

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

November 14, 2012

Mr. Michael Pearson
Vice President, Technical Services
Magellan Terminals Holdings, LP
One Williams Center, MD 27
Tulsa, OK 74172

CPF 4-2012-5036W

Dear Mr. Pearson:

During the month of October 2012, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the construction of Breakout Tanks at East Houston Tank Terminal, Longhorn (Eastern) Reversal Project.

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. §195.132: 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.

During the field inspection, PHMSA identified that one three-plate lap welded bottom joint located at the center area of the tank bottom (tank # 2502) did not comply with API 650. API 650, Section 5.1.5.4 states '(Lap welded bottom joint) Three-plate laps in tank bottoms shall be at least 300 mm (12 in.) from each other, from the tank shell, from butt-welded annular-plate joints, and from joints between annular plates and the bottom.' Magellan field personnel as well as construction engineering group were informed of the issue and agreed with the issue. As a result of this issue, Magellan warned its field personnel to confirm every lap joint of all the breakout tanks to ensure that the lap joints comply with API 650.

2. §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.

The Vacuum Box test report of tank# 2502 shows the light intensity as “Day light” in lieu of stating light intensity in “LUX. During the field inspection, PHMSA requested Magellan to provide the Vacuum Box Test Reports for Breakout Tank # 2502. PHMSA representative reviewed the report and found noncompliance with API 650, Section 8.6.

API 650, Section 8.6.7 states that “*A minimum light intensity of 1000 LUX at the point of examination is required during the application of the examination and evaluation for leaks.*” API 650, Section 8.6.10 also states that “*A record or report of the test including a statement addressing temperature and light intensity shall be completed and furnished to the purchaser upon request.*”

The Vacuum Box test report of tank# 2502 shows the light intensity as “Day light” in lieu of stating light intensity in “LUX” which must be minimum 1000 LUX. PHMSA confirmed that Magellan is not following the Vacuum Box inspection procedure as described in API 650, Section 8.6 and subparagraph 8.6.10

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 4-2012-5036W**. 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 Region
Pipeline and Hazardous Materials Safety Administration