U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

8701 South Gessner, Suite 1110
Houston, TX 77074

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 21, 2007

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

Mr Terry Duhon
Unocal Pipeline Co. Eastern Region
One Sugar Creek Place
14141 SW Freeway
Sugarland, TX 77478

CPF 4-2007-5018

Dear Ms Rebecca Roberts and Mr. Terry Duhon:

On June 13 - 17, 2005, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the Unocal Beaumont Breakout Tank Farm, now owned by Chevron Pipeline Company. At that time the O & M procedures and records were reviewed in Nederland, Texas.

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. **§195.432 Breakout tanks.**

(b) Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653. However, if structural conditions prevent access to the tank bottom, the bottom integrity may

be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3).

(d) The intervals of inspection specified by documents referenced in paragraphs (b) and (c) of this section begin on May 3, 1999, or on the operator's last recorded date of the inspection, whichever is earlier.

The inspection of your tank farm revealed that many of the tanks did not meet API 653 requirements. API 653 requires periodic inspections of breakout tanks, on specific schedules. Records were reviewed that indicate the required inspections are being conducted. Actual conditions of the tanks indicate that no actions are being generated from the inspection reports. The conditions of the tanks show that the tanks are being neglected and the regulatory required repairs and maintenance have not been conducted.

2. §195.573 What must I do to monitor external corrosion control?

(c) Rectifiers and other devices. You must electrically check for proper performance each device in the first column at the frequency stated in the second column.
Rectifier.....At least six times each calendar year, but with intervals not exceeding 2 ½ months.

The Bighill Rectifier @ BMT terminal, RSB 458 was off line from some time after the July 2002 reading, through the latest reading at the time of the inspection. Rectifier records for January 2004 indicate that the rectifier is 'down', otherwise there is no note to explain why this rectifier was down for so long, and not repaired.

Readings were taken on all rectifiers through the July 2003 set of readings. No readings were taken on the 24 rectifiers for the September, November, or January, 2004 reading 'window'. After the June 2004 readings were taken, 80 days elapsed before the next readings were taken on September 2, 2004, over the 2 ½ month window for readings on all 24 rectifiers. From the September 02, 2004 readings, 109 days elapsed before the next readings were taken on the 24 rectifiers, on December 20, 2004, over the 2 ½ month window. After the December 20, 2004, readings were taken, 77 days elapsed before the next readings taken on 3/8/2005, over the 2 ½ month window.

In June 2004, a 25th rectifier was added to the list. No explanation was given.

To summarize, one rectifier was allowed to fail/ taken off line, and not replaced for almost 2 years. All rectifier readings were late or missed for several required readings during 2004. Operator records are incomplete and do not explain the addition of a 25th rectifier into the system.

3. §195.573 What must I do to monitor external corrosion control?

(d) Breakout tanks. You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API Recommended Practice 651. However, this inspection is not

required if you note in the corrosion control procedures established under §195.402(c)(3) why compliance with all or certain operation and maintenance provisions of API Recommended Practice 651 is not necessary for the safety of the tank.

The cathodic protection on tank bottom and piping is not adequate. From the 2005 DOT inspection it was noted that some tanks that do not meet -850 mV on potential. The operator has not done testing to determine IR drop or otherwise account for IR drop.

4. **§195.589 What corrosion control information do I have to maintain?**

   a) **You must maintain current records or maps to show the location of--**
      (1) Cathodically protected pipelines;
      (2) Cathodic protection facilities, including galvanic anodes, installed after January 28, 2002; and
      (3) Neighboring structures bonded to cathodic protection systems.
   b) **Records or maps showing a stated number of anodes, installed in a stated manner or spacing, need not show specific distances to each buried anode.**
   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 Secs. 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.**

   The operator's corrosion records do not have maps and records of what type of cathodic protection is being used on all the tanks. Operator records are incomplete and do not explain the addition of a 25th rectifier into the system.

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 violations 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 violation(s) and has recommended that you be preliminarily assessed a civil penalty of $[TOTAL AMOUNT] as follows:

Item number	PENALTY
2	$48,000

With respect to items 1 through 4 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.

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. 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 4-2007-5018** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

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 Chevron Pipe Line Company a Compliance Order incorporating the following remedial requirements to ensure the compliance of Chevron Pipe Line Company with the pipeline safety regulations:

1. Perform an audit to ensure Chevron Pipe Line Company is in compliance §195.432(b). This audit shall consist of:

    • Demonstrate that the Chevron Pipe Line Company break-out tanks meet API 653 requirements.

2. Perform an audit to ensure Chevron Pipe Line Company is in compliance §195.573(c). This audit shall consist of:

    • Demonstrate that all Chevron Pipe Line Company breakout tanks rectifiers are being read to meet the minimum safety requirement, as prescribed by 195.573 (c), and are in compliance with applicable procedures.

    • Based upon the review, develop a plan for conducting rectifier readings to keep Chevron Pipe Line Company in compliance.

3. Perform an audit to ensure Chevron Pipe Line Company is in compliance §195.573(d). This audit shall consist of:

    • Demonstrate that all Chevron Pipe Line Company breakout tanks meet cathodic protection requirements and that they are in compliance with applicable procedures.

    • Based upon the review, develop a plan for conducting cathodic protection surveys to keep Chevron Pipe Line Company in compliance.

4. Perform an audit to ensure Chevron Pipe Line Company is in compliance with §195.589. This audit shall consist of:

    • Review all applicable records of Chevron Pipe Line Company to which tanks have complete records and which have incomplete records, showing what type of CP system is protecting the respective tank.

    • Based upon the review, develop a plan for updating the cathodic protection records to bring Chevron Pipe Line Company into compliance.

5. Chevron shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Rod Seeley, Director, Southwest 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.

6. Submit to the Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration, 8701 South Gessner, Suite 1110, Houston, Texas 77074.

   Results of surveys and plans, with time tables, must be submitted within 30 days following the receipt of the Final Order. All items shall be completed within 365 days following the receipt of the Final Order.