January 18, 2018

Mr. Barry E. Davis, CEO
EnLink Midstream
2501 Cedar Springs Road
Suite 100
Dallas, TX 75201

Re: CPF No. 3-2015-5009

Dear Mr. Davis:

Enclosed please find the Final Order issued in the above-referenced case. It withdraws the allegations of violation and the proposed compliance order against Ohio River Valley Pipeline, LLC, a subsidiary of EnLink Midstream. This case is now closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Allan C. Beshore, Director, Central Region, Office of Pipeline Safety, PHMSA
Mr. Vince Murchison, Counsel for Ohio River Valley Pipeline, LLC, Murchison Law Firm, 325 North St. Paul Street Suite 2700, Dallas, Texas 75201
Mr. Mac Hummel, Executive Vice President, Ohio River Valley Pipeline, LLC

CERTIFIED MAIL - RETURN RECEIPT REQUESTED
In the Matter of

Ohio River Valley Pipeline, LLC, a subsidiary of EnLink Midstream, 

Respondent.

CPF No. 3-2015-5009

FINAL ORDER

On December 10-14, 2012, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Ohio River Valley Pipeline, LLC (ORV or Respondent), in Nashport, Ohio. ORV’s crude oil system consists of 64.87 miles of 6-inch and 8-inch pipeline running south from Killbuck, Ohio, to Nashport, Ohio, continuing south to Sego, Ohio, Corning, Ohio, east to Lowell, Ohio, and southeast to the Ohio River terminal. The system receives product from over-the-road tanker trucks, which deliver to collection tanks at various locations. ORV is an affiliate of the EnLink Midstream companies, EnLink Midstream Partners, LP and EnLink Midstream, LLC (the general partner).

As a result of the inspection, the Director, Central Region, OPS (Director), issued to Respondent, by letter dated November 2, 2015, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that ORV had committed three violations of 49 C.F.R. Part 195 and proposed ordering Respondent to take certain measures to correct the alleged violations.

Respondent responded to the Notice by letter dated December 30, 2015 (Response). ORV contested all of the allegations and requested a hearing. A hearing was subsequently held on July 27, 2016, in Kansas City, Missouri, with an attorney from the Office of Chief Counsel, PHMSA, serving as Presiding Official. At the hearing, Respondent was represented by counsel. After the hearing, Respondent provided a post-hearing submission for the record, dated August 26, 2016 (Closing). OPS provided a recommendation dated November 21, 2016, and Respondent submitted a reply dated January 27, 2017.
BACKGROUND

The ORV system moves crude oil, which is collected and stored at Respondent’s Killbuck Station near Killbuck, Holmes County, Ohio, then periodically moved in batches to Bells Run Station near Marietta, Washington County, Ohio, a total distance of 126.08 miles. At intervening stations, additional crude oil, and, at two locations, condensate, are collected and stored, then periodically moved onto the ORV Pipeline. The crude oil moved on the ORV Pipeline is produced as a mixture of crude petroleum, salt water (brine), and sediment. The produced mixture is moved from wellsite tanks by trucks, which take the unprocessed mixture to collection stations on the ORV Pipeline, where the mixture is offloaded into one or more tanks. At some collection facilities, water is settled out while the mixture is held in these tanks.

From the collection-station tanks, the product is then moved onto the ORV Pipeline in batches. Lowell Station is configured such that it may receive previously separated crude from the pipeline, as well as receive full well-stream production from trucks. Lowell is not configured, however, to have separated water removed. This can result in the mixing of separated crude oil with unseparated crude oil, all of which then is separated after movement to Bells Run. The crude petroleum ultimately reaches ORV’s Bells Run facility. In addition to crude oil, condensate (a hydrocarbon liquid similar to crude oil) is gathered at the Black Run and Bells Run facilities, via truck transport. During the time the condensate is stored in the tanks, produced water separates from the mixture and is then removed for disposal. At Bells Run, all crude oil and condensate are prepared for further transportation by barge.

CLASSIFICATION OF THE OHIO RIVER VALLEY PIPELINE

In the Notice, OPS alleged that the pipeline was not a “gathering line” which would be subject only to limited requirements in Part 195, but, rather, was a covered transmission line (or trunk line) under § 195.1(a)(3) subject to all regulatory obligations of Part 195. During the hearing, OPS explained that it did not consider the ORV Pipeline to be a gathering line because there was no physical pipe connection to well production, but instead all product transported in the pipeline was received from tanker trucks at collection stations along the pipeline.

