

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 9, 2011

Mr. Warner Williams
Vice President GOM
Chevron USA Inc.
100 Northpark Blvd
Covington, LA 70433

CPF 4-2011-9001

Dear Mr. Williams:

During the months of March 2010 through May 2010, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code was onsite and inspected your procedures records and facilities in Covington, Lafayette, Cameron and LaFourche Parish, LA; and the Gulf of Mexico offshore facilities in the West Cameron, Bay Marchand and Grand Isle areas. Subsequent follow up inspection activities continued until December 2010. Chevron USA operates both natural gas and hazardous liquid pipelines in this area so an inspection involving both Parts 192 and 195 was performed.

As a result of the inspection, 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 violation(s) are:

1. §192.10 Outer continental shelf pipelines.

Operators of transportation pipelines on the Outer Continental Shelf (as defined in the Outer Continental Shelf Lands Act; 43 U.S.C. 1331) must identify on all their respective pipelines the specific points at which operating responsibility transfers to a producing operator.

§195.9 Outer continental shelf pipelines.

Operators of transportation pipelines on the Outer Continental Shelf must identify on all their respective pipelines the specific points at which operating responsibility transfers to a producing operator. For those instances in which the transfer points are not identifiable by a durable marking, each operator will have until September 15, 1998 to identify the transfer points. If it is not practicable to durably mark a transfer point and the transfer point is located above water, the operator must depict the transfer point on a schematic maintained near the transfer point. If a transfer point is located subsea, the operator must identify the transfer point on a schematic which must be maintained at the nearest upstream facility and provided to PHMSA upon request. For those cases in which adjoining operators have not agreed on a transfer point by September 15, 1998 the Regional Director and the MMS Regional Supervisor will make a joint determination of the transfer point.

Chevron USA did not identify the demarcation between production and transportation pipeline facilities in certain areas. Chevron USA did not identify where the piping changed from production to transportation on natural gas and oil transportation facilities on platforms:

- Grand Isle Block Number 37 platform R
- Bay Marchand Block Number 3 platform C&I
- Bay Marchand Block Number 3 platform K&N

When these demarcation points could not be visually located during the field portion of the inspection, PHMSA requested that Chevron USA provide the schematic that would show these demarcations and identify which piping was subject to DOT requirements and which piping was subject to DOI requirements. Chevron USA did not produce a schematic depicting the transfer point and how it was maintained at the nearest upstream facility.

2. **§192.13 What general requirements apply to pipelines regulated under this part?**
- (a) **No person may operate a segment of pipeline that is readied for service listed in the first column that is readied for service after the date in the second column, unless:**
- (1) **The pipeline has been designed, installed, constructed; initially inspected, and initially tested in accordance with this part; or**
 - (2) **The pipeline qualifies for use under this part according to the requirements in §192.14.**

§195.5 Conversion to service subject to this part.

- (a) **A steel pipeline previously used in service not subject to this part qualifies for use under this part if the operator prepares and follows a written procedure to accomplish the following:**
- (1) **The design, construction, operation, and maintenance history of the pipeline must be reviewed, and where sufficient historical records are not available, appropriate tests must be performed to determine if the pipeline is in satisfactory condition for safe operation. If one or more of the variables are**

necessary to verify the design pressure under §195.106 or to perform the testing under paragraph (a) (4) of this section is unknown, the design pressure may be verified and the maximum operating pressure determine by-

(i) Testing the pipeline in accordance with ASME B31.8, Appendix N, to produce a stress equal to the yield strength; and

(ii) Applying, to not more than 80 percent of the first pressure that produces a yielding, the design factor F in §195.106(a) and the appropriate factors in §195.106(e).

(2) The pipeline right-of-way, all aboveground segments of the pipeline, and appropriately selected underground segments must be visually inspected for physical defects and operating conditions which reasonably could be expected to impair the strength or tightness of the pipeline.

(3) All known unsafe defects and conditions must be corrected in accordance with this part.

(4) The pipeline must be tested in accordance with the subpart E of this part to substantiate the maximum operating pressure permitted by §195.406.

(c) Each operator must keep for the life of the pipeline a record of the investigations, tests, repairs, replacements, and alterations made under the requirements of paragraph (a) of this section.

Chevron USA failed to follow written conversion to service procedures and maintain records demonstrating that the applicable conversion to service requirements were implemented for certain pipelines being operated as DOT pipelines that were not previously in DOT service. Chevron USA's written operating and maintenance procedures (Chevron USA DOT Manual section 170) and 49 CFR Parts 192 and 195 require that a written plan and records regarding the conversion to service of pipelines not previously operated under 49 CFR Part 192 and 195 be developed and maintained.

Specifically, Chevron USA did not demonstrate that a written plan was followed and there were no records available regarding the conversion to service to 49 CFR Part 192 for the 6" gas line between Grand Isle 37R and Bay Marchand Block Number 3 C&I (6" Gas). Chevron began using the 6" Gas line on December 19, 2008 and it was still in service at the time of the audit. Prior to this it was operated under DOI requirements. Chevron USA did not demonstrate that the applicable conversion to service requirements were implemented or produce any conversion to service records when these materials were requested by PHMSA's inspector.

A written plan was not followed and there were no records available regarding the conversion to service to 49 CFR Part 195 for the 6 inch oil line from Bay Marchand Block Number 3 platform E to Bay Marchand Block Number 3 platform C&I (6" Oil). Chevron began using the 6" Oil line July 3, 2010. Chevron USA did not demonstrate that the applicable conversion to service requirements were implemented or produce any conversion to service records when these materials were requested by PHMSA's inspector.

One observation during the field portion that indicates that a pipeline condition survey was not completed per §195.5 is that the incoming riser at Bay Marchand Block Number 3 platform E was unsupported due to pipe supports corroding and had become unattached from the platform. This pipeline was under hydro test at the time of inspection. Subsequent to the inspection Chevron USA indicated via email dated June 14, 2010, that the riser clamp and valve support repairs at Bay Marchand Block Number 3 platform E had been completed by June 13, 2010.

3. §192.317 Protection from hazards.

(a) The operator must take all practicable steps to protect each transmission line or main from washouts, floods, unstable soil, landslides, or other hazards that may cause the pipeline to move or to sustain abnormal loads. In addition, the operator must take all practicable steps to protect offshore pipelines from damage by mud slides, water currents, hurricanes, ship anchors, and fishing operations

(b) Each above ground transmission line or main, not located offshore or in inland navigable water areas, must be protected from accidental damage by vehicular traffic or other similar causes, either by being placed at a safe distance from the traffic or by installing barricades.

(c) Pipelines, including pipe risers, on each platform located offshore or in inland navigable waters must be protected from accidental damage by vessels.

Chevron USA did not take steps to protect a portion of its pipeline system from hazards and potential damage. During the field portion of the inspection there was structural steel and cable debris observed to be lying on the pipeline risers at Bay Marchand Block Number 3 Platform C&I. Chevron USA indicated via email dated September 16, 2010 that the structural steel had been removed from the risers.

4. §192.805 Qualification Program. §195.505 Qualification Program

Each operator shall have and follow a written qualification program. The program shall include provisions to:

(a) Identify covered tasks;

(b) Ensure through evaluation that individuals performing covered tasks are qualified;

(c) Allow individuals that are not qualified pursuant to this subpart to perform a covered task if directed and observed by an individual that is qualified;

Chevron USA did not ensure that certain covered tasks, rectifier inspections, were performed by a qualified individual. The Sabine Gas Plant rectifier was only inspected once between April 1, 2008 and February 20, 2010 by an OQ qualified individual. While it was checked by non-qualified individuals on a more frequent basis, records provided in connection with the audit indicate that this OQ qualified individual was actually only qualified to perform covered task CT04 (rectifier maintenance and repair).

The Sabine Gas Plant rectifier supplies cathodic protection current for both the 6-inch oil line and the 18-inch gas line. This device is required by both Parts 192 and 195 to be inspected six

times a year with intervals not exceeding 2 ½ months. Inspecting this rectifier is identified as a covered task per the regulations and Chevron USA's procedures (Task CT03). All inspections of this covered task must be performed by a qualified person.

5. §195.404 Maps and Records.

(a) Each operator shall maintain current maps and records of its pipeline systems that include at least the following information;

(1) Location and identification of the following pipeline facilities;

- (i) Breakout tanks;**
- (ii) Pump stations;**
- (iii) Scraper and sphere facilities;**
- (iv) Pipeline valves;**
- (v) Facilities to which §195.402(c)(9) applies;**
- (vi) Rights-of-way; and**
- (vii) Safety devices to which §195.428 applies.**

(2) All crossings of public roads, railroads, rivers, buried utilities, and foreign pipelines.

(3) The maximum operating pressure of each pipeline.

