

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

VIA FED EX – TRACKING # 7784 1284 9129

February 13, 2017

Mr. Todd Tanory
Senior Vice President Midstream Management
NGL Energy Partners LP
Brookhollow Central II
2900 North Loop West
Suite 1250
Houston, TX 77092

CPF 5-2017-6001

Dear Mr. Tanory:

On May 10 and 11, 2016 and August 8 and 9, 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected NGL Energy Partners LP's (NGL) crude oil pipeline facility in the vicinity of Wheatland, 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. **§195.412 Inspection of rights-of-way and crossings under navigable waters.**
 - (a) **Each operator shall, at intervals not exceeding 3 weeks, but at least 26 times each calendar year, inspect the surface conditions on or adjacent to each pipeline right-of-way. Methods of inspection include walking, driving, flying or other appropriate means of traversing the right-of-way.**

NGL failed to inspect the surface conditions on or adjacent to each pipeline right-of-way at intervals not exceeding 3 weeks, but at least 26 times each calendar year in violation of 49 C.F.R. § 195.412(a). During the inspection on May 10, 2016, NGL representatives presented records to the PHMSA inspector showing its pipeline right-of-way was only inspected 24 times in 2015 and 15 times in 2014. During a follow-up visit on August 8, 2016, NGL presented an Excel spreadsheet that noted patrols of the line by foot in order to account for some of the missing inspections. However, there were no date stamps or signatures on these new foot patrolling records to indicate when they occurred. Therefore, NGL violated § 195.412(a) by failing to inspect right of way conditions at least 26 times each calendar year.

2. **§195.440 Public awareness**
 - (i) **The operator's program documentation and evaluation results must be available for periodic review by appropriate regulatory agencies.**

NGL failed to have its public awareness program documentation or evaluation results made available for periodic review by appropriate regulatory agencies in violation of 49 C.F.R. § 195.440(i). During the inspection, PHMSA requested documentation and evaluation results, but was told by NGL staff that these records were not available.

3. **§195.440 Public awareness**
 - (c) **The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why compliance with all or certain provisions of the recommended practice is not practicable and not necessary for safety.**

NGL violated 49 C.F.R. § 195.440(c) by failing to follow the program requirements of American Petroleum Institute (API) Recommended Practice (RP) 1162 in its implementation of a public awareness program. Specifically, NGL's written public awareness program did not include an effectiveness evaluation process as recommended by Section 8.3 Measuring Program Implementation of API RP 1162. Pursuant to Section 8.3 of API RP 1162, an operator should complete an annual audit or review to determine whether the program has been developed and implemented according to the guidelines in the RP. NGL did not complete an annual audit in 2014, thereby violating API 1162 Section 8.3's requirement. Because NGL did not otherwise provide a justification in its program or procedural manual as to why compliance with API RP Section 8.3 is not practicable and not necessary for safety, it violated 49 C.F.R. § 195.440(c).

4. §195.428 Overpressure safety devices and overfill protection system

(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.

(d) After October 2, 2000, the requirements of paragraphs (a) and (b) of this section for inspection and testing of pressure control equipment apply to the inspection and testing of overfill protection systems.

NGL failed to inspect and test overfill protection systems at intervals not exceeding 15 months, but at least once each calendar year in accordance with 49 C.F.R. § 195.428(d). During the inspection, NGL could not provide documentation of the required inspections and tests for the overfill protection systems of Tank 1001, nor could NGL personnel confirm that the overfill protection systems had been inspected and tested with the required frequency.

Proposed Compliance Order

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violations occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with maximum penalty not exceeding \$1,000,000 for 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 4, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to NGL Energy Partners LP. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to Items 1, 2 and 3 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 NGL Energy Partners LP 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). 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.

In your correspondence on this matter, please refer to **CPF 5-2017-6001** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal
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 G. Ogirima (#153168)

Mr. Eric Coleman, Director of Terminal Operations, NGL Energy Partners LP,
Brookhollow Central II, 2900 North Loop West, Suite 1250, Houston, TX 77092

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 4 of the Notice pertaining to overfill protection systems inspection, NGL Energy Partners LP must:
 - a. Inspect and test or provide records demonstrating the inspection and testing of the overfill protection system for Tank 1001, within 30 days of the issuance of the Final Order;
 - b. Ensure the overfill protection system for Tank 1001 is inspected and tested each calendar year, at intervals not exceeding 15 months in accordance with 49 C.F.R. 195.428(a) and (d):
 - c. Ensure that each tank overfill protection system inspection is documented and that the documentation is retained for at least two years.

2. NGL Energy Partners LP must submit records or other documentation to show that Item (1) above was completed on time and as required to Chris Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration

3. It is requested (not mandated) that NGL Energy Partners LP 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.