

July 16, 2012

Ms. Deborah Adams
President, Transportation
ConocoPhillips Pipe Line Company
600 N. Dairy Ashford
Houston, TX 77079

Re: CPF No. 4-2012-5005

Dear Ms. Adams:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$19,800, and specifies actions that need to be taken by ConocoPhillips Pipe Line Company to comply with the pipeline safety regulations. The penalty payment terms are set forth in the Final Order. When the civil penalty has been paid and the terms of the compliance order completed, as determined by the Director, Southwest Region, this enforcement action will be closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Roderick Seeley, Director, Southwest Region, OPS
Mr. Alan Mayberry, Deputy Associate Administrator for Field Operations, OPS

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of)	
)	
ConocoPhillips Pipe Line Company,)	CPF No. 4-2012-5005
)	
Respondent.)	
)	

FINAL ORDER

From March through August 2011, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted on-site pipeline safety inspections of the facilities and records of ConocoPhillips Pipe Line Company (CPPL or Respondent) in New Mexico, Texas, Oklahoma, and Louisiana. Respondent operates approximately 10,000 miles of pipeline that transport crude oil, refined petroleum products, liquefied petroleum gas, natural gas and chemicals within the United States.

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated March 1, 2012, a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice both proposed finding that ConocoPhillips violated 49 C.F.R. §§ 195.208, 195.402 and 195.581 and assessing a civil penalty of \$19,800 for the alleged violations. The Notice also proposed an order requiring Respondent to take certain measures to correct the alleged violations.

CPPL responded to the Notice by letter dated March 28, 2012 (Response). The company did not contest the allegations of violation but provided information concerning corrective actions it took in response to the Notice. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, ConocoPhillips did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.208, which states:

§ 195.208 Welding of supports and braces.

Supports or braces may not be welded directly to pipe that will be operated at a pressure of more than 100 p.s.i. (689 kPa) gage.

The Notice alleged that Respondent violated 49 C.F.R. § 195.208 by welding braces directly to pipe that was then operated at a pressure exceeding 100 p.s.i. (689 kPa) gage. Specifically, the Notice alleged that braces on the main pump units at CPPL's Clifton Ridge Terminal were welded directly onto the suction and discharge piping of both pumping units. CPPL assembled the pumps and piping so that the braces connected to threaded adjustment rods that lined up the pipeline with the pump suction and discharge flanges. CPPL upgraded its system into this configuration in 1996.¹

Respondent did not contest this allegation of violation but stated that it identified only one such configuration in need of remediation.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.208 by welding braces directly to pipe that operated at a pressure exceeding 100 p.s.i. (689 kPa) gage.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a), which states:

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

The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a) by failing to prepare and follow for its pipeline system a manual of written procedures for conducting normal operations and maintenance activities. Specifically, the Notice alleged that CPPL failed to follow its procedure "*MPR-6005 Inspections and Testing – Block Valve Inspection,*" requiring the inspection of non-mainline isolation valves at intervals not to exceed 7½ months but at least twice each calendar year. After reviewing the 2009 and 2010 valve inspection records for its Lake Charles Pipe Line Terminal, PHMSA inspectors found that the non-mainline valves were inspected only once during that two-year period.

Respondent did not contest this allegation of violation.

¹ Pipeline Safety Violation Report, (March 1, 2012) (Violation Report) (on file with PHMSA), at 2.

By its own admission, CPPL identified this issue during a 2010 pre-audit.² While CPPL has now automated its field reminder system to prevent missed inspections, during calendar years 2009 and 2010, CPPL failed to abide by “*MPR-6005 Inspections and Testing*.”

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.402(a) by failing to prepare and follow for its pipeline system a manual of written procedures for conducting normal operations and maintenance activities.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.581(a), which states:

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

(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.

The Notice alleged that Respondent violated 49 C.F.R. § 195.581(a) by failing to protect certain pipelines against atmospheric corrosion by cleaning and coating each pipeline or portion of pipeline exposed to the atmosphere.³ Specifically, the Notice alleged that CPPL failed to protect three portions of its pipeline system from atmospheric corrosion.⁴

Respondent did not contest this allegation of violation.

Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.581(a) by failing to protect each pipeline or portion of pipeline against atmospheric corrosion through cleaning and coating.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$100,000 per violation for each day of the violation, up to a maximum of \$1,000,000 for any

² Response, at 2.

³ None of the exceptions outlined in 195.581(c) apply in this case.

⁴ Failed coating and the onset of corrosion were observed in the following areas: (1) the piping and check valve flange connected to Pump 4 on the Pecan Grove line; (2) a 30-inch line air/soil interface from the Clifton Ridge Terminal breakout tanks; and (3) Valve 94490, attached to Tank 347 in the Lake Charles Refinery. Violation Report, at 14.

related series of violations.⁵ In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$19,800 for the violations cited above.

Item 2: The Notice proposed a civil penalty of \$19,800 for Respondent's violation of 49 C.F.R. § 195.402(a), for failing to follow its manual of written procedures, which required Respondent to inspect non-mainline isolation valves at intervals not to exceed 7½ months, but at least twice each calendar year. CPPL neither contested the allegation nor presented any evidence or argument justifying elimination of the proposed penalty.

The importance of performing timely and accurate inspections is clear. Routine testing diminishes the probability and gravity of potential accidents. Since the time of the missed inspection, CPPL claims that it has automated its inspection system to prevent similar omissions. Notwithstanding these post-inspection actions, CPPL failed to satisfy the twice-yearly inspection requirement for two consecutive years. The proposed penalty in this case accurately reflects the potential consequences of such an omission. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$19,800 for violation of 49 C.F.R. § 195.402(a).

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$19,800**.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1 and 3 in the Notice for violations of 49 C.F.R. §§ 195.208 and 195.581(a), respectively. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.208 (**Item 1**), Respondent must remove the adjustment rods connecting the braces to the steel supports, survey its operating facilities for similar violations of § 195.208, and bring all facilities into compliance.

⁵ The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011, Pub. L. No. 112-90, § 2(a)(1), 125 Stat. 1904, January 3, 2012, increased the civil penalty liability for violating a pipeline safety standard to \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 for any related series of violations.

2. With respect to the violation of § 195.581(a) (**Item 3**), Respondent must evaluate the piping surface to ensure that pipe integrity is suitable for the maximum operating pressure of the pipeline and then clean and coat all the areas noted in Item 3, according to 49 C.F.R. Part 196 and CPPL's procedures.
3. Items 1 and 3 must be completed within 90 days of receipt of the Final Order.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$100,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

Under 49 C.F.R. § 190.215, Respondent has a right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.215. The filing of a petition automatically stays the payment of any civil penalty assessed. Unless the Associate Administrator, upon request, grants a stay, all other terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued