

RAILROAD COMMISSION OF TEXAS

**APPLICATION OF OXY USA WTP LP FOR
WAIVER PURSUANT TO 49 C.F.R. 195
AND RULE 8 OF TEX. ADMIN. CODE, TITLE
16, PART 1 FOR THE USE OF A ZAP-LOK
CONNECTION SYSTEM IN ITS WOLFBONE
OIL GATHERING SYSTEM**

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**HEARINGS DIVISION
GUD No. 10790**

AMENDED FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to Chapter 551 of the Texas Government Code. The Railroad Commission of Texas ("Commission") hereby adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. The Commission issued Oxy USA WTP LP ("Oxy") permit No. 09365 on April 15, 2015, for 49.8 miles of 10- and 12- inch pipeline for its Wolfbone Oil Gathering System ("Wolfbone") in Reeves County, Texas, to transport crude oil.
2. The Wolfbone pipeline, which was constructed on May 18, 2015, was built with API 5L grade X52 steel pipe that uses the Zap-Lok Connection System ("Zap-Lok").
3. Oxy initiated a voluntary environmental, health, and safety audit of Wolfbone under the Texas Environmental, Health, and Safety Audit Privilege Act, Texas Health & Safety Code, Ch. 1101 ("Audit Act") on June 5, 2017 and determined that Wolfbone is a jurisdictional pipeline.
4. Pursuant to the Audit Act, Oxy voluntarily disclosed to the Commission, in a disclosure of violations letter dated December 5, 2017, that Wolfbone is a jurisdictional pipeline using the Zap-Lok technology.
5. Oxy filed its Application for Waiver for the use of the Zap-Lok in Wolfbone on November 13, 2018, pursuant to 16 Tex. Admin. Code §8.125.
6. Notice of the application was provided by certified mail, return receipt requested, to all affected persons entitled to notice pursuant to 16 Tex. Admin. Code §8.125(e)(1).
7. Notice of application was published in compliance with 16 Tex. Admin. Code §8.125(e)(2) in the *Pecos Enterprise*, a newspaper of general circulation in Reeves County, on November 22, 2018, and November 15, 2018.
8. The Pipeline Safety Department of the Oversight and Safety Division ("Division") did not receive any protests or letters of support for the application or any objections or requests for hearing from any affected person pursuant to 16 Tex. Admin. Code §8.125(f) and (g).

9. The Division determined the application was sufficient as to form and content in accordance with 16 Tex. Admin. Code §8.125 (c) & (d).
10. The Division recommended approval of the requested waiver in a memorandum dated February 14, 2019.
11. On March 26, 2019, the Commission issued a Final Order in GUD No. 10790 granting Oxy a waiver of pipeline safety rules pursuant to 16 Tex. Admin. Code § 8.125 provided that no objection from the United States Secretary of Transportation is received within 60 days from the date the order is signed.
12. On April 1, 2019, the Division gave written notification to the Federal Pipeline Hazardous Materials and Safety Administration ("PHMSA"), which is a U.S. Department of Transportation agency, of the Commission's decision in GUD No. 10790 pursuant to 49 U.S.C. §60118(d) and 16 Tex. Admin. Code § 8.125.
13. To ensure it addressed all technical and safety issues related to the waiver, PHMSA requested, on May 30, 2019, the Commission delay the effective date of the March 26, 2019 Final Order and extend the review period.
14. On July 3, 2019, PHMSA notified the Division that it objected to the Commission's issuance of the waiver unless the March 26, 2019 Final Order is amended to require Oxy to meet 15 additional conditions. Attachment 1 is the July 3, 2019 letter from PHMSA to the Director of the Pipeline Safety Division outlining the 15 additional conditions.
15. PHMSA's Condition No. 2 prohibits the Wolfbone System from exceeding a Maximum Operating Pressure ("MOP") of 135 psig.
16. On October 30, 2019, Oxy requested PHMSA raise the MOP limit to 204 psig.
17. On October 9, 2019, the Commission, Oxy, and PHMSA met in Houston, Texas to discuss the MOP requirement and decided to modify Condition No. 2 by requiring Oxy to operate at an MOP of 204 psig rather than at 135 psig.
18. On November 19, 2019, the Pipeline Safety Division received an official request in writing from Oxy requesting an amended waiver to address the modified MOP.
19. On December 17, 2019, the Division requested an amended order in this docket granting waiver, subject to PHMSA's added conditions and the modified MOP.

CONCLUSIONS OF LAW

1. The Commission has original jurisdiction to consider Applicant's application pursuant to Tex. Util. Code §121.201 and 49 U.S.C. §60105.
2. Proper legal notice was timely given to all persons and entities entitled to notice under applicable statutes and rules.
3. All things have occurred and have been accomplished to give the Commission jurisdiction in this case. The Commission has jurisdiction under statutes and rules, including 49 C.F.R. Parts 192 and 195 and 16 Tex. Admin. Code §8.125, to authorize the requested waiver to use Zap-Lok on a jurisdictional line in accordance with the specifications in those rules.
4. Applicant is required to comply with all other minimum safety standards set forth in 49 C.F.R. Parts 192 and 195 as they apply to normal operation and maintenance.
5. The application for this waiver was not filed either to correct an existing violation or to avoid the expense of safety compliance.
6. Granting the requested waiver is not inconsistent with pipeline safety.

