NOTICE OF PROBABLE VIOLATION
PROPOSED CIVIL PENALTY
and
PROPOSED COMPLIANCE ORDER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 10, 2017

Wesley Dunbar
Vice President – NGP Operations
OkTex Pipeline Company, LLC
100 West Fifth Street
Tulsa, OK 74103

CPF 4-2017-1006

Dear Mr. Dunbar:

From May 2016 to October 2016, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code inspected your OkTex Pipeline Company, LLC (OkTex) pipeline and facilities in El Paso and Oklahoma.

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. **§192.605 Procedural manual for operations, maintenance, and emergencies.**

(a) *General.* Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for

emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

(e) *Surveillance, emergency response, and accident investigation.* The procedures required by §§192.613(a), 192.615, and 192.617 must be included in the manual required by paragraph (a) of this section.

OkTex Pipeline failed to follow ONEOK procedures for documenting the annual review of the Emergency Plan as listed in the ONEOK Partners O&M plan. ONEOK Partners O&M plan; OKSops3.080.403 (date issued: 12/31/2009; date revised: 9/13/2013 Rev14); Section 6-Recordkeeping requirements, states that Form 80.403A should be used to document the review of the Emergency Plan. No record was available to document the annual review as required.

2. §192.615 Emergency plans.

(a) Each operator shall establish written procedures to minimize the hazard resulting from a gas pipeline emergency. At a minimum, the procedures must provide for the following:

(b) Each operator shall:

(2) Train the appropriate operating personnel to assure that they are knowledgeable of the emergency procedures and verify that the training is effective.

OkTex Pipeline failed to follow ONEOK Partners procedures in documenting emergency response training in accordance with the ONEOK Partners O&M plan. ONEOK Partners O&M plan; OKSops3.080.403 – Emergency Plan (date issued: 12/31/2009; date revised: 9/13/2013 Rev14); Section 6-Recordkeeping requirements. Section 6.2 states that Form 80.403B- Simulated Emergency Training should be used to document dates, attendance and subject matter of the training.

According to ONEOK representatives, OkTex Pipeline personnel also operate other assets owned by ONEOK Partners and attend emergency response training that is conducted on those assets. Mock Drills were conducted in Enid, Oklahoma for the El Reno teams in 2014 and 2015. This training was not documented on the form as referenced in the ONEOK Partners procedure that has an area to list team members who are present. There were references to teams being present but no evidence of what employees attended these drills (sign-in sheets, list of attendees, etc).

3. §192.709 Transmission lines: Recordkeeping.

Each operator shall maintain the following records for transmission lines for the periods specified:

(a) The date, location, and description of each repair made to pipe (including pipe-to-pipe connections) must be retained for as long as the pipe remains in service.

OkTex failed to accurately complete the Pipeline Inspection Program and Evaluation (PIPE) form as outlined in the ONEOK Procedure OKSops 3.040.102. On January 15, 2016, a leak was found on the Norteno 4 pipeline system (251 LaMesa, El Paso, TX). OkTex failed to complete Section 3-External Corrosion Details on the PIPE form when the cause of the leak was listed as external corrosion in Section 6 of the form. The form indicated that neither an external Corrosion Inspection was performed, nor was there any sign of external corrosion. OkTex indicated the cause was determined by visual examination.

4. §192.911 What are the elements of an integrity management program?

An operator's initial integrity management program begins with a framework (*see* §192.907) and evolves into a more detailed and comprehensive integrity management program, as information is gained and incorporated into the program. An operator must make continual improvements to its program. The initial program framework and subsequent program must, at minimum, contain the following elements. (When indicated, refer to ASME/ANSI B31.8S (incorporated by reference, *see*§192.7) for more detailed information on the listed element.)

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

OkTex Pipeline failed to conduct an Annual IMP Audit as required by the ONEOK NGP IMP written integrity management program. ONEOK's written IMP, Chapter 14; Section 14.3.3 states that "*Each year, Pipeline Integrity members (IMPC) will conduct an Annual IMP Audit that will review and verify HCAs, risk assessments, compliance and other various documents necessary to maintain compliance with the regulations. The audit will be led by the Supervisor Prevention and Mitigation and will be completed in the first quarter of every year. The computer based maintenance management system will be used to schedule this review. The review forms are found at the end of this chapter."*

5. §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.

OkTex failed to provide documentation to demonstrate that data was gathered and evaluated as specified in ASME B31.8S, section 4 for the Norteno 1 pipeline system. Records show that Norteno 1 was reassessed by hydro testing the segment on November 4, 2015. During the records inspection, documentation of the data gathering process was requested and the operator provided records on the hydro-test and a "NGL Integrity Management Program 6.01: Data Integration form". This form appeared to be for a liquid system and the information on the form was inaccurate and was not data from the Norteno 1 pipeline segment.

