



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

SENT TO COMPLIANCE REGISTRY

Hardcopy Electronically

of Copies 1 / Date 9.10.08

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 10, 2008

Mr. Tony Brock
Sr. Vice President & Technical Director
BP Exploration Alaska, Inc.
900 East Benson Boulevard
Anchorage, AK 99501

CPF 5-2008-5031

Dear Mr. Brock:

On November 6 - 8, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected BP Exploration Alaska, Inc.'s (BPXA) Milne Point Sales Oil Crude Line located at the Milne Point Facility. Additionally, on February 6 and 7, 2008, an inspection was conducted at your North Star Sales Oil Crude Line located at your North Star Facility.

As a result of the inspections, 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. **§195.579 What must I do to mitigate internal corrosion?**
 - (a) **General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid**

or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.

(b) Inhibitors. If you use corrosion inhibitors to mitigate internal corrosion, you must--

- (1) Use inhibitors in sufficient quantity to protect the entire part of the pipeline system that the inhibitors are designed to protect;**
- (2) Use coupons or other monitoring equipment to determine the effectiveness of the inhibitors in mitigating internal corrosion; and**
- (3) Examine the coupons or other monitoring equipment at least twice each calendar year, but with intervals not exceeding 7 1/2 months.**

At the time of the inspection, BPXA had no comprehensive internal corrosion control procedures with regards to investigating whether a corrosive effects analysis is being performed on their Sales Oil Crude Line at both the Milne Point Facility as well as the North Star Facility. Further, there were no records to show that non-corrosive liquids are being transported. No coupons are installed in the DOT-regulated Sales Oil Crude Lines. There are coupons installed upstream at both the Milne Point Facility and North Star Facility, which may or may not be indicative of the corrosion effects within the downstream DOT-regulated segments.

Following the inspection, a sampling of Milne Point weight loss coupon results were subsequently provided by BPXA on April 23, 2008. Nevertheless, it is still unknown whether BPXA has a comprehensive program to investigate the corrosive effects of, and if found, to mitigate those effects, e.g. cleaning pigs, modified inhibitor concentrations.

2. §195.583 What must I do to monitor atmospheric corrosion control?

(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months
Offshore	At least once each calendar year, but with intervals not exceeding 15 months

(b) During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbanded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.

(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by Sec. 195.581.

At the time of the inspection, BPXA provided their OMER Tier 2 Operations and Maintenance Manual which on page 48 outlined an adequate procedure to comply with CFR 195.583, however no paper or electronic record of this required inspection could be

provided to PHMSA. During the field inspection several locations on the North Star and Milne Point pipelines were found with inadequate coating.

Subsequently, on April 23, 2008, PHMSA received documentation that all of the Milne Point piping noted to have inadequate coating had been recoated as necessary. Regardless, a comprehensive atmospheric program needs to be routinely monitored and recorded as called out in the BPXA Tier 2 O&M Manual procedures.

3. §195.420 Valve maintenance.

(a) Each operator shall maintain each valve that is necessary for the safe operation of its pipeline systems in good working order at all times.

(b) Each operator shall, at intervals not exceeding 7 1/2 months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

BPXA did not provide records to document mainline valve inspection records for the North Star Pipeline facility for early 2006. Suitable valve inspection records were provided for July/August 2005 and October/November 2006. BPXA appears to have missed the required twice per calendar year valve inspection requirement in 2006.

Proposed Compliance Order

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to BPXA. Please refer to the *Proposed Compliance Order* that is enclosed and made a part of this Notice.

Warning Items

With respect to item 3, 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 this item. Be advised that failure to do so may result in BPXA being subject to additional enforcement action.

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 5-2008-5031** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Hoidal", written in a cursive style.

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

cc: PHP-60 Compliance Registry
PHP-500 R. Guisinger (#118839, #118840)

Enclosures: *Proposed Compliance Order*
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 BP Exploration Alaska, Inc. (BPXA) a Compliance Order incorporating the following remedial requirements to ensure the compliance of BPXA with the pipeline safety regulations:

1. In regards to Item Number 1 of the Notice pertaining to mitigation of internal corrosion control. BPXA was not able to provide comprehensive internal corrosion control procedures with regards to investigating whether a corrosive effects analysis is being performed. Further, there were no records to show that non-corrosive liquids are being transported.

BPXA must develop a plan for either showing that non-corrosive fluids are being transported in their Sales Oil Crude system, or alternatively that a sufficient quantity of corrosion inhibitors is being applied to the Sales Oil Crude system to prevent internal corrosion downstream of both the Milne Point and North Star Facility.

If BPXA chooses to use corrosion inhibitors in their Sales Oil Crude piping system, then internal coupons must be utilized to assure that adequate internal corrosion protection is being afforded to the Sales Oil Crude piping system.

BPXA must implement adequate corrosion control procedures with 30 days. If inhibitors are selected as a means to address internal corrosion control, then internal coupons must be installed at both sufficient locations as well as at locations susceptible to having internal corrosion. The location of coupons and a time frame for installation of the coupons are to be shared and discussed with PHMSA Western Region.

2. In regards to Item Number 2 of the Notice pertaining to monitoring of atmospheric corrosion. BPXA must thoroughly inspect and document atmospheric corrosion at all locations where arctic insulation is not present. These atmospheric corrosion inspections are to be conducted on all DOT-regulated piping associated with the Milne Point Sales Oil Crude Line and on all DOT-regulated piping associated with the North Star Sales Oil Crude Line. The results of these inspections, and any follow-up plans for recoating bare or insufficiently coated piping must be provided to PHMSA within 90 days. We do recognize that Milne Point piping was recently recoated in early 2008; however, ongoing monitoring must be conducted.
4. BPXA shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. Costs shall 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.