NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 11, 2007

Craig Forsander
Vice President
ONEOK
100 West 5th Street
Tulsa, OK 74103

Dear Mr. Forsander:

On June 13, 2007 and July 18, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Bear Paw Energy (BPE) procedures for operations and maintenance at your Grass Lands complex in North Dakota.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within BPE’s procedures, as described below:

1. §195.5 Conversion to service subject to this part.
   (a) A steel pipeline previously used in service not subject to this part qualifies for use under this part if the operator prepares and follows a written procedure to accomplish the following:
   (1) The design, construction, operation, and maintenance history of the pipeline must be reviewed and, where sufficient historical records are not available, appropriate tests must be performed to determine if the pipeline is in satisfactory condition for safe operation. If one or more of the variables necessary to verify the design pressure under §195.106 or to perform the testing under paragraph (a)(4) of this section is unknown, the design pressure may be verified and the maximum operating pressure determined by-
(i) Testing the pipeline in accordance with ASME B31.8, Appendix N, to produce a stress equal to the yield strength; and
(ii) Applying, to not more than 80 percent of the first pressure that produces a yielding, the design factor F in §195.106(a) and the appropriate factors in §195.106(c).

(2) The pipeline right-of-way, all aboveground segments of the pipeline, and appropriately selected underground segments must be visually inspected for physical defects and operating conditions which reasonably could be expected to impair the strength or tightness of the pipeline.

(3) All known unsafe defects and conditions must be corrected in accordance with this part.

(4) The pipeline must be tested in accordance with the subpart E of this part to substantiate the maximum operating pressure permitted by §195.406.

(6) A pipeline that qualifies for use under this section need not comply with the corrosion control requirements of subpart H of this part until 12 months after it is placed into service, notwithstanding any previous deadlines for compliance.

(c) Each operator must keep for the life of the pipeline a record of the investigations, tests, repairs, replacements, and alterations made under the requirements of paragraph (a) of this section.

BPE has a form to be documented during a conversion of service activity however the form does not give adequate instructions to operator personnel on how to satisfactorily complete the conversion. An operator is required to have procedures that will provide detailed instructions to employees during conversion to service activities.

2. §195.402 Procedural manual for operations, maintenance, and emergencies.

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(3) Operating, maintaining, and repairing the pipeline system in accordance with each of the requirements of this subpart and subpart H of this part.

And §195.422 Pipeline Repairs.

(a) Each operator shall, in repairing its pipeline systems, ensure that the repairs are made in a safe manner and are made so as to prevent damage to persons or property.

The following procedure was inadequate to address welding of pipeline repairs:

§195.226 Welding: Arc burns.

(c) A ground may not be welded to the pipe or fitting that is being welded.

The adopted ONEOK welding procedure TG 1602.201 Appendix, Welding Pipelines states that welding of the ground wire to the pipe should not be allowed. Federal pipeline regulations mandate that welding of a ground wire to the pipe must not be allowed.
(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.

BPE’s manual Section 3.1 General Provisions, page 3-2 only requires a review of normal operation procedures annually. Federal regulation requires that procedures for normal operation as well as those for maintenance and emergencies be reviewed once each calendar year not to exceed 15 months.

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(7) Starting up and shutting down any part of the pipeline in a manner designed to assure operation within the limits prescribed by §195.406, consider the hazardous liquid or carbon dioxide in transportation, variations in altitude along the pipeline, and pressure monitoring and control devices.

The current BPE manual for normal operations does not contain a procedure for starting up and shutting down their Riverview pipeline. There is no shutdown procedure in the operations manual.

5. §195.402 Procedural manual for operations, maintenance, and emergencies.  
(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(8) In the case of pipeline that is not equipped to fail safe, monitoring from an attended location pipeline pressure during startup until steady state pressure and flow conditions are reached and during shut-in to assure operation within limits prescribed by §195.406.

The BPE manual does not give adequate direction to require monitoring of pipeline pressures during startup and during shut-in to ensure that pressures remain within the limits prescribed in §195.406.