Respondent contested OPS’ determination that the ORV Pipeline was not a gathering line. ORV submits that the pipeline is a gathering line, with certain segments that are unregulated and certain segments that are “regulated rural gathering lines” under 49 C.F.R. § 195.11 (two of these are short segments which are subject to the full breadth of Part 195). Specifically, ORV testified at the hearing that the 126-mile ORV Pipeline is a gathering line system pursuant to 49 C.F.R. § 195.1(a)(4)(i)-(ii), with 68.46 miles of regulated rural gathering line; two segments are fully

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1 Closing at 4.
2 Closing at 5.
3 Closing at 5-6.
4 Notice at 2. “Transmission line” is a term that is not actually defined in § 195.2 of the hazardous liquid pipeline safety regulations and is more commonly used with respect to natural gas pipelines covered by Part 192. However, we use it here as a useful aid to help clarify the distinction with the term gathering line.
regulated under all subparts of Part 195, consisting of an approximately 1,700-foot segment within the city limits of Brownsville, Ohio, and a 621-foot segment across the Muskingum River between Lowell Station and Bells Run Station, a waterway currently used for commercial navigation.

The parties agree that all three of the alleged violations in the Notice rest on this single issue: whether the ORV Pipeline is a gathering line or a transmission line.

Analysis

1. Demarcation between production and transportation.

The applicable pipeline safety regulations at 49 C.F.R. § 195.2 define a “gathering line” as “a pipeline 219.1 mm (8-5/8 inch) or less nominal outside diameter that transports petroleum from a production facility.” Generally speaking, gathering lines tend to be smaller-diameter, low-pressure pipelines typically located in remote areas.

The parties agree that the ORV Pipeline meets all of the size and pressure criteria for a (regulated) gathering line set forth in 49 C.F.R. § 195.11(a) as follows:

(a) Definition. As used in this section, a regulated rural gathering line means an onshore gathering line in a rural area that meets all of the following criteria—

1. Has a nominal diameter from 6⅝ inches (168 mm) to 8⅝ inches (219.1 mm);
2. Is located in or within one-quarter mile (.40 km) of an unusually sensitive area as defined in §195.6; and
3. Operates at a maximum pressure established under §195.406 corresponding to—
   (i) A stress level greater than 20-percent of the specified minimum yield strength of the line pipe; or
   (ii) If the stress level is unknown or the pipeline is not constructed with steel pipe, a pressure of more than 125 psi (861 kPa) gage.

Therefore, the question of whether the ORV Pipeline is properly classified as a gathering pipeline or a transmission pipeline depends on whether the ORV Pipeline “transports petroleum from a production facility,” as that phrase is used in 49 C.F.R. § 195.2.

A “production facility,” in turn, is defined in § 195.2 as:

. . . [P]iping or equipment used in the production, extraction, recovery, lifting, stabilization, separation or treating of petroleum or carbon dioxide, or associated storage or measurement. (To be a production facility under this definition, piping or equipment must be used in the process of extracting petroleum or carbon dioxide from the ground or from facilities where CO₂ is produced, and
preparing it for transportation by pipeline. This includes piping between treatment plants which extract carbon dioxide, and facilities utilized for the injection of carbon dioxide for recovery operations.)\(^5\)

As an initial matter, the parties disagreed about whether the trucks used to move the oil to the collection stations on the ORV pipeline were “equipment” used in the production of the oil.

OPS contended that the trucks used to move product from the well sites to the collection stations on the pipeline do not meet the regulatory definition of “equipment” because the trucks are not connected to the ground. Based on its conclusion that the trucks are not production equipment, OPS believes that the product does not come “from a production facility.”\(^6\)

In response, ORVP argued that the trucks should be considered to be production equipment, making them part of the production facility and thus negating OPS’ argument that the oil does not come from a production facility. ORV provided many common definitions of the term “equipment,” including Black's Law Dictionary Online Legal Dictionary. It defines equipment as “[t]ools, be they devices, machines, or vehicles” to “assist a person in achieving an action beyond the normal capabilities of a human.” ORV argued that trucks are used commonly to move crude oil from wellsites to processing facilities.\(^7\) ORV explained that the crude oil is collected in tanks along the system, then stored in tanks where separation and stabilization may occur until a batch is moved onto the ORV Pipeline.\(^8\) ORV noted that the collection stations where crude oil is collected into tanks perform some of the same functions as some oil production facilities. For example, water, is separated from the crude oil and removed from the tanks at different stations for disposal into injection wells.

