

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 9, 2011

Mr. Peter Schwiering
President
SemGroup LP
11501 South I-44 Service Rd.
Oklahoma, City, OK 73173

CPF 3-2011-5007M

Dear Mr. Schwiering:

On March 1-3, 2011, representatives of the Western, Southwestern and Central offices of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the operation and maintenance procedures for SemGroup L.P. at your offices in Oklahoma City, OK. It was indicated by your personnel that these procedures also apply to the facilities operated by SemStream and White Cliffs Pipeline LLC.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within SemGroup L.P.'s (SemGroup) plans or procedures, as described below:

1. §195.402 Procedural Manual for Operations, Maintenance and Emergencies.

§195.402(a) - Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

§195.56(a) - Each report of a safety-related condition under §195.55(a) must be filed (received by the Administrator) in writing within 5 working days (not including Saturdays, Sundays, or Federal holidays) after the day a representative of the

operator first determines that the condition exists, but not later than 10 working days after the day a representative of the operator discovers the condition. Separate conditions may be described in a single report if they are closely related. To file a report by facsimile (fax), dial (202) 366-7128.

The procedure was inadequate because it did not sufficiently define discovery and determination. There was no explanation that definitively explained the difference between the two. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

2. §195.402 Procedural Manual for Operations, Maintenance and Emergencies.

§195.402(a) requires that each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies.

§195.402(c) indicates that the manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(6) Minimizing the potential for hazards identified under paragraph (c)(4) of this section and the possibility of recurrence of accidents analyzed under paragraph (c)(5) of this section.

The procedure was inadequate because the requirement re-stated the code. Company personnel indicated that their emergency response plan, OPA plan, prevention of ignition and liaison procedures met this requirement. However, no references in the manual were made to any of these other plans and procedures. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

3. 195.402 (see above)

(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.

4. §195.402 (See above)

(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.

5. §195.402 (See above)

(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.

6. §195.402 (See above)

(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;

(2) Prompt and effective response to a notice of each type emergency, including fire or explosion occurring near or directly involving a pipeline facility, accidental release of hazardous liquid or carbon dioxide from a pipeline facility, operational failure causing a hazardous condition, and natural disaster affecting pipeline facilities.

The procedure was inadequate because more guidance is needed to include what they do for operational failures and natural disasters. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

7. §195.402 (See above)

(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.

8. §195.402 (See above)

(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.

9. §195.402 (See above)

§195.428(a) Overpressure safety devices and overfill protection systems

Each operator shall maintain adequate firefighting equipment at each pump station and breakout tank area. The equipment must be-

- (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 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.**

The procedures were inadequate because it did not include that thermal reliefs and control valves will be inspected and that the procedures to inspect these devices are in the Operator Qualifications plan. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

10. §195.402 (See above)

§195.432(b) Breakout tanks.

- (b) Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653. However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3).**

The procedure was inadequate because it did not indicate that the breakout tanks will be inspected per the time intervals specified in API 653. Currently, the procedures indicate that the tanks will be inspected once a year not to exceed 15 months. This is not correct in that

these tanks are under Section (b) and (c) of the code. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

11. §195.402 (See above)

§195.442(c) Damage Prevention Program – The damage prevention program required by paragraph (a) of this section must, at a minimum:

(1) Include the identity, on a current basis of persons who normally engage in excavation activities in the area in which the pipeline is located.

The procedures in the O&M manual were inadequate because it just restated the code. More guidance is needed to reflect what the company will do to meet this requirement. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

12. §195.402 (See above)

§195.442(c) Damage Prevention Program – The damage prevention program required by paragraph (a) of this section must, at a minimum:

(2) Provides for notification of the public in the vicinity of the pipeline and actual notification of persons identified in paragraph (c)(1) of this section of the following as often as needed to make them aware of the damage prevention program:

- (i) The program's existence and purpose; and**
- (ii) How to learn the location of underground pipelines before excavation activities are begun.**

The procedures in the O&M manual for this requirement were inadequate because it just restated the code. More guidance is needed to reflect what the company will do to meet this requirement. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

13. §195.402 (See above)

§195.442(c) Damage Prevention Program – The damage prevention program required by paragraph (a) of this section must, at a minimum:

(3) Provide a means of receiving and recording notification of planned excavation activities.

The procedures in the O&M manual for this requirement were inadequate because it just restated the code. More guidance is needed to reflect what the company will do to meet this requirement. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

14. §195.402 (See above)

§195.442(c) Damage Prevention Program – The damage prevention program required by paragraph (a) of this section must, at a minimum:

(3) If the operator has buried pipelines in the area of excavation activity, provide for actual notification of persons who give notice of their intent to excavate of the type of temporary markings to be provided and how to identify the markings.

The procedures in the O&M manual for this requirement was inadequate because it just restated the code. More guidance is needed to reflect what the company will do to meet this requirement. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

15. §195.402 (See above)

§195.579(a) - What must I do to mitigate internal corrosion?

(a) General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.

The procedure as it pertains to HVLs is inadequate because it must be expanded to indicate what they are doing and what they have to verify that the propane is free of water and does not constitute a problem with internal corrosion. On April 11, 2011, your personnel submitted amended procedures addressing this. No further action is required.

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 90 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.

It is requested (not mandated) that SemGroup LP maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to David Barrett, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 3-2011-5007M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

David Barrett
Director, Central Region
Pipeline and Hazardous Materials Safety Administration

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