

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 27, 2009

Mr. John Moore
Vice President of Pipelines and Terminals
Tesoro Refining and Marketing Co.
300 Concord Plaza
San Antonio, TX 78216-6999

CPF 5-2009-5022

Dear Mr. Moore:

On January 26 through 30, 2009, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code, inspected your Salt Lake City Refinery Pipelines in Salt Lake City, Utah.

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. §195.420 Valve maintenance.

(b) Each operator shall, at intervals not exceeding 7½ months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

Tesoro did not inspect their mainline valves at the proper frequency in 2006 and 2007. Tesoro's valve maintenance records reveal that the inspection interval for eleven mainline valves exceeded 7 ½ months during that period. The salient inspection information concerning the eleven mainline valves is provided below:

Mainline (Isolation) Valves 195.420(b)	2 nd 2006 Inspection Date	Inspection Due Date (7 ½ months)	1 st 2007 Inspection Date	Days Late
912412-3 4" Discharge Valve at the RTF - J867B 10" Crude Line to Refinery from RTF	12-13-06	7-27-07	8-21-07	25
912412-4 4" Discharge Valve at the RTF - J867A 10" Crude Line to Refinery from RTF	12-13-06	7-27-07	8-21-07	25
912412-5 4" Discharge Valve at the RTF - J867 10" Crude Line to Refinery from RTF	12-13-06	7-27-07	8-21-07	25
912412-6 4" Bypass to Discharge off J867 Pumps 10" Crude Line to Refinery from RTF	12-13-06	7-27-07	8-21-07	25
912315-1 10" Valve in East Casing Box in Refinery 10" Crude Line to RTF from Refinery	12-13-06	7-27-07	8-21-07	25
811415-6 10" Crude Supply Pig Receiver at RTF 10" Crude Line from Refinery to RTF	12-13-06	7-27-07	9-25-07	60
811415-8 10" Crude Supply Pig Receiver at RTF 10" Crude Line from Refinery to RTF	12-13-06	7-27-07	9-25-07	60
724614-1 8" Product PL to CPL at Refinery Pipeline Terminal 8" Product Pipeline to Chevron Terminal	12-13-06	7-27-07	8-21-07	25
133613-1 6" Distillate PL at Refinery East Casing to CPL 6" Distillate Pipeline to Chevron Terminal	12-13-06	7-27-07	8-21-07	25
521414-8 8" Crude Oil Supply Pig Receiver at RTF 8" Crude Pipeline from Refinery to RTF	12-13-06	7-27-07	9-25-07	60
521414-7 8" Crude Oil Supply Pig Receiver at RTF 8" Crude Pipeline from Refinery to RTF	12-13-06	7-27-07	9-25-07	60

RTF = Tesoro's Remote Tank Farm
Refinery refers to the Tesoro Refinery

2. §195.428 Overpressure safety devices and overfill protection systems.

(a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

Tesoro’s records pertaining to overpressure safety devices reveal that the inspection interval exceeded 15 months between the second inspection in 2006 and the first inspection in 2007. The information concerning the two (2) late inspections of the over pressure safety devices is presented below:

Overpressure Safety Devices (Relief Valves) 195.428(a)	2006 Inspection Date	Inspection Due Date (15 months)	2007 Inspection Date	Days Late
RV 16-125 Located at the Chevron Terminal 8” Product Pipeline to Chevron Terminal	6-19-06	9-19-07	11-30-07	53
RV 16-126 Located at the Chevron Terminal 6” Distillate Pipeline to Chevron Terminal	6-19-06	9-19-07	11-30-07	53

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 \$27,600.00 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$13,800.00
2	\$13,800.00

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 5-2009-5022** 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

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*

cc: PHP-60 Compliance Registry
PHP-500 B. Brown (#123979)