Having considered both parties’ arguments on the issue of whether the trucks used to move the oil from the well sites to the collection stations on the ORV Pipeline are equipment used to produce the oil, I find that ORV’s argument that these trucks are part of the production facility (i.e., the well) is inconsistent with the purpose of these definitions in establishing a demarcation between production and transportation. The Part 195 definition of “production facility” is mainly focused on the extraction function. Under the federal statutory and regulatory structure, however, gathering is transportation. The fact that some functions, such as water removal, that are done at some gathering facilities are also done at some production facilities is not dispositive,

\(^5\) 49 C.F.R. § 195.2. Production facilities are facilities necessary to perform tasks of extracting and “preparing the petroleum for transportation by pipeline (stabilization, separation, treating, storage, measurement).” As directed by the preamble to the Final Rule, the function of the facility determines (along with the size of the pipe) whether the facility is a production facility.

\(^6\) Region Recommendation at 2.

\(^7\) Closing at 26.

\(^8\) ORV argued that in its view the collection stations on the pipeline were production facilities. Closing at 12-13.
because water removal and other treatment and processing steps can also be done after oil leaves a production facility and enters the stream of transportation.\(^9\) Secondly, OPS correctly pointed out that over-the-road trucking is itself a mode of transportation. Each truck would be subject to its own regulatory requirements elsewhere in the CFR for motor carriers, as well as specific regulations that apply to the transportation of flammable liquids by truck.\(^10\) Asking PHMSA, an agency within the U.S. Department of Transportation, to designate these trucks as production equipment rather than transportation would create inconsistencies in the applicability of the existing regulatory frameworks for truck transportation. Transportation is simply the movement of something from one location to another, which is the function of these trucks.\(^11\) On balance, ORV is not persuasive that trucks used to transport product from well sites over public roads are production equipment for purposes of the § 195.2 definition of “production facility.” Therefore, I do not make such a finding here.

2. Applicability of the regulatory “gathering line” definition to the functional configuration of the ORV system.

The determinative issue in this case is whether, despite ORV’s argument about the trucks being production equipment being incorrect, OPS has carried its burden of establishing that ORV committed the alleged violations in the Notice by improperly classifying the pipeline as a gathering line.

As noted above, the applicable pipeline safety regulations at 49 C.F.R. § 195.2 define a “gathering line” as “a pipeline 219.1 mm (8¾ inch) or less nominal outside diameter that transports petroleum from a production facility.” Generally speaking, gathering lines tend to be smaller-diameter, low-pressure pipelines typically located in remote areas that collect crude oil and move it downstream for further transportation.\(^12\) The OPV Pipeline meets the typical characteristics and functions of a gathering line.

OPS maintained that any pipeline not directly connected to a well cannot be considered a gathering line but must be classified as a transmission line, despite meeting all of the size and pressure-related criteria for classification as a gathering line. ORV argued that the ORV Pipeline is eight inches in diameter or less, transports petroleum, and therefore would be a gathering line as long as it is transporting the petroleum “from a production facility,” regardless of whether it is directly connected to a well.

\(^9\) In this case, the trucks are owned and operated by ORV. However, it appears that there is nothing stopping a well owner or operator from selling its oil to a truck transportation company that neither produces oil nor operates any pipelines but simply transports oil from the well to a pipeline station for further transportation.

\(^10\) See 49 C.F.R. Parts 350-399.

\(^11\) The truck is actually performing the same function as a gathering pipeline in that it is receiving product directly from the well and then delivering that product to a collection point, where it is combined with product from other wells and further transported. Thus, these trucks can be seen as an early step in the overall gathering process that ORV has in place and that involves trucks, tanks and pipelines.

\(^12\) The regulatory scheme exempts or imposes lighter regulations on gathering lines, on the basis that they are generally thought to have lower risk than transmission lines and generally would have lower consequences in the event of a failure.
In support of its position, ORV cited an agency interpretation letter that had been issued by PHMSA and was available to operators on PHMSA’s website. Specifically, ORV cited the EOTT interpretation letter, in which PHMSA concluded that the crude oil pipeline was a non-regulated gathering line under § 195.1(b)(4) because it was “less than 8% inches in nominal outside diameter, transports petroleum from a production facility, and [was] located in a rural area”. This interpretation involved a system in which the requester explained that “Oil is gathered from production facilities… [and] enters the gathering system at three other locations… The gathering system [has] a truck injection pipeline at Rhame Station and at one other location before it gets to Baker Station, which … does not change the character of the downstream line from gathering.” In its interpretation letter, PHMSA determined that the system was a gathering system, stating that it “agrees…that the EOTT crude oil pipeline system from Rhame Station in North Dakota to Baker Station in Montana is a non-regulated gathering line under §195.1(b)(4) because it is less than 8% inches in nominal outside diameter, transports petroleum from a production facility, and is located in a rural area.” ORV argued that the functional configuration of the ORV Pipeline system was substantially similar to the EOTT pipeline system and therefore should also be classified as a gathering line.

OPS also pointed to interpretation letters that it believed would support its position. OPS cited the Brooks Range Petroleum interpretation letter, in which the operator requested confirmation that a 6-inch oil pipeline was a gathering line and therefore not subject to Part 195. PHMSA determined that the pipeline was subject to Part 195, stating that because “it does not extend directly from a well or production facility…it is not exempt as a production or gathering line.” OPS also cited a Questar interpretation letter which “determined that a line which receives petroleum from a truck-unloading facility, among other line characteristics, would be regulated under Part 195.” However, the determining factor in PHMSA finding that the line was not a gathering line was a different criterion: the specified minimum yield strength of the pipe.

PHMSA’s interpretation letters “reflect the agency’s current application of the regulations to the specific facts presented by the person requesting the clarification.” Interpretations therefore provide guidance in understanding PHMSA’s regulations; however, they do not carry the weight of law. When presented with an interpretation with similar facts to the case at-issue, that interpretation generally should be given more weight than one with dissimilar facts. For purposes of the issue in this case, I find that the EOTT interpretation letter has more relevance than the letters cited by OPS given its parallels to ORV’s system, including the use of trucks. While the Brooks Range interpretation did appear to offer some support for OPS’ position, ORV argued persuasively that the ORV Pipeline is configured the same as the EOTT gathering line and functions largely the same as the EOTT gathering line.

More significantly, the record in this case demonstrates that PHMSA has never promulgated a regulation or even authoritative guidance clearly establishing that a pipeline that is not directly

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14 EOTT Interpretation.

15 EOTT Interpretation.

connected to a well cannot be a gathering line and must be classified as a transmission line, despite meeting all of the size- and risk-related criteria for classification as a gathering line. OPS did not establish that there was any formalized limitation on the definition of a gathering line that imposed the additional requirement of direct physical connection by pipe to a well. All oil moving in the gathering process comes “from a production facility.” The applicable regulations do not bar any pipeline that begins at a point other than a well, such as a collection point fed by trucks, from being a gathering line. Rather, the agency declined to name every pipeline that begins at a truck unloading station to be a gathering line.

In addition, it appears clear from the record that the line has never been treated as a transmission line by its operators or by OPS. Rather it has been treated as a gathering line for the last 37 years. OPS provided no information in the record establishing that the agency has historically treated this or any other lines like the ORV Pipeline as transmission lines. For example, OPS did not cite even one prior enforcement case where an operator of a truck-supplied gathering line was found to have violated any regulation in Part 195 that was applicable to non-gathering lines.

Under circumstances where an agency is using an enforcement proceeding that would penalize an operator and seeks to change the status quo in how a given type of facility has apparently been treated in the past, that agency is obligated to provide notice to affected operators. The phrase “from a production facility” does not provide an operator with any certainty on the issue of whether a direct pipe connection is required or not and the guidance issued by OPS in the form of interpretation letters is conflicting at best. Even if OPS has reason to believe that lines like the ORV Pipeline should begin to be classified as transmission lines, it remains bound by the “fair notice” standard.

Finally, while not legally dispositive, ORV presented testimony at the hearing that if the use of trucks to supply small pipelines like the OPV Pipeline would suddenly cause them to become fully regulated transmission lines, it could cause significant impacts on the ability of small well drillers to get their products to market. Many operators of small gathering systems that service small drilling operations could face significant new cost burdens if all of these lines suddenly had to be treated as fully regulated transmission lines. Basic fairness dictates that if OPS wants to bar any pipeline that begins at a point other than a well (such as a collection point fed by trucks) from being classified as a gathering line, it should undertake appropriate administrative proceedings to accomplish that in an unambiguous fashion with advance notice to regulated parties.

Based on the foregoing, I find that OPS did not establish that the ORV Pipeline was improperly classified as a (regulated) gathering line.

Finally, it should be emphasized that this determination, i.e., that the ORV Pipeline is a gathering line, does not mean that the pipeline is entirely unregulated. ORV has conceded that certain portions of its pipeline are regulated gathering lines subject to the basic safety requirements

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17 Hearing Transcript at 173-175.

18 OPS acknowledged at the hearing that some of the jurisdictional diagrams available online that operators might refer to as part of making their line classifications had undergone changes in the months before the NOPV was issued.
found in § 195.11(b). If OPS believes that any portions of this gathering system were not
designated by ORV as “regulated gathering” but should have been, OPS is free to revisit that
issue in a future proceeding.

**FINDINGS OF VIOLATION**

The Notice alleged that Respondent violated 49 C.F.R. Part 195, as follows:

**Item 1:** The Notice alleged that Respondent violated 49 C.F.R. § 195.49, which states

**§ 195.49 Annual report.**

Each operator must annually complete and submit DOT Form PHMSA F7000-1.1 for each type of hazardous liquid pipeline facility operated at the end of the previous year. An operator must submit the annual report by June 15 each year, except that for the 2010 reporting year the report must be submitted by August 15, 2011. A separate report is required for crude oil, HVL (including anhydrous ammonia), petroleum products, carbon dioxide pipelines, and fuel grade ethanol pipelines. For each state a pipeline traverses, an operator must separately complete those sections on the form requiring information to be reported for each state.

The Notice alleged that Respondent violated 49 C.F.R. § 195.49 by failing to complete and submit DOT Form PHMSA F7000-1.1 for each type of hazardous liquid pipeline facility operated at the end of the previous year. Specifically, the Notice alleged that ORV’s annual reports had been submitted on the premise that the pipeline was a regulated rural gathering line and therefore did not reflect the status of the ORV Pipeline as a pipeline subject to the scope of all subparts of 49 CFR 195.

In its Response, at the hearing, and in its Closing, ORV contested the alleged violation. It stated that “the regulated segments of Respondent’s pipeline are regulated rural gathering lines,” and therefore, it was in compliance with Part 195 reporting requirements.

As discussed above, I find that the ORV Pipeline is a gathering line. Accordingly, after considering all of the evidence and the legal issues presented, I find that ORV has not violated 49 C.F.R. § 195.49 as alleged in the Notice. Based upon the foregoing, I hereby order that Item 1 be withdrawn.

**Item 2:** The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a), which states:

**§ 195.402 Procedural manual for operations, maintenance, and emergencies.**

(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where
operations and maintenance activities are conducted.

The Notice alleged that Respondent violated 49 C.F.R. § 195.402(a) by failing to implement a manual of written procedures with regard to the full scope of Part 195 before the pipeline system went into operation. Specifically, the Notice alleged that the procedures in place at the time of inspection were inadequate because the manual included only procedures for implementing the safety requirements in § 195.11(b) for regulated rural gathering lines and did not include written procedures for a pipeline subject to all subparts of 49 C.F.R. Part 195.

In its Response, ORV disputed the allegation. It stated that the ORV Pipeline was a gathering line and therefore not required to include written procedures for a pipeline subject to all subparts of 49 CFR 195 in its manual. ORV further stated that there was no allegation that ORV failed to have or follow written procedures for the safety requirements in § 195.11(b) for regulated rural gathering lines.

As discussed above, I find that the ORV Pipeline is a gathering line. Accordingly, after considering all of the evidence and the legal issues presented, I find that ORV has not violated 49 C.F.R. § 402(a) as alleged in the Notice. Based upon the foregoing, I hereby order that Item 2 be withdrawn.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(f), which states:

§ 195.452 Pipeline integrity management in high consequence areas.
    (a) …
    (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:
    (1) A process for identifying which pipeline segments could affect a high consequence area;
    (2) A baseline assessment plan meeting the requirements of paragraph (c) of this section;
    (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);
    (4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);
    (5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);
    (6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);
(7) Methods to measure the program’s effectiveness (see paragraph (k) of this section);

(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(f) by failing to have a written integrity management program in place. Specifically, the Notice alleged that ORV’s pipeline system was operated as a gathering line and not operating under the framework of an integrity management program.

In its Response, ORV disputed the allegation. It stated that the at issue pipeline was a regulated rural gathering line, and therefore, it was not required to develop and implement a written integrity management program under 49 C.F.R. § 95.452(f).

As discussed above, I find that the ORV Pipeline is a gathering line. Accordingly, after considering all of the evidence and the legal issues presented, I find that ORV has not violated 49 C.F.R. § 195.452(f) as alleged in the Notice. Based upon the foregoing, I hereby order that Item 3 be withdrawn.

**COMPLIANCE ORDER**

The Notice proposed a compliance order with respect to Items 1, 2, and 3 in the Notice for the alleged violations of 49 C.F.R. § 195. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601.

As discussed above, I have withdrawn the alleged violations. Therefore, the proposed compliance order is also withdrawn.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

January 18, 2018

Alan K. Mayberry
Associate Administrator
for Pipeline Safety