

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 1, 2010

Ms. Rebecca B. Roberts
President
Chevron Pipe Line Company
4800 Fournace Place
Bellaire, TX 77401-2324

CPF 5-2010-5028

Dear Ms. Roberts:

On June 12, 2010, the Pipeline and Hazardous Materials Safety Administration (PHMSA) was notified of a release that occurred on a Chevron Pipe Line Company (Chevron) pipeline near Salt Lake City, Utah. The release began the previous night and resulted in approximately 800 barrels of crude oil being released into the ground and nearby Red Butte Creek where the oil flowed westwards into Liberty Park Pond. On June 12, 2010, pursuant to Chapter 601 of 49 United States Code, PHMSA initiated an investigation into the causes of that release.

As a result of the investigation, 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. **§195.402 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....**

(c) *Maintenance and normal operations.* The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

Chevron had a procedure for patrolling its pipeline rights-of-way (ROWs), which is required by 49 C.F.R. §195.412, detailed in Procedure Number MIP-205 of its Operations and Maintenance Manual, Maintenance and Inspection Procedural Manual (MIP). Chevron did not implement the inspection procedures in MIP-205 for the conditions that were on the ROW in the vicinity of where the pipeline failure occurred.

Chevron had chosen to use aerial patrols as the method for inspecting the surface conditions on or adjacent to the ROW for Crude Oil #2 Pipeline. The ROW had areas of excessive overgrowth and nearby manmade structures at the time of the OPS failure investigation. In addition, there was a pipeline marker buried in the bushes over Chevron's crude line #1. According to MIP-205, inspections in such areas should have been done by land vehicle or on foot, and according to MIP-205 Section 5.4, the ROW overgrowth and the condition of the pipeline marker sign should have been noted during the inspections. Heavy vegetation, numerous structures, and narrow canyons in this pipeline segment indicate that aerial patrols could not be used to adequately assess the surface conditions on or adjacent to the pipeline right-of-way.

Chevron had procedures for controlling corrosion of their pipeline systems detailed in their Core Liquids Pipeline Operations and Maintenance Manual in Section 10. Section 10.3.6 required grounding devices on underground pipelines in the vicinity of electrical isolation equipment locations to mitigate the risk of fault currents, lightning, and electrical arcing from negatively impacting the integrity of the pipeline. No such protective or mitigative measures were taken despite the location of an electrical substation above Crude Lines #1 and #2.

2. §195.575 Which facilities must I electrically isolate and what inspections, tests, and safeguards are required?

(e) If a pipeline is in close proximity to electrical transmission tower footings, ground cables, or counterpoise, or in other areas where it is reasonable to foresee fault currents or an unusual risk of lightning, you must protect the pipeline against damage from fault currents or lightning and take protective measures at insulating devices.

High-voltage electric transmission lines, an aboveground to belowground electric transfer station, and a security fence were located on the ROW at the point where Chevron's Crude Oil #2 Pipeline failed on June 11, 2010. OPS's accident investigation indicates that a discharge of electric current onto the pipeline was the probable cause of that failure. Chevron did not protect that portion of the Crude Oil #2 Pipeline against damage from fault currents that could be imparted from the nearby transfer station, including all structures tied into that station's

grounding grid, and did not take protective measures at insulating devices. This lack of protection resulted in a hole being created in the pipeline due to electrical arcing from the facility fence pole.

3. §195.452 Pipeline integrity management in high consequence areas.

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(3) Leak detection. An operator must have a means to detect leaks on its pipeline system. An operator must evaluate the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator's evaluation must, at least, consider, the following factors – length and size of the pipeline, type of product carried, the pipeline's proximity to the high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.

Chevron did not have an adequate means to detect leaks on the Crude Oil #2 Pipeline at the time of the June 11, 2010, failure. OPS's accident investigation indicates that over ten (10) hours elapsed between the time of the release and Chevron's notification of the release by the local fire department at 7:42am on June 12th. Chevron controllers did not detect the leak and notification by the fire department was the first definitive knowledge Chevron had that a spill had occurred. The release occurred in a high-consequence area and led to the spill of approximately 800 barrels of crude oil into the Red Butte Creek and surrounding soils.

OPS's accident investigation further indicates that Chevron knew that the elevation profile and operational characteristics of the Crude Oil #2 pipeline rendered its chosen method of leak detection inadequate with respect to the swiftness of leak detection. Chevron's August 13, 2010, response to PHMSA's request for specific information about their leak detection capabilities on their Crude Line #2 states that they had performed a leak detection capability evaluation study in 2007. That report concluded that they needed enhancements to their leak detection capabilities on this line, but Chevron did not implement the recommended improvements until after the release.

4. §195.250 Clearance between pipe and underground structures.

Any pipe installed underground must have at least 12 inches (305 millimeters) of clearance between the outside of the pipe and the extremity of any other underground structure, except that for drainage tile the minimum clearance may be 12 inches (305 millimeters) but not less than 2 inches (51 millimeters). However, where 12 inches (305 millimeters) of clearance is impracticable, the clearance may be reduced if adequate provisions are made for corrosion control.

Chevron's Crude Oil #2 pipeline had a fencepost installed within three (3) inches of it. The probable cause of the pipeline failure on June 11, 2010, was a high-voltage electrical current which went from the fencepost to the pipeline due to the proximity of the post to the pipeline. Chevron had installed a pipeline marker within a foot of the fence post.

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 \$423,600 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$45,400
2	\$316,600
3	\$61,600

Warning Items

With respect to item 4, 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 similar occurrences on your Rangely to Salt Lake City pipeline. Be advised that failure to do so may result in Chevron being subject to additional enforcement action.

Proposed Compliance Order

With respect to items 1 through 3 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Chevron Pipe Line 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. 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 5-2010-5028** 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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

cc: PHP-60 Compliance Registry
PHP-500 P. Katchmar, J. Stahoviak (#130345)

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Chevron Pipe Line Company (Chevron) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Chevron with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to pipeline patrolling, if Chevron continues to patrol their pipelines using an aerial method, they must sufficiently clear the right-of-way (ROW) on the Rangely, Colorado, to Salt Lake City, Utah, crude oil pipeline system so they can observe the surface conditions on or adjacent to the ROW as required by §195.412. Alternatively, in areas where vegetation or other ROW obstructions cannot be removed, other methods of patrolling, such as walking or driving, must be implemented to allow direct observation of the ROW conditions.
2. In regard to Item Number 2 of the Notice pertaining to electrical isolation and protection from fault currents per §195.575, Chevron must inspect the Rangely to Salt Lake City crude oil pipeline system for areas where damage to their pipeline facilities could occur from electrical power sources. Specifically, if the pipeline is found to be in close proximity to electrical transmission tower footings, ground cables, or counterpoise, or in other areas where it is reasonable to foresee fault currents or an unusual risk of lightning, Chevron must protect the pipeline system against damage from fault currents or lightning and take protective measures at insulating devices.
3. In regard to Item Number 3 of the Notice pertaining to Chevron's leak detection methods utilized on the Rangely to Salt Lake City crude oil pipeline system and in accordance with §195.452 (i)(3), Chevron must reevaluate and modify its leak detection system on this pipeline to increase the swiftness and sensitivity of detection in order to minimize the impacts to high consequence areas.
4. Chevron shall complete the above items within 365 days of receipt of the Final Order.
5. Upon completion of all of the above requirements, Chevron must submit documentation on all actions taken by pipeline system including a summary report detailing the remedial actions taken to enhance public safety for each pipeline system. This report must be submitted to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration, within 6 months of completing all required actions.

6. Chevron 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.