

January 17, 2017

Mr. Mark A. Fischer
Chairman and CEO
Chaparral Energy, LLC
701 Cedar Lake Blvd.
Oklahoma City, OK 73114

Re: CPF No. 4-2015-5018

Dear Mr. Fischer:

Enclosed please find the Final Order issued in the above-referenced case. It withdraws the allegation of a violation. This enforcement action 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. Rod Seeley, Director, Southwest Region, OPS
Mr. Ahren Scott Tryon, Tryon Law Firm, 4148 Hockaday Drive Dallas, Texas 75229

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

In the Matter of)	
)	
Chaparral Energy, LLC,)	CPF No. 4-2015-5018
)	
Respondent.)	
)	

FINAL ORDER

From August 25 - September 17, 2015, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), investigated an accident that occurred on Chaparral Energy, LLC’s (Chaparral or Respondent) Coffeyville 8" carbon dioxide (CO₂) pipeline in Shidler, Oklahoma. The Coffeyville 8" pipeline experienced a failure on August 25, 2015. Following the failure, PHMSA issued a Corrective Action Order (CAO) to Chaparral on August 28, 2015.¹ Chaparral’s Coffeyville Pipeline System consists of 67.5 miles of 8" CO₂ pipeline running from the Coffeyville Resources Nitrogen Fertilizer Plant in Coffeyville, Kansas to the North Burbank production field near Shidler, Oklahoma.

Following the accident investigation, on September 18, 2015, the Director, Southwest Region, OPS (Director) issued a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice) to Chaparral for allegedly failing to comply with the pressure restriction contained in the CAO. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Chaparral had violated the Corrective Action Order and proposed assessing a civil penalty of \$115,200 for the alleged violation. The Notice also proposed ordering Respondent to take certain measures to correct the alleged violation.

Respondent responded to the Notice by letter dated March 21, 2016 (Response). Chaparral contested the allegation and requested a hearing. In accordance with 49 C.F.R. § 190.211, a telephonic hearing was held on March 31, 2016, before a Presiding Official from the Office of Chief Counsel, PHMSA. After the hearing, Respondent submitted written statements for the record by letters dated June 27, 2016 (Closing), August 29, 2016, and November 15, 2016. Pursuant to § 190.209(b)(7), the Director submitted a written evaluation of Respondent’s response material on July 27, 2016.

¹ *Chaparral Energy, LLC*, CPF No. 4-2015-5017H, Corrective Action Order (Aug. 28, 2015).

BACKGROUND

Respondent received a call from a landowner regarding a leak on its Coffeyville pipeline system on August 25, 2015.² After taking immediate action to verify the location of the pipeline failure, Respondent isolated the pipeline segment containing the leak by closing upstream and downstream block valves and then blew down the pipeline segment.³

During the afternoon of August 25, 2015, OPS representatives initiated contact with Respondent regarding the pipeline leak. Respondent informed OPS that it had isolated the segment of pipeline containing the leak location (Affected Segment), that CO₂ product was not flowing in the pipeline at the time of the leak because the Coffeyville Fertilizer Plant that supplied CO₂ to the system was offline, and that pipeline pressure at the leak location at the time of the leak was approximately 1,100 psig.⁴ On August 26, 2015, Respondent informed OPS that it would remove and replace the failed section of pipe on that day. After replacing and testing the Affected Segment, Respondent returned the Coffeyville pipeline system to service on August 26, 2015. Between August 26 and August 28, 2015, the Coffeyville pipeline system was operated at pressures below the system's maximum operating pressure established pursuant to 49 C.F.R. Part 195.⁵

On August 26, 2015, OPS notified Respondent by telephone that a CAO would be issued in the next couple of days, and that the CAO would call for the development of a Remedial Work Plan.⁶ On August 28, 2015, OPS issued the CAO and upon receipt Respondent implemented "Corrective Action Item 1," which directed the Company to immediately shut down the entire Coffeyville pipeline system.⁷ Respondent took no other operational action on the pipeline after shutting down the pipeline on the afternoon of August 28, 2015. Notably, the Coffeyville pipeline remained shut down with product in the line at the same pressure it had been operating at prior to the shutdown on August 28.⁸

² Response at 2.

³ Response at 2.

⁴ Response at 2.

⁵ Response at 2-3.

⁶ Response at 3.

⁷ Response at 4. Item 1 of the CAO stated "*Shutdown of Pipeline*. Chaparral must not operate the *Affected Segment* until authorized to do so by the Director."

⁸ Response at 4.

