

**U.S. Pipelines and Logistics**

BP Pipelines (North America) Inc.  
28100 Torch Parkway  
Warrenville, Illinois 60555

March 23, 2007

Mr. R.M. Seeley  
Director, Southwest Region  
U.S. Department of Transportation  
PHMSA, Office of Pipeline Safety  
8701 S. Gessner, Suite 1110  
Houston, TX 77074

Re: CPF No. CPF 4-2007-5003

Dear Mr. Seeley:

BP Pipelines (North America) Inc. is writing in response to the referenced notice of probable violation, proposed civil penalty, and proposed compliance order letter, received in our offices on February 27, 2007, regarding the August 2004, July, August, September, October, November and December 2005 pipeline safety inspections of BP Pipeline's facilities in New Mexico, Texas and Oklahoma.

Effective December 1, 2005, Conoco Phillips purchased BP's portion of the Seaway Products Pipeline JV (OPID 31549) referenced in your letter and became Operator of Record on March 1, 2006. BP assumes that the agency will communicate directly with Conoco Phillips regarding any corrective action required with respect to any items specific to that pipeline. If our assumption is incorrect, please advise us immediately. A copy of the letter advising you of the change of ownership and operation, which was submitted to your office February 17, 2006, is attached for reference.

As in prior communications with PHMSA of this nature, all references in the Proposed Compliance Order are limited to the BP Pipeline Systems inspected during the referenced inspection, and specific document references are limited to the items viewed between the prior DOT inspection of 2003 and this 2004 – 2005 inspection.

The referenced regulations and allegations from your letter are included below for ease of reference and BP's response for each follows. The information provided within demonstrates BP Pipeline's compliance with the regulations and eliminates the necessity of the violation and subsequent fine, with the completion of stated activities. The plans identified should provide sufficient documentation to remove the Proposed Compliance Order. If the Violation and Compliance Order are not rescinded, BP Pipelines respectfully requests a hearing. The following are responses to the allegations of non-compliance set forth in the NOPV and Proposed Compliance Order:

#### **1. 195.410 Line markers**

- (a) Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:
  - (1) Markers must be located at each public road crossing, at each railroad crossing, and in sufficient number along the remainder of each buried line so that its location is accurately known.
- (c) Each operator shall provide line marking at locations where the line is above ground in areas that are accessible to the public.

It is alleged that BP does not have sufficient markers to accurately show where their pipelines are located. When crossing cultivated agricultural fields, often the markers on the far side of the field could not be seen. From valve sites, looking in both directions, the next marker for the pipeline could not be seen. The lack of pipeline marking is a common problem with several of the BP pipelines that were inspected. The pipelines were marked at road crossings.

#### **Response:**

BP Pipelines contends that its procedures and practices are consistent with the regulations and that they are in compliance with those regulations. BP believes based upon historical context of procedural reviews and field inspections that BP's line marking program is satisfactory. While BP agrees that it is a great practice to provide additional markings beyond road crossings and fence lines, at times it is impractical. BP's past experience has shown that installing markers in the middle of a cultivated

field results in signs being knocked down or removed and deterioration in the relationships with the landowners. BP's program requires that annually markers are reviewed for integrity and reports of damaged or missing markers are addressed or replaced through our Electronic Maintenance Program. BP expects that the 2007 survey and the installation of additional markings (if required) will be completed by the end of July. BP has an aggressive Public Awareness element for rural areas as part of its comprehensive Damage Prevention Program. As a result, in areas where the pipeline crosses cultivated fields, BP has a program to contact landowners to ensure awareness of the location of the pipeline. As part of this notification program 154 landowners were contacted and an additional 1500 markers were placed or replacement of existing markers was completed between 2003 and 2006 for the systems identified in this inspection. BP believes that this integrated approach to Line marking and Public Education more than satisfies the requirements of 195.410(a) (1).

## **2. 195.436 Security of facilities.**

Each operator shall provide protection for each pumping station and breakout tank area and other exposed facility (such as scraper traps) from vandalism and unauthorized entry.

It is alleged that BP has pump stations, junctions and scraper trap facilities that do not have adequate protection against unauthorized entry or vandalism. It is also alleged that barbed wire fences are not adequate. The Monroe pump station and break out tanks had cyclone fencing with barbed wire around the top around the pump station, and 3 strands of barbed wire around the break out tank area. Vandals got into the tank area, climbed up a tank and walked around the wind girders on one of the tanks spraying graffiti. The vandals then climbed down onto the floating roof, painted graffiti, and smoked on the floating roof. The Artesia pump station has a 4 foot high hog and barbed wire fence facing the county road, and barbed wire around the remainder of the facility. The Fullerton pump station break-out tank area has no fencing at all. The gravel county road actually cuts through the pump station. Remote location is also not adequate to meet the requirements of this regulation.

### **Response:**

BP Pipelines contends that its procedures and practices are consistent with the regulations and compliant with those regulations with regard to the security of facilities identified in your letter. BP's procedures, which have been reviewed by this and previous inspections, state that BP will review the threats and provide necessary security for its facilities based upon those threats. BP has commenced a project to install additional chain link

fencing (vs. barbed wire) at Southwest Business District pump stations (including tank areas) so that such facilities are encircled by a chain link fence. BP Pipeline is enclosing, a schedule to fully fence vs. fence and barbed wire, its Southwest Business District pump stations and tank farm facilities, along with a proposed cost estimate as requested. BP believes that this program satisfies DOT's concerns around the area of security of facilities.

### 3. 195.573 What must I do to monitor external corrosion control?

- (a) *Protected pipelines.* You must do the following to determine whether cathodic protection required by this subpart complies with Sec. 195.571:
1. Conduct tests on the protected pipeline at least once each calendar year, but with intervals not exceeding **15** months. However, if tests at those intervals are impractical for separately protected short sections of bare or ineffectively coated pipelines, testing may be done at least once every **3** calendar years, but with intervals not exceeding **39** months.
- (d) *Breakout tanks.* You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API Recommended Practice **651**. However, this inspection is not required if you note in the corrosion control procedures established under Sec. **195.402(c)(3)** why compliance with all or certain operation and maintenance provisions of API Recommended Practice **651** is not necessary for the safety of the tank.

It is alleged that BP is just beginning to implement surveys that consider IR drop. This requirement has been in place since regulations were changed in 2001. A number of locations had instant off potentials, measured during the PHMSA inspections that were less negative than the  $-0.850$  mV criteria. Operator records indicate that the tank bottoms are also not being surveyed to account for IR drop during annual CP surveys.

#### **Response:**

BP Pipelines believed that its prior procedures and practices regarding external corrosion control met the requirements of NACE Standard RPO 169 which is incorporated by reference in 49CFR Part 195.573 and therefore was in compliance with PHMSA's regulations. This procedure used the methodology of negative 0.850 on, in conjunction with the use of sound engineering practices as stated in Section 6.2.2.1.1.2 "Reviewing the historical performance of the cathodic protection system" being taken into consideration. BP's leak history in this area demonstrates that no DOT reportable spills were caused by external corrosion on these pipeline systems.

BP modified its procedures in 2004 in response to comments from PHMSA Central Region as part of a PHMSA multi-region review and provided amended procedures to PHMSA in 2005 through documented correspondence. BP Pipelines has incorporated the use of IR Drop in its Corrosion Procedures as documented in the communication with PHMSA Central Region NOA closeout letter which is attached as evidence. The systems reviewed as part of this inspection have either completed the integration of the measured IR Drop or will complete this process during 2007. BP Pipelines Integrity Management Program prescribes Close Interval Surveys are done within a year of in-line inspection baseline assessment. Segments from this inspection were ILI'baseline assessed in 2006, thus a CIS is to be completed in 2007. These previous procedure modifications and the implementation of those procedures on the pipeline systems inspected as part of this inspection by PHMSA should demonstrate that the Proposed Compliance Order item regarding external corrosion is unwarranted.

**4. 195.579 What must I do to mitigate internal corrosion?**

**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.

It is alleged that BP has not done adequate investigations to determine whether there is internal corrosion or the potential for internal corrosion. BP has performed little monitoring, and has not done inspections to investigate whether there could be internal corrosion in facilities and non-piggable piping. The investigation of internal corrosion appears to be based upon a few internal coupons, which are improperly located on pipelines, and no other evidence could be produced.

**Response:**

BP Pipelines contends that its historical experience of no internal corrosion spills caused by the corrosive nature of the product transported and the results of BP's ILI Program demonstrate the non-corrosive characteristics of its crude oil streams with no internal corrosion issues identified. BP Pipelines has instituted a Facility Integrity Management Program (FIMP) that focuses on internal corrosion. This program has been reviewed by multiple PHMSA IMP inspections in which BP has demonstrated the program and its risk ranking of facilities. These ranking and subsequent FIMP inspections have included some of the facilities reviewed as part of this inspection. To further confirm this belief, BP Pipelines has analyzed the crude oil transported in the systems identified

during this inspection. The attached results validate BP's original premise of the non-corrosive nature of those streams. BP's internal line inspection program provides ample insight as to whether there is internal corrosion in the piping and whether or not product shipments are inducing corrosion growth. BP believes that these periodic (over several years ie. 2002 through 2006) sample analysis results, as well as the previous mentioned spill history and BP's Integrity Management Program components demonstrate BP's commitment to management of any internal corrosion concerns and eliminate the need for the Compliance Order for this item.

#### **5. 195.432 Inspection of in-service breakout tanks.**

- (a) Except for breakout tanks inspected under paragraphs (b) and (c) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, inspect each in-service breakout tank.
- (b) Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653. However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c) (3).
- (c) Each operator shall inspect the physical integrity of in-service steel aboveground breakout tanks built to API Standard 2510 according to section 6 of API 510.
- (d) The intervals of inspection specified by documents referenced in paragraphs (b) and (c) of this section begin on May 3, 1999, or on the operator's last recorded date of the inspection, whichever is earlier.

During the PHMSA inspections of BP breakout tanks at pump stations and the Cushing tank farm, a number of breakout tanks were noted for items not in compliance with the requirements of API 653.

