



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

SENT TO COMPLIANCE REGISTRY

Hardcopy Electronically 8

of Copies 1 / Date 11-19-08

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 14, 2008

Mr. Robert Pyle
Manager, Pipeline and Marine Logistics
Pacific Energy Resources, Ltd.
111 West Ocean Blvd., Suite 1240
Long Beach, CA 90802

CPF 5-2008-7002M

Dear Mr. Pyle:

On May 19-22, 2008, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) and the California State Fire Marshal (CSFM), pursuant to Chapter 601 of 49 United States Code, inspected Pacific Energy Resources, Ltd.'s (PERL) procedures and supporting implementation records for their Integrity Management Program (IMP) in Long Beach, California.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within PERL's plans or procedures, as described below:

1. §195.452 Pipeline integrity management in high consequence areas

(f) An operator must include, at minimum, each of the following elements in its written integrity management program:

(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

The PERL procedures are inadequate for ensuring the qualification of the IMP reviewers and evaluators. Currently, the procedures require documentation of the IMP team members; however, the procedures do not specify the level of qualifications the IMP reviewers must have to adequately review and analyze the assessment results.

2. §195.452 Pipeline integrity management in high consequence areas

(f) An operator must include, at minimum, each of the following elements in its written integrity management program:

(4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);

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

(2) Discovery of condition. Discovery of a condition occurs when an operator has adequate information about the condition to determine that the condition presents a potential threat to the integrity of the pipeline. An operator must promptly, but no later than 180 days after an integrity assessment, obtain sufficient information about a condition to make that determination, unless the operator can demonstrate that the 180-day period is impracticable.

The PERL procedures do not specify what the in-line inspection (ILI) vendors' qualifications must be. The PERL procedures do not ensure through contractual means or otherwise, that their ILI tool vendor performs integrity assessments and information analysis in accordance with Part 195.452(f) (4).

3. §195.452 Pipeline integrity management in high consequence areas

(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 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. An operator must be able to demonstrate that the remediation of the condition will ensure the condition is unlikely to pose a threat to the long-term integrity of the pipeline. An operator must comply with § 195.422 when making a repair.

(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.

(ii) Long-term pressure reduction. When a pressure reduction exceeds 365 days, the operator must notify PHMSA in accordance with paragraph (m) of this section and explain the reasons for the delay. An operator must also take further remedial action to ensure the safety of the pipeline.

(3) Schedule for evaluation and remediation. An operator must complete remediation of a condition according to a schedule that prioritizes the conditions for evaluation and remediation. If an operator cannot meet the schedule for any condition, the operator must justify the reasons why it cannot meet the schedule

and that the changed schedule will not jeopardize public safety or environmental protection. An operator must notify OPS if the operator cannot meet the schedule and can not provide safety through a temporary reduction in operating pressure. An operator must send the notice to the address specified in paragraph (m) of this section.

(m) Where does an operator send a notification? An operator must send any notification required by this section to the Information Resources Manager, Office of Pipeline Safety, Research and Special Programs Administration, U.S. Department of Transportation, Room 7128, 400 Seventh Street SW, Washington DC 20590, or to the facsimile number (202) 366-7128.

The PERL IMP procedures do not ensure the operator cannot exceed 365 days without making a formal notification to the PHMSA. The procedures also do not specify what additional safety measures will be used to ensure long term safety.

4. §195.452 Pipeline integrity management in high consequence areas

(e) What are the risk factors for establishing an assessment schedule (for both the baseline and continual integrity assessments)?

(1) An operator must establish an integrity assessment schedule that prioritizes pipeline segments for assessment (see paragraphs (d)(1) and (j)(3) of this section). An operator must base the assessment schedule on all risk factors that reflect the risk conditions on the pipeline segment. The factors an operator must consider include, but are not limited to:

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(2) Risk analysis criteria. In identifying the need for additional preventive and mitigative measures, an operator must evaluate the likelihood of a pipeline release occurring and how a release could affect the high consequence area. This determination must consider all relevant risk factors, including, but not limited to:

The PERL procedures do not consider the risks associated with alternate modes of operation of their pipelines, e.g. startup, shutdown, shut-in, slack line, pressure cycling, etc. In addition, the PERL procedures do not consider likely risk factors and threats on their pipeline, e.g. the risk for corrosion needs to be more threat specific for each type of condition or environment.

5. §195.452 Pipeline integrity management in high consequence areas

(f) An operator must include, at minimum, each of the following elements in its written integrity management program:

(7) Methods to measure the program's effectiveness (see paragraph (k) of this section)

(k) An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas. See Appendix C of this part for guidance on methods that can be used to evaluate a program's effectiveness.

PERL's root cause analysis was not adequately integrated into their IM program. The analysis currently used by the PERL is not referenced in its IMP to ensure a process for an effective root cause analysis and lessons learned.

6. §195.452 Pipeline integrity management in high consequence areas

(l) What records must be kept?

(1) An operator must maintain for review during an inspection:

(i) A written integrity management program in accordance with paragraph (b) of this section.

(ii) Documents to support the decisions and analyses, including any modifications, justifications, variances, deviations and determinations made, and actions taken, to implement and evaluate each element of the integrity management program listed in paragraph (f) of this section.

(2) See Appendix C of this part for examples of records an operator would be required to keep.

The PERL IMP procedures do not include a document retention policy that ensures key documents, as described in Part §195.452 (l), are retained for the life of the pipeline.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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. 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). 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, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 60 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 5-2008-7002M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Hoidal", is written over a printed name.

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 H. Monfared (#120746)

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*