upon the operator's records for tank inspections.

7. §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.

(e) Corrective action. You must correct any identified deficiency in corrosion control as required by Sec. 195.401(b). However, if the deficiency involves a pipeline in an integrity management program under Sec. 195.452, you must correct the deficiency as required by Sec. 195.452(h).

Regulation requires that the operator of pipeline breakout tanks maintain a cathodic protection system on their breakout tanks which is in accordance with API RP-651. The regulations also require that if there is an identified deficiency, it must be corrected within a reasonable time.

Citgo discovered that tank farm rectifier/ground bed, Sour Lake #3, had failed in October 2003. The records indicate that the system was failing as early as December 2002. As of the standard inspection conducted February 6 - 10, 2006, the Sour Lake #3 system was still down, and not providing Cathodic Protection to the tank farm. The system has been failing or out of service for over 3 years, without correction.

8. §195.579 What must I do to mitigate internal corrosion?

(a) General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.

CITGO Pipeline has not performed adequate investigations of the corrosivity of the products on their pipelines and facilities. The operator has not performed inspections on dead legs, low points, facility and non-piggable pipe, and downstream of supplier taps. The operator also does not have adequate monitoring, and monitoring points that are installed are installed incorrectly.

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 violations 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 violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$94,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
[1]	\$12,000]
[6]	\$32,000
[7]	\$50,000

Warning Items

With respect to item 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 item(s). Be advised that failure to do so may result in CITGO Pipeline Company being subject to additional enforcement action.

Proposed Compliance Order

With respect to items 1, 2, 3, 4, 6, 7, and 8, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to CITGO Pipeline 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 4-2007-5010** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



R. M. Seeley
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 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to CITGO Pipeline Company a Compliance Order incorporating the following remedial requirements to ensure the compliance of CITGO Pipeline Company with the pipeline safety regulations:

1. Regarding item Number 1 of the Notice, CITGO must inspect all of their pipeline systems to locate areas using temporary hose/ piping in permanent locations. Provide a plan to re-pipe the locations with piping that comply with standards, recommended practices and regulations. Provide the results of the analysis to PHMSA. Based on the results, CITGO should implement any modifications necessary to assure that the pipelines are compliant with §195.128.
2. In regard to Item Number 2 of the Notice, CITGO must perform the necessary hydraulic analysis including the consideration of surges to insure that their pipelines will not be over pressured during normal operations. Provide the results of the analysis to PHMSA. Based on the results, CITGO should implement any modifications necessary to assure that the pipelines are compliant with §195.406(b).
3. In regard to Item Number 3 of the Notice, pertaining to CITGO's pipeline systems, perform an inspection of all pipelines to locate areas lacking sufficient markers. If there are areas where it is impractical to place markers, or because the markers are removed or plowed under by the landowner, an alternative method of ensuring the safety of the public and the pipeline should be developed. In areas where there are insufficient markers, develop a plan and time table to place markers to ensure CITGO is in compliance with §195.410(a)(1).
4. In regard to Item Number 4 of the Notice, pertaining to CITGO's pipeline systems, perform an inspection of all pipelines to locate areas where ROW is over grown with brush or tall grass, or areas where the ROW is overgrown by a canopy from surrounding trees, preventing visibility from aerial surveillance. Develop a plan and time table to clear brush and canopy from ROW to ensure that CITGO is in compliance with §195.412(a). Until the ROW can be cleared and made suitable for aerial surveillance, develop an alternative surveillance method for affected areas.
5. In Regard to Items Number 6 of the Notice, pertaining to CITGO's pipeline systems, review CITGO's Tank Inspection program. Develop a plan and time table to inspect tanks that have been missed, and ensure that inspections are performed according to the required schedules in the future. Ensure that monthly inspections note items as required by API 653, and that the items are addressed prior to sequential inspections. Ensure that inspection report documentation is complete, and that items from all inspection reports are addressed, and documented, so that CITGO is in compliance with §195.432 and referenced API 653.
6. In regard to Item Number 7 of the Notice, pertaining to CITGO's pipeline systems, review CITGO's CP data collection and evaluation to ensure that if CP systems need repair or replacement, they are addressed promptly and that the pipelines and tanks are protected. Develop a plan and time table to replace inadequate CP systems to bring CITGO into compliance with §195.573.

7. In regard to Item Number 8 of the Notice, pertaining to CITGO's pipeline systems, perform an assessment to fully determine the corrosive effect of the transported products on pipelines and all facilities. If there are areas that would be susceptible to internal corrosion, perform inspections, install monitoring, and if active corrosion is determined, implement mitigation methods to ensure that CITGO is in compliance with §195.579.
8. CITGO shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R. M. Seeley, Director, Southwest Region, 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.
9. Submit to the Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration, 8701 South Gessner, Suite 1110, Houston, Texas 77074:
 - Results of surveys, assessments, and plans, with time table, must be submitted within 30 days following the receipt of the Final Order
 - All items shall be completed within 180 days following the receipt of the Final Order.