

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

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

September 29, 2016

Mr. Jeff Shipper  
Operations Officer  
Panther Operating Company, LLC.  
16000 Stuebner Airline Rd., Suite 420  
Spring, TX 77379

**CPF 4-2016-5032**

Dear Mr. Shipper:

On October 27, 2014 to February 5, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code inspected your Panther Operating Company, LLC (Panther) procedures, integrity management plan, records and pipeline facilities in Texas, City.

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. §195.64 National Registry of Pipeline and LNG Operators.**

**(c) Changes. Each operator must notify PHMSA electronically through the National Registry of Pipeline and LNG Operator at <http://opsweb.phmsa.dot.gov>, of certain events**

- (2) An operator must notify PHMSA of any following event not later than 60 days after the event occurs**
- (v) The acquisition or divestiture of an existing pipeline facility subject to this part.**

Panther Operating Company, LLC (Panther) failed to notify PHMSA within 60 days of the acquisition of an existing pipeline facility. On April 21, 2015, an email was received from Luis Guzman stating that Panther signed an Operating Agreement and acquired Main Pass Oil Gathering System (OPID-30969) from BP Pipelines (North America) in March 2014. The email further indicated that the required notification to PHMSA letter was sent to the Bureau of Safety and Environmental Enforcement (BSEE) from BP Pipelines (North America) stating that effective July 1, 2014, the new operator of the Main Pass Operating Gathering pipeline system will be Panther Operating Company. Panther filed a notification with PHMSA on April 21, 2015, stating that the acquisition has occurred on July 1, 2013.

**2. §195.404 Maps and records.**

- (a) Each operator shall maintain current maps and records of its pipeline systems that include at least the following information;**
- (3) The maximum operating pressure of each pipeline.**
- (4) The diameter, grade, type and nominal wall thickness of all pipes.**

Panther failed to maintain current records of its pipeline system to include the Maximum operating pressure (MOP) and the diameter, grade, type, and nominal wall thickness of the pipe.

When asked about this during the inspection, Panther provided a MOP Calculation Form for the segment from the “platform 474 to their facility at Texas City, TX”. When MOP calculation forms for other segments for Panther’s system were requested, Panther provided a Table showing the MOP’s for their 33 other segments. Panther could not provide the actual MOP calculations along with other documentation to substantiate the MOP for each section of pipe. The table is not sufficient to demonstrate the pipe’s manufacturer specification records (MTR), pipe mill records, pipe yield strength, seam type, wall thickness and diameter pipe specifications have been verified by Panther to calculate the MOP.

In another example, Panther provided transcribed records which could not be validated with original records of their High Island 474 (HI 474) to East Break 165 (EB 165) 12 inch pipeline to verify the pipeline specifications. The pipeline was constructed in 1986 and no original or copies of the manufacturer specification records (MTR), pipe mill records, purchase requisitions, or as built documentation indicating pipe yield strength, seam type, wall thickness and diameter were provided.

**3. §195.452 Pipeline integrity management in high consequence areas.**

**(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

**(3) *Assessment intervals.* An operator must establish five-year intervals, not to exceed 68 months, for continually assessing the line pipe's integrity. An operator must base the assessment intervals on the risk the line pipe poses to the high consequence area to determine the priority for assessing the pipeline segments. An operator must establish the assessment intervals based on the factors specified in paragraph (e) of this section, the analysis of the results from the last integrity assessment, and the information analysis required by paragraph (g) of this section.**

Panther Pipeline failed to establish a five-year re-assessment interval for continually assessing the line pipe's integrity on the Texas City to High Island Platform (HI) 454 segment. The baseline assessment on the HCA segment was performed by the previous operator in December 2007. Panther acquired the pipeline after 2007, but failed to establish the re-assessment interval. Panther did not conduct a re-assessment on the aforementioned segment as of the date of inspection on February 2015.

**4. §195.452 Pipeline integrity management in high consequence areas.**

**(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?**

**(1) *General.* After completing the baseline integrity assessment, an operator must continue to assess the line pipe at specified intervals and periodically evaluate the integrity of each pipeline segment that could affect a high consequence area.**

Panther failed to complete the re-assessment of the pipeline at the required interval. Even though it is already stated that Panther failed to properly establish an interval for re-assessment the regulation specify a 5 year not to exceed 58 month interval. This line had its baseline assessment in 2007 and Panther did not perform another assessment as of February 2015.

**5. §195.452 Pipeline integrity management in high consequence areas.**

**(f) *What are the elements of an integrity management program?* An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:**

**(3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);**

Panther Pipeline failed to perform an analysis that integrated all available information about the integrity of its entire pipeline and the consequences of a failure as required by §195.452(f)(3) and §195.452(g), including their Texas City facility, valves and other appurtenances connected to line pipe. Panther Pipeline's Mechanical Integrity Program, Section 2.3.7 states, "A formalized risk assessment will be conducted on all applicable transmission pipelines". Panther could not produce evidence to show a risk assessment was ever performed and executed since taking over operation of the pipeline.

