

## NOTICE OF AMENDMENT

### CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 16, 2009

Michael J. Jacobson  
President  
Blue Dolphin Pipeline Company  
801 Travis Street, Suite 2100  
Houston, TX 77002

**CPF 4-2009-2002M**

Dear Mr. Jacobson:

On May 21 and 22, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Blue Dolphin Pipeline Company (Blue Dolphin) Operation and Maintenance procedures and conducted a standard inspection in Freeport, Texas.

On the basis of that inspection, PHMSA has identified apparent inadequacies within Blue Dolphin's plans or procedures, as described below:

**1. § 191.15 Transmission and gathering systems: Incident report.**

**(a) Except as provided in paragraph (c) of this section, each operator of a transmission or a gathering pipeline system shall submit Department of Transportation Form RSPA F 7100.2 as soon as practicable but not more than 30 days after detection of an incident required to be reported under §191.5.**

Blue Dolphin's procedure did not have the correct DOT address. In a subsequent submittal, Blue Dolphin revised its procedure 19.14 to include the current address. This issue has been resolved.

2. **§ 191.27 Filing offshore pipeline condition reports.**

**(a) Each operator shall, within 60 days after completion of the inspection of all its underwater pipelines subject to §192.612(a), report the following information:**

Blue Dolphin's procedure did not clearly reference the 60 day requirement. In a subsequent submittal, Blue Dolphin revised its procedure 7.5 to include the 60 day requirement. This issue has been resolved.

3. **§ 192.231 Protection from weather.**

**The welding operation must be protected from weather conditions that would impair the quality of the completed weld.**

Blue Dolphin's procedure did not clearly require protection from weather conditions. In a subsequent submittal, Blue Dolphin revised its procedure 16.9 to include this requirement. This issue has been resolved.

4. **§ 192.477 Internal corrosion control: Monitoring.**

**If corrosive gas is being transported, coupons or other suitable means must be used to determine the effectiveness of the steps taken to minimize internal corrosion. Each coupon or other means of monitoring internal corrosion must be checked two times each calendar year, but with intervals not exceeding 71/2months.**

Blue Dolphin's procedure did not clearly require that coupons be monitored at the required frequency. In a subsequent submittal, Blue Dolphin revised its procedure 10.1 to include this requirement. This issue has been resolved.

5. **§ 192.481 Atmospheric corrosion control: Monitoring.**

**(b) During inspections the operator 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.**

Blue Dolphin's procedure did not specifically address these types of locations for inspections. In a subsequent submittal, Blue Dolphin revised its procedure 10.6 to include these locations. This issue has been resolved.

**6. § 192.485 Remedial measures: Transmission lines.**

**(c) Under paragraphs (a) and (b) of this section, the strength of pipe based on actual remaining wall thickness may be determined by the procedure in ASME/ANSI B31G or the procedure in AGA Pipeline Research Committee Project PR 3-805 (with RSTRENG disk). Both procedures apply to corroded regions that do not penetrate the pipe wall, subject to the limitations prescribed in the procedures.**

Blue Dolphin's procedure did not clearly reference any repair evaluation method based on remaining wall thickness. In a subsequent submittal, Blue Dolphin revised its procedure 10.7 to include a repair evaluation method. This issue has been resolved.

**7. § 192.605 Procedural manual for operations, maintenance, and emergencies.**

**(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.**

Blue Dolphin's procedure did not properly record the annual reviews not to exceed 15 months required in (a). In a subsequent submittal, Blue Dolphin revised its procedure 2.1 to include the proper review frequency. This issue has been resolved.

**(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.**

**(5) Starting up and shutting down any part of the pipeline in a manner designed to assure operation within the MAOP limits prescribed by this part, plus the build-up allowed for operation of pressure-limiting and control devices.**

**(9) Taking adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas, and making available when needed at the excavation, emergency rescue equipment, including a breathing apparatus and, a rescue harness and line.**

**(11) Responding promptly to a report of a gas odor inside or near a building, unless the operator's emergency procedures under §192.615(a)(3) specifically apply to these reports.**

Blue Dolphin's procedures did not adequately reference starting up and shutting down activities according to (b) (5), ensure that the proper precautions were addressed in excavated trenches according to (b) (9), or properly respond to report of gas odors in all buildings according to (b) (11).

