NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 11, 2008

Kent Powers
General Manager Pipelines & Terminals
CITGO Petroleum Corporation
1293 Eldridge Parkway
Houston, TX 77077

CPF No. 4-2008-5016M

Dear Mr. Powers

On March 17-21, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code inspected your procedures for operations and maintenance in Tulsa, OK.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within CITGO Pipeline Company’s procedures and are described below.

1. §195.555 What are the qualifications for supervisors?

   You must require and verify that supervisors maintain a thorough knowledge of that portion of the corrosion control procedures established under Sec. 195.402(c)(3) for which they are responsible for insuring compliance.

   CITGO procedures do not clearly describe the process utilized to ensure supervisors maintain a thorough knowledge of portions of the corrosion control procedures for which they are responsible for insuring compliance. In E-mail correspondence dated June 5, 2008, CITGO Pipeline Company (CITGO) submitted updated procedures.

2. §195.559 What coating material may I use for external corrosion control?
Coating material for external corrosion control under Sec. 195.557 must—

(a) Be designed to mitigate corrosion of the buried or submerged pipeline;
(b) Have sufficient adhesion to the metal surface to prevent under film migration of moisture;
(c) Be sufficiently ductile to resist cracking;
(d) Have enough strength to resist damage due to handling and soil stress;
(e) Support any supplemental cathodic protection; and
(f) If the coating is an insulating type, have low moisture absorption and provide high electrical resistance.

CITGO procedures do not clearly state that coating materials meet all applicable regulatory criteria requirements nor do the procedures or engineering specifications identify approved coatings and procedures for all types of repairs to coating. In E-mail correspondence dated May 8, 2008, CITGO submitted updated procedures.

3. §195.571 What criteria must I use to determine the adequacy of cathodic protection?

Cathodic protection required by this subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained in paragraphs 6.2 and 6.3 of NACE Standard RP 0169 (incorporated by reference, see §195.3).

CITGO procedures do not clearly describe how IR drop is considered. In E-mail correspondence dated June 5, 2008, CITGO submitted updated procedures.

4. §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 procedures do not clearly state the requirements associated with running cleaning pigs and the frequency in which cleaning pigs should be run. In E-mail correspondence dated June 5, 2008, CITGO submitted updated procedures.

5. §195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?

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

CITGO procedures do not clearly provide detailed instructions or engineering specifications for coatings at pipe/soil interface applications and the construction
specifications for the application of all approved coatings. In E-mail correspondence dated June 5, 2008, CITGO submitted updated procedures.

6. §195.583 What must I do to monitor atmospheric corrosion control?

(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

   If the pipeline is located: Then the frequency of inspection is:
   Onshore - At least once every 3 calendar years, but with intervals not exceeding 39 months
   Offshore - At least once each calendar year, but with intervals not exceeding 15 months

CITGO procedures do not clearly describe the process for atmospheric corrosion monitoring at pipe/pipe support interfaces. In addition, the procedures do not clearly describe the process for monitoring of cable-stayed pipes or for pipes that are attached to bridges or other fixed structures. CITGO should consider increased atmospheric corrosion monitoring frequencies for pipe spans that are subject to salt applications for ice control due to proximity of bridges or roadways. In E-mail correspondence dated June 5, 2008, CITGO submitted updated procedures.

7. §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.

CITGO procedures do not clearly state which valves are necessary for the safe operation of its pipeline system and how they will maintain those valves in good working order. A master listing should be developed. In E-mail correspondence dated May 8, 2008, CITGO submitted updated procedures.

8. §195.426 Scraper and sphere facilities.

No operator may use a launcher or receiver that is not equipped with a relief device capable of safely relieving pressure in the barrel before insertion or removal of scrapers or spheres. The operator must use a suitable device to indicate that pressure has been relieved in the barrel or must provide a means to prevent insertion or removal of scrapers or spheres if pressure has not been relieved in the barrel.

CITGO procedures for pig launcher & receivers are generic in nature; manufacturer specific procedures need to be developed. In E-mail correspondence dated May 8, 2008, CITGO submitted updated procedures.

CITGO submitted amended procedures to this office on May 8, and June 5, 2008, prior to the delivery of this Notice to them. My staff reviewed the amended procedures, and it
appears that the inadequacies outlined in this Notice of Amendment have been corrected.

This letter is to inform you no further action is necessary and this case is now closed. Thank you for your cooperation.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to CPF No 4-2008-5016M 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
Material Safety Administration

Enclosure: Response Options for Pipeline Operators in Compliance