

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 24, 2014

Mr. Jim Sanders
General Manager
Citgo Pipeline Company
1293 Eldridge Parkway
Houston, Texas 77077

CPF 4-2014-5010

Dear Mr. Sanders:

On October 29, 2012, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code conducted an investigation of an accident that occurred within the Sour Lake Tank Farm on October 18, 2012.

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. §199.105 Drug tests required:

Each operator shall conduct the following drug tests for the presence of a prohibited drug:
(b) Post-accident testing. As soon as possible but no later than 32 hours after an accident, an operator shall drug test each employee whose performance either contributed to the accident or cannot be completely discounted as a contributing factor to the accident. An operator may decide not to test under this paragraph but such a decision must be based on the best information available immediately after the accident that the employee's performance could not have contributed to the accident or that, because of the time between that performance and the accident, it is not likely that a drug test would reveal whether the performance was affected by drug use.

CITGO did not perform Post-accident drug and alcohol testing on their controller following an accident at their Sour Lake Tank Farm facility on October 18, 2012, resulting in the release of 718 barrels of crude oil from a 6” surge line connected to Tank 376.

The controller’s failure to take action upon receipt of the initial creep alarm on the SCADA system prolonged the release of product from the Tank as the leak continued for two additional hours.

2. §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.

§195.446 Control room management.

(e) Alarm management. Each operator using a SCADA system must have a written alarm management plan to provide for effective controller response to alarms.

The operator failed to include the definition of creep alarm and how to handle them within their written procedures manual.

On October 18, 2012, a creep alarm was received by the controller, and he did not react after the first alarm because there was no written policy in place on how to handle the alarm. The controller did respond after the second creep alarm was received two hours later that indicated that the level in Tank 376 was continuing to decrease.

3. §195.402 Procedural manual for operations, maintenance, and emergencies.

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

CITGO failed to complete its assessment to determine the corrosive effect of the transported products and the removal of all of the low flow/dead leg piping in Sour Lake tank farm.

On July 11, 2011, CITGO responded to Compliance Order 4-2007-5010 stating that they would complete a dead leg removal programs as part of their Facility Integrity Plans.

However, CITGO indicated in correspondence following the accident that the pipe involved in the accident was inadvertently overlooked as part of the dead leg removal project evaluation.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a 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 \$123,800 for item 2.

Warning Items

With respect to Items 1 and 3 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 items. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to item 2 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Citgo Pipeline Company. 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. All material you submit in response to this enforcement action may be 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 4-2014-5010** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest
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 CITGO a Compliance Order incorporating the following remedial requirements to ensure the compliance of CITGO with the pipeline safety regulations:

1. In regard to Item Number 2 of the Notice pertaining to CITGO's failure to include the definition of creep alarms and how to handle them within their written procedures manual. CITGO is required to amend their procedures to define a creep alarm and the actions to be taken in response to the alarm.
2. The procedure should be sent to the Southwest Region within 30 days after receipt of Final Order.
3. It is requested (not mandated) that CITGO 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.