IT IS THEREFORE ORDERED that the application of Oxy USA WTP LP, for a waiver of Pipeline Safety Rules pursuant to 16 Tex. Admin. Code §8.125, is **GRANTED** as to the use of a Zap-Lok connection system in Oxy's Wolfbone Oil Gathering System. This waiver applies only to already existing Zap-Lok connections in the Wolfbone Oil Gathering System.

IT IS FURTHER ORDERED that the waiver, as granted, is subject to the special conditions outlined below.

IT IS ALSO ORDERED that no further waivers for installation of Zap-Lok technology within any Oxy USA WTP LP system or pipeline are granted.

SPECIAL CONDITIONS

1. Oxy is required to report any leaks or problems associated with the operation of this pipeline to the Commission's emergency line within one (1) hour of discovery. Should a leak occur, the Commission retains its authority to require the removal and/or replacement of the approved connections.
2. Future repairs, if necessary, must be completed by Zap-Lok-certified installation specialists and inspected by Zap-Lok technicians. Oxy must file repair reports with the Commission within 10 days of the repairs.
3. Oxy shall conduct all ongoing compliance. Activities, such as patrols, cathodic protection surveys, etc., following the most stringent frequency intervals required by 49 C.F.R. Part 195 and Texas Administrative Code, Title 16, Chapter 8.

4. If the United States Department of Transportation does not grant the waiver application in accordance with 16 Tex. Admin. Code §8.125(j) and 49 U.S.C. §60118(d), the waiver is not effective.
5. Oxy develops and implements procedures that meet 49 C.F.R. 195.12(c)(3), 195.452, Subpart B, and Subpart H safety requirements within six (6) months of the waiver grant by the Commission.
6. The Wolfbone System does not exceed an MOP of 204 psig.
7. Within six (6) months after grant of the waiver by the Commission, Oxy has an operational and monitored computational pipeline monitoring (CPM) leak detection system to meet 49 C.F.R. 195.444 and 195.446, which includes a supervisory control and data acquisition (SCADA) system, flow measurement, volume measurement and balancing for all crude oil (hazardous liquid) inputs and outputs into the Wolfbone System, remote shutdown of valves at pumps, and measurement skids. The Wolfbone System SCADA system has continuous monitoring with controllers.
8. Within six (6) months after grant of the waiver by the Commission, Oxy performs aboveground Wolfbone System pipe coating quality inspections using direct current voltage gradient (DCVG) or alternating current voltage gradient (ACVG) technology to identify the existence and location of coating holidays. Identified coating holidays is remediated as specified below:
 - a. Oxy repairs any coating damage classified as severe (voltage drop greater than 60 percent for DCVG or 70 dB μ V for ACVG) in accordance with section 4 of NACE SP0502, "Pipeline External Corrosion Direct Assessment Methodology" (incorporated by reference, see § 192.7) within six (6) months after waiver grant by the Commission, or as soon as practicable after obtaining necessary permits not to exceed six (6) months after receipt of permits.
 - b. A minimum of two (2) coating survey assessment classifications is excavated, classified, and/or remediated per each survey crew performing the coating surveys.
9. Oxy provides increased right-of-way patrol frequency with an emphasis on identifying pipeline leaks at intervals of one (1) per week, not to exceed 10 days, unless inclement weather conditions should extend the interval, but the extension is reported to the Commission within two (2) working days (Monday through Friday).
10. Oxy completes hardness testing of at least two (2) representative Zap-Lok joints at an independent laboratory and provide results within 90 days after the date the waiver is granted by the Commission. The hardness test results is furnished to the Commission. If the tested samples of the Zap-Lok joints have a maximum hardness of over 22 Rockwell C hardness (HRC) units or equivalent scale, Oxy provides operational product test results showing that the combination of joint hardness and transported product are not consistent with the future development of cracking or develop procedures for monitoring the Zap-Lok joints for cracking.

11. Oxy installs and maintains cathodic protection test points at intervals not exceeding 3,500 feet on the Wolfbone System. Any damaged test sites are repaired within one (1) month of the finding damage to the test site. Annual surveys are conducted to meet 49 C.F.R. 195.571 and 195.573.
12. Oxy conducts "on and off" close interval surveys (CIS) at a maximum survey interval of five (5) feet along the entire Wolfbone System within six (6) months of the waiver grant by the Commission. Future CIS reassessments is on a maximum five (5) calendar year basis not to exceed 66 months. Within six (6) months of conducting the CIS survey, Oxy remediates any areas of inadequate cathodic protection that do not meet 49 C.F.R. 195.571.
13. Oxy conducts representative annual "on and off" CIS beginning in calendar year 2020, at one (1) year intervals not to exceed 15 months, that are selected to meet the following criteria:
 - a. Discrete 1-foot CIS spacing intervals conducted in such a manner as to assure one "on" potential and one "off" potential is measured at every 1-foot location at a minimum of six (6) and a maximum of ten (10) segments of 80 feet total length for each selected;
 - b. At least one (1) CIS segment contains a prior wrapped (coated) holiday repair;
 - c. At least one (1) CIS segment contains a prior field-coated epoxy holiday repair;
 - d. At least one (1) CIS segment is conducted in areas of historic cathodic protection issues;
 - e. A minimum of one (1) and a maximum of three (3) survey CIS segments are selected from the previous year for comparison; and
 - f. CIS segments are spaced throughout the Wolfbone System to be representative of local conditions.

Note: Annual CIS described above are required to verify the operational ability of the cathodic protection system current to be able to flow current through the Zap-Lok connections through-out the life-span of the waiver.

14. Oxy completes integrity assessment of the Wolfbone System by means of inline inspection (ILI), Subpart E pