

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 17, 2011

Centurion Pipeline LP
Bill Boyer, President
5 Greenway Plaza, Suite 100
Houston, TX 77046

CPF 4-2011-5013

Dear Mr. Boyer:

Following an accident on October 10, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code investigated a crude oil release that occurred at Slaughter Station, near Sundown, TX. PHMSA conducted its investigation (onsite and in-office) between October 2010 and July 2011.

As a result of the accident investigation, 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. **§195.52 Telephonic notice of certain accidents**
 - (a) **At the earliest practicable moment following discovery of a release of the hazardous liquid or carbon dioxide transported resulting in an event described in §195.50, the operator of the system shall give notice, in accordance with paragraph (b) of this section, of any failure that:**
 - (3) **Caused estimated property damage, including cost of cleanup and recovery, value of lost product, and damage to the property of the operator or others, or both, exceeding \$50,000;**

Centurion failed to give notice at the earliest practicable moment following discovery of a crude oil release to the National Response Center (NRC). The crude oil release was discovered at approximately 7:35 AM on October 11, 2010 in Slaughter Station, near Sundown, TX by the “Gauger,” and was reported to the Centurion control center in Houston, TX at approximately 7:45 AM. The control center Director then performed a quick calculation to determine the release amount utilizing breakout tanks hourly reports and meter snapshot reports. He estimated the release to be approximately 10,000 barrels. This information was then immediately provided to the Vice President of Operations and Director of HES/Regulatory/compliance. Centurion did not make a report to NRC (Report Number 956628) until 2:16 PM on 10/11/10, approximately 7 hours after the crude oil release was discovered by the Gauger.

2. §195.402 Procedural manual for operations, maintenance, and emergencies.

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted

Centurion failed to follow its written procedure P#195.432(b) “Inspection of In-service Break out Tanks,” dated February 2004 in that it did not conduct a monthly inspection of tank #6688 for August, 2009. This procedure gives the steps required for periodic in-service tank inspection including monthly external break out tank inspection. Centurion reviews and certifies annually that this procedure is accurate and current.

Centurion did not conduct the tank inspection for tank #6688 in August, 2009 as required per procedure P# 195.432(b) despite leaks discovered on the flange and packing of the mixer during the preceding months: June 2009 and July 2009. PHMSA reviewed monthly breakout tanks inspection records from March 2008 to September 2010 for tank #6688. There is no tank inspection record for August 2009. Centurion’s summary of monthly breakout tank inspection records which were stored in the Maximo work order data system showed a work order was generated to conduct inspection by 8/24/2009 (target date), but the inspection was not conducted until 9/02/2009 and subsequent inspections were conducted on 10/06/2009 (9/24/2009-target date), 11/03/2009 (10/24/2009-target date), and 12/03/2009 (11/03/2009-target date).

3. §195.505 Qualification program. Each operator shall have and follow a written qualification program. The program shall include provisions to:

(g) Identify those covered tasks and the intervals at which evaluation of the individual's qualifications is needed

Centurion failed to follow its OQ program by not re-qualifying control center personnel using the frequency prescribed by the Centurion OQ program. Centurion OQ program (latest revision March 2010), cover task "O1- Operate Pipeline System from Control Center", specifies the reevaluation frequency for this covered task to be 1 year "Due to the criticality of the Control Center operations". This has been in Centurion's OQ program since 2004. During the investigation PHMSA reviewed the Performance Evaluation Form for task O1 for several employees. The review revealed that several individuals were not evaluated every year but approximately every three or four years. The operations coordinator, who evaluates the control center controllers, confirmed the re-evaluation frequency practice at Centurion has been 3 years.

4. §195.54 Accident reports

(b) Whenever an operator receives any changes in the information reported or additions to the original report on DOT Form 7000-1, it shall file a supplemental report within 30 days.

Centurion failed to update the crude oil release amount on the accident report. The original accident report was filed on 11/10/2010 (report # 20100240-15363) and indicated 10,000 bbls crude oil release. Centurion has filed 3 supplemental accident reports: 11/17/2010 (report #20100240-15375), 12/08/2010 (report #20100240-15436), and 12/10/2010 (report #20100240-15454), and no update on the spill amount was provided on the supplemental reports.

Centurion reported 10,000 barrels of crude oil release based of an assumption that the leak began at approximately 7:45 AM 10/11/2010 and the Centurion's "Leak, Maintenance and Exposed Pipe Report" showed the crude oil release amount was 10,000 bbls. During the investigation, PHMSA reviewed the SCADA records and determined that the leak most likely occurred at 5:00 PM on October 10, 2010 and that approximately 18,600 bbls were most likely released. PHMSA's investigation also revealed that the vacuum truck records (99 loads) showed approximately 11,750 bbls of product were removed. Centurion did not update the written report for the amount spilled.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$ 39,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$ 7,500
3	\$ 31,500

Warning Items

With respect to item 2 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 these item(s). Be advised that failure to do so may result in Centurion being subject to additional enforcement action.

Proposed Compliance Order

With respect to items 3 and 4 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Centurion. 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 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.

In your correspondence on this matter, please refer to **CPF 4-2011-5013** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

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

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 3 of the Notice pertaining to Centurion's OQ program. Centurion must review their written program and supporting documents and ensure the instructions are internally consistent. Centurion must re-qualify all appropriate personnel for Task "O1- Operate Pipeline System from Control Center" on an annual basis per their written program.
2. In regard to Item Number 4 of the Notice pertaining to written accident reports. Centurion must file a supplemental report with the updated volume spilled.
3. Centurion must complete items 1 and 2 within 30 days of final order.
4. It is requested (not mandated) that Centurion maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R. M. Seeley, Director, Southwest, 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.