



U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety**

901 Locust Street, Suite 480
Kansas City, MO 64106

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

**VIA ELECTRONIC MAIL TO: Pierce.Norton@oneok.com; Jamie.Hoskin@oneok.com;
Jason.A.Smith@oneok.com**

August 28, 2024

Pierce H. Norton II
President and Chief Executive Officer
ONEOK, Inc.
100 West Fifth Street
Tulsa, OK 74103

CPF 3-2024-050-NOPV

Dear Mr. Norton:

From April 3 through November 8, 2023, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.), inspected ONEOK, Inc.'s (ONEOK) Magellan Pipeline Company pipelines and facilities in Texas, New Mexico, and Oklahoma. ONEOK acquired Magellan Pipeline Company, LP (Magellan), on September 25, 2023, and began operating it as a subsidiary.¹

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

1. § 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

¹ Magellan Pipeline Company, LP, is currently listed as the operator of the pipeline facilities at issue.

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.

Magellan failed to inspect and test its overpressure safety devices and overfill protection systems per the timeline detailed in § 195.428(a) in two instances. First, Magellan failed to inspect and test mainline surge relief devices and associated flow switches PR101, FS101, PR102, and FS102 at Dallas Station 330 during the September 2020 inspection cycle on the Hearn-Reagan pipeline system (unit 83205). In its response to the post-inspection report, Magellan acknowledged the task was missed and later performed the inspection and test in January of 2021. The previous inspection was performed in September of 2019, resulting in an inspection interval of approximately 16 months. By performing the task in January of 2021, Magellan failed to meet the inspection interval requirements of not exceeding intervals of 15 months, but at least once each calendar year, per § 195.428(a).

Second, Magellan failed to inspect and test pressure control valve PCV-5 located at the El Paso East Terminal on the Longhorn Western RP pipeline system (unit 21144) during the September 2020, 2021, and 2022 annual inspection cycles. In its response to the post-inspection report, Magellan acknowledged that due to the retirement of the technician who was previously responsible for testing PCV-5, supporting documentation of inspections and tests for the aforementioned years could not be located. After PHMSA discovered this error and informed Magellan, Magellan did test PCV-5 on August 12, 2023 and documented the test. The previous inspection was completed on September 27, 2019, resulting in a re-inspection interval of approximately 46.5 months, thereby failing to meet the inspection interval requirements of not exceeding 15 months, but at least once each calendar year, per § 195.428(a).

2. § 195.452 Pipeline integrity management in high consequence areas.

(a)

(b)

(4) Include in the program a framework that -

(i) Addresses each element of the integrity management program under paragraph (f) of this section, including continual integrity assessment and evaluation under paragraph (j) of this section; and

Magellan's procedures were insufficient to facilitate adequate documentation of the risk factors used in their annual review of covered segments and to describe how to substantiate the completion of the annual covered segment verification reviews, per the requirements of § 195.452(b)(4)(i). Specifically, Magellan's procedure, entitled "Integrity Management HCA Identification Process," Rev. 15, dated September 8, 2023, (HCA Identification Process) did not specify what risk factors need to be considered in the HCA verification process nor did it require documentation of the details of the analysis. Section 1.6 of Magellan's HCA Identification Process does require annual reviews of risk factors used in identifying pipeline segments that could affect a HCA, but Magellan did not verify those risk factors, as required by § 195.452(j)(2). Magellan also failed to describe a process to record the results of that annual review. Thus, Magellan failed to meet the requirements of § 195.452(b)(4)(i).

3. § 195.583 What must I do to monitor atmospheric corrosion control?

(a) You must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months.
Offshore	At least once each calendar year, but with intervals not exceeding 15 months.

Magellan failed to perform periodic atmospheric corrosion inspections (ACI) on exposed pipe sections at the following two separate locations, per the requirements of § 195.583(a). First, Magellan failed to perform periodic ACI inside the interface detector (IFD) culvert at milepost (MP) 3.123 on the Frost-White Rock pipeline segment. The IFD was originally installed sometime between 2012 and 2014 but not added to Magellan's ACI database. ONEOK acknowledged on October 19, 2023 during PHMSA's field inspection that it had no ACI inspection records for the site. A new atmospheric corrosion monitoring record was immediately created during the field inspection on October 19, 2023, and the site was promptly inspected per the Area Corrosion Supervisor. Results of the inspection indicated that no remediation was deemed necessary by the operator at this time. The next scheduled inspection is October 2026. Since Magellan failed to perform periodic ACI at this location between 2012/2014 and 2023, Magellan failed to meet the required frequency of inspection prescribed by § 195.583(a).

Second, Magellan failed to perform periodic ACI at the Underwood Junction, MP 86.5 on the Orion North Frost - West Ft Worth pipeline segment. The site was last inspected for atmospheric corrosion in 2010 after which it was inadvertently removed from the ACI cycle because it was assumed to be part of the abandoned lateral pipeline connected to Underwood Junction. Magellan informed PHMSA of this failure during the second week of the inspection in May 2023. Once aware, Magellan re-activated the ACI requirements for this site and re-inspected it on September 6, 2022, where it was determined that one of the soil-to-air interfaces was inadequate. The coating at the soil interfaced is scheduled to be repaired before the next inspection date in November of 2025. Since Magellan failed to perform periodic ACI at this location between 2010 and 2022, Magellan failed to meet the required frequency of inspection prescribed by § 195.583(a).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$266,015 per violation per day the violation persists, up to a maximum of \$2,660,135 for a related series of violations. For violation occurring on or after January 6, 2023 and before December 28, 2023, the maximum penalty may not exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation

occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679.

We have reviewed the circumstances and supporting documentation involved for the above probable violation(s) and recommend that you be preliminarily assessed a civil penalty of 97,100 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$77,800
3	\$19,300

Proposed Compliance Order

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

Response to this Notice

This Notice is issued in accordance with 49 C.F.R. § 190.207(c). Any response you may have submitted to the original Notice is no longer applicable. You must respond as set forth below.

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you submit in response to this enforcement action may be 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 your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 3-2024-050-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Gregory A. Ochs
Director, Central Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration

cc: Jamie Hoskin, SVP Refined Products & Crude Operations, ONEOK,
Jamie.Hoskin@oneok.com
Jason Smith, VP Asset Integrity, ONEOK,
Jason.A.Smith@oneok.com

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

PROPOSED COMPLIANCE ORDER

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

- A. In regard to Item 2 of the Notice, pertaining to failing to include risk factors in the annual review of covered segments and the failure to adequately describe how to record the results of the annual covered segment review, ONEOK must amend its procedures to contain the required elements and provide the revised document to PHMSA for review within **90 days** of receipt of the Final Order.
- B. Also in regard to Item 2 of the Notice, ONEOK must provide a record of execution for the most recent covered segment review along with its revised procedure to PHMSA for review within **90 days** of receipt of the Final Order.
- C. It is requested that ONEOK maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Gregory A. Ochs, Director, Central 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.