In a subsequent submittal, Blue Dolphin revised its procedures 3.2 and 3.3 to address the start up and shut down requirements, procedure 18.8 to address adequate precautions in excavated trenches, and procedure 19.7 to address properly responding to gas odors inside or near buildings. These issues have been resolved.

**(c) Abnormal operation. For transmission lines, the manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:**

**(1) Responding to, investigating, and correcting the cause of:**

**(ii) Increase or decrease in pressure or flow rate outside normal operating limits;**

Blue Dolphin's procedure did not adequately reference the possibility of increasing or decreasing pressures or of flow rates outside normal operating limits as potential abnormal operations. In a subsequent submittal, Blue Dolphin revised its procedure 13.5 to include these potential abnormal operations. This issue has been resolved.

**8. § 192.614 Damage prevention program.**

**(b) An operator may comply with any of the requirements of paragraph (c) of this section through participation in a public service program, such as a one-call system, but such participation does not relieve the operator of responsibility for compliance with this section. However, an operator must perform the duties of paragraph (c)(3) of this section through participation in a one-call system, if that one-call system is a qualified one-call system. In areas that are covered by more than one qualified one-call system, an operator need only join one of the qualified one-call systems if there is a central telephone number for excavators to call for excavation activities, or if the one-call systems in those areas communicate with one another. An operator's pipeline system must be covered by a qualified one-call system where there is one in place. For the purpose of this section, a one-call system is considered a "qualified one-call system" if it meets the requirements of section (b)(1) or (b)(2) of this section.**

**(3) Provide a means of receiving and recording notification of planned excavation activities.**

Blue Dolphin's procedure did not properly address the need for receiving and recording notifications of planned excavation activities. In a subsequent submittal, Blue Dolphin revised its procedure 18.1 to better address excavation activities. This issue has been resolved.

**9. § 192.715 Transmission lines: Permanent field repair of welds.**

**(b) A weld may be repaired in accordance with §192.245 while the segment of transmission line is in service if:**

**(3) Grinding of the defective area can be limited so that at least 1/8-inch (3.2 millimeters) thickness in the pipe weld remains.**

Blue Dolphin's procedure did not properly address grinding requirements for repairs of welds. In a subsequent submittal, Blue Dolphin revised its procedure 16.12 to include references to appropriate standards that address the issue. This issue has been resolved.

**10. § 192.719 Transmission lines: Testing of repairs.**

**(b) Testing of repairs made by welding. Each repair made by welding in accordance with §§192.713, 192.715, and 192.717 must be examined in accordance with §192.241.**

Blue Dolphin's procedure did not properly address all of the nondestructive testing requirements. In a subsequent submittal, Blue Dolphin revised its procedure 16.10 to better address nondestructive testing requirements. This issue has been resolved.

**11. § 192.727 Abandonment or deactivation of facilities.**

**(b) Each pipeline abandoned in place must be disconnected from all sources and supplies of gas; purged of gas; in the case of offshore pipelines, filled with water or inert materials; and sealed at the ends. However, the pipeline need not be purged when the volume of gas is so small that there is no potential hazard.**

**(e) If air is used for purging, the operator shall insure that a combustible mixture is not present after purging.**

**(g) For each abandoned offshore pipeline facility or each abandoned onshore pipeline facility that crosses over, under or through a commercially navigable waterway, the last operator of that facility must file a report upon abandonment of that facility.**

Blue Dolphin's procedures did not properly address all of the abandonment requirements according to (b), the purging requirements according to (e), and the issues related to navigable waterways and offshore facilities in (g). In a subsequent submittal, Blue Dolphin revised its procedures 15.11 and 15.12 to adequately address these requirements. These issues have been resolved.

**12. § 192.739 Pressure limiting and regulating stations: Inspection and testing.**

**(a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is—**

**(1) In good mechanical condition;**

**(2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;**

**(4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.**

Blue Dolphin's procedures did not adequately address inspection interval requirements according to (a), sufficiently specify requirements ensuring that the equipment is in good mechanical condition according to (a) (1), adequately address service requirements according to (a) (2), or address properly requirements for installation and protection from the defined conditions identified in (4). In a subsequent submittal, Blue Dolphin revised its procedure 9.5 to adequately address these requirements. These issues have been resolved.

Blue Dolphin submitted its amended procedures to this office on June 9, 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 4-2009-2002M** 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

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