

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 6, 2009

Mr. Michael McCann
Vice President of Pipeline and Terminals
Tesoro Refining and Marketing Company
300 Concord Plaza Drive
San Antonio, TX 78216-6999

CPF 5-2009-0003W

Dear Mr. McCann:

On September 9-11, 2008, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Tesoro Refining and Marketing Company's procedures for Operations and Maintenance Manuals and records for pipeline facilities in Wilmington, California.

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. §192.463 External corrosion control: Cathodic protection.

(a) Each cathodic protection system required by this subpart must provide a level of cathodic protection that complies with one or more of the applicable criteria contained in Appendix D of this part. If none of these criteria is applicable, the cathodic protection system must provide a level of cathodic protection at least equal to that provided by compliance with one or more of these criteria.

Pipe to soil monitoring tests conducted by Tesoro's contractor, Allied Corrosion Industries, on September 8, 2008 indicated insufficient cathodic protection on this pipeline. Cathodic protection levels did not meet the required criteria established in Appendix D of 49 CFR Part 192.

2. §192.739 Pressure limiting and regulating stations: Inspection and testing

(a) Each pressure limiting station, relief device (except rupture discs), and Pressure regulating station and its equipment must be subjected at intervals not exceeding 15 months, but at least once each calendar year, to inspections and tests to determine that it is—

- (1) In good mechanical condition;**
- (2) Adequate from the standpoint of capacity and reliability of operation for the service in which it is employed;**
- (3) Except as provided in paragraph (b) of this section, set to control or relieve at the correct pressure consistent with the pressure limits of §192.201(a);; and**
- (4) Properly installed and protected from dirt, liquids, or other conditions that might prevent proper operation.**

There are two pressure relief devices protecting this pipeline segment, one at each end. Tesoro last inspected the one at the Los Angeles Refinery end on 1/10/2005 but could not produce documentation for inspecting the other one located near the Sulfur Recovery Plant. Tesoro claims the pressure safety devices are under refinery control and they are inspected once every four years. Due to low operating pressure, it is unlikely the pipeline pressure exceeds the maximum allowable operating pressure (MAOP). Nevertheless, if the safety devices are designed to protect this pipeline, Tesoro must ensure that these protection devices are inspected once each calendar year but at intervals not exceeding 15 months.

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. 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

identified in this letter. Failure to do so will result in Breitburn Energy Corp. 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 5-2009-0003W**. 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,

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

cc: PHP-60 Compliance Registry