



Rec'd 10/20/08

Dale A. Haines
Manager, Oil & Gas
Operations
MidContinent/Alaska

Union Oil Company of California
P.O. Box 196247
Anchorage, AK 99519-6247
Tel 907 263 7951
Fax 907 263 7607
Mobile 907 227 0761
Email daleah@chevron.com

October 14, 2008

Mr. Chris Hoidal
Director Western Region
PHMSA
12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

Re: Compliance Response to Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order CPF No. 5-2008-7003

Dear Director:

As required by your Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order dated September 10, 2008; Union Oil Company of California (UOCC), a Chevron company, hereby contests the Proposed Civil Penalty and Proposed Compliance Order for the following reasons.

Response to Proposed Civil Penalty - Item 1:

UOCC contests the Proposed Civil Penalty and Proposed Compliance Order in item number one in the above referenced Notice for the following reasons. Granite Point Platform (GPP) performs monthly "Emergency Valve Inspections" which includes testing the oil pipeline emergency shutdown valve, P-SDV-0002, to ensure it works as required for emergencies.

In addition, GPP performs a monthly testing of the high level alarms for the crude oil beam tank (COBT), as required by Alaska State regulations under UOCC's spill contingency plan. This entails shutting down the shipping pump to allow the level in the oil shipping tank to rise. When the shipping pump is shut down, the pipeline emergency shutdown valve P-SDV-0002 closes. While waiting for the shipping tank to fill and trip the high level alarm, the operator verifies that the emergency shutdown valve has closed. When the high level alarm sounds and the level is verified, the shipping pump is turned on, allowing P-SDV-0002 to open. The tank is pumped down to verify the low level alarm. The shipping pump is then turned off to allow the tank to come back up to the normal shipping level. Again, as the pump turns off, P-SDV-0002 closes, and is verified by the operator again.

When the DOT valve inspection was performed on April 11, 2007, the valve was not stroked at that time because the valve had just been stroked during the monthly inspection on April 9, 2007. It was stroked again during the high level alarm inspection on April 20, 2007. See **Attachment 1 – CPF 5-2008-7003, Granite Point Platform Emergency Valve Inspection, dated 4-21-07**, and **Attachment 2 – CPF 5-2008-7003, Oil Storage Tank High Level Alarms Inspection, dated 4-20-07**.

In August 2007, the Granite Point Platform crude oil beam tank (oil shipping tank) was taken out of service for inspection and repair. See **Attachment 3 – CPF 5-2008-7003, Oil Storage Tank High Level Alarms Inspection, dated 8-24-07** which shows the COBT was taken out of service. It was not placed back into service until November 8, 2007. See **Attachment 4 – CPF 5-2008-7003, Operator's Daily Log dated 11-8-07** which shows Gross Separator A production was routed back into the COBT for shipping. During the time the COBT was out of service, the gross production (oil & water) was shipped directly from the two-phase separator to the pipeline. The separator is a small unit and has no residual time or volume that allows for closing the emergency pipeline shutdown valve without causing a platform production shutdown.

From August 2007 until November 2007 while the COBT was out of service, the valve was not inspected and stroked on the monthly cycle. Consequently, during the DOT October 2007 valve inspection interval, valve P-SDV-0002 was inspected, but not stoked because it would require a production shutdown. Although the operator that conducted the inspection noted that crude oil sprayed out of the grease zerk on the inspection report, the lead operator confirmed that it was grease used to seal and lubricate the valve that leaked out because the valve is located in a hot location which melted the grease.

Records indicate that the valve was inspected and stroked on July 15, 2007 (See **Attachment 5 – CPF 5-2008-7003, Oil Storage Tank High Level Alarms Inspection, dated 7-15-07** and **Attachment 6 – CPF 5-2008-7003, Granite Point Platform Emergency Valve Inspection, dated 7-15-07**). After the COBT was placed back into service, the valve grease zerk was repaired, the valve was inspected and stroked again on November 10, 2007 (See **Attachment 7 – CPF 5-2008-7003, Oil Storage Tank High Level Alarms Inspection, dated 11-15-07** and **Attachment 8 – CPF 5-2008-7003, Operator's Daily Log dated 11-10-08**).

This evidence makes clear that UOCC did properly inspect and stroke the valve during 2007. Consequently, the Proposed Civil Penalty and Proposed Compliance Order should be withdrawn.

Response to Proposed Compliance Order Item 2:

UOCC contests Proposed Compliance Order number 2 for the following reasons. Although this pig launcher does not have a door equipped with a pressure warning device that prevents the door from being opened when pressurized, the launcher does have a pressure warning device and relief device capable of relieving the pressure on the barrel before attempting to open the door, which meets the intent of the regulation. The launcher has a pressure indicator, a drain valve on the bottom and a vent valve on the top. Administrative controls are in place through the use of the pigging procedure. See **Attachment 9 – CPF 5-2008-7003, Granite Point Platform Oil Pipeline Pigging Procedure**. It requires the pressure, as indicated on the pressure gauge, to be bled to zero psig by opening both the drain and vent valves to ensure liquids are drained and pressure is bled off the launcher prior to attempting to open the launcher door.

This procedure satisfies the requirements of the regulation, and satisfied past DOT inspections.

For these reasons, UOCC requests that the Proposed Compliance Order be withdrawn.

Response to Warning Item 3:

UOCC provides the following explanation for warning item number 3. During the 2007 Trading Bay unit offshore close interval survey (CIS), in addition to the platform CP systems being interrupted on/off, the Trading Bay Production Facility onshore rectifiers were also supposed to be interrupted because the pipelines are bonded to the facility. During the actual surveys, the engineering firm performing the field work only interrupted the two deep wells they felt had the most influence on the offshore segments. In fact, all of the rectifiers (6 total) should have been interrupted, or the remaining 4 rectifiers should have been turned off while performing the onshore CIS. This gave a mixed potential reading, which was not a true "instant-off" potential, incorrectly indicating over protection.

During the August 2008 annual survey, all of the rectifiers were interrupted. Corresponding test points on the Dolly Varden pipeline were compared from the 2008 survey and the 2007 CIS.

Location	2007 CIS "OFF"	2008 "Instant-Off"
Valve Vault	-1460 mv	-1270 mv
Test Point @ 500 feet	-1400 mv	-1260 mv

NACE RP0169, Section 6: Criteria and Other Considerations for Cathodic Protection, paragraph 6.2.2.3.4 states "Polarized potentials that result in excessive generation of hydrogen should be avoided on all metals, particularly higher-strength steel, certain grades of stainless steel, titanium, aluminum alloys, and prestressed concrete pipe." Section 7: Design of Cathodic Protection Systems 7.1.2.7 states "Excessive levels of cathodic protection that can cause external coating disbondment and possible damage to high-strength steels as a result of hydrogen evolution should be avoided."

This standard does not state what the potential level is. As a "rule of thumb", industry uses -1200 millivolt to -1300 millivolt "instant-off" potential as an indicator for over-protection. From UOCC's experience with excavation and inspection of the pipelines in this area, there has been no coating damage observed, indicating that the pipelines are not over polarized and a coating disbondment problem does not exist in this area.

Based on the 2008 annual survey UOCC believes it is in compliance with 49 CFR § 195.571. UOCC will continue monitoring through pipeline inspections to detect any coating disbondment.

Response to Proposed Compliance Order Item 4:

UOCC contests Proposed Compliance Order number 4 for the following reasons.

UOCC does not dispute the pipeline observations noted in item number 4. The GPTF inter-tidal zone is subject to wind and tidal erosion, which continually unburies and re-buries the Bruce and Granite Point pipelines throughout the year. As explained below, annual pipeline repair work is a seasonal program because of extreme weather, ice, and tidal considerations. The

Director, Western Region
PHMSA
October 14, 2008
Page 4

DOT inspection, which resulted in this Proposed Compliance Order, was conducted in March, immediately before the scheduled annual maintenance program.

UOCC has a "Routine Near-Shore Pipeline Maintenance Plan" that is annually implemented at three locations operated by UOCC: Granite Point Tank Farm (GPTF), Trading Bay Production Facility (TBPF), and at the Cook Inlet Field Office (CIFO), previously called East Forelands Delivery Facility (EFDF). The purpose of this program is to identify areas that require maintenance and/or repair in order to mitigate the risk of pipeline failure. Maintenance activities include inspection, stabilization, coating and/or pipeline repair, and reburial of the exposed portions of the natural gas and hazardous liquids pipelines located in the inter-tidal zone.

During the 2008 construction season, UOCC budgeted \$500,000 for the GPTF near-shore repair work. The preliminary inspection was performed in late March 2008, scheduling for materials, equipment and personnel was completed in mid-April and field implementation was performed and completed by the third week of May 2008. **See Attachment 10 – CPF 5-2008-7003, 2008 GPP Nearshore Pipeline Maintenance Construction Work Package.**

Please note that only the CWP (Construction Work Package) for the GPP is attached. There is a corresponding CWP for the Bruce pipelines because of project funding due to different partner ownership in these two pipeline facilities.

This annual project is budgeted and scheduled to recur during the 2009 construction season, with preliminary inspection occurring in March-April, when the ice is off the beach and the beach is accessible. Planning and field implementation will occur in the April-June timeframe, depending on ice flow conditions, frozen ground, and tide schedule.

For the reasons, set forth above UOCC requests that Proposed Compliance Order number four be withdrawn.

CONCLUSION

For the reasons set forth in this response, UOCC requests that the Proposed Civil Penalty be withdrawn, and that Proposed Compliance Orders 1, 2, and 4 be withdrawn for the reasons set forth in this response. If you have any questions regarding this response, please contact Rand Price at (907) 263-7686. Thank you for your consideration.

Best regards,


Dale Haines

cc: John Zager