

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 8, 2009

Ms. Martha Brock
EH&S Manager
Breitburn Energy Corporation L.P.
515 South Flower Street, Suite 4800
Los Angeles, CA 90071

CPF 5-2009-0009

Dear Ms. Brock:

On June 18-19, 2008, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, conducted an on-site pipeline safety inspection of the Breitburn Energy Corporation L.P. pipeline facilities in Seal Beach, California.

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 violations are:

1. §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.

Breitburn Energy did not inspect at the required frequency the rectifier that provides impressed cathodic protection for this pipeline. During the last three years, Breitburn only conducted monitoring during the annual Farwest's pipe-to-soil potential survey. Each rectifier must be inspected at least six times a year, with intervals not exceeding 2½ months.

2. §192.609 Change in class location: Required study.

Whenever an increase in population density indicates a change in class location for a segment of an existing steel pipeline operating at a hoop stress that is more than 40 percent of SMYS, or indicates that the hoop stress corresponding to the established maximum allowable operating pressure for a segment of existing pipeline is not commensurate with the present class location, the operator shall immediately make a study to determine;

- (a) The present class location for the segment involved.
- (b) The design, construction, and testing procedures followed in the original construction, and a comparison of these procedures with those required for the present class location by the applicable provisions of this part.
- (c) The physical condition of the segment to the extent it can be ascertained from available records;
- (d) The operating and maintenance history of the segment;
- (e) The maximum actual operating pressure and the corresponding operating hoop stress, taking pressure gradient into account, for the segment of pipeline involved; and,
- (f) The actual area affected by the population density increase, and physical barriers or other factors which may limit further expansion of the more densely populated area.

A short section of sales line is located in a class 3 location. Breitburn Energy failed to conduct a class study to determine the present class location designation. Breitburn Energy Records indicated the entire pipeline to be in a class 1 location.

3. §192.619 Maximum allowable operating pressure: Steel or plastic pipelines.

- (a) Except as provided in paragraph (c) of this section, no person may operate a segment of steel or plastic pipeline at a pressure that exceeds the lowest of the following:
 - (2) The pressure obtained by dividing the pressure to which the segment was tested after construction as follows:
 - (ii) For steel pipe operated at 100 p.s.i. (689 kPa) gage or more, the test pressure is divided by a factor determined in accordance with the following table:

Factors

Class location	Segment Installed Before (Nov 12, 1970)	Segment Installed after (Nov 11, 1970)	Segment Converted under §192.14
1	1.10	1.10	1.25
2	1.25	1.25	1.25
3	1.40	1.50	1.50
4	1.40	1.50	1.50

Breitburn Energy specified the MAOP of its sales line to be 200 psi based on the results of a 1994 hydrotest. The normal operating pressure of this line is 200-250 psi and the PRV is set at 260 psi. This operating pressure routinely exceeds their established MAOP.

4. §192.739 Pressure limiting and regulating stations: Inspection and testing.

(a) Each pressure limiting station, relief device (except rupture discs), and pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is–

(1) In good mechanical condition;

(2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;

(3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of §192.201(a);; and

(4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.

Breitburn Energy did not inspect the only pressure regulating valve on its sales line for the last three years. Each pressure limiting device must be inspected at least once each calendar year not exceeding 15 months to ensure it is in good mechanical condition, has adequate capacity, sets to control or relieve at the correct pressure, and is installed properly.

5. §192.745 Valve maintenance: Transmission lines.

(a) Each transmission line valve that might be required during any emergency must be inspected and partially operated at intervals not exceeding 15 months, but at least once each calendar year.

Breitburn Energy did not inspect the mainline block valves on its sales line for the last 3 years. Each transmission mainline block valve that may be required during any emergency must be inspected at least once a year not to exceed 15 months.

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 violations and has recommended that you be preliminarily assessed a civil penalty of **\$105,000.00** as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$35,000.00
4	\$35,000.00
5	\$35,000.00

Proposed Compliance Order

With respect to items 1, 2, 3, 4, and 5, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Breitburn Energy Corporation. 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 5-2009-0009** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal
 Director, Western Region
 Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
 PHP-500 H. Monfared (#120750)

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 Breitburn Energy Corporation a Compliance Order incorporating the following remedial requirements to ensure the compliance of BBE with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining external corrosion monitoring. Breitburn Energy must conduct inspection of its cathodic protection rectifier or other impressed current power source six times each calendar year, but with intervals not exceeding 2 1/2 months, to ensure that it is operating.
2. In regard to Item Number 2 of the Notice pertaining to the present class location for the segment involved. Breitburn Energy must conduct a class location study and make sure the maximum actual operating pressure and the corresponding operating hoop stress, taking pressure gradient into account, for the segment of pipeline involved meet the class location.
3. In regard to Item Number 3 of the Notice pertaining to maximum allowable operating pressure (MAOP), Breitburn Energy must make sure that its normal operating pressure does not exceed its MAOP and the relief set pint is no more than 110% of MAOP.
4. In regard to Item Number 4 of the Notice pertaining to pressure limiting and regulating stations inspection and testing. Breitburn Energy must conduct inspections of its pressure relief devices at intervals not exceeding 15 months, but at least once a year to make sure they are in good mechanical condition, have adequate capacity, and are protected from dirt, liquids or other conditions that might prevent proper operation.
5. In regard to Item Number 5 of the Notice pertaining to valve maintenance. Breitburn Energy must conduct inspections on its transmission line valves that might be required during any emergency and partially operate them at intervals not exceeding 15 months, but at least once each calendar year
6. **Within 60 days of issuance of the Final Order, Breitburn Energy must complete the above items, and submit the required documentation and procedures to the Director, Western Region, Pipeline and Hazardous Material Safety Administration, 12300 West Dakota Avenue, Suite 110, Lakewood, Colorado 80228.**
7. Breitburn Energy shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.