



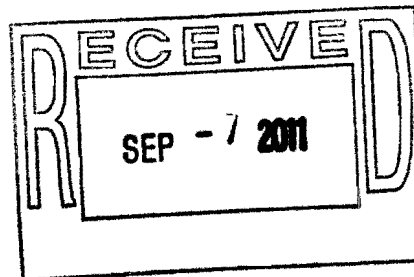
Warner Williams
Vice President, GOM

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September 6, 2011

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration
8701 South Gessner
Suite 1110
Houston, TX 77074

In Re: **CPF 4-2011-9001**



Dear Director Seeley,

In response to the Notice of Probable Violation (NOPV) and to the Proposed Compliance Order (PCO) (jointly referred to as **CPF 4-2011-9001**) that was issued to Chevron U.S.A., Inc. (Chevron) in your letter dated August 9, 2011, Chevron will not contest the findings noted; however, Chevron submits the attached information supporting a modification of the PCO and probable violations #1 and #5. Specifically, Chevron would ask that PHMSA remove violation #1 from the PCO before finalizing the order.

In response to the Proposed Civil Penalty in **CPF 4-2011-9001**, Chevron would like to inform you that we will pay the proposed civil penalties upon receiving the final order and assessed penalty.

Please note that Chevron has provided two copies of the enclosed information. We ask that PHMSA only make the copy marked "For Public Distribution" available electronically on their enforcement website, as the other copy contains information that Chevron believes to be Confidential Business Information (CBI) and/or Security Sensitive Information (SSI). We ask that PHMSA refrain from providing this information to the public should it be requested under FOIA, as we believe it to be protected information not to be disclosed publicly.

If you have any questions related to this matter or need additional information, please contact Erin Dunaway at erin.dunaway@chevron.com or 985-773-6554.

Yours Truly,

Warner Williams

Enclosures

In Re: CPF-4-2011-9001

Proposed probable violation #1: Chevron did not identify the demarcation between production and transportation pipeline facilities in certain areas.

Chevron submits the following explanation and attached information in Enclosures "A" and "B" in response to the alleged violation cited in probable violation #1. Chevron maintains records depicting the demarcation point between production (DOI equipment) and transportation pipeline facilities (DOT equipment) in our Piping and Instrumentation Diagrams (P&IDs). The P&IDs depict the location where DOT jurisdiction begins on the pipeline. Where practical, Chevron also marks the point where DOT jurisdiction begins on the equipment at its field locations. Where impractical to physically mark, a copy of the P&ID is available at the field location either as a paper record or electronically.

The P&IDs depicting the DOT demarcation point were available for review during the 2010 PHMSA inspection conducted in April 2010. As evidence of our compliance with this requirement, Chevron is attaching a copy of the P&IDs in Enclosure "A" for the pipelines that depart the facilities that are noted in probable violation #1.

In response to concerns regarding the marking of the facilities in the field noted after the inspection, Chevron reviewed the field locations and re-marked where previous markings could no longer be observed due to routine painting maintenance. Pictures of these markings have been provided as an example of compliance with this requirement and can be found in Enclosure "B".

Based on the evidence provided in this letter and the attached supporting documentation, Chevron respectfully requests that PHMSA consider withdrawing this violation from the PCO prior to finalizing the order.

In Re: CPF-4-2011-9001

Proposed probable violation #2: Chevron failed to follow written conversion to service procedures and maintain records demonstrating that the applicable conversion to service requirements were implemented for certain pipelines being operated as DOT pipelines that were not previously in DOT service.

Chevron agrees to pay the proposed civil penalty of \$27,200 and comply with the PCO. We are in the process of gathering the documentation of the conversions to service for the cited pipelines and will submit the information in a subsequent letter.

In Re: CPF-4-2011-9001

Proposed probable violation #3: Chevron did not take steps to protect a portion of its pipeline system from hazards and potential damage.

As stated in PHMSA's explanation of the proposed violation, Chevron mitigated the noted hazards by removing the debris from the pipeline riser after it was discovered during the field inspection and no further action is required.

In Re: CPF-4-2011-9001

Proposed probable violation #4: Chevron did not ensure that certain covered tasks, rectifier inspections, were performed by a qualified individual.

Chevron will pay the proposed civil penalty of \$33,200 and comply with the PCO. As we note below in our explanation of proposed probable violation #6, we have taken steps designed to avoid the issue of these inspections being completed by non-qualified individuals in the future. Our electrician is OQ qualified in Covered Task 03 – Inspection of Cathodic Protection Rectifiers, and his inspection records were sent to the PHMSA inspector via email by Erin Dunaway on April 20, 2011.

In Re: CPF-4-2011-9001

Proposed probable violation #5: Chevron was observed using a map for operations that was not up to date.

Chevron submits the following explanation in response to alleged violation #5. Chevron maintains records and maps that meet the requirements of 49 CFR 195.404. The field map cited in the proposed probable violation is used for illustrative purposes only and is not used or intended to demonstrate compliance with the CFR.

At the time, Chevron did not understand that the inspector was requesting the subject map as a record to show compliance with 49 CFR 195.404. Had Chevron understood the inspector's request for a CFR compliant map, we would have provided proper documentation of compliance with the CFR.

To clarify and further explain, Chevron maintains P&IDs that show the location of regulated pipeline facilities, including scraper traps, pipeline valves and safety devices. We also maintain as-built drawings, which show foreign pipeline crossings and pipeline route. Other records maintained note the MAOP/MOP, diameter, grade, type and nominal wall thickness of DOT-regulated pipes.

The attached P&IDs in Enclosure "A" are an example of our compliance with 49 CFR Part 195.404. The records and drawings referenced above were also available during the 2010 PHMSA inspection in April 2010.

In Re: CPF-4-2011-9001

Proposed probable violation #6: Chevron did not fully perform certain required rectifier inspections within the required interval.

Chevron will pay the proposed civil penalty of \$33,200. We would like to note that we discovered the deficiency noted prior to the start of the 2010 PHMSA inspection and had already put corrections in place to mitigate the deficiency. Prior to the 2010 PHMSA inspection, Chevron discovered that the frequency of rectifier inspections set in our compliance task scheduler was incorrect. Upon this discovery, the frequency of inspection was corrected to reflect the requirement to check the rectifier at least six times per calendar year but with intervals not exceeding 2 ½ months. Also, our electrician is tasked with inspecting the rectifier, and he is OQ qualified in OQSG Covered Task 03 – Inspect Cathodic Protection Rectifiers. His OQ records were provided to the inspector via email on April 20, 2011.