NOTICE OF PROBABLE VIOLATION  
and  
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 18, 2007

Mr. Harry N. Pefannis  
President  
Plains Pipeline, L. P.  
P.O. Box 4468  
Houston, TX 77210

CPF 4-2007-5011

Dear Mr. Pefannis:

On May 23 - 27, June 14 - 16 and 20 - 24, September 12 - 16, and October 24 - 28, 2005, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Johnson Bayou to Sabine Pass System; Basin Pipeline System from Cushing, OK to Jal, NM; Red River System from Cushing, OK to Longview, TX; and your Ferriday System from Greensburg, LA to Delhi Station, LA.

As a result of these 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. §195.54 Accident reports.

   (a) Each operator that experiences an accident that is required to be reported under §195.50 shall as soon as practicable but not later than 30 days after discovery of the accident, prepare and file an accident report on DOT Form 7000-1, or a facsimile.
A. At Sabine Pass, a 4 barrel spill on March 6, 2003, was not reported to DOT. Plains Pipeline, L. P. (Plains) personnel thought the leaking seal on the pump at the tank header was jurisdictional to the Coast Guard. Coast Guard regulations did not require the reporting of the spill due to the spill's small volume that was totally contained on site.

Plains personnel self reported the incident and submitted a copy of Plains' internal 'Spill Report' of the incident to the PHMSA representative.

B. On the Ferriday System, a 3 barrel spill that occurred on September 18, 2005, at Canebrake Station was not reported to DOT within 30 days.

On October 26, 2005, the PHMSA representative noticed evidence of a recent spill near tank 936 while performing a field inspection of the Canebrake Station. Plains personnel were able to show it had been reported to the Louisiana Department of Natural Resources, but not to DOT.

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 commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

A. (c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(13) Periodically reviewing the work done by operator to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

On the Basin Pipeline System, Plains is failing to perform its annual review of personnel work to determine the effectiveness of its normal O&M procedures.

A reading of Plains' O&M Manual, Section 402, page 3 shows that Form 702 in Appendix C is used to meet the requirements of §195.402(c)(13) and §195.403(b). Part of Section 402, page 3 is paraphrased below to show how failure to fill out Form 702 for each job classification each year results in a probable violation of §195.402(c)(13).

As per Plains' O&M Manual, Section 402, page 3; Form 702 in Appendix C, 'ANNUAL PERSONNEL TRAINING REVIEW', is to be filled out each year for
each employee, and be evaluated to address the functional competencies of operation, maintenance, safety,

and emergency procedures as they relate to each person’s job classification. Form 702 had not been filled out for each employee for each of the last three years. It was observed that very few Form 702s had been filled out.

B. §195.430 Firefighting equipment.

Each operator shall maintain adequate firefighting equipment at each pump station and breakout tank area. The equipment must be-

(a) in proper operating condition at all times;

On the Basin Pipeline System, three fire extinguishers at Lindsey Station had not been maintained as required by Plains’ O&M Manual, Section 419.

During the Field Inspection at Lindsey station, it was discovered that there was no record of monthly inspections for 24 months, from May, 2003 to April, 2005, for three fire extinguishers. Monthly inspections of fire extinguishers are required in Plains’ O&M Manual, Section 419.

3. §195.404 Maps and Records.

(b) Each operator shall maintain for at least 3 years daily operating records that indicate-

A. (1) The discharge pressure at each pump station;

On the Basin Pipeline System, Plains was not able to show the pressure history for the ‘Basin Midland Discharge Pressure’ for May 18, 2004.

The Midland Station discharge pressure history of May 18, 2004, as recreated from SCADA records does not accurately represent the probable actual pressures on that date.

B. (2) Any emergency or abnormal operation to which the procedures under §195.402 apply.

On the Basin Pipeline System, the pressure history of the abnormal event of May 1, 2004 could not be shown as data from April 27 to May 4, 2004 was not retrievable.
4. §195.412 Inspection of rights-of-way and crossings under navigable waters.

(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.

On the Basin Pipeline System, the Midland to Colorado City records show inspection gaps between February 17 and April 1, 2004 (44 days); May 14 and September 29, 2004 (138 days); and September 29 and October 31, 2004 (32 days).

Each of the three time spans are in excess of the 21 day maximum. Mitigation for one of the inspection gaps is that one of the pilots died in a plane crash, and several weeks of records were destroyed in the crash. Records indicate the entire pipeline is usually flown weekly.

5. §195.420 Valve maintenance.

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

A number of the Plains Pipeline LP 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 Plains’ preferred method of complying with 195.420(c) is to install locked chain link fencing around the valves. This was evident in the four Plains 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. The number of above ground valves that were observed without fences by the inspector on the four units exceeded five, and the lack of fencing was pointed out to Plains 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. Plains should review their program, procedures, and facilities to ensure they are compliant with this regulation.
6. §195.581 Which pipelines must I protect against atmospheric corrosion ...

(a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

(b) Coating material must be suitable for the prevention of atmospheric corrosion.

On the Red River System, four spans, at RL 77.84, MP 22.39, RL 66.4, and RL 46.9, were not properly coated for prevention of atmospheric corrosion.

During the Field Inspection, the span at RL 77.84 had subsurface coating in poor condition; the span at MP 22.39, Hwy 74, was bare exposed pipe across a ditch; the span at RL 66.41, N of Hall Rd, was about 50' of bare pipe across a 30' deep gulley; and the span at RL 46.9, creek span N side CR 5060, was about 50' of bare pipe across a 12' deep creek. It is noted that a 'Mitigation Plan for Red River East Pipeline Pipe Exposures' was submitted following the inspection.

Proposed Compliance Order

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Plains, with respect to items 2 and 6. Please refer to the Proposed Compliance Order, which is enclosed and made a part of this Notice.

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 Plains 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 a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you should 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 rights 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 4-2007-5011 and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

[Signature]

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: 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 Plains Pipeline, L.P., a Compliance Order incorporating the following remedial requirements to ensure the compliance of Plains Pipeline, L.P. with the pipeline safety regulations:

1. In regard to Item Number 2 of the Notice, pertaining to periodically reviewing work done by the Operator to determine the effectiveness of the procedures; you will submit copies of Form 702 for each employee associated with the Basin Pipeline System. The Forms will be completed in accordance with your O&M Manual. You will also submit a letter describing how the Forms were used to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found. The Forms and the letter will be submitted to this office within 30 days following receipt of the Final Order.

2. In regard to Item Number 6 of the Notice pertaining to proper coating of exposed spans for prevention of atmospheric corrosion, you will perform an audit to ensure that Plains is in compliance with §195.581. This audit shall consist of:
   A. Review all applicable procedures and amend as necessary.
   B. Survey all applicable segments of Plains pipe lines, paying particular attention to pipe spans to ensure that they are protected from atmospheric corrosion, and meet applicable procedures.
   C. Based upon the review and survey, develop a plan for repairing/recoating of facilities to bring Plains into compliance.

3. Results of surveys and plans, with time tables, must be submitted to Mr. R. M. Seeley, Director, Southwest Region, within 30 days following the receipt of the Final Order. All Items shall be completed within 90 days following receipt of the final Order.

4. Plains Pipeline, L.P. shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mr. 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 analysis, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.