WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

February 24, 2012

Mr. Pete Schwiering
President of SemCrude
SemGroup
6120 S. Yale Ave.
Suite 650
Tulsa, OK 74136

CPF 4-2012-5001W

Dear Mr. Schwiering:

On November 14-19, 2010, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected SemGroup procedures for Integrity Management in Oklahoma City, OK.

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

1. §195.452 Pipeline integrity management in high consequence areas.

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

(g) What is an information analysis? In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure. This information includes:

(1) Information critical to determining the potential for, and preventing, damage due to excavation, including current and planned damage prevention activities, and development or planned development along the pipeline segment;

(2) Data gathered through the integrity assessment required under this section;

(3) Data gathered in conjunction with other inspections, tests, surveillance and patrols required by this Part, including, corrosion control monitoring and cathodic protection surveys; and

(4) Information about how a failure would affect the high consequence area, such as location of the water intake.

SemGroup did not provide information at the time of the inspection to demonstrate documentation of data integration for the 2007 KS-OK pipeline inline inspection tool assessment. There was no documentation of conclusions drawn from results of this integrity assessment. It was not determinable if the process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information had been completed in this case.

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

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

(5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);

(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(5) Assessment methods. An operator must assess the integrity of the line pipe by any of the following methods. The methods an operator selects to assess low frequency electric resistance welded pipe or lap welded pipe susceptible to longitudinal seam failure must be capable of assessing seam integrity and of detecting corrosion and deformation anomalies.

(i) Internal inspection tool or tools capable of detecting corrosion and deformation anomalies including dents, gouges and grooves;

(ii) Pressure test conducted in accordance with subpart E of this part;

(iii) External corrosion direct assessment in accordance with § 195.588; or

(iv) Other technology that the operator demonstrates can provide an equivalent understanding of the condition of the line pipe. An operator choosing this option must notify OPS 90 days before conducting the assessment, by sending a notice to the address or facsimile number specified in paragraph (m) of this section.

SemGroup did not provide a documented engineering analysis for susceptibility to seam failure for the KS-OK line. The KS-OK pipeline experienced two failures associated with the seam when the line was hydrostatically tested in 2002. Determining susceptibility to seam failure is necessary to choose the appropriate assessment techniques and assessment intervals. The line was re-assessed in 2007; however, the specimen failure analysis did not appear to have been considered in the planning of that assessment. SemGroup provided information that the failure specimens were sent for metallurgical analysis to determine the root cause and contributing factors of the test failures, but these metallurgical analyses' were unsound because none of the original fracture surfaces remained due to corrosion after the specimens were exposed to the elements for four years prior to being submitted for metallurgical analysis. Since the KS-OK line operates above 30% SMYS an engineering analysis should be documented for its susceptibility to seam failure.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $100,000 for each violation for each day the violation persists up to a maximum of $1,000,000 for any related series of violations. 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 correct the item(s) identified in this letter. Failure to do so will result in SemGroup being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 4-2012-5001W.** 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).

Sincerely,

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