

NOV 5 2009

Mr. Pete Schwiering
President
SEM Crude, L.P.
11501 South Interstate 44 Service Road
Oklahoma City, OK 73173

Re: CPF No. 3-2007-5001

Dear Mr. Schwiering:

Enclosed is the Final Order issued in the above-referenced case. It makes a finding of violation and finds that SEM Crude, L.P. has completed the actions specified in the Notice required to comply with the pipeline safety regulations. This case is now closed. Your receipt of the Final Order constitutes service of that document under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Ivan A. Huntoon, Director, Central Region

CERTIFIED MAIL – RETURN RECEIPT REQUESTED [7005 0390 0005 6162 5081]

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, D.C. 20590**

_____)	
In the Matter of)	
)	
SEM Crude, L.P.,)	CPF No. 3-2007-5001
)	
Respondent.)	
_____)	

FINAL ORDER

Between May 1-4 and 8-12, 2006, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of SEM Crude, L.P. (SEM Crude or Respondent) in its Kansas and Oklahoma operating areas. SEM Crude, L.P. has access to 2,400 miles of liquid pipelines in Oklahoma and Kansas pursuant to a throughput agreement with SEMGroup Energy Partners, L.P. Both entities are subsidiaries of SEMGroup, L.P.¹

As a result of the inspection, the Director, Central Region, OPS (Director), issued to SEM Crude, by letter dated January 22, 2007, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that SEM Crude had violated 49 C.F.R. § 195.583 and ordering Respondent to take certain measures to correct the alleged violation.

SEM Crude responded to the Notice by letters dated February 20, 2007 and August 27, 2007 (collectively, Response). Respondent did not contest the allegations of violation but instead described corrective actions it planned to implement. SEM Crude did not request a hearing and therefore has waived its right to one.

¹ On July 22, 2008, SEMGroup, L.P., and certain of its direct and indirect subsidiaries and affiliates, filed voluntary petitions in federal court seeking protection under Chapter 11 of the United States Bankruptcy Code. *See In re SEM Crude, L.P., et al*, Case No. 08-11525, U.S. Bankruptcy Court, District of Delaware. Notwithstanding those filings, the issuance of this Final Order is permitted under 11 U.S.C. § 362(b)(4) (2006) (“The filing of a petition [in bankruptcy] . . . does not operate as a stay . . . of the commencement or continuation of an action or proceeding by a governmental unit . . . to enforce such governmental unit's or organization's police and regulatory power, including the enforcement of a judgment other than a money judgment, obtained in an action or proceeding by the governmental unit to enforce such governmental unit's or organization's police or regulatory power...”).

FINDING OF VIOLATION

Item 1: The Notice alleged that SEM Crude violated 49 C.F.R. § 195.583, which states:

§ 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.

(b) During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.

(c) If you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by § 195.581.

The Notice alleged that SEM Crude had failed to inspect each portion of the pipeline that was exposed to the atmosphere for atmospheric corrosion since acquiring that line in 2002. Specifically, the Notice alleged that Respondent had failed to inspect 28 mainline block valve settings, including five above-ground valve settings at Mile Posts (MP) -3.5, -0.5, 40.5, 55, and 79 and 23 below-grade block valves located at MP 3, 3.3, 6, 10, 16, 20, 25, 26, 30, 35, 40, 45, 50, 51, 51.6, 65.5, 70, 75, 79, 81, 86, 91, and 91.3.

In its Response, SEM Crude acknowledged its failure to conduct comprehensive atmospheric corrosion inspections of the valves at each of the specified locations. Accordingly, I find that Respondent violated 49 C.F.R. § 195.583 by failing to inspect each portion of its pipeline that was exposed to the atmosphere for evidence of atmospheric corrosion within the required intervals.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 1 in the Notice for violating 49 C.F.R. § 195.583. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the

applicable safety standards established under chapter 601. The Director has indicated that SEM Crude has taken the following actions in response to the Proposed Compliance Order:

1. Respondent evaluated the valve spacing and removed eight of the untested valves at MP 16, 25, 35, 45, 75, 79, 86, 91.
2. Respondent replaced the valve at MP 3.
3. Respondent inspected, cleaned, and recoated the valve at MP 3.3.
4. Respondent inspected, cleaned, recoated, and buried the remaining valves at MP 6, 10, 20, 26, 30, 40, 50, 51.4, 51.6, 65.5, 70, 81, 91.3.
5. Respondent provided the Director with the total cost of removing, recoating, and burying the valves.

Since Respondent has provided documentation to OPS demonstrating completion of these actions and compliance has been achieved with respect to this violation, it is unnecessary to include the compliance terms in this Order. This case is now closed.

The terms and conditions of this Final Order shall be effective upon receipt.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued