

JUL 05 2011

VIA CERTIFIED MAIL [7005 1160 0001 0075 9749] AND FAX TO: 713-656-8232

Mr. Gary Pruessing
President
ExxonMobil Pipeline Company
800 Bell Street
Room 741-D
Houston, Texas 77002

Re: CPF No. 5-2011-5017H

Dear Mr. Pruessing:

Enclosed is a Corrective Action Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It requires ExxonMobil to take certain corrective actions with respect to the Silvertip hazardous liquid pipeline that failed on July 1, 2011 near Laurel, Montana. Service is being made by certified mail and facsimile. Your receipt of this Corrective Action Order constitutes service of that document under 49 C.F.R. § 190.5. The terms and conditions of this Order are effective upon receipt.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Alan Mayberry, Deputy Associate Administrator for Field Operations, Pipeline Safety
Mr. Chris Hoidal, Director, Western Region, PHMSA

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

In the Matter of)	
)	
ExxonMobil Pipeline Company,)	CPF No. 5-2011-5017H
)	
Respondent.)	
)	

CORRECTIVE ACTION ORDER

Purpose and Background

This Corrective Action Order is being issued, under authority of 49 U.S.C. § 60112, to require ExxonMobil Pipeline Company (ExxonMobil or Respondent), to take the necessary corrective action to protect the public, property, and the environment from potential hazards associated with the recent failure on ExxonMobil’s Silvertip hazardous liquid pipeline.

On July 1, 2011, a reportable accident occurred on the Silvertip line, resulting in the release of approximately 750-1000 barrels of crude oil into the Yellowstone River (the Failure). The Silvertip Pipeline is a 12-inch diameter pipeline approximately 69 miles in length that transports crude oil from the company’s Silvertip Station near Elk Basin, Wyoming, to the ExxonMobil refinery in Billings, Montana. The cause of the Failure has not yet been determined. Pursuant to 49 U.S.C. § 60117, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), initiated an investigation of the accident. The preliminary findings of the ongoing investigation are as follows.

Preliminary Findings

- The Silvertip Pipeline is a 12-inch diameter pipeline, approximately 69 miles in length, that transports crude oil from the Silvertip pump station near Elk Basin, Wyoming, to the ExxonMobil refinery in Billings, Montana.
- At approximately 10:40 p.m. MDT, on July 1, 2011, a failure occurred on Respondent’s Silvertip Pipeline in Yellowstone County, Montana, resulting in the release of approximately 750-1000 barrels of crude oil into the Yellowstone River. The river flows eastward through the City of Billings and eventually discharges into the Missouri River. The Failure occurred between Mile Posts 20.7 and 21.0 in the vicinity of the city of Laurel, Montana (Failure Site). The Failure was reported to the National Response Center (NRC Report No. 981503) on July 2, 2011, at approximately 12:19 a.m. MDT.

- In response to the Failure, ExxonMobil shut down the pumps at Silvertip Station at approximately 10:47 p.m., MDT, on July 1, 2011. Respondent initially closed the Laurel block valve (1067) at approximately 10:57 p.m., reopened it at 11:07 p.m., and then finally closed it at 11:28 p.m. Finally, ExxonMobil closed the block valve located south of the Yellowstone River at approximately 11:36 p.m. on July 1, 2011. This operational timeline is based on control center timelines provided by ExxonMobil and converted to Mountain time by PHMSA staff.
- Various state and federal agencies responded to the scene including the U.S. Environmental Protection Agency. Spilled oil in the river has migrated as far downstream as Terry, Montana. Overflights conducted as recently as July 3, 2011 have observed oil deposits as far as 240 miles downstream in Terry, Montana.
- The cause of the failure is unknown and the investigation is still ongoing. The Failure Site is currently inaccessible due to high river flow in the Yellowstone River. According to the Billings Public Works Department, river flow at the time of the Failure was approximately 66,000 cubic feet per second.
- The accident did not cause any known injuries but approximately 140 people were initially evacuated.
- Water intakes for the City of Billings are located immediately downstream of the pipeline crossing and had to be temporarily shut down.
- Beginning in October 2010, following a public inquiry by the City of Laurel Public Works Department, PHMSA and the City of Laurel jointly reviewed river scour and bank erosion at the south bank of the Yellowstone River crossing. ExxonMobil agreed to perform a depth-of-cover survey, which was completed on December 1, 2010. ExxonMobil's completed depth-of-cover survey revealed at least five feet of cover at all measured points. In May 2011, following heavy flooding and in response to additional concerns by the City of Laurel, a PHMSA inspector began monitoring conditions of the pipeline crossing. On June 1, 2011, PHMSA contacted ExxonMobil to confirm the current depth of cover for this river crossing and ExxonMobil reported that there was at least 12 feet of cover.
- The section of the Silvertip Pipeline crossing the Yellowstone River in the vicinity of the Failure site was constructed in 1991; however, the original portions of the Silvertip Pipeline were primarily constructed between 1949-1954. The Failure site section consists of 12-inch diameter, 0.50 wall thickness, Grade B ERW seam pipe.
- The Silvertip Pipeline operates at an established maximum allowable operating pressure of 960 psig that was established by hydrotest in 1992.
- ExxonMobil performed an in-line inspection (ILI) of the Silvertip Pipeline in 2005 and 2009. Between June 6-10, 2011, PHMSA reviewed the raw ILI data and found no integrity-threatening pipe defects in pipe materials in the area of the Yellowstone River crossing.

Determination of Necessity for Corrective Action Order and Right to Hearing

Section 60112 of Title 49, United States Code, provides for the issuance of a Corrective Action Order, after reasonable notice and the opportunity for a hearing, requiring corrective action, which may include the suspended or restricted use of a pipeline facility, physical inspection, testing, repair, replacement, or other action, as appropriate. The basis for making the determination that a pipeline facility is hazardous, requiring corrective action, is set forth both in the above-referenced statute and 49 C.F.R. § 190.233, a copy of which is enclosed.

Section 60112 and the regulations promulgated thereunder provide for the issuance of a Corrective Action Order without prior opportunity for notice and hearing upon a finding that failure to issue the Order expeditiously will likely result in serious harm to life, property, or the environment. In such cases, an opportunity for a hearing will be provided as soon as practicable after the issuance of the Order.

After evaluating the foregoing preliminary findings of fact, I find that continued operation of the Silvertip Pipeline without corrective measures would be hazardous to life, property, and the environment. Additionally, having considered the location of the Failure in a river crossing, the circumstances surrounding this failure including the current inaccessibility of the pipe, the uncertainties as to the cause of the failure, the proximity of the pipeline to navigable waterways, populated areas, and public water intake systems, and the hazardous nature of the product the pipeline transports, as well as the ongoing investigation to determine the cause of the failure, I find that a failure to issue this Order expeditiously to require immediate corrective action would result in the likelihood of serious harm to life, property, or the environment.

Accordingly, this Corrective Action Order mandating immediate corrective action is issued without prior notice and opportunity for a hearing. The terms and conditions of this Order are effective upon receipt.

Within 10 days of receipt of this Order, Respondent may request a hearing, to be held as soon as practicable, by notifying the Associate Administrator for Pipeline Safety in writing, with a copy to the Director, Western Region, PHMSA. If a hearing is requested, it will be held telephonically or in-person in Denver, Colorado or Washington, D.C.

After receiving and analyzing additional data in the course of this investigation, PHMSA may identify other corrective measures that need to be taken. In that event, Respondent will be notified of any additional measures required and amendment of this Order will be considered. To the extent consistent with safety, Respondent will be afforded notice and an opportunity for a hearing prior to the imposition of any additional corrective measures.

Required Corrective Actions

Pursuant to 49 U.S.C. § 60112, I hereby order ExxonMobil to immediately take the following corrective actions with respect to the Silvertip Pipeline from the Silvertip Pump Station to the ExxonMobil Billings refinery:

1. Prior to resuming operation of the pipeline, develop and submit a written re-start plan for prior approval of the Director, Western Region, OPS (Director), Pipeline and Hazardous Materials Safety Administration, 12300 W. Dakota Avenue, Suite 110, Lakewood, CO 80228.
2. The re-start plan must include procedures to safely return the remediated pipeline to service, evidence that all mandated actions required prior to restart are adequately completed, and a management of change plan that will ensure that all modifications are safely incorporated into Exxon Mobil's ongoing operations and maintenance procedures.
3. Prior to re-start, horizontally directionally drill (HDD) the Yellowstone River crossing of the Silvertip Pipeline to avoid future scour and external force damage. Use of any alternative crude oil pipeline delivery systems that are considered prior to completing the Yellowstone River HDD replacement must be submitted for evaluation and approval by the Director.
4. Prior to re-start, conduct a risk assessment pursuant to approval of the Director of all other major Silvertip Pipeline water crossings (greater than 100 feet from high water to high water) to determine if horizontal directionally drilled crossings should be installed at these areas. Each risk assessment must include a continuous depth of cover survey under the waterway and adjacent banks to justify the recommendations.
5. Prior to re-start, submit to the Director a contingency plan to operate and monitor the Silvertip Pipeline during flooding conditions, including enhanced patrolling and surveillance.
6. Prior to re-start, submit to the Director a revised oil spill response plan to reflect the events of this Failure.
7. Obtain written approval to resume operation of the line from the Director prior to resuming operation.
8. Within 60 days of obtaining access to the Failure Site, complete the failure investigation and determine mode of failure for the Yellowstone River crossing.
9. Within three months of replacing the Yellowstone crossing, perform another ILI inspection (metal loss and deformation) to ensure that there has been no other damage to the major river crossings for the Silvertip Pipeline.
10. Submit quarterly reports to the Director that: (1) include all available data and results of the testing and evaluations required by this Order; and (2) describe the progress of the repairs or other remedial actions being undertaken. The first quarterly report is due on October 1, 2011. The Director may change the interval for the submission of these reports.
11. It is requested but not required that Respondent maintain documentation of the costs associated with implementation of this Corrective Action Order. Include in each monthly report submitted, the to-date total costs associated with: (1) preparation and revision of

procedures, studies and analyses; (2) physical changes to pipeline infrastructure, including repairs, replacements and other modifications; and (3) environmental remediation, if applicable.

12. With respect to each submission that under this Order requires the approval of the Regional Director, the Director may: (a) approve, in whole or part, the submission; (b) approve the submission on specified conditions; (c) modify the submission to cure any deficiencies; (d) disapprove in whole or in part, the submission, directing that Respondent modify the submission, or (e) any combination of the above. In the event of approval, approval upon conditions, or modification by the Director, Respondent shall proceed to take all action required by the submission as approved or modified by the Director. If the Director disapproves all or any portion of the submission, Respondent must correct all deficiencies within the time specified by the Director, and resubmit it for approval.

The Director may grant an extension of time for compliance with any of the terms of this Order upon a written request timely submitted demonstrating good cause for an extension.

The actions required by this Corrective Action Order are in addition to and do not waive any requirements that apply to Respondent's pipeline system under 49 C.F.R. Part 195, under any other order issued to Respondent under authority of 49 U.S.C. § 60101 et seq., or under any other provision of Federal or State law.

Respondent may appeal any decision of the Director to the Associate Administrator for Pipeline Safety. Decisions of the Associate Administrator shall be final.

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).

Failure to comply with this Order may result in the assessment of civil penalties and in referral to the Attorney General for appropriate relief in United States District Court pursuant to 49 U.S.C. § 60120.

In your correspondence on this matter, please refer to CPF No. 5-2011-5017H and for each document you submit, please provide a copy in electronic format whenever possible.

The terms and conditions of this Corrective Action Order are effective upon receipt.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued