

**DEC 13 2010**

Mr. John Zager  
General Manager  
Union Oil Company of California  
3800 Centerpoint Drive, Suite 100  
Anchorage, AK 99503

**Re: CPF No. 5-2008-7003**

Dear Mr. Zager:

Enclosed please find the Final Order issued in the above-referenced case. It withdraws one of the allegations of violation and the civil penalty, makes other findings of violation, and specifies actions that need to be taken by Union Oil Company of California to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Western 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. Chris Hoidal, Director, Western Region, PHMSA

Mr. Dale A. Haines  
Manager, Oil & Gas Operations  
Union Oil Company of California  
P.O. Box 196247  
Anchorage, AK 99519-6247

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED [7005 1160 0001 0041 0831]**

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

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**In the Matter of** )

**Union Oil Company of California,** )

**CPF No. 5-2008-7003**

**Respondent.** )  
\_\_\_\_\_ )

**FINAL ORDER**

On May 27-29, 2008, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities of Union Oil Company of California (Union or Respondent) in the Cook Inlet area of Alaska.

As a result of the inspection, the Director, Western Region, OPS (Director), issued to Respondent, by letter dated September 10, 2008, a Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Union committed violations of 49 C.F.R. Part 195, proposed assessing a civil penalty of \$29,000 for the alleged violations, and proposed ordering Respondent to take certain measures to correct the alleged violations. The Notice also proposed finding that Respondent had committed another probable violation of 49 C.F.R. Part 195 and warning Respondent to take appropriate corrective action or be subject to future enforcement action.

Union responded to the Notice by letter dated October 14, 2008 (Response). The company contested two of the allegations, offered additional information in response to the Notice, and requested that the proposed civil penalty be eliminated. Respondent did not request a hearing and therefore has waived its right to one.

**FINDINGS OF VIOLATION**

The Notice alleged that Respondent violated 49 C.F.R. Part 195 as follows:

**Item 1:** The Notice alleged that Respondent violated 49 C.F.R. § 195.420, which states in relevant part:

**§ 195.420 – Valve maintenance.**

(a) Each operator shall maintain each valve that is necessary for the safe operation of its pipeline systems in good working order at all times.

(b) Each operator shall, at intervals not exceeding 7 ½ months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

The Notice alleged that Respondent violated 49 C.F.R. § 195.420 by failing to inspect each mainline valve at intervals not exceeding 7 ½ months, but at least twice each calendar year. Specifically, the Notice alleged that Union failed to operate or stroke a specific valve on the Granite Point Platform during 2007.

In its Response, Union contested this allegation of violation and provided information demonstrating that the valve was stroked during 2007 in accordance with the requirements of § 195.420. Accordingly, based upon a review of all of the evidence, I find that Respondent did not violate 49 C.F.R. § 195.420 as alleged in this item. Based upon the foregoing, I hereby order that Item 1 be withdrawn.

Please be advised that operators must provide PHMSA inspectors with required records at the time of inspection, and failure to do so could be a violation of § 195.404(c)(3) that could result in a separate allegation of violation and appropriate sanction.<sup>1</sup>

**Item 2:** The Notice alleged that Respondent violated 49 C.F.R. § 195.426, which states:

**§ 195.426 – Scraper and sphere facilities.**

No operator may use a launcher or receiver that is not equipped with a relief device capable of safely relieving pressure in the barrel before insertion or removal of scrapers or spheres. The operator must use a suitable device to indicate that pressure has been relieved in the barrel or must provide a means to prevent insertion or removal of scrapers or spheres if pressure has not been relieved in the barrel.

The Notice alleged that Respondent violated § 195.426 by failing to: 1) use a suitable device to indicate that pressure has been relieved in the barrel, or 2) provide a means to prevent insertion or removal of scrapers or spheres if pressure has not been relieved in the barrel. Specifically, the Notice alleged that the crude oil pig launcher at Granite Point Platform did not have a closure.

In its Response, Union contested the allegation. It acknowledged that the launcher at issue did not have a door equipped with a pressure warning device to prevent the door from opening when pressurized. However, it argued that the launcher satisfied the requirements of the regulation because it had a pressure warning device and relief device capable of relieving the pressure before opening the door. While such devices do meet the first requirement of the provision, they do not meet the requirement contained in the second sentence of the provision, because they do not “indicate that pressure has been relieved in the barrel” or “prevent insertion or removal of scrapers or spheres if pressure has not been relieved in the barrel.” Thus, the launcher does not fully satisfy the requirements of § 195.426.

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<sup>1</sup> See § 190.203(a).

Accordingly, after considering all of the evidence, I find that Respondent violated 49 C.F.R. § 195.426 by failing to use a suitable device to indicate that pressure has been relieved in the barrel or provide a means to prevent insertion or removal of scrapers or spheres if pressure has not been relieved in the barrel.

**Item 4:** The Notice alleged that Respondent violated 49 C.F.R. § 195.581, which states in relevant part:

**§ 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.

(b) Coating material must be suitable for the prevention of atmospheric corrosion.

The Notice alleged that Respondent violated § 195.581 by failing to maintain adequate coating on portions of its pipeline that are exposed to the atmosphere. Specifically, the Notice alleged that pipelines at Granite Point and Bruce Point are exposed to the atmosphere at low tide, and that during the inspection, OPS identified sections of these pipelines that were bare or on which the coating was extensively damaged. 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 by failing to maintain adequate coating on portions of its pipeline that are exposed to the atmosphere.

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

**WITHDRAWAL OF PENALTY**

The Notice proposed a civil penalty of \$29,000 for the alleged violation described in Item 1. Because I ordered that Item 1 be withdrawn, the proposed civil penalty is also withdrawn.

**COMPLIANCE ORDER**

The Notice proposed a compliance order with respect to Items 1, 2, and 4 in the Notice for violations of 49 C.F.R. §§ 195.420, 195.426, and 195.581, 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.

Because I ordered that Item 1 be withdrawn, the corresponding compliance terms proposed in the Notice are not included in this Order.

The Director indicates that Respondent has taken the following actions specified in the proposed compliance order:

1. With respect to the violation of § 195.581 (**Item 4**), Respondent has repaired the coating damage in the relevant locations.

Accordingly, I find that compliance has been achieved with respect to this violation.

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 § 195.426 (**Item 2**), Respondent must, within 120 days of receipt of this Order, install a sensing device on the launcher closure on Granite Point Platform and submit documentation to this effect to the Director.
2. Respondent must maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit that total to the Director. Costs shall be reported in two categories: (1) total cost associated with preparation and revision of plans, procedures, studies, and analyses, and (2) total cost associated with replacements, additions, and other changes to pipeline infrastructure.

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.

### **WARNING ITEM**

With respect to Item 3, the Notice alleged a probable violation of Part 195 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. The warning was for:

49 C.F.R. § 195.571 (**Item 3**) — Respondent's alleged failure to maintain adequate cathodic protection on lines at Dolly Varden Platform.

Union presented information in its Response showing that it had taken certain actions to address the cited items. Accordingly, having considered such information, I find, pursuant to 49 C.F.R. § 190.205, that a probable violation of 49 C.F.R. § 195.571 (Notice Item 3) has occurred, and Respondent is hereby advised to correct such condition. In the event that OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

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, 2<sup>nd</sup> 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 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. Unless the Associate Administrator, upon request, grants a stay, the terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

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Jeffrey D. Wiese  
Associate Administrator  
for Pipeline Safety

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Date Issued