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:
(11) Minimizing the likelihood of accidental ignition of vapors in areas near facilities identified under paragraph (c)(4) of this section where the potential exists for the presence of flammable liquids or gases.

BPE manual Section 3.2 Design and Operating Parameters does not provide adequate direction for minimizing the likelihood of accidental ignition of vapors in areas that would require an immediate response by the operator to prevent hazards to the public if the facilities failed or malfunctioned. An operator is required to at least list common practices to be taken that will minimize the likelihood of accidental ignition of vapors in areas that would require an immediate response by the operator to prevent hazards to the public if the facilities failed or malfunctioned.

   (e) Emergencies. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when an emergency condition occurs:
   (3) Having personnel, equipment, instruments, tools, and material available as needed at the scene of an emergency.

BPE’s Emergency Action Plan discusses personal protection equipment (PPE) and first aid equipment and then states, “Additional equipment will be furnished by emergency responders at the scene of an incident.” There is no list of possible equipment that would most likely be required during an emergency nor are there any locations of where anticipated emergency equipment could be obtained.

An operator’s emergency procedures must have sufficient detail to provide guidance to those responding to emergencies so they will know where anticipated emergency response equipment resides and how to obtain it.

   (e) Emergencies. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when an emergency condition occurs:
   (7) Notifying fire, police, and other appropriate public officials of hazardous liquid or carbon dioxide pipeline emergencies and coordinating with them preplanned and actual responses during an emergency, including additional precautions necessary for an emergency involving a pipeline transporting a highly volatile liquid.

BPE’s Emergency Action Plan does not describe preplanned precautions that have been coordinated with the responding fire, police, and other appropriate public officials in the event of an HVL emergency.

An operator is not only required to perform preplanning of precautions to be taken in the event of an HVL emergency with public officials, they are also required to describe those preplanned precautions in their emergency response procedures.
9. §195.557 Which pipelines must have coating for external corrosion control?
   (b) Converted under Sec. 195.5 and—
   (1) Has an external coating that substantially meets Sec. 195.559 before the pipeline
       is placed in service; or
   (2) Is a segment that is relocated, replaced, or substantially altered.

   BPE manual Section 3.3 Corrosion Prevention does not adequately address coating
   requirements for pipelines that are being converted to hazardous liquid service, or are
   being relocated, replaced, or substantially altered.

   An operator must have guidance that requires adequate coating if a pipeline is relocated,
   replaced or substantially altered or if a pipeline had coating meeting §195.559 before it
   was converted to service.

10. §195.563 Which pipelines must have cathodic protection?
    b) Each buried or submerged pipeline converted under Sec. 195.5 must have
       cathodic protection if the pipeline—
       (1) Has cathodic protection that substantially meets Sec. 195.571 before the
           pipeline is placed in service; or
       (2) Is a segment that is relocated, replaced, or substantially altered.

   BPE manual Section 3.3 Corrosion Prevention does not adequately address cathodic
   protection requirements for pipelines that are being converted to hazardous liquid service,
   or are being relocated, replaced, or substantially altered.

   An operator must have guidance that requires adequate cathodic protection if a pipeline is
   relocated, replaced or substantially altered or if a pipeline had cathodic protection
   meeting §195.571 before it was converted to service.

11. §195.567 Which pipelines must have test leads and what must I do to install and
    maintain the leads?
    c) Maintenance. You must maintain the test lead wires in a condition that enables
       you to obtain electrical measurements to determine whether cathodic protection
       complies with Sec. 195.571.

   BPE manual Corrosion Prevention does not provide detailed instruction to operator
   personnel on how to maintain test leads. The current BPE manual references §195.567(c)
   for those instructions. Referencing §195.567 "alone" is not sufficient guidance to
   operator personnel for ensuring test leads are maintained so that electrical measurements
   can be taken.
Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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). 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, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to CPF 5-2007-5044M and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

[Signature]

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
    PHP-500 G Davis (#119570)

Enclosure: Response Options for Pipeline Operators in Compliance Proceedings