

October 9, 2019

Mr. K. Earl Reynolds  
Chief Executive Officer  
Chaparral Energy, Inc.  
701 Cedar Lake Boulevard  
Oklahoma City, Oklahoma 73114

**Re: CPF No. 4-2016-5029**

Dear Mr. Reynolds:

Enclosed please find the Final Order issued in the above-referenced case. It makes a finding of violation against Chaparral Energy, LLC, your subsidiary. Since Perdure Petroleum, LLC, is now the successor-in-interest of your CO<sub>2</sub> pipeline system, this Final Order is also being sent to them so that they may take steps to comply with elements of the compliance order as proposed in the Amended Notice. This case is now closed. Service of the Final Order by certified mail is effective upon the date of mailing, as 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: Ms. Mary McDaniel, Direct, Southwest Region, Office of Pipeline Safety, PHMSA  
Mr. Ahren Scott Tryon, Esq., Counsel for Chaparral Energy, LLC, Tryon Law Firm,  
4148 Hockaday Drive, Dallas, Texas 75229  
Mr. Tracy Evans, Chief Executive Officer, Perdure Petroleum, LLC, 12012 Wickchester  
Lane, Houston, Texas 77079

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 9, 2019

Mr. Tracy Evans  
Chief Executive Officer  
Perdure Petroleum, LLC  
12012 Wickchester Lane  
Houston, Texas 77079

**Re: CPF No. 4-2016-5029**

Dear Mr. Evans:

Enclosed please find a copy of a Final Order issued to Chaparral Energy, LLC, a subsidiary of Chaparral Energy, Inc. Since your company is now the successor-in-interest of the CO<sub>2</sub> pipeline system at issue in this matter, this Final Order is also being sent to you so that you may be advised of actions to ensure compliance with the pipeline safety regulations as proposed in the Amended Notice.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

Enclosure

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, )  
a subsidiary of Chaparral Energy, Inc., )

**Respondent.** )  
\_\_\_\_\_ )

**CPF No. 4-2016-5029**

**FINAL ORDER**

From March 2 through December 15, 2015, pursuant to 49 U.S.C. § 60117, representatives 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 Chaparral Energy, LLC's (Chaparral or Respondent), carbon dioxide (CO<sub>2</sub>) pipeline system in Oklahoma, Texas, and Kansas. At the time of the inspection, Chaparral owned a CO<sub>2</sub> pipeline system consisting of four different CO<sub>2</sub> pipelines totaling 259 miles. These four pipelines are: (1) the Coffeyville Line, which runs from a fertilizer plant in Coffeyville, Kansas to a production field near Shilder, Oklahoma; (2) the Borger Line, which runs from a fertilizer plant in Borger, Texas to an oil field in Camrick, Oklahoma; (3) the Farnsworth Line, which runs from the Borger tie-in to the Farnsworth Unit and the TEXOK tie-in to the Farnsworth Unit in Texas; and (4) the TEXOK Line, which runs from the ethanol plant in Arkalon, Kansas to Elmwood, Oklahoma to Ochiltree County, Texas.<sup>1</sup> On November 20, 2017, Chaparral transferred ownership and operation of the aforementioned CO<sub>2</sub> pipelines to Perdure Petroleum, LLC (Perdure).<sup>2</sup>

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated August 10, 2016, a Notice of Probable Violation and Proposed Civil Penalty (Notice), which also included warning items pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Chaparral had violated 49 C.F.R. § 195.577 and proposed assessing a civil penalty of \$158,400 for the alleged violation. The warning items required no further action, but warned the operator to correct the probable violations or face possible future enforcement action.

Chaparral responded to the Notice by letter dated September 14, 2016 (Response). Chaparral

<sup>1</sup> Pipeline Safety Violation Report (Violation Report), (Aug. 10, 2016) (on file with PHMSA), at 1.

<sup>2</sup> *Chaparral Energy Closes EOR Asset Sale for \$170 Million, Transitions to Pure-play STACK Operator*, Chaparral Energy Press Release, available at <https://www.chaparralenergy.com/news/chaparral-energy-closes-eor-asset-sale-170-million-transitions-pure-play-stack-operator> (last accessed August 6, 2019).

contested the alleged violation and requested a telephonic hearing. On February 20, 2017, Respondent filed a pre-hearing brief; however, prior to the scheduled hearing date, the parties requested a postponement of the hearing to engage in informal discussions. On May 10, 2017, the Director issued an amended Notice of Probable Violation and Proposed Compliance Order (Amended Notice). In accordance with 49 C.F.R. § 190.207, the Amended Notice proposed finding that Chaparral had violated 49 C.F.R. § 195.577 and proposed ordering Respondent to take certain measures to correct the alleged violation. The Amended Notice did not include a proposed civil penalty for the alleged violation.

On May 15, 2017, Respondent responded to the Amended Notice via email. Chaparral did not contest the alleged violation or the proposed compliance order, and withdrew its request for a hearing, thereby authorizing the entry of this Final Order without further notice.

### **FINDING OF VIOLATION**

In its Response, Chaparral did not contest the allegation in the Amended Notice that it violated 49 C.F.R. Part 195, as follows:

**Item 7:** The Amended Notice alleged that Respondent violated 49 C.F.R. § 195.577(a), which states:

**§ 195.577 What must I do to alleviate interference currents?**

(a) For pipelines exposed to stray currents, you must have a program to identify, test for, and minimize the detrimental effects of such currents.

The Amended Notice alleged that Respondent violated 49 C.F.R. § 195.577(a) by failing to identify, test for, and minimize the detrimental effects of stray currents to its Coffeyville Line. Specifically, the Amended Notice alleged that Chaparral failed to perform an evaluation of its pipeline system to determine the effects of any stray current interference from other adjacent metallic structures or to determine if interference bonds were needed for several pipeline crossings on its Coffeyville Line. The Amended Notice further noted that Chaparral's failure to perform the stray current analysis resulted in two reportable accidents on its Coffeyville Line on May 4, 2015, and August 25, 2015, as both failures were attributed to stray current corrosion unidentified by Respondent. Respondent was unable to provide any documentation of an evaluation for potential stray current interference effects on all pipeline crossings, and if interference bonds were needed for these locations as a method of mitigating stray currents.

Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.577(a) by failing to identify, test for, and minimize the detrimental effects of interference currents from adjacent metallic structures and pipeline crossings on its Coffeyville Line.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

### **COMPLIANCE ORDER**

The Notice proposed a compliance order with respect to Item 7 in the Amended Notice for a violation of 49 C.F.R. § 195.577. 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.

Since the Amended Notice was issued, Chaparral has transferred the assets which were the subject of the Amended Notice to Perdure. There is no indication in the record that Perdure has received notice of the Amended Notice or the proposed compliance order. However, as the successor-in-interest and the current operator of the CO<sub>2</sub> pipeline system in the Amended Notice, Perdure should consider the following actions in the proposed compliance order to ensure its pipeline complies with § 195.577. Moreover, Perdure remains obligated to operate its pipeline facilities in accordance with the Federal pipeline safety regulations.

1. With respect to Chaparral's violation of § 195.577(a) (**Item 7**), Perdure should consider taking the following actions:
  - a. Perform an evaluation of the CO<sub>2</sub> pipeline system to determine the potential for and effects of any stray current interference, and provide documentation of the evaluation at each pipeline crossing and the determination of the need for interference bonds (critical/non-critical).
  - b. Review its procedures for evaluating interference corrosion to determine if revisions are necessary to include provisions for both critical and non-critical bonds on all of its pipeline systems.

It is requested (not mandated) that Perdure maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director. 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.

### **WARNING ITEMS**

With respect to Items 1 through 6, the Amended Notice alleged probable violations of Part 195 but did not propose a civil penalty or compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

49 C.F.R. § 195.402(a) (**Item 1**) — Respondent's alleged failure to follow its Operations and Maintenance Manual (O&M Manual), Monitoring for Atmospheric Corrosion Section (Revised 09-13-14) to fill out the required Maintenance Record/Atmospheric Corrosion Inspection form following atmospheric corrosion inspections on the exposed portions of the TEXOK, Borger, and Farnsworth Lines for calendar year 2014;

49 C.F.R. § 195.571 (**Item 2**) — Respondent’s alleged failure to maintain an adequate level of cathodic protection at two test stations on its TEXOK Line as required by NACE SP 0169 and its O&M Manual;

49 C.F.R. § 195.507(a)(2) (**Item 3**) — Respondent’s alleged failure to maintain records to demonstrate compliance with the Operator Qualification (OQ) regulations after a significant change in its OQ covered task list;

49 C.F.R. § 195.52(a) (**Item 4**) — Respondent’s alleged failure to provide notice of a CO<sub>2</sub> release meeting the immediate notification requirements of “the earliest practicable moment following discovery of a release of ... carbon dioxide”;

49 C.F.R. § 195.589(c) (**Item 5**) — Respondent’s alleged failure to maintain corrosion remediation records demonstrating compliance with Subpart H corrosion control requirements; and

49 C.F.R. § 195.571 (**Item 6**) — Respondent’s alleged failure to consider voltage drops (IR drops) in determining the adequacy of cathodic protection on its Border, TEXOK, and Coffeyville Lines during the annual survey.

If OPS finds a violation of any of these items in a subsequent inspection, Respondent may be subject to future enforcement action.

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

October 9, 2019

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Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

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Date Issued