The records indicate that the tanks have been inspected, and the items not in compliance with API 653 should have been noted and corrected after the inspections.

The records for the internal inspections and in some cases external inspections make it impossible to determine whether issues documented during the inspections have been addressed. Record keeping must include the records for the items identified during the inspections, and their resolution, or reasons for not being resolved.

#### **Response:**

BP Pipelines has incorporated API 653 in its procedures and has followed those procedures since DOT's incorporation by reference of API 653. The tanks referenced in this letter were those tanks that were inspected between the 2003 PHMSA inspection of these units and this 2005 PHMSA inspection of the same units and have been part of BP's API 653

inspection program. BP made such documentation available at the time of the inspection by means of hard copy files in multiple boxes and believes that those records indicate compliance with BP's interpretations of API 653 recommendations. During the PHMSA inspection it was pointed out by the inspector that Snyder Tank 361 had a sharp corner repad. This repad has been analyzed using a brittle fracture assessment during its API 653 internal inspection which occurred after the inspection. The results of the assessment in conjunction with the fact that the wall thickness was less than ½ inch demonstrates that it poses no threat to a brittle fracture. BP will review its records regarding the findings from API 653 inspections and will provide documentation demonstrating compliance with BP's procedures.

### **Areas of Concern Identified**

BP Pipelines provides the following additional information in regard to the Office of Pipeline Safety's areas of concern, and gladly accepts PHMSA's written acknowledgement of BP Pipelines' commitment to follow up on these areas of concern at the time of the inspection.

#### **1. 195.420 Valve maintenance**

- (c) Each operator shall provide protection for each valve from unauthorized operation and from vandalism.

A number of the BP Pipeline valves do not have protection from vandalism at the sites. The valves were chained and locked to prevent unauthorized use, but these locations did not provide any deterrence against vandalism. Local personnel did provide additional information regarding this issue.

During the inspections it was noted that BP's preferred method of complying with 195.420c is to install locked chain link fencing around the valves. This was evident in the six BP units that were inspected, where most of above ground valves were located in locked fences.

Some of the remaining valves in those units were located above ground with no fences. Some of the valves were inside a pipe post and beam enclosure, which may be sufficient to keep cattle from rubbing on the valves, but do not address prevention of vandalism. The number of above ground valves that were observed without fences by the inspector on the six Texas and New Mexico units exceeded seven, and the lack of fencing was pointed out to BP personnel at the time of the inspections.

It should be pointed out that all of the unfenced valves were chain locked and some had steel barricade posts installed. A review of your procedures by our inspectors did not reveal any alternative method of security for valve sites acceptable to you. BP should review their program, procedures, and facilities to ensure they are compliant with this regulation.

**Response:**

BP Pipelines would like to clarify its position in regard to the security of valve sites identified in your letter. BP disagrees with this finding. BP Pipelines contends that its procedures and practices are consistent with the regulations and compliant with those regulations with regard to the security of valves identified in your letter. BP's procedures, which have been reviewed by this and previous inspections, state that BP will review the threats and provide necessary security for its facilities based upon those threats. This may include the use of fencing of block valves if necessary based upon its location and potential threats. Further, it is incorrectly stated that BP's preferred method of compliance with this regulatory requirement is chained fencing of block valves.

**2. 195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?**

(a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.

Several of the breakout tank roofs, above ground valves, piping in opened vaults and exposed pipeline areas had coating that was failing or had failed, and was leaving the pipe or tank top susceptible to external corrosion. If left as is, corrosion could continue to the extent that the integrity of the pipeline or tanks would be compromised. Coating should be replaced before serious corrosion occurs.

**Response:**

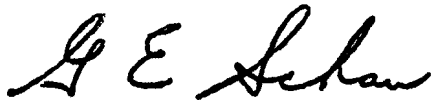
BP's procedures require that possible areas of atmospheric corrosion must be mitigated within 2 years of the inspection. All of the areas identified during the inspection have been addressed and are in compliance. BP has completed significant tank and valve painting work since the time of the inspection. BP can provide details of such work to your office if necessary to demonstrate BP's commitment to atmospheric corrosion mitigation.

BP Pipelines remains committed to working cooperatively with your office with the ultimate goal of further enhancing the safety of our operations.



Please feel free to contact me directly, or alternatively Rob Knanishu (630-836-3498), should you have any questions pertaining to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "G E Schau". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Gerald Schau  
Manager HSSE & Integrity

Attachments:

BP Pipelines (North America), Inc. Corrosion Control Procedure #P-195.551

US DOT PHMSA CPF 3-2004-5021M Notice of Amendment Close Out Letter dated  
May 24, 2006

BP Pipelines Fencing Cost Estimate & Schedule for SWBD Stations & Tank Farms 2007

BP Pipelines Internal Corrosion Sampling Program of Product Transported 2005  
Summary Data from Tulsa Control Center Pipeline Quality Coordinator

BP Pipelines (North America), Inc. Security of Facilities Procedure #P-195.436

BP Pipelines (North America), Inc. Letter via Overnight Mail on February 17, 2006  
Notice of Transfer of Operator of Record – Seaway Product Pipeline System to DOT  
PHMSA Mr. R.M. Seeley