

March 3, 2017

Mr. Jeffrey H. Parrish
President
Panther Operating Company, LLC
16000 Steubner Airline
Suite 420
Spring, Texas 77379

Re: CPF No. 4-2016-5032

Dear Mr. Parrish:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by Panther Operating Company, LLC to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Southwest Region, this enforcement action will be 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. R.M. Seeley, Director, Southwest Region, PHMSA, OPS
Mr. Luiz Guzman, Vice President and Secretary, Panther Operating Co., LLC,

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)	
Panther Operating Company, LLC,)	
Respondent.)	
)	CPF No. 4-2016-5032

FINAL ORDER

On October 27, 2014 to February 5, 2015, 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 Panther Operating Company, LLC (Panther or Respondent), in Texas City, Texas. Panther is an oil and gas pipeline contract operator with operations primarily in the Gulf of Mexico.

As a result of the inspection, the Director, Southwest Region, OPS (Director), issued to Respondent, by letter dated September 29, 2016, a Notice of Probable Violation and Proposed Compliance Order (Notice), which also included a warning pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Panther had committed various violations of 49 C.F.R. Part 195 and proposed ordering Respondent to take certain measures to correct the alleged violations. The warning item required no further action, but warned the operator to correct the probable violation or face possible enforcement action.

Panther responded to the Notice by letter dated October 24, 2016 (Response). Panther contested one of the allegations and offered additional information in response to the Notice. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

Contested Item

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

Item 4: The Notice alleged that Respondent violated 49 C.F.R. § 195.452, which states in relevant part:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(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.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(j)(1) by failing to complete the reassessment of the pipeline at the required interval. Specifically, the Notice alleged that Panther failed to properly establish an interval for reassessing the pipeline within a five-year period, not to exceed a 68-month interval.¹ The Texas City to High Island Platform 454 segment had its baseline assessment in 2007 and Panther had not performed another assessment as of February 2015.

In its Response, Panther stated that a successful in-line inspection (ILI) run had been completed on the pipeline in December 2007, making the next reassessment due no later than August 2013 (68 months). Panther therefore scheduled, and began, the five-year reassessment process in August 2012 by launching a sizing plate in preparation for the next ILI run. Due to technical issues and unavailable equipment from the ILI vendor, Panther encountered various delays before a successful ILI run was completed on June 9, 2015. Panther notified PHMSA of this sequence of tasks and delays by correspondence dated September 22, 2015.

Panther argued that the reassessment process had begun within the required time, and due to issues beyond Panther's control, the completed process exceeded the five-year timeframe. As the ILI run has now been completed and inspection data made available to Panther in September 2015, Respondent requested that this item be withdrawn from the Notice and Compliance Order.

OPS disagreed with Panther's assertion that because the reassessment process began with a sizing plate tool run in August 2012, a year before the August 2013 due date, that it had met the requirement of having a reassessment within the five-year interval.² OPS stated that performing a sizing plate tool run is insufficient to be considered a completed assessment. Where internal inspection is the chosen assessment method, completing a reassessment requires both a metal loss and deformation tool runs. Therefore, OPS argued that the reassessment was completed when Panther ran an ILI tool on June 9, 2015.

Operators are required to complete assessments of line pipe integrity every five years, not to exceed 68 months. Pipeline safety regulations allow for variance from the five-year interval in certain limited situations. Where an operator faces delays due to unavailable technology, it “must notify OPS 180 days before the end of the five-year (or less) interval that the operator may require a longer assessment interval, and provide an estimate of when the assessment can be

¹ The Notice and Region Recommendation, issued Nov. 14, 2016, included an inadvertent error stating the interval as “58 months.” The error was not material to the proposed violation or this Order’s findings.

² Region Recommendation at 2.

completed.”³ The operator must “justify the reasons why it cannot comply with the required assessment period and must also demonstrate the actions it is taking to evaluate the integrity of the pipeline segment in the interim.”⁴ Pipeline integrity is one of the most important factors in ensuring the safety and reliability of a pipeline, and the intervals between assessments must be adhered to by operators.

In this case, Panther was aware that it faced “technical issues and unavailable equipment” in advance of the August 2013 deadline for completing its reassessment. Panther was required to inform “OPS 180 days before the end of the five-year (or less) interval that [it] may require a longer assessment interval,” due to the technical issues and unavailable ILI equipment. It did not, however, inform PHMSA of these issues or the reason why it had missed the deadline until September 22, 2015, three months after completing the reassessment and 25 months after the August 2013 deadline. Accordingly, after considering all of the evidence, I find that Respondent violated 49 C.F.R. § 195.452(j)(1) by failing to complete the reassessment of the pipeline at the required interval.

Uncontested Items

In its Response, Panther did not contest the allegations in the Notice associated with Items 2, 3, 5, 6, and 7 that it violated 49 C.F.R. Part 195, as follows:

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.404, which states in relevant part:

§ 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:

- (1) . . .
- (3) The maximum operating pressure of each pipeline.
- (4) The diameter, grade, type, and nominal wall thickness of all pipe.

The Notice alleged that Respondent violated 49 C.F.R. § 195.404(a)(3)-(a)(4) by failing 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. Specifically, the Notice alleged that when asked during the inspection, Panther provided an MOP Calculation Form for the segment from the “platform 474 to their [sic] facility at Texas City, TX.” When MOP calculation forms for other segments for Panther’s system were requested, Respondent provided a table showing the MOP for its 33 other segments. Panther could not provide the actual MOP calculations along with other documentation to substantiate the MOP for each section of pipe. Furthermore, the table was not sufficient to demonstrate that the pipe’s manufacturer specification records, pipe mill records, pipe yield strength, seam type, wall thickness, and diameter pipe specifications had been verified by Panther to calculate the MOP.

³ 49 C.F.R. § 195.452(j)(4)(ii).

⁴ 49 C.F.R. § 195.452(j)(4)(ii).

Panther also provided transcribed records which could not be validated with original records of its High Island 474 to East Break 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, pipe mill records, purchase requisitions, or as-built documentation indicating pipe yield strength, seam type, wall thickness and diameter were provided.

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. § 195.404(a)(3)-(a)(4) by failing to maintain current records of its pipeline system to include the maximum operating pressure and the diameter, grade, type, and nominal wall thickness of the pipe.

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

§ 195.452 Pipeline integrity management in high consequence areas.

(a) . . .

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

(1) . . .

(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.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(j)(3) by failing to establish five-year intervals, not to exceed 68 months, for continually assessing the line pipe's integrity. Specifically, the Notice alleged that Panther failed to establish a five-year reassessment interval for continually assessing the line pipe's integrity on the Texas City to High Island Platform 454 segment. The baseline assessment on the high consequence area (HCA) segment was performed by the previous operator in December 2007. Panther acquired the pipeline after 2007 but failed to establish the reassessment interval. Panther did not conduct a reassessment on the aforementioned segment as of February 2015.

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. § 195.452(j)(3) by failing to establish five-year intervals, not to exceed 68 months, for continually assessing the line pipe's integrity.

Item 5: The Notice alleged that Respondent violated 49 C.F.R. § 195.452, which states, in relevant part:

§ 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) . . .
- (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); . . .

and

- (g) *What is an information analysis?* In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure. This information includes:
- (1) Information critical to determining the potential for, and preventing, damage due to excavation, including current and planned damage prevention activities, and development or planned development along the pipeline segment;
 - (2) Data gathered through the integrity assessment required under this section;
 - (3) Data gathered in conjunction with other inspections, tests, surveillance and patrols required by this Part, including, corrosion control monitoring and cathodic protection surveys; and
 - (4) Information about how a failure would affect the high consequence area, such as location of the water intake.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(f)(3) by failing 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). Specifically, the Notice alleged that Panther 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 its Texas City facility, valves, and other appurtenances connected to line pipe. Panther'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.

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. § 195.452(f)(3) by failing 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).

Item 6: The Notice alleged that Respondent violated 49 C.F.R. § 195.452, which states, in relevant part:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(e) *What are the risk factors for establishing an assessment schedule (for both the baseline and continual integrity assessments)?* (1) An operator must establish an integrity assessment schedule that prioritizes pipeline segments for assessment (see paragraphs (d)(1) and (j)(3) of this section). An operator must base the assessment schedule on all risk factors that reflect the risk conditions on the pipeline segment. The factors an operator must consider include, but are not limited to:

(i) Results of the previous integrity assessment, defect type and size that the assessment method can detect, and defect growth rate;

(ii) Pipe size, material, manufacturing information, coating type and condition, and seam type;

(iii) Leak history, repair history and cathodic protection history;

(iv) Product transported;

(v) Operating stress level;

(vi) Existing or projected activities in the area;

(vii) Local environmental factors that could affect the pipeline (e.g., corrosivity of soil, subsidence, climatic);

(viii) geo-technical hazards; and

(ix) Physical support of the segment such as by a cable suspension bridge.

(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) . . .

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

and

(j) *What is a continual process of evaluation and assessment to maintain 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.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(f)(5) by failing 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). Specifically, the Notice alleged that 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).

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. § 195.452(f)(5) by failing 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).

Item 7: The Notice alleged that Respondent violated 49 C.F.R. § 195.452, which states in relevant part:

§ 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) ...

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

and

(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.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(f)(6) by failing to identify preventive or mitigative measures to protect the high consequence area as a part of its integrity management program. Specifically, the Notice alleged that Panther failed to conduct a proper risk analysis of the pipeline segment to identify additional actions to enhance public safety or environmental protection. Its documentation demonstrated a lack of proper risk analysis to identify the need for additional preventive and mitigative measures to protect HCAs.

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. § 195.452(f)(6) by failing to identify preventive or mitigative measures to protect the high consequence area as a part of its integrity management program.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to **Items 2, 3, 4, 5, 6, and 7** for violations of 49 C.F.R. §§ 195.404(a), 195.452(j)(3), 195.452(j)(1), 195.452(f)(3), 195.452(f)(5), and 195.452(f)(6), respectively. 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.

The Director has indicated that Respondent has taken the following actions to address one of the cited violations: Panther has completed the reassessment as required by Paragraph 3 of the Proposed Compliance Order and submitted a notification to PHMSA.

Accordingly, I find that compliance has been achieved with respect to this violation. Therefore, the compliance terms proposed in the Notice for **Item 4** (Paragraph 3 of the Proposed Compliance Order) is not included in this Order.

As for the remaining compliance terms, pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.404(a) (**Item 2**), Respondent 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. 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. With respect to the violation of § 195.452(j)(3) (**Item 3**), Respondent must gather the appropriate information and establish the assessment interval for its pipelines.
3. With respect to the violation of § 195.452(f)(3) (**Item 5**), Respondent must review its Integrity Management Plan (IMP) and develop the process it will utilize to analyze and integrate all available information. Panther must also perform the required data analysis and integration.
4. With respect to the violation of § 195.452(f)(5) (**Item 6**), Respondent must develop a continual process of assessment and evaluation to be included as part of its IMP. Panther must also perform the required continual assessment and evaluation.
5. With respect to the violation of § 195.452(f)(6) (**Item 7**), Respondent must perform and fully document preventative and mitigative measure reviews and document what preventative and mitigative measures were considered, adopted or not adopted and document application of a risk-based decision-making process for leak detection enhancements.
6. Panther shall provide documentation of completing the above items within 60 days after receipt of the Final Order.

It is requested (not mandated) that Panther 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.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

Failure to comply with this Order may result in administrative assessment of civil penalties not to exceed \$200,000 for each violation for each day the violation continues or in referral to the

Attorney General for appropriate relief in a district court of the United States.

WARNING ITEM

With respect to Item 1, the Notice alleged probable violations of Part 195 but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be warning items. The warning was for:

49 C.F.R. § 195.64 (**Item 1**) — Respondent's alleged failure to notify PHMSA within 60 days of the acquisition of an existing pipeline facility. On April 21, 2015, OPS received an email from Panther notifying it that Panther had acquired Main Pass Oil Gathering System from BP Pipelines (North America) in March 2014. The email further indicated that a letter was sent to the Bureau of Safety and Environmental Enforcement 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 had occurred on July 1, 2013.

Panther presented information in its Response showing that it had taken certain actions to address the cited item. If OPS finds a violation of this provision in a subsequent inspection, Respondent may be subject to future enforcement action.

Under 49 C.F.R. § 190.243, Respondent has a right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. Unless the Associate Administrator, upon request, grants a stay, the terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

March 3, 2017

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued