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September 15, 2011

Mr. David Barrett
Director, Central Region
Pipeline and Hazardous Materials Safety Administration
US Department of Transportation
901 Locust Street, Suite 462
Kansas City, MO 64104-2641

VIA Overnight Mail

CPF 3-2011-5007M

Dear Mr. Barrett:

On March 1-3, 2011, representatives of the Western, Southwestern and Central offices of the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspected the operation and maintenance procedures for SemGroup Corp at our offices in Oklahoma City, Ok. These procedures also apply to the facilities operated by SemStream and White Cliffs Pipeline, LLC.

Your Notice of Amendment dated June 9, 2011 identified several procedures which your inspectors felt required further clarification, modification and/or amendment. As noted in your letter, company personnel submitted amended procedures addressing all of the inspectors concerns. However, upon review of the revised procedures, your office felt that there were five procedures which required additional amendment. SemGroup has amended these five outstanding procedures as follows:

195.402 Procedure 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:

(13) Periodically reviewing the work done by operator to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

The procedure for this requirement was inadequate because it just restated the code. SemGroup must provide for more clarification to indicate what they do to meet this requirement. On April 11, 2011, your personnel submitted amended procedures to address this. However, the procedures still do not meet the requirement of the code. The revised procedure indicates that the supervisors will do an annual review with the employee to discuss if the procedures in place are adequate for the employees to perform their jobs. They also indicate that this is documented on a Liquid Pipeline Maintenance Personnel Performance Checklist. This form and revised procedure does not include observation or review of the employee's work during execution of the normal operating and maintenance procedures for the purpose of evaluating the effectiveness of the procedure. While annual discussions with the employee regarding procedures is a good practice, the discussion by itself does not meet the requirement requiring a review of the personnel's work.

RESPONSE:

SemGroup has amended their procedure to require that the work done by employees will be observed or reviewed (whichever is practical) on an annual basis. The observation/review will be conducted by their supervisor with the intention of determining the effectiveness of the procedures used by the employees.

Please see attached exhibit A, which includes modifications to SubPart F, Section 1, pages 32, 34, 35 and 36

195.402 Procedure 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:

(14) Taking adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas, and making available when needed at the excavation, emergency rescue equipment, including a breathing apparatus and, a rescue harness and line.

The procedure was inadequate because more clarification was needed within the procedure. For example, the procedure indicates that in an excavation, SemGroup personnel will take a gas detection reading daily before entering the excavation. Consideration should be given to taking continuous readings to ensure the excavation is safe. On April 11, 2011, your personnel submitted amended procedures addressing this. However, the procedure did not address the concern about the continuous monitoring of the excavation around a live line. Continuous monitoring of an excavation should be conducted because conditions change within the confines of the excavation during the day which can endanger company personnel.

RESPONSE:

SemGroup has amended their procedure to include additional measures to take should atmospheric testing indicate any abnormalities and has also addressed the consideration for continuous atmospheric monitoring.

Please see attached exhibit B, which includes modifications to SubPart D, Section 2, pages 7 and 8 and SubPart F, Section 1, page 40.

195.402 Procedure Manual for Operations, Maintenance and Emergencies

(d) Abnormal operation. The manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded;

(5) Periodically reviewing the response of operator personnel to determine the effectiveness of the procedures controlling abnormal operation and taking corrective action where deficiencies are found.

The procedure was inadequate because it needs to add more clarification and guidance to reflect what they do to meet this requirement. On April 11, 2011, your personnel submitted amended procedures addressing this. However, further review of the revised procedures identified the following issues. The procedures indicated that they meet this requirement with the Abnormal Documentation Log that is filled out by the controllers and reviewed by the control room manager. This is inadequate because it does not address the actions taken at the field location. The procedure also seems to specifically point

out that exceeding the MOP is the only reason to conduct a review. There are other abnormal operations where the company should conduct the review of the procedures.

RESPONSE:

SemGroup has amended their procedures to more clearly explain the use of the Abnormal Documentation Log as well as to require an annual review by supervisors of their employee's response to abnormal operations and taking corrective action where deficiencies are found.

Please see attached exhibit C which includes revisions to SubPart F, Section 1, #5.1, page 32 and SubPart F, Section 2, #1 pages 15 and 16.

195.402 Procedure Manual for Operations, Maintenance and Emergencies

(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.

The procedure was inadequate because it did not reference any of the highly volatile liquid (HVL) requirements. SemStream facilities are HVL facilities and the site specific emergency plans should be referenced by this section. On April 11, 2011, your personnel submitted amended procedures addressing this. However, the new procedures submitted still did not reference the SemStream facilities and the site specific emergency plans.

RESPONSE:

SemGroup has amended their procedure to reference the site specific emergency plans.

Please see attached exhibit D which includes revision to Subpart F, Section 2, #8, page 31.

195.402 Procedure Manual for Operations, Maintenance and Emergencies

(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;

(8) In the case of failure of a pipeline transporting a highly volatile liquid, use of appropriate instruments to assess the extent and coverage of the vapor cloud and determine the hazardous areas.

The procedure was inadequate because it did not reference any of the highly volatile liquid (HVL) requirements. The procedure to evaluate the extent and coverage of the vapor cloud and hazardous areas should fully reference other parts of the manual that readily identify actions taken. It should also indicate that appropriate instruments will be utilized to determine the extent and coverage of the vapor cloud. On April 11, 2011, your personnel submitted amended procedures addressing this. The amended procedure did not address instrumentation to be used for the size of the vapor cloud or reference the other parts of the manual addressing actions taken.

RESPONSE:

SemGroup has amended their procedure to include the use of a combustible gas detector (CGI) to assess the extent and coverage of an HVL plume and has added additional detail in approaching an HVL release.

Please see attached exhibit E which includes revision to SubPart F, Section 2, #6, pages 29 and 30.

SemGroup believes these amendments adequately address PHMSA's concerns. Should you have questions or require additional information please contact Edith Coen at 918-640-3384.

Sincerely,


Peter Schwiering

Peter Schwiering
President
SemGroup

Cc: David Minielly
Ken Wages

Edith Coen

Dick Clary

Jim Zang