NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 22, 2011

Mr. Richard D. Hatchett
West Texas Gas, Inc
7517 Canyon Drive
Amarillo, TX 79110

CPF 4-2011-1008M

Dear Mr. Hatchett:

During the week of August 30, 2010, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected West Texas Gas, Inc. procedures for integrity management in Amarillo, TX.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within West Texas Gas plans or procedures, as described below:

1. §192.911 What are the elements of an integrity management program?

(b) A baseline assessment plan meeting the requirements of § 192.919 and § 192.921.

A. §192.921 How is the baseline assessment to be conducted?

(a) Assessment methods. An operator must assess the integrity of the line pipe in each covered segment by applying one or more of the following methods depending on the threats to which the covered segment is susceptible. An operator must select the method or methods best suited to address the threats identified to the covered segment (See § 192.917).

(4) Other technology that an operator demonstrates can provide an equivalent understanding of the condition of the line pipe. An operator choosing this option must notify the Office of Pipeline Safety (OPS) 180 days before conducting the assessment, in accordance with §192.949. An operator must also notify a State or local pipeline safety authority when either a covered segment is located in a State where OPS has an interstate agent agreement, or an intrastate covered segment is regulated by that State.

WTG does not have language in their IM Plan that notification of use of other technology that an operator demonstrates can provide an equivalent understanding of the condition of the line pipe is made to a state or local pipeline safety authority when required. Notification to a state or local pipeline safety authority is required when either a covered segment is located in a state where PHMSA has an interstate agent agreement, or an intrastate covered segment is regulated by that state. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding of the use of other technology during the inspection.

B. §192.921 How is the baseline assessment to be conducted?

(f) Newly identified areas. When an operator identifies a new high consequence area (see § 192.905), an operator must complete the baseline assessment of the line pipe in the newly identified high consequence area within ten (10) years from the date the area is identified.

WTG does not have language in its IM Plan that WTG completes a baseline assessment for newly identified HCA's within 10 years from the date the area is identified. When WTG identifies a new high consequence area, WTG must complete the baseline assessment of the line pipe in the newly identified high consequence area within ten (10) years from the date the area is identified. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding conducting baseline assessments.

2. §192.911 What are the elements of an integrity management program?
(SEE ABOVE)

(c) An identification of threats to each covered pipeline segment, which must include data integration and a risk assessment. An operator must use the threat identification and risk assessment to prioritize covered segments for assessment (§ 192.917) and to evaluate the merits of additional preventive and mitigative measures (§ 192.935) for each covered segment.

A. §192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?

(a) Threat identification. An operator must identify and evaluate all potential threats to each covered pipeline segment. Potential threats that an operator must consider include, but are not limited to, the threats listed in ASME/ANSI B31.8S (incorporated by reference, see §192.7), section 2, which are grouped under the following four categories:

(1) Time dependent threats such as internal corrosion, external corrosion, and stress corrosion cracking;

(2) Static or resident threats, such as fabrication or construction defects;

(3) Time independent threats such as third party damage and outside force damage; and

(4) Human error.

WTG does not have a thorough process or procedure for considering interactive threats from different categories per ASME B31.8S Section 2.2 and §192.917 (a). WTG must consider interactive threats from different categories per ASME B31.8S Section 2.2 and §192.917 (a). WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding threat identification.

B. §192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?

(b) Data gathering and integration. To identify and evaluate the potential threats to a covered pipeline segment, an operator must gather and integrate existing data and information on the entire pipeline that could be relevant to the covered segment. In performing this data gathering and integration, an operator must follow the requirements in ASME/ANSI B31.8S, section 4. At a minimum, an operator must gather and evaluate the set of data specified in Appendix A to ASME/ANSI B31.8S, and consider both on the covered segment and similar non-covered segments, past incident history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, internal inspection records and all other conditions specific to each pipeline.

WTG does not have a complete process that requires that records are maintained that identify how unsubstantiated data are used, so that the impact on the variability and accuracy of assessment results can be considered. WTG must consider how unsubstantiated data are used and the impact on the variability and accuracy of assessment results. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding threat identification.

C. §192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?

(c) Risk assessment. An operator must conduct a risk assessment that follows ASME/ANSI B31.8S, section 5, and considers the identified threats for each covered segment. An operator must use the risk assessment to prioritize the covered segments for the baseline and continual reassessments (§ § 192.919,

192.921, 192.937), and to determine what additional preventive and mitigative measures are needed (§ 192.935) for the covered segment.

WTG's IM plan does not include a process for revisions to the risk assessment (if new information is obtained or conditions change on the pipeline segments) does not verify that the provisions for change to the risk assessment address the following areas:

> "the risk assessment plan calls for recalculating the risk for each segment to reflect the results from an integrity assessment or to account for completed prevention and mitigation actions. [ASME B31.8S-2004, Section 5.11, and ASME B31.8S-2004, Section 5.7(c)];
>
> the operator integrates the risk assessment process into field reporting, engineering, facility mapping, and other processes as necessary to ensure regular updates. [ASME B31.8S-2004, Section 5.4];
>
> the integrity management plan calls for revision to the risk assessment process if pipeline maintenance or other activities identify inaccuracies in the characterization of the risk for any segments. [§192.917(c) and ASME B31.8S-2004, Section 5.12];
>
> the operator uses a feedback mechanism to ensure that the risk model is subject to continuous validation and improvement. [§192.917(c) and ASME B31.8S-2004, Section 5.7(f)]"

WTG's IM plan must include a process for revisions to the risk assessment which must verify that the provisions for change to the risk assessment address areas listed above if new information is obtained or conditions change on the pipeline segments. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding threat identification and risk assessment.

D. §192.917 How does an operator identify potential threats to pipeline integrity and use the threat identification in its integrity program?

(c) Risk assessment. An operator must conduct a risk assessment that follows ASME/ANSI B31.8S, section 5, and considers the identified threats for each covered segment. An operator must use the risk assessment to prioritize the covered segments for the baseline and continual reassessments (§ § 192.919, 192.921, 192.937), and to determine what additional preventive and mitigative measures are needed (§ 192.935) for the covered segment.

WTG does not have complete processes or procedures to verify that the validation process includes a check that the risk results are logical and consistent with the operator's and other industry experience as per ASME B31.8S-2004, Section 5.12. WTG must include a check in the validation process to verify that the risk results are logical and consistent with the operator's and other industry experience as per ASME B31.8S-2004, Section 5.12. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding threat identification and risk assessment.

3. §192.911 What are the elements of an integrity management program? (SEE ABOVE)

(f) A process for continual evaluation and assessment meeting the requirements of § 192.937.

§192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(a) General. After completing the baseline integrity assessment of a covered segment, an operator must continue to assess the line pipe of that segment at the intervals specified in § 192.939 and periodically evaluate the integrity of each covered pipeline segment as provided in paragraph (b) of this section. An operator must reassess a covered segment on which a prior assessment is credited as a baseline under § 192.921(e) by no later than December 17, 2009. An operator must reassess a covered segment on which a baseline assessment is conducted during the baseline period specified in § 192.921(d) by no later than seven years after the baseline assessment of that covered segment unless the evaluation under paragraph (b) of this section indicates earlier reassessment.

WTG's documented approach for establishing reassessment intervals for covered segments on which a baseline assessment was conducted is unclear. It indicates reassessment in 5 years (IMP Plan 8.6.3), or 7 years (IMP Plan 8.6.2) or between 15 and 20 years (IMP Plan 8.6.4). WTG needs to determine what the correct interval is and remove contradictory guidance. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding Continual Evaluation and Assessment Process.

4. §192.911 What are the elements of an integrity management program? (SEE ABOVE)

(h) Provisions meeting the requirements of § 192.935 for adding preventive and mitigative measures to protect the high consequence area.

A. §192.935 What additional preventive and mitigative measures must an operator take?

(a) General requirements. An operator must take additional measures beyond those already required by Part 192 to prevent a pipeline failure and to mitigate the consequences of a pipeline failure in a high consequence area. An operator must base the additional measures on the threats the operator has identified to each pipeline segment. (See § 192.917) An operator must conduct, in accordance with one of the risk assessment approaches in ASME/ANSI B31.8S (incorporated by reference, see § 192.7), section 5, a risk analysis of its pipeline to identify additional measures to protect the high consequence area and enhance public safety. Such additional measures include, but are not limited to, installing Automatic Shut-off Valves or Remote Control Valves, installing computerized monitoring and leak

detection systems, replacing pipe segments with pipe of heavier wall thickness, providing additional training to personnel on response procedures, conducting drills with local emergency responders and implementing additional inspection and maintenance programs.

In WTG's IM plan, none of WTG's pipeline segments were considered for identifying additional measures to prevent a pipeline failure and to mitigate the consequences of a pipeline failure in a high consequence area, as specified in §192.935(a). This was due to WTG's Threat Severity Index (TSI) approach results that prevented any segment from being considered for Preventive & Mitigative Measures, as per WTG IMP 5.4.1. WTG must adjust the process to identify additional measures to prevent a pipeline failure and to mitigate the consequences of a pipeline failure in a high consequence area. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding Threat Identification Plan.

B. §192.935 What additional preventive and mitigative measures must an operator take?

(b) Third party damage and outside force damage-

(1) Third party damage. An operator must enhance its damage prevention program, as required under §192.614 of this part, with respect to a covered segment to prevent and minimize the consequences of a release due to third party damage. Enhanced measures to an existing damage prevention program include, at a minimum-

(i) Using qualified personnel (see § 192.915) for work an operator is conducting that could adversely affect the integrity of a covered segment, such as marking, locating, and direct supervision of known excavation work.

(ii) Collecting in a central database information that is location specific on excavation damage that occurs in covered and non covered segments in the transmission system and the root cause analysis to support identification of targeted additional preventative and mitigative measures in the high consequence areas. This information must include recognized damage that is not required to be reported as an incident under part 191.

(iii) Participating in one-call systems in locations where covered segments are present.

(iv) Monitoring of excavations conducted on covered pipeline segments by pipeline personnel. If an operator finds physical evidence of encroachment involving excavation that the operator did not monitor near a covered segment, an operator must either excavate the area near the encroachment or conduct an above ground survey using methods defined in NACE RP-0502-2002 (incorporated by reference, see §192.7). An operator must excavate, and remediate, in accordance with ANSI/ASME B31.8S and

§192.933 any indication of coating holidays or discontinuity warranting direct examination.

(2) Outside force damage. If an operator determines that outside force (e.g., earth movement, floods, unstable suspension bridge) is a threat to the integrity of a covered segment, the operator must take measures to minimize the consequences to the covered segment from outside force damage. These measures include, but are not limited to, increasing the frequency of aerial, foot or other methods of patrols, adding external protection, reducing external stress, and relocating the line.

In WTG's IM plan, WTG has not implemented preventive & mitigative measures to address the threat of 3rd-party damage and outside force damage as identified by results of the WTG data integration processes. This was due to WTG's Threat Severity Index (TSI) approach results that prevented any segment from being considered for Preventive & Mitigative Measures, as per WTG IMP 5.4.1. WTG should adjust the process to identify preventive & mitigative measures to address the threat of 3rd-party damage and outside force damage. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding Threat Identification Plan.

C. §192.935 What additional preventive and mitigative measures must an operator take?

(a) General requirements. An operator must take additional measures beyond those already required by Part 192 to prevent a pipeline failure and to mitigate the consequences of a pipeline failure in a high consequence area. An operator must base the additional measures on the threats the operator has identified to each pipeline segment. (See § 192.917) An operator must conduct, in accordance with one of the risk assessment approaches in ASME/ANSI B31.8S (incorporated by reference, see § 192.7), section 5, a risk analysis of its pipeline to identify additional measures to protect the high consequence area and enhance public safety. Such additional measures include, but are not limited to, installing Automatic Shut-off Valves or Remote Control Valves, installing computerized monitoring and leak detection systems, replacing pipe segments with pipe of heavier wall thickness, providing additional training to personnel on response procedures, conducting drills with local emergency responders and implementing additional inspection and maintenance programs.

In WTG's IM plan, additional preventive and mitigative measures were excluded from consideration without adequate justification. WTG does not have a P&M measures decision-making process that considers the consequences of pipeline failures. WTG should adjust the process to consider additional preventive & mitigative measures and the consequences of pipeline failures. WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding Threat Identification Plan and Natural Gas Integrity Management Preventative and Mitigative Measures.

5. §192.911 What are the elements of an integrity management program? (SEE ABOVE)

(k) A management of change process as outlined in ASME/ANSI B31.8S, section 11.

WTG needs to ensure that the Baseline Assessment Plan will be kept up-to-date (revised and documented) with respect to newly arising information, applicable threats, and risks that may require periodic changes to the segment prioritization or assessment method.

6. §192.911 What are the elements of an integrity management program? (SEE ABOVE)

(l) A quality assurance process as outlined in ASME/ANSI B31.8S, section 12.

A. WTG needs to ensure that it's quality assurance process formally defines responsibilities and authorities for its IM program per the requirements of ASME B31.8S-2001, Section 12.2(b)(2) as specified in §192.911(l). WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding Quality Assurance Plan.

B. WTG needs to augment its documented quality assurance process that specifies that reviews of the integrity management program and the quality assurance program will be performed on regular intervals, making recommendations for improvement per the requirements of ASME B31.8S-2001, Section 12.2(b)(3) as specified in §192.911(l). WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding Quality Assurance Plan.

C. WTG needs to augment its documented quality assurance process to assure that corrective actions to improve the integrity management program and the quality assurance process have been documented and are monitored for effectiveness per the requirements of ASME B31.8S-2001, Section 12.2(b)(7) as specified in §192.911(l). WTG's IM plan was reviewed during the inspection and this omission was noted in the procedure regarding Quality Assurance Plan.

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 4-2011-1008M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*