



U.S. Department
of Transportation

8701 S. Gessner, Suite 1110
Houston, TX 77074

Pipeline and
Hazardous Materials
Safety Administration

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 21, 2007

Mr. Richard Bluntzer
Vice President, Pipeline Operations
Nustar Logistics, L.P.
One Valero Way
San Antonio, Texas 78249

CPF No. 4-2007-5019

Dear Mr. Bluntzer:

In 2004, a team of representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, conducted an onsite pipeline safety inspection of your Corrosion Control manuals, records and procedures at your headquarters in San Antonio, Texas. In August 2005 a follow up pipeline safety inspection of your Corrosion Control manuals, records and procedures was conducted at the PHMSA office in Houston, Texas. Concurrent field inspections were conducted during 2004.

As a result of the inspection, it appears that Nustar Logistics, L.P. (Nustar) (formerly known as Valero Logistics Operations, LP) did not comply with the pipeline safety regulations located at Title 49, Code of Federal Regulation (CFR), Part 195. The following probable violations are noted:

1. **§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:**
 - (2) **Identify before December 29, 2003 or not more than 2 years after cathodic protection is installed, whichever comes later, the circumstances in which a close-interval survey or comparable technology is practicable and necessary to**

accomplish the objectives of paragraph 10.1.1.3 of NACE Standard RP0169-96 (incorporated by reference, see Sec. 195.3).

Nustar has not identified the circumstances in which a close interval survey should be performed. As a result have not performed the close interval surveys to demonstrate that their pipelines are adequately protected.

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 \$[total amount] as follows:

<u>Item number</u>	<u>PENALTY</u>
1.	\$50,000

Proposed Compliance Order

With respect to item 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Nustar Logistics, L.P. 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 4-2007-5019** 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
Material Safety Administration

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 Nustar Logistics, L.P. (Nustar)(formerly known as Valero Logistics Operations, LP) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Nustar Logistics L.P. with the pipeline safety regulations:

1. In regard to Item 1 of the Notice pertaining to Nustar's pipeline systems, review Nustar's CP data collection and evaluation to ensure that data meets the regulatory requirements, including IR drop considerations and that the pipelines are protected. In areas where the pipelines are not adequately protected, develop a plan and time table to improve the CP systems to bring Nustar into compliance.
2. Nustar shall maintain documentation of the improvement costs. Submit to the Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration, 8701 South Gessner, Suite 1110, Houston, Texas 77074:
 - Results of surveys, assessments, and plans, with time table, must be submitted within 30 days following the receipt of the Final Order
 - All items shall be completed within 180 days following the receipt of the Final Order.
3. Nustar shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R.M. Seeley, Director, Southwest 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.