6. §192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(b) *Evaluation.* An operator must conduct a periodic evaluation as frequently as needed to assure the integrity of each covered segment. The periodic evaluation must be based on a data integration and risk assessment of the entire pipeline as specified in §192.917. For plastic transmission pipelines, the periodic evaluation is based on the threat analysis specified in §192.917(d). For all other transmission pipelines, the evaluation must consider the past and present integrity assessment results, data integration and risk assessment information (§192.917), and decisions about remediation (§192.933) and additional preventive and mitigative actions (§192.935). An operator must use the results from this evaluation to identify the threats specific to each covered segment and the risk represented by these threats.

OkTex Pipeline failed to perform a periodic evaluation on the Norteno 1, Norteno 4 and the Norteno 5 to assure pipeline integrity. OkTex performed a baseline assessment of Norteno 1 on July 19, 2007, Norteno 4 on November 6, 2007, and Norteno 5 on November 5, 2007. During the inspection, OkTex was not able to provide documentation to demonstrate that

the company has ever performed a periodic evaluation as required by §192.937 on the covered segments as required.

7. §192.939 What are the required reassessment intervals?

(a) *Pipelines operating at or above 30% SMYS.* An operator must establish a reassessment interval for each covered segment operating at or above 30% SMYS in accordance with the requirements of this section. The maximum reassessment interval by an allowable reassessment method is seven years. If an operator establishes a reassessment interval that is greater than seven years, the operator must, within the seven-year period, conduct a confirmatory direct assessment on the covered segment, and then conduct the follow-up reassessment at the interval the operator has established. A reassessment carried out using confirmatory direct assessment must be done in accordance with §192.931. The table that follows this section sets forth the maximum allowed reassessment intervals.

OkTex Pipeline failed to reassess a pipeline system operating above 30% SMYS in the El Paso Unit within the required reassessment interval of seven years. The Norteno 1 was previously assessed on July 19, 2007 via pressure test. The reassessment of Norteno 1 did not occur until November 4, 2015. Norteno 1 operates above 30% SMYS and this reassessment should have been performed in July of 2014. ONEOK NGP IMP procedures state that after completing the baseline assessment of a covered segment, the segment is continually monitored and reassessed within seven years of the initial assessment. This system has not had a reassessment within the required reassessment interval of seven years.

8. §192.939 What are the required reassessment intervals?

(b) *Pipelines Operating Below 30% SMYS.* An operator must establish a reassessment interval for each covered segment operating below 30% SMYS in accordance with the requirements of this section. The maximum reassessment interval by an allowable reassessment method is seven years. An operator must establish reassessment by at least one of the following—

(1) Reassessment by pressure test, internal inspection or other equivalent technology following the requirements in paragraph (a)(1) of this section except that the stress level referenced in paragraph (a)(1)(ii) of this section would be adjusted to reflect the lower operating stress level. If an established interval is more than seven years, the operator must conduct by the seventh year of the interval either a confirmatory direct assessment in accordance with §192.931, or a low stress reassessment in accordance with §192.941.

OkTex Pipeline failed to reassess two pipeline systems operating below 30% SMYS in the El Paso Unit within the required reassessment interval of seven years. The Norteno 4 and Norteno 5 pipelines were previously assessed on November 6, 2007 and November 5,

2007, respectively. Both pipelines operate below 30% SMYS and the reassessment of these two lines should have been performed by November 2014. ONEOK NGP IMP procedures state that after completing the baseline assessment of a covered segment, the segment is continually monitored and reassessed within seven years of the initial assessment. These systems have not had a reassessment within the required reassessment interval of seven years.

Proposed Civil Penalty

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 a maximum penalty not to exceed $1,000,000 for related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of $145,000 as follows:

Item number	PENALTY
Item 6	$53,500
Item 7	$43,200
Item 8	$48,300

Warning Items

With respect to items 1, 2, 3, 4 and 5, PHMSA has 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 item(s). Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to items 6 and 8, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to OkTex. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

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. 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). 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 4-2017-1006** 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

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

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 6 of the Notice pertaining to the failure to conduct periodic evaluation and assessment to assure the integrity of covered segments, OkTex must conduct evaluations and assessments of their facility as required by §192.937.

2. In regard to Item Number 8 of the Notice pertaining to the failure to conduct the reassessments to assure the integrity of covered segments, OkTex must conduct the reassessments as required by §192.939.

3. Pertaining to items above of the Proposed Compliance Order, OkTex must complete the required reassessments and evaluations within 90 days of the date of the of the issuance of a Compliance Order and provide a copy of the results to PHMSA.

4. It is requested (not mandated) that OkTex maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R.M. Seeley, Director, Southwest 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.