



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials
Safety Administration**

8701 S. Gessner, Suite 630
Houston TX 77074

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

VIA ELECTRONIC MAIL TO: sean.guillory@shell.com

May 15, 2026

Sean Guillory
President
Shell Pipeline Co., L.P.
150 North Dairy Ashford
WCK Bldg. A-2nd Floor
Houston, TX 77079

CPF 4-2026-014-NOPV

Dear Mr. Guillory:

From June 1, 2023, to April 10, 2024, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code (U.S.C.), investigated the Integrity Assurance notification submitted by Shell Pipeline Company, L.P. (Shell) for its 18" Houma to Capline Pipeline in St. James Parish, Louisiana.

As a result of the investigation, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The probable violations are:

1. **§ 195.452 Pipeline integrity management in high consequence areas.**
 - (a)
 - (h) **What actions must an operator take to address integrity issues?**

(1) General requirements. An operator must take prompt action to address all anomalous conditions in the pipeline that the operator discovers through the integrity assessment or information analysis. In addressing all conditions, an operator must evaluate all anomalous conditions and remediate those that could reduce a pipeline's integrity, as required by this part. An operator must be able to demonstrate that the remediation of the condition will ensure that the condition is unlikely to pose a threat to the long-term integrity of the pipeline. An operator must comply with all other applicable requirements in this part in remediating a condition. Each operator must, in repairing its pipeline systems, ensure that the repairs are made in a safe and timely manner and are made so as to prevent damage to persons, property, or the environment. The calculation method(s) used for anomaly evaluation must be applicable for the range of relevant threats.

(i) Temporary pressure reduction. An operator must notify PHMSA, in accordance with paragraph (m) of this section, if the operator cannot meet the schedule for evaluation and remediation required under paragraph (h)(3) of this section and cannot provide safety through a temporary reduction in operating pressure.

Shell failed to notify PHMSA that it could not meet the schedule for evaluation and remediation required under § 195.452(h)(3) and could not provide safety through a temporary reduction in operating pressure in accordance with § 195.452(h)(1)(i). Specifically, Shell failed to notify PHMSA that it was unable to meet the schedule to remediate a top side dent that Shell determined to be a 180-day condition and failed to state that it could not provide safety through a temporary reduction in operating pressure.

From February 15 to March 21, 2022, Shell conducted an inline inspection (ILI) of its Houma to Capline Pipeline. On August 10, 2022, Shell discovered a top side dent of greater than 2% of the pipe diameter detected by the ILI run, which Shell determined to be a 180-day condition. However, Shell did not notify PHMSA that it was unable to evaluate and remediate the top side dent until April 6, 2023, 239 days from the date of discovery.

Therefore, Shell failed to notify PHMSA that it could not meet the schedule for evaluation and remediation required under § 195.452(h)(3) and could not provide safety through a temporary reduction in operating pressure in accordance with § 195.452(h)(1)(i).

2. § 195.452 Pipeline integrity management in high consequence areas.

(a)

(h) What actions must an operator take to address integrity issues?

(1)

(3) Schedule for evaluation and remediation. An operator must complete remediation of a condition according to a schedule prioritizing the conditions for evaluation and remediation. If an operator cannot meet the schedule for any condition, the operator must explain the reasons why it cannot meet the schedule and how the changed schedule will not jeopardize public safety or environmental protection.

(4) Special requirements for scheduling remediation —

(i)

(iii) 180-day conditions. Except for conditions listed in paragraph (h)(4)(i) or (ii) of this section, an operator must schedule evaluation and remediation of the following within 180 days of discovery of the condition:

(A)

(B) A dent located on the top of the pipeline (above 4 and 8 o'clock position) with a depth greater than 2% of the pipeline's diameter (0.250 inches in depth for a pipeline diameter less than NPS 12).

Shell failed to complete remediation of a condition according to a schedule prioritizing the conditions for evaluation and remediation and failed to explain why the changed schedule did not jeopardize public safety or environmental protection, in accordance with § 195.452(h)(3).

From February 15 to March 21, 2022, Shell conducted an inline inspection (ILI) of its Houma to Capline Pipeline. On August 10, 2022, Shell discovered a top side dent of greater than 2% of the pipe diameter detected by the ILI run, which Shell determined, under § 195.452(h)(4)(iii)(B), to be a 180-day condition, and designated the deadline for evaluation and remediation as February 6, 2023. Shell failed to complete remediation until May 5, 2023, 268 days after discovery.

After Shell determined that the dent would not be evaluated and remediated within 180 days from discovery, no temporary pressure reduction was taken as a means to provide safety of the pipeline and lower the risk of failure. Shell justified this decision on the basis of a fitness for service analysis it performed on April 13, 2023, which assumed fatigue would be the sole potential mode of failure. Shell's fitness for service analysis determined that the remaining life of the pipeline was 882 years, and thus no pressure reduction was necessary. No direct examination of the dent to determine if any other interacting defects such as gouges, cracks, or metal loss were present occurred prior to this determination.

When the dent was ultimately excavated on May 5, 2023, 268 days after the discovery date, Shell determined that the dent also included a gouge, an immediate repair condition in accordance with § 195.452(h)(4)(i)(C).

Therefore, Shell failed to complete remediation of a condition according to a schedule prioritizing the conditions for evaluation and remediation and failed to offer a reasonable explanation of how the changed schedule would not jeopardize public safety, in accordance with § 195.452(h)(3).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$272,926 per violation per day the violation persists, up to a maximum of \$2,729,245 for a related series of violations. For violation occurring on or after December 28, 2023, and before December 30, 2024, the maximum penalty may not exceed \$266,015 per violation per day the violation persists, up to a maximum of \$2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023, and before December 28, 2023, the maximum penalty may not exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022, and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021, and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021, and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019, and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations.

We have reviewed the circumstances and supporting documentation involved for the above probable violation and recommend that you be preliminarily assessed a civil penalty of as follows:

<u>Item number</u>	<u>PENALTY</u>
2	\$ 25,100

Warning Item

With respect to Item 1, 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 promptly correct this item. Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to Item 2 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Shell Pipeline Co., L.P. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement 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).

Following your receipt of this Notice, you have 30 days to respond as described in the enclosed *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. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 4-2026-014-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Bryan Lethcoe
Director, Southwest Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*
 Response Options for Pipeline Operators in Enforcement Proceedings

cc: Deborah Price, Integrity & Regulatory Services Manager, deborah.price@shell.com

PROPOSED COMPLIANCE ORDER

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

- A. In regard to Item 2 of the Notice pertaining to Shell's failure to complete remediation of a condition according to a schedule prioritizing the conditions for evaluation and remediation and failure to explain why the changed schedule did not jeopardize public safety or environmental protection, in accordance with §195.452(h)(3), Shell must:
 - 1. Amend its IM program to ensure that, upon determining that it cannot meet the schedule for evaluation and remediation, Shell determines whether the changed schedule will jeopardize public safety or environmental protection. The amended IM program must be submitted to the Southwest Region Director within **60** days of receipt of the Final Order.
 - 2. Assess the effectiveness of its defect classification and why its Integrity Management (IM) assessment methods failed to properly classify the anomalous condition as an immediate repair condition rather than a 180-day condition. Shell Pipeline must revise its IM program to include elements of data integration for proper evaluation of risk, including consideration the how the anomalous condition may have occurred. The amended IM program must be submitted to the Southwest Region Director within **60** days of receipt of the Final Order.
- B. It is requested (not mandated) that Shell maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Bryan Lethcoe, Director, Southwest 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.