(4) The diameter, grade, type, and nominal wall thickness of all pipes.

Chevron USA was observed using a map for operations that was not up to date. A map was observed in operational use during the field portion of the inspection and a copy was requested from Chevron USA. An email response was received from Chevron USA's DOT Pipeline Specialist on June 4, 2010 stating:

“The map that you saw offshore is an old 1995 map that we do not distribute, as it is not an up-to-date, accurate depiction of the field. Unfortunately, this map has not been kept updated, and we do not have an electronic version. It is only used internally as a general reference because it is scaled. I've attached a copy of the drawing depicting the DOT/DNR pipelines in the field that I gave you during the records review. This is the drawing that I use as a reference for the Bay Marchand DOT/DNR pipelines.”

The referenced diagram was used during the inspection and was a schematic that was lacking the required attributes and detail, as required per §195.404.

6. §192.465 External corrosion control: Monitoring.

(b) Each cathodic protection rectifier or other impressed current power source must be inspected six times each calendar year, but with intervals not exceeding 2 1/2 months, to insure that it is operating.

§195.573 What must I do to monitor external corrosion control?

(a) Protected pipelines. You must do the following to determine whether cathodic protection required by this subpart complies with Sec. 195.571:

(2) For the period in the first column, the second column prescribes the frequency

of evaluation.

(c) **Rectifiers and other devices. You must electrically check for proper performance each device in the first column at the frequency stated in the second column.**

| | |
|------------------|--|
| Device | Check frequency |
| Rectifier | At least six times per calendar year but with intervals not exceeding 2 ½ months. |

Chevron did not fully perform certain required rectifier inspections within the required interval. The Sabine Gas Plant rectifier supplies cathodic protection current for both the 6 inch oil line and the 18 inch gas line. This device is required by both Parts 192 and 195 to be inspected six times a year with intervals not exceeding 2 ½ months. Although documentation provided by Chevron USA indicates that readings were taken from the volt meter and ammeter dials on the rectifier on an approximately monthly or more frequent interval from July 6, 2007 to August 29, 2008 and February 14, 2009 to June 5, 2010, there was no indication that the meters on the rectifier case were ever checked for accuracy by the use of a calibrated meter. In addition, no documentation of readings between August 29, 2008 and February 14, 2009 was supplied, possibly due to hurricane Ike storm damage. The individual performing the monthly rectifier inspections is not indicated on the documentation, with the exception of a notation on the August 2008 and May 2009 reports being prepared by James Goins. As per item 4, documentation provided by Chevron USA substantiates that the Sabine Gas Plant rectifier was only checked once between April 1, 2008 and February 20, 2010 by an OQ qualified individual.

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 violation 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 \$93,600 as follows:

| <u>Item number</u> | <u>PENALTY</u> |
|--------------------|----------------|
| Item 2 | \$27,200 |
| Item 4 | \$33,200 |
| Item 6 | \$33,200 |

Warning Items

With respect to items 3 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 item(s). Be advised that failure to do so may result in Chevron USA being subject to additional enforcement action.

Proposed Compliance Order

With respect to item(s) 1, 2, and 4 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Chevron USA. 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 4-2011-9001** 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 USA (Chevron) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Chevron USA with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to identifying where the piping changed from production to transportation on oil and natural gas transportation facilities, Chevron must mark all such locations in accordance with 49 CFR §192.10 and 49 CFR §195.9. If marking the lines is not practical then Chevron USA must maintain a schematic depicting the transfer point at the nearest upstream facility.
2. In regard to Item Number 2 of the Notice pertaining to conversion to service Chevron must develop a conversion to service plan and perform and document the necessary actions to ensure these line are fit for the service they are to be used for and in compliance with 49 CFR §192.13 and 49 CFR §195.5. Chevron shall provide the written plan to accomplish the conversion as well as all records to demonstrate compliance with the plan.
3. In regard to Item Number 4 of the Notice pertaining to Operator Qualification, Chevron USA must ensure that all covered tasks are performed by qualified individuals. If personnel are performing covered tasks and are not qualified then Chevron should take the necessary steps to qualify them or ensure that they only perform the tasks while observed by qualified individuals. Chevron must complete the rectifier inspections by qualified individuals.
4. Complete items 1 through 3 within 90 days of receipt of the Final Order. Submit documentation verifying compliance to R. M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration within 30 days of completing the actions.
5. It is requested (not mandated) that Chevron 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.