

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 15, 2014

Mr. Greg Smith
President
Shell Pipeline Company, L.P.
P.O. Box 2648
Houston, TX 77252

CPF 4-2014-5022

Dear Mr. Smith:

On March 6, 2014, Shell Pipeline Company, L.P. (Shell) experienced an excavated related accident on its Houma Pipeline System 20-inch line near Port Neches, TX. As a result of this accident, 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 accident investigation and performed an inspection of your related Damage Prevention practices.

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

1. §195.442 Damage prevention program.

(a) Except as provided in paragraph (d) of this section, each operator of a buried pipeline must carry out, in accordance with this section, a written program to prevent damage to that pipeline from excavation activities.

Shell failed to mark its underground facilities in accordance with their damage prevention program, Pipeline Inspection & Maintenance Manual Section 3.23 – Temporary Locating and Marking, resulting in the damage to its Houston to Houma 20” pipeline. On March 6, 2014, a second party contractor working for Shell damaged the pipeline while setting the anchors for their equipment to perform a horizontal directional drill (HDD) installation.

Prior to the start of excavation, the pipeline’s location was not temporarily identified adequately by Shell personnel, causing the pipeline to be damaged during the set-up for the excavation activities being overseen by the operator. During set-up, an anchor for the HDD equipment was lowered into the ground directly above the Shell pipeline, rupturing the line and releasing approximately 364 barrels of crude oil into the environment.

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 \$[total amount] as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$144,000

Proposed Compliance Order

With respect to Item 1, pursuant to 49 United States Code § 60118, PHMSA proposes to issue a Compliance Order to Shell. 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 4-2014-5022** 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 Shell Pipeline Company, L.P. (Shell) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Shell with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to Shell's Damage Prevention processes; Shell shall revise its Damage Prevention Procedures in the following areas:
 - a. Revise/update the detailed work process for all Project work that requires coordination between Shell ROW Technicians and Shell Projects personnel to ensure clear roles and responsibilities for line locating and temporary marking of pipeline facilities. Additionally, all roles and responsibilities related to monitoring and/or observation activities shall be reviewed and any necessary procedural revisions shall be formalized through a Management of Change (MOC) process.
 - b. Develop a requirement within the Comprehensive Horizontal Directional Drill (HDD) Plan to provide to Shell contractors. The requirement shall ensure coordination of activities associated with the HDD. Additionally, ensure the evaluation of equipment is considered during the project planning phase and subsequent damage prevention activities.
2. Shell shall carry out training for all affected employees to cover the procedural revisions resulting from Item 1 of this Order, and share the lessons learned from the investigation within the Shell organization affected employees.
3. Shell shall complete Item 1 no later than 90 days after the issuance of the Final Order and submit the procedures for review and concurrence from PHMSA prior to carrying out the training required by Item 2.
4. Shell shall complete Item 2 no later than 60 days after the PHMSA approval of the procedures submitted under Item 1.
5. It is requested (not mandated) that Shell 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.