**6. §195.452 Pipeline integrity management in high consequence areas.**

**(f) *What are the elements of an integrity management program?* An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:**

**(5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);**

Panther Pipeline failed to develop a continual process of assessment and evaluation to maintain the pipeline's integrity as required by §195.452(f)(5) and §195.452(j). Panther could not produce evidence to show a continual process of assessment and evaluation was ever performed and executed since taking over operation of the pipeline. Panther could not produce evidence to show the frequency of evaluation and assessment intervals were based on risk factors specific to its pipeline including the factors specified in §195.452(e).

**7. §195.452 Pipeline integrity management in high consequence areas.**

**(f) *What are the elements of an integrity management program?* An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An**

operator must include, at minimum, each of the following elements in its written integrity management program:

**(6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);**

***(i) What preventive and mitigative measures must an operator take to protect the high consequence area? (1) General requirements. An operator must take measures to prevent and mitigate the consequences of a pipeline failure that could affect a high consequence area. These measures include conducting a risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Such actions may include, but are not limited to, implementing damage prevention best practices, better monitoring of cathodic protection where corrosion is a concern, establishing shorter inspection intervals, installing EFRDs on the pipeline segment, modifying the systems that monitor pressure and detect leaks, providing additional training to personnel on response procedures, conducting drills with local emergency responders and adopting other management controls.***

Panther Pipeline failed to identify preventive or mitigative measures to protect the high consequence area as a part of its IM program. Panther failed to conduct a proper risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Their documentation demonstrates lack of proper risk analysis to identify the need for additional preventive and mitigative measures to protect HCAs.

#### Proposed Compliance Order

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violations occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with maximum penalty not exceeding \$1,000,000 for related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to items 2, 3, 4, 5, 6, 7 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Panther Operating Company, LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

#### Warning Items

With respect to item 1, 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 these item(s). Failure to do so may result in 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. All material you submit in response to this enforcement action may be 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 4-2016-5032** 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 Materials 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 Panther Operating Company LLC, a Compliance Order incorporating the following remedial requirements to ensure the compliance of Panther Operating Company LLC with the pipeline safety regulations:

1. In regard to Item Number 2 of the Notice pertaining to failing to maintain current maps and records Panther must locate or acquire the records from the previous owner or if that is not an option Panther must develop a plan to replicate the necessary information such that it can be used to determine MOP and other integrity evaluations. Or Panther must:
  - a. Verify flange and pipe fittings on pipeline system at the platform and onshore facilities to commensurate with the MOP.
  - b. Verify pipe wall thickness of the piping on the platform and at the onshore facility by measuring the thickness at quarter points around the pipe.
  - c. Degrade pipeline yield strength to 24,000 psi or verify pipeline yield strength by performing all of the tensile tests of API Specification 5L on randomly selected specimens with the following number of tests:

Pipe Size	No. of Tests
Less than 6 5/8 in (168 mm) nominal outside diameter	One test for each 200 lengths
6 5/8 in through 12 3/4 in (168 mm through 324 mm)	One test for each 100 lengths
Larger than 12 3/4 in (324 mm) nominal outside diameter.	One test for each 50 lengths

2. In regard to Item Number 3, of the Notice pertaining to Panther's failure to establish an assessment interval Panther must gather the appropriate information and establish the assessment interval for its pipelines.
3. In regard to Item Number 4 of the Notice pertaining to Panther's failure to perform a re-assessment. Panther must perform the re-assessment as soon as practicable. All future re-assessments must be performed according to the newly established interval.
4. In regard to Item Number 5 of the Notice pertaining to Panther's failure to perform an analysis on the HIPS that integrated all available information of its entire pipeline. Panther must review their IM Plan and develop the process they will utilize to analyze and integrate all available information. Panther must also perform the required data analysis and integration.
5. In regard to Item Number 6 of the Notice pertaining to failure to develop a continual process of assessment and evaluation to maintain the pipeline's integrity. Panther must develop a continual process of assessment and evaluation to be included as part of their IMP. Panther must also perform the required continual assessment and evaluation.

6. In regard to Item Number 7 of the Notice pertaining to Panther's failure to identify preventive and mitigative measures. Panther must perform and fully document preventative and mitigations measures reviews and document what preventative and mitigative measures were considered, adopted or not adopted and documentation of the application of a risk-based decision-making process for leak detection enhancements.
7. Panther Pipeline shall provide documentation of completing the above items within 60 days after receipt of the Final Order.
8. It is requested (not mandated) that Panther Pipeline 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. It is requested that these costs 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.