

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 18, 2015

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

Dear Mr. Fischer:

CPF 4-2015-5018

From August 25 - September 17, 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 investigated an accident that occurred on your Coffeyville 8" CO2 pipeline near Shidler, Oklahoma. The Coffeyville 8" pipeline experienced a failure on August 25, 2015, and as a result PHMSA issued a Corrective Action Order (CAO) to Chaparral on August 28, 2015.

At the time the CAO was issued, it was not known that Chaparral returned the Coffeyville line to service. It was not until a Restart Plan was submitted that PHMSA became aware that Chaparral returned the line to normal service on August 26, 2015. Upon receipt of the CAO on August 28, 2015, Chaparral shut the line in; however, you did not limit the pressure to the 80% restriction as required by Corrective Action 3 of the CAO.

As a result, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The item of probable violation is:

**1. CORRECTIVE ACTION 3 – [CPF No. 4-2015-5017H] Corrective Action Order:
Chaparral Energy, LLC**

***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.**

Chaparral Energy LLC (Chaparral) has the line shut-in, but has failed to reduce the pressure on their Coffeyville 8” carbon dioxide pipeline following PHMSA’s issuance of a CAO. On August 25, 2015, Chaparral experienced a reportable failure on your Coffeyville 8” carbon dioxide pipeline resulting in the release of over 2600 barrels of carbon dioxide while shut in at 1100 psig. The preliminary cause of the failure appears to be external corrosion, but the investigation is still ongoing.

On August 28, 2015, PHMSA issued a CAO (CPF No. 4-2015-5017H) to Chaparral to establish an 80% pressure restriction (from the pressure at the time of the release) on your pipeline. The CAO 80% pressure restriction would limit the pressure to 896 psig; however, the current pressure on the pipeline is 1107 psig.

Proposed Civil Penalty

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$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 a maximum penalty not to exceed \$1,000,000 for a 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	\$115,200

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 Chaparral. 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. 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 4-2015-5018** 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 Chaparral a Compliance Order incorporating the following remedial requirements to ensure the compliance of Chaparral with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to the failure to reduce the pressure on the Coffeyville 8” carbon dioxide pipeline, Chaparral must reduce the pressure on the pipeline to the 80% restricted pressure of 896 psig.
2. It is requested (not mandated) that Chaparral 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.