On September 8, 2015, Respondent submitted a Restart Plan to the Director for approval as required by the CAO.⁹ Respondent's Restart Plan included a statement regarding "Incremental Pressure Changes."¹⁰ This section stated that pressure in the pipeline was currently in the range of 1,100 psig to 1,300 psig, and that Respondent would actually be decreasing pressure rather than incrementally increasing pressure when it returned the pipeline to service.¹¹ The decrease in pressure would be in accordance with Corrective Action Item 3, which permitted the pipeline to be returned to service at an operating pressure not to exceed eighty percent (80%) of the actual operating pressure in effect immediately prior to the failure. Respondent stated in the Restart Plan that it would release CO₂ product into the atmosphere until the highest pressure reading along the pipeline system did not exceed 896 psig.¹²

On the morning of September 18, 2015, the Director, Southwest Region, approved Respondent's Restart Plan. That afternoon, OPS served Respondent with the current Notice of Probable Violation alleging Respondent violated the CAO by failing to reduce operating pressure on the Affected Segment upon receipt of the CAO to 80% of operating pressure at the time of failure.¹³

WITHDRAWAL OF ALLEGATION

The Notice alleged that Respondent violated the CAO, as follows:

Item 1: The Notice alleged that Respondent violated the CAO, which states in relevant part:

CORRECTIVE ACTION 3-

Return to Service - After the Director approves the Restart Plan, Chaparral may return the Affected Segment to service but the operating pressure must not exceed eighty percent (80%) of the actual operating pressure in effect immediately prior to the Failure.

The Notice alleged that Respondent violated the CAO by failing to lower pressure in the Affected Segment upon receipt of the CAO to 80% of the actual operating pressure in effect immediately prior to the Failure. Specifically, the Notice alleged that between August 28, 2015, when the CAO was received by Respondent, and September 18, 2015, when the Restart Plan was approved by the Director, Respondent did not lower the pressure on the Affected Segment to 80% of the actual operating pressure in effect immediately prior to the Failure.

⁹ Item 2 of the CAO required that "Prior to resuming operation of the *Affected Segment*, develop and submit a written *Restart Plan* to the Director for prior approval." Corrective Action Order at 4.

¹⁰ Restart Plan at 4.

¹¹ Restart Plan at 5.

¹² Response at 4.

¹³ Response at 5.

Respondent has argued that, contrary to the allegation in the Notice, the language of the CAO did not require a pressure reduction upon receipt of the CAO, but rather “explicitly ties the 80% pressure limitation to the pipeline’s return to service after the Director approves the Restart Plan submitted by Chaparral.”¹⁴ Respondent further argued that it had fully complied with Corrective Action Item 3 “exactly as drafted and ordered by PHMSA.”¹⁵ Specifically, Respondent shut down the pipeline immediately upon receipt of the CAO, developed and received approval for a Restart Plan, and upon that approval, returned the pipeline to service at an operating pressure limitation of 896 psig (80% of actual operating pressure immediately prior to the failure).¹⁶ Because the Restart Plan was not approved until September 18, 2015, Respondent argued that the operating pressure limitation was not applicable until that time.¹⁷

OPS maintained that the CAO established an 80% pressure restriction, calculated to be 896 psig, and that Chaparral violated the requirement by shutting in the pipeline at 1107 psig. At the hearing, OPS explained that it was unaware Respondent had shut in the line at a pressure higher than allowed until OPS was notified of that fact by the Restart Plan.¹⁸ In addition, OPS stated the CAO was issued using language based on the understanding between the parties that the pipeline was not operating.¹⁹

Having reviewed the applicable provisions of the CAO, I find the position offered by OPS is not sustainable. The plain language of Corrective Action 3 required Respondent to establish a limit on operating pressure after the Director approved the Restart Plan. Specifically, the language stated: “After the Director approves the Restart Plan, Chaparral may return the Affected Segment to service but the operating pressure must not exceed eighty percent (80%) of the actual operating pressure in effect immediately prior to the Failure.”

Unlike other corrective action orders that have been issued previously by PHMSA, which included a requirement to immediately reduce pressure upon receipt of the order, there was nothing in the CAO issued in this case that explicitly required Respondent to lower its operating pressure immediately upon receipt of the CAO.²⁰ For this reason, I conclude Respondent did not violate Corrective Action 3 of the CAO when it waited until after approval of the restart plan to

¹⁴ Response at 5.

¹⁵ Response at 8.

¹⁶ Response at 8.

¹⁷ Closing at 5.

¹⁸ Recommendation at 2; Transcript at 36-37.

¹⁹ Transcript at 120.

²⁰ See, e.g., Natural Gas Pipeline Company of America, CPF No. 4-2015-1006H, at 4, 2015 WL 3545212, at *3 (Apr. 17, 2015); Williams Partners, L.P., CPF No. 1-2015-1013H, at 4, 2015 WL 4652713, at *3 (Jun. 12, 2015); Tennessee Gas Pipeline Co., CPF No. 4-2015-1009H, at 4, 2015 WL 6758822, at *3 (Aug. 6, 2015) (requiring the operator to reduce and maintain a twenty percent (20%) pressure reduction upon receipt of the order, a provision not included in the CAO issued to Respondent).

reduce pressure. Accordingly, the Notice is withdrawn. The civil penalty proposed in the Notice is not assessed and the proposed compliance terms are not included.

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

January 17, 2017

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued