

NOTICE OF PROBABLE VIOLATION
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 29, 2011

Mr. Randy Curry
President
Chevron Pipe Line Company
4800 Fournace Place,
Room C382A
Bellaire, Texas 77401

CPF 4-2011-7003

Dear Mr. Curry:

On January 26, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code initiated an investigation of an accident that occurred on January 26, 2011 on Chevron Pipe Line Company's (CPL) 10-inch Grand Bay crude pipeline. The accident occurred at Mile Post (MP) 12 in Plaquemines Parish, Louisiana. The Grand Bay pipeline is part of the Cypress pipeline system that originates at Chevron's offshore facilities and ends at the Empire/Ostrica Terminal. The Empire/Ostrica Terminal is located near the east bank of the Mississippi River about three miles south of Empire, Plaquemines Parish, Louisiana.

As a result of the accident investigation, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item inspected and the probable violation is:

1. §195.54 Accident reports.

(b) Whenever an operator receives any changes in the information reported or additions to the original report on DOT Form 7000-1, it shall file a supplemental report within 30 days.

CPL failed to file a supplemental report for the 10-inch Grand Bay pipeline accident that occurred on January 26, 2011 thirty days after additional information was obtained.

At approximately 4:04 PM on January 26, 2011, a leak occurred on the 10-inch Grand Bay pipeline at MP 19. The leak occurred in state waters located in Plaquemines Parish, Louisiana. This location is near the Empire/Ostrica Terminal, which is located near the east bank of the Mississippi River about three miles south of Empire, Louisiana. The accident was reported to the National Response Center (NRC Report # 965775) on January 26, 2011, and PHMSA inspectors responded to investigate the accident. Once the release was secured and repairs were initiated, field personnel followed CPL procedures, which required metallurgical testing of the failed pipe. To comply with the procedure, certain pipe segments were removed and shipped to Chevron's Energy Technology Company, Briarpark Materials Laboratory (BML) in Houston, Texas for analysis.

After the accident to abide by the federal regulations, Chevron submitted an original accident report (Form 7000-1) to PHMSA (Report # 20110050 – 15591) on February 15, 2011. In Part G Apparent Cause the failure cause is noted by Chevron as 'G3 – Excavation Damage'. In the G3 Section, Excavation Damage – Sub-Cause, Chevron states 'Excavation Damage by Operator's Contractor (Second Party)'. Additionally, in Part H – Narrative Description of the Accident, Chevron states the following:

'At 1603 CST on 26 JAN 11 Field Personnel were conducting jetting operations from a barge to lower the 10; Grand Bay Pipeline near the Empire Terminal. Personnel indicated a crude oil-like odor, then had a visual confirmation of crude oil in the surrounding waters. CPL Control Center was contacted and the Grand Bay and Main Pass pipelines were shut down @ 1605 CST. Field personnel deployed protective boom in the area and requested assistance from a 3rd Party OSRO clean-up company. The volume released is 79 bbls; the cause of the release is under investigation. OSRO personnel and equipment were scheduled to arrive @ first availability on 27 JAN 11.'

'As of 2/14/11 the pipeline has been raised from the sea bed and repaired. All product was evacuated from the pipeline by pushing a poly pig with sea water and inhibitor. After the evacuation was complete, a successful two hour standup test was performed using the sea water and inhibitor. The pipeline has been reburied to the required depth and is presently filled with sea water and inhibitor and will remain de-pressured until CPL and its business joint partners can decide on future usage.'

As noted earlier a metallurgical failure analysis was required and performed by BML. BML's Metallurgical Evaluation of Five Pipeline Samples, Project #B-10-10029, report was provided to CPL on or about March 1, 2011. In their analysis BML found that the probable cause of the rupture 'occurred by brittle, tensile fracture at an area of pre-existing mechanical damage'.

As of June 16, 2011, a supplemental PHMSA 7100-1 report with BML's analysis had not been filed. The final metallurgical failure report with information as to the apparent cause of the

accident is considered additional related and critical information that should have been appended to the 7000-1 report by Chevron.

Proposed Compliance Order

With respect to item number 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to CPL. 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 4-2011-7003** 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 Chevron Pipe Line Company (CPL) a Compliance Order incorporating the following remedial requirements to ensure the compliance of CPL with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to failure to comply with the requirements of §195.54, CPL must immediately file a supplemental DOT Form 7100-1 report for number 20110050 specifying the apparent cause of failure of the 10-inch Grand Bay pipeline accident and updating any other information obtained since the accident. If all of the information about the accident is known, this information must be included and the accident report filed as a final report.
2. It is requested (not mandated) that CPL 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. It is requested that these costs 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.