

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

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

August 14, 2017

Mr. Steven B. Huckaby  
Chairman & CEO  
Meritage Midstream  
1331 17<sup>th</sup> Street #1100  
Denver, CO 80202

**CPF 5-2017-5019**

Dear Mr. Huckaby:

On September 26 through 28, 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Meritage Midstream's Thunder Creek NGL Pipeline, LLC (Meritage Midstream) in Gillette, Wyoming.

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

1. **§195.55 Reporting safety-related conditions.**
  - (a) **Except as provided in paragraph (b) of this section, each operator shall report in accordance with §195.56 the existence of any of the following safety-related conditions involving pipelines in service:**

**(4) Any malfunction or operating error that causes the pressure of a pipeline to rise above 110 percent of its maximum operating pressure.**

Meritage Midstream failed to report a safety related condition after the operator over pressured a segment of its isolated 4 feet of pipe from the mainline pumps to the pig launcher at the 50 Buttes gas plant. During the inspection, a Meritage Midstream representative confirmed that the pressure at this isolated segment reached 2000 psi and the maximum operating pressure (MOP) of the system is 1440 psi.

**2. §195.404 Maps and Records.**

**(b) Each operator shall maintain for at least 3 years daily operating records that indicate-**

**(1) The discharge pressure at each pump station; and**

Meritage Midstream violated 49 CFR § 195.404(b) by failing to record daily discharge pressures of its Thunder Creek NGL pipeline starting at the 50 Buttes natural gas processing complex. Meritage Midstream commissioned this pipeline in March 2015, however, only had discharge pressure records going back to July 2015 during the inspection in September 2016. Meritage Midstream failed to record and maintain discharge records from March 2015 through July 2015.

**3. §195.403 Emergency Response Training.**

**(b) At the intervals not exceeding 15 months, but at least once each calendar year, each operator shall:**

**(1) Review with personnel their performance in meeting the objectives of the emergency response training program set forth in paragraph (a) of this section; and**

Meritage Midstream violated 49 CFR § 195.403(b) by failing to review with personnel their performance in meeting the objectives of the company's emergency response program per the requirements of § 195.403. Meritage Midstream's Emergency Response Plan (ERP), Section 6.2, requires completion of Form LFM010-01, Review of personnel performance in meeting objectives of the ERP. Meritage Midstream did not provide documentation, specifically completed Form LFM010-01, which would demonstrate the company had reviewed with their personnel the performance in meeting the objectives of the emergency response training program as required by the company's ERP's Section 6.2.

**4. §195.420 Valve maintenance.**

**(b) Each operator shall, at intervals not exceeding 7½ months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.**

Meritage Midstream failed to demonstrate they had inspected their mainline valves at intervals not exceeding 7 ½ months, but at least twice each calendar year after commissioning this pipeline in March 2015 pursuant to §195.420(b).

5. **§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.**

Meritage Midstream violated 49 CFR §195.428 by failing to inspect each pressure relief valve on a highly volatile liquid pipeline twice each calendar year not to exceed 7 ½ months. During the inspection, Meritage Midstream failed to provide PHMSA with any evidence that they had inspected their relief devices within the intervals outlined in §195.428(a).

#### 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 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Meritage Midstream. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

#### Warning Items

With respect to items 2, 3, 4 and 5, 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. Be advised that failure to do so may result in Meritage Midstream being subject to 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 5-2017-5019** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Dustin Hubbard  
Acting Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

Enclosures: *Proposed Compliance Order*  
*Response Options for Pipeline Operators in Compliance Proceedings*

cc: PHP-60 Compliance Registry  
PHP-500 Ogirima (#154353)

## **PROPOSED COMPLIANCE ORDER**

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Meritage Midstream a Compliance Order incorporating the following remedial requirements to ensure the compliance of Meritage Midstream with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to safety condition report, Meritage Midstream must follow the notification requirement in § 195.55.
2. Meritage Midstream must respond within 30-days of receipt of this notice.
3. It is requested (not mandated) that Meritage Midstream maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western 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.