Dear Mr. Christensen:

On multiple dates between the months of May and November 2016, 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 inspected your NGL Pipeline systems in Texas, Oklahoma and Kansas.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. §195.575 Which facilities must I electrically isolate and what inspections, tests, and safeguards are required?
   (c) You must inspect and electrically test each electrical isolation to assure the isolation is adequate
ONEOK failed to assure electrical isolation was adequate.

ONEOK NGL Pipeline, L.P. (ONP) Corrosion Control Manual (NGLdot3.0550, Effective Date: 08/08/2013, Revision 1 - 03/30/2016) section 3.9: Remedial Action Requirements, Table 2 states for any other type of deficiency needs to be corrected no later than 12 months.

ONEOK conducted structure pipe-to-soil and foreign pipe-to-soil survey on segment 10546 (Woodall Lateral 10”) on 07/22/2015. At “Launcher at Plant, North side FM277” ONEOK found structure pipe-to-soil and foreign pipe-to-soil readings to be less than 100 mV (structure pipe-to-soil reading -0.925mV and foreign pipe-to-soil -0.906mV).

At the time of inspection (08/15/2016) no actions have been taken to achieve the electrical isolation required to comply with the requirements of 195.575(c). In addition, ONEOK has not followed its procedures to correct any deficiency less than 100mV between casing and foreign pipeline within 12-month period.

2. § 195.452 Pipeline integrity management in high consequence areas.
(i) What preventative and mitigative measures must an operator take to protect the high consequence area?

(4) Emergency Flow Restricting Devices (EFRD). If an operator determines that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release, an operator must install the EFRD. In making this determination, an operator must, at least, consider the following factors—the swiftness of leak detection and pipeline shutdown capabilities, the type of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, proximity to power sources, location of nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

ONEOK did not complete its process to determine if EFRDs were needed on certain pipeline segments to protect high consequence areas in the event of a hazardous liquid pipeline release.

ONEOK’s NGL IMP Manual procedure 71 – EFRD Evaluation (version 1.0 effective date September 12, 2011), section 2.1 states; “NGL evaluates the need for EFRD’s on pipeline segments to reduce the impact of a pipeline failure to an HCA in the event of a release. Initial EFRD evaluations are prioritized based on pipeline risk.”

During the inspection, the PHMSA inspector learned that ONEOK failed to perform initial EFRD evaluation on the following pipelines:

1. pipeline between Medford to Farmersville, 12"
2. NL1 Medford to Hutch Jct, 8in
3. NL1 Hutch Jct to Conway, 8in
4. NL2 Medford to Conway, 8in
5. NL4 Medford to Midway, 12in
6. NL4 Midway to Conway, 12in
7. NL4B Bushton to Conway, 10in
8. Pleasant Valley Lateral
9. NL3 Medford to Danville Trap, 6in
10. NL3 Danville Trap to Hutch, 6in
11. NL5 Bushton to Medford, 14in
12. Hutch Frac Lateral, 12in
13. Farmersville to Quinlan Booster, 12in
14. Quinlan Booster to Grapeland Booster, 12in
15. Grapeland Booster to Cleveland Booster, 12in
16. Cleveland Booster to Odell Station, 12in
17. Odell Station to OMBS, 12in

3. § 195.589 What corrosion control information do I have to maintain?
   ... (c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to §§195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

ONEOK did not maintain a record of each inspection required of this subpart. It could not provide records indicating that the examination of exposed buried pipe associated with washout located NW of ADA (exposed pipeline in three spots in 1/4-mile length, East of County Road 347, Sterling 2 Pipeline System) were inspected for evidence of corrosion as required by § 195.569. The exposed pipe was found during the ROW patrol on June 22, 2015.

4. §195.428 Overpressure safety devices and overfill protection systems
   (a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.
ONEOK failed to determine the overpressure protection equipment for reliability of operation for the service in which it is used.

During the inspection, the PHMSA inspector learned that ONEOK has specified it’s MOP to be 1440 psig between Block Valve at Dale truck and the South Canadian River and set the Pressure Controller, Pressure Transmitters and Pressure Shutdown device set points at ADA pump station (104) on Sterling 2 pipeline to 1432 psig, 1438 psig and 1512 psig respectively.

The PHMSA inspector reviewed Established MOP form for this segment of Sterling 2 Pipeline and learned that the lowest of the calculated pressure established by the pressure test is 1435 Psig due to elevation change. The establish MOP of the section was determined on October 15, 2002. According to ONEOK’s Establishing Pressure Controller and Shutdown Device Set Points procedure (effective date 1/1/2012), the Pressure Controller, Pressure Transmitters and Pressure Shutdown Switch set points at ADA pump station (104) on Sterling 2 pipeline are required to be set at 1425 psig, 1433 psig and 1505 psig respectively to provide the necessary overpressure protection.

ONEOK issued set point approval form (MOC) on September 29, 2016 and corrected the set point to be consistent with the system MOP after the PHMSA inspector brought this issue to their attention.

Proposed Compliance Order
As of April 27, 2017, under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $209,002 per violation per day the violation persists up to a maximum of $2,090,022 for a related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to item 2 pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to ONEOK NGL Pipeline, LLC.

Please refer to the Proposed Compliance Order, which is enclosed and made a part of this Notice.

Warning Items
With respect to items 1,3 and 4 we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct these items. Failure to do so may result in additional enforcement action.
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. Be advised that all material you submit in response to this enforcement action is subject to being 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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. If you are responding to this Notice, we propose that you submit your correspondence to my office within 30 days from receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 4-2017-5028** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Frank Causey
Acting Director, SW 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 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to ONEOK NGL Pipeline, LLC (ONEOK) a Compliance Order incorporating the following remedial requirements to ensure the compliance of ONEOK with the pipeline safety regulations:

1. In regard to Item Number 2 of the Notice pertaining to ONEOK failure to determine if EFRDs were needed on certain pipeline segments to protect high consequence areas in the event of a hazardous liquid pipeline release, ONEOK must perform a study based on current high consequence area list to determine that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release to enhance public safety.

2. ONEOK must complete item 1 in 90 days.

3. It is requested (not mandated) that ONEOK maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Frank Causey, Acting 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.