

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 23, 2017

Mr. Andrew Prestridge
President
DCOR LLC
290 Maple Court, Suite 290
Ventura, CA 93003

CPF 5-2017-7001

Dear Mr. Prestridge:

On December 13-16, 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your DOT pipeline system that serves your Platform Gina, Platform Gilda and Mandalay Onshore Separation Facility (MOSF) in Ventura, California.

As a result of the inspection, it is alleged that Dos Cuadras Offshore Resources (DCOR) LLC, an operator of an offshore and onshore pipeline facility has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. **§194.101 Operators required to submit plans.**

(a) Except as provided in paragraph (b) of this section, unless OPS grants a request from an Federal On-Scene Coordinator (FOSC) to require an operator of a pipeline in paragraph (b) to submit a response plan, each operator of an onshore pipeline facility shall prepare and submit a response plan to PHMSA as provided in §194.119. A pipeline which does not meet the criteria for significant and substantial harm as defined in §194.103(c) and is not eligible for an exception under §194.101(b), can be expected to cause substantial harm. Operators of substantial harm pipeline facilities must prepare and submit plans to PHMSA for review.

DCOR LLC, an operator of an onshore pipeline facility, did not submit a Response Plan to PHMSA as provided in §194.119.¹ At the time of inspection, the PHMSA inspector learned that DCOR LLC had an Oil Spill Response Plan prepared in 2012 and approved by the Bureau of Safety and Environmental Enforcement (BSEE), but DCOR LLC could not provide any records or documentation to demonstrate that its Response Plan was submitted to PHMSA for review and approval, as required by §194.101(a).²

2. **§195.402 Procedural manual for operations, maintenance, and emergencies**

(a) General. Each operator shall prepare and follow for each pipeline system manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

DCOR LLC did not follow its written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies, i.e. its written Operation, Maintenance & Emergency Plan (OME), in violation of 49 C.F.R. § 195.402(a).

The following are specific examples where DCOR LLC failed to follow its OME:

a) Atmospheric Corrosion Inspection:

DCOR LLC's Procedure HL6.01 'Atmospheric Corrosion', Section 4.4 states in part,

¹ DCOR LLC does not qualify for any exceptions listed in 49 C.F.R. § 194.101(b).

² Before the inspection, on August 11, 2016, PHMSA reminded DCOR LLC via e-mail to submit its Response Plan to PHMSA for approval.

“Pipeline systems or portions thereof, subject to atmospheric corrosion or moisture penetration and retention, shall be inspected to assure detection of corrosion before detrimental damage (Category 3) according to Form 6.01A, “External Corrosion Test for Aboveground Facilities”. If Category 2 or 3 is detected, further investigation may require additional UT reading of pipe wall or new application of coating.*

Category 1 indicates light surface rust; unmeasurable

Category 2 indicates medium surface rust; measurable but not detrimental to integrity (less than 10% of nominal pipe wall thickness loss)

**Category 3 indicates heavy corrosion, obvious pitting in excess of 10% of nominal pipe wall thickness.”*

DCOR LLC did not follow its inspection procedures to assure detection of corrosion before detrimental damage, as outlined above. DCOR LLC’s inspection records for annual atmospheric corrosion conducted on 01/21/2016 for Platform Gilda indicated that there were ‘0’ atmospheric corrosions on the 12-inch oil pipeline riser, but at the time of field inspection, the PHMSA inspector observed and photographed that there were: (1) atmospheric corrosion on the pipeline riser, and (2) the valve’s hand wheel on the pipeline riser was broken due to atmospheric corrosion. DCOR records did not have any notes regarding the valve’s hand wheel consumed by atmospheric corrosion. According to Section 4.4, DCOR LLC should have further investigated these corrosion conditions.

b) Flange Installation and Thread Engagement:

After the inspection, on January 17, 2017, DCOR LLC submitted to PHMSA a copy of its flange bolting procedure called ‘*Flange Bolting Guide*’ which states in part,

“Check gap around the circumference between each of these rounds, measured at every other bolt. If the gap is not reasonably uniform around the circumference, make the appropriate adjustment by selective bolt tightening before proceeding.”

DCOR LLC personnel did not follow this flange bolting procedure. During the field inspection, the PHMSA inspector observed and photographed the above-ground flange located at MOSF, and noted that several stud bolts were shorter than other stud bolts, and the gap engagements were not reasonably uniform around the circumference. According to its Flange Bolting Guide, DCOR LLC should have made the appropriate adjustment by selective bolt tightening.

3. **§195.589 What corrosion control information do I have to maintain?**

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §§195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

DCOR LLC did not maintain a record of each inspection in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist for its MOSF facility.

At the time of the field inspection, the PHMSA inspector observed and photographed corrosion at the MOSF, and conditions that made it impossible for DCOR LLC to conduct accurate atmospheric corrosion inspections.³

On January 20, 2017, the PHMSA inspector requested DCOR LLC's inspection records for conducting atmospheric corrosion inspections on above-ground pipelines facility located at MOSF. On the same day, DCOR LLC e-mailed *Form 6.01A*, which only showed that the pipeline located at Platform Gilda was inspected for atmospheric corrosion, but not the pipeline facility at MOSF.

DCOR LLC could not provide inspection records to demonstrate that atmospheric corrosion inspections had been done in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist once every 3 calendar years, not to exceed 39 months on aboveground pipeline systems located at MOSF, in violation of §195.589(c).

Proposed Compliance Order

With respect to items 1, 2 and 3 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to DCOR LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

³ The above-ground pipeline system had atmospheric corrosion. The above-ground flange and test point for corrosion inhibitor were corroded and inadvertently buried, making it impossible to conduct accurate atmospheric corrosion inspections on the surface of the above-ground pipeline where it was inadvertently buried. There was also a metallic contact between an above-ground flange and metallic support. The surface area within the vicinity of the metallic contact showed galvanic corrosion activity. The existing condition also made it impossible to conduct an accurate atmospheric corrosion inspection on contact surface.

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. All material you submit in response to this enforcement action may be 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 5-2017-7001** 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 M. Garcia (#154651, #154959)

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item 1 of the Notice pertaining to not submitting a Response Plan to PHMSA, DCOR LLC must prepare and submit a Response Plan in accordance with §194.119 within 30 days of the date of the Compliance Order.
2. In regard to Item 2 of the Notice pertaining to not following a written procedure for conducting normal operations and maintenance activities and handling abnormal operations and emergencies, DCOR LLC must:
 - (a) Conduct an accurate atmospheric corrosion evaluation on pipeline riser and its components located at Platform Gilda. Follow Procedure HL6.01 'Atmospheric Corrosion' and correct the deficiencies found;
 - (b) Install a new hand wheel on a valve where its hand wheel was consumed by corrosion. Evaluate this valve and exercise if necessary;
 - (c) Follow 'Flange Bolting Guide' and install stud bolts of the same length to the flange where different length of stud bolts was used. Inspect other flanges to make sure the all stud bolts used have the same length and have uniform gap around the circumference.
3. In regard to Item 3 of the Notice pertaining to not having inspection records to demonstrate that atmospheric corrosion inspections had been done in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist once every 3 calendar years, not to exceed 39 months on aboveground pipeline systems located at MOSF, DCOR LLC must:
 - (a) Conduct an atmospheric corrosion evaluation on above-ground pipeline system located at MOSF. Follow Procedure HL6.01 'Atmospheric Corrosion' and correct the deficiencies found;
 - (b) Remove the tape wrap on the pipe and its components where it was inadvertently buried and conduct a visual inspection for atmospheric corrosion. Follow Procedure HL6.01 'Atmospheric Corrosion' and correct the deficiencies found;
 - (c) Re-evaluate the design location of the corrosion inhibitors' test point to make sure that it is not in contact with the soil. Follow Procedure HL6.01 'Atmospheric Corrosion' and correct the deficiencies found;

- (d) Evaluate the integrity of and inspect for corrosion activity on the flange's surface where it had a metallic contact with the metal support. Follow Procedure HL6.01 'Atmospheric Corrosion' and correct the deficiencies found.
- 4. Pertaining to Items 2 and 3 of the Proposed Compliance Order, DCOR LLC must complete the required remediation works within 180 days of the date of the Compliance Order and submit records to PHMSA to demonstrate that those items were corrected.
- 5. It is requested (not mandated) that DCOR LLC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Mr. Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs 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.