Chevron

Global Gas

August 2, 2007

Mr. R.M. Seeley, Director
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
8701 S. Gessner, Ste 1110
Houston, TX 77004

Chevron Pipe Line Company
CPF No. 4-2007-5018

Dear Mr. Seeley:

We have received your May 21, 2007 letter detailing a notice of probable violation, proposed civil penalty, and proposed compliance order related to a June 2005 tank audit at our Beaumont, Texas facility. Chevron Pipe Line Company has conducted an investigation of the events cited in the letter and has provided a detailed response in the attachment.

Chevron Pipe Line Company regrets that enforcement action was necessary and has paid the assessed civil penalty.

If we can be of any further assistance, please contact Randy Burke at (713) 432-3206.

Sincerely,

J. F. Oveson

cc: L. Barnhill
M. Bowin
B. Brunkhorst
D. Rankin
G. Saenz
B. DePrang
E. Whitten

Notice of Proposed Violations
CPF 4-2007-5018

NOPV Issue #1 - §195.432(b)(d)

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.

CPL Response to NOPV Issue #1

As a result of the merger, these tanks are now inspected and repaired under the CPL (MIP) Maintenance and Inspection Procedures. CPL has initiated an aggressive tank inspection and repair program at all of the former Unocal facilities in order to insure that these tanks meet API 653 requirements.

NOPV Issue #2 - §195.573(c)

The Big Hill 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 2, 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 March 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.

CPL Response to NOPV Issue #2

The Big Hill rectifier is located on the terminal property, but it protected a 4" pipeline that ran approximately 24 miles from the Beaumont Terminal to the Big Hill storage facility. This line was idled in the mid 80's and was officially abandoned in January 2006. CPL uses computerized record keeping software from Bass and our CP Coordinator has standardized the record keeping process across all of CPL. After the merger, the former Unocal CP Technicians were trained to use the software and the standardized record keeping process.

CPL uses computerized maintenance management software from SAP to track our pipeline maintenance and recurring inspections/calibrations. The software issues a work order to each team's maintenance coordinator in advance of any required maintenance, equipment inspection or calibration. The system archives the completed work orders so that a record exists of who performed the work and when it was done. After the merger, this software was rolled out to the former Unocal locations.

NOPV Issue #3 - §195.573(d)

The cathodic protection on tank bottoms 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.

CPL Response to NOPV Issue #3

CPL will review and revise the design of the CP system presently in use at the Beaumont Terminal. Our CP Coordinator will examine the existing system in conjunction with the Beaumont Team and make recommendations to bring the CP potentials within the terminal up to adequate levels.

NOPV Issue #4 - §195.589(a)(b)(c)

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.

CPL Response to NOPV Issue #4

Our CP Tech at the Beaumont Terminal has marked up a hard copy drawing of terminal showing the location of all CP devices, bonds and test stations. He has a copy at the terminal for his immediate use, until the drafting department completes an electronic version that can be revised when changes occur. All additions or deletions to the CP system within the terminal will be noted on this map & also in the Bass software database.

Proposed Compliance Order
CPF 4-2007-5018

Proposed Compliance Order No. 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.

CPL Response to PCO No. 1

- CPL records indicate that the tanks at the Beaumont Terminal that are classified as break-out, are currently in compliance with the API 653 requirements. A thorough investigation will be performed in August 2007 to evaluate the use of each tank to determine if these tanks are classified properly.

Proposed Compliance Order No. 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 break-out 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.

CPL Response to PCO Item No. 2

- CPL records show that all rectifiers within the Beaumont Terminal that supply CP current to break-out tanks, have been inspected and documented properly since the last audit. The inspections are now documented in the Bass software database.

- Work orders are now generated by the SAP-PM computerized maintenance management system to perform rectifier inspections. The work orders alert the team that an inspection is due, the timetable for completion and the employee that is assigned to complete the task. This process has been in place since 1999 for the heritage CPL teams and has worked very well.

Proposed Compliance Order No. 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 break-out 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.

CPL Response to PCO Item No. 3

- CPL records indicate that some of the CP readings on break-out tanks at the Beaumont Terminal do not meet -850 mV on potential. Our CP Coordinator will examine the existing system in conjunction with the Beaumont Team and make recommendations to bring the CP potentials within the terminal up to adequate levels.

- Work orders generated by the SAP-PM system will help insure that required inspections are performed on time. After initiating the CP Coordinator's recommendations to raise the CP potentials within the terminal, the CP Technician should have sufficient CP capacity to adjust the current up or down to maintain the proper CP potentials on the break-out tanks.

Proposed Compliance Order No. 4

Perform an audit to ensure Chevron Pipe Line Company is in compliance §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 cathodic protection records to bring Chevron Pipe Line Company into compliance.

CPL Response to PCO Item No. 4

- The CP Technician will indicate the source of the CP current to each break-out tank on the tank data spreadsheet.

- CPL uses computerized record keeping software from Bass and our CP Coordinator has standardized the record keeping process.

Proposed Compliance Order No. 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.

CPL Response to PCO Item No. 5

- CPL will provide this documentation.

Proposed Compliance Order No. 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.

CPL Response to PCO Item No. 6

- CPL will provide this documentation.