

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 3, 2014

Mr. Michael Pearson
Vice President, Technical Services
Magellan Pipeline, L.P.
One Williams Center, MD 27
Tulsa, OK 74172

CPF 4-2014-5030W

Dear Mr. Pearson:

On September 23, 2014, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your breakout tank construction at the Houston East Terminal in Houston, TX.

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 violation(s) are:

- 1. §195.132 Aboveground breakout tank.**
 - (b) For aboveground breakout tank first placed in service after October 2, 2000, compliance with paragraph (a) of this section requires one of the following:**
 - (3) Vertical, cylindrical, welded steel tanks with internal pressures at the tank top approximating atmospheric pressures (i.e., internal vapor space pressures not greater than 2.5 psig (17.2 kPa), or not greater than the pressure developed by the weight of the tank roof) must be designed and constructed in accordance with API Standard 650.**

Magellan Pipeline, L.P. (Magellan) failed to meet the requirements of 195.132(b)(3) by not following the requirements of API 650. After conducting the nondestructive examination (NDE) by visual examination of the breakout tank bottom welds and plates for potential defects and leaks, Magellan failed to sufficiently document the repairs made to the bottom floors as required by API 650. Upon completion of welding the tank bottom, API 650 Section 7 Erection, 7.3.3 Examination of the Tank Bottom, requires the operator to visually examine the bottom welds and plates for any potential

defects and leaks. Particular attention shall apply to areas such as sumps, dents, gouges, three-plate laps, bottom plate breakdowns, arc strikes, temporary attachment removal areas, and welding lead arc burns. In addition Section 1.4 Documentation Requirements requires the operator to develop certain documents as per Appendix W, which includes reports of all tests including reports of all nondestructive examinations.

During the inspection, the PHMSA inspector noticed several arc burns and repair areas on the breakout tank bottom floors and asked the tank inspector for details of the repairs. The tank inspector stated that the markings are known as “Pick ups,” which are found by the NDE inspector after performing a visual examination of the bottom floors. The “pick ups” indicate areas which need attention by the welder by either grinding down the weld, adding additional weld, repairing arc burns or any other type of repair. After making repairs to the “pick ups” and arc burns, Magellan could not provide documentation or records to demonstrate that the “pick ups” or arc burns were repaired. Magellan explained that the “pick ups” are more of a cosmetic repair than an integrity repair. Even though, these are considered “cosmetic” repairs, Magellan needs to document the repairs made to defects identified by visual examination to meet API 650 requirements.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations. 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 correct the item(s) identified in this letter. Failure to do so will result in Magellan being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 4-2014-5030W**. 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).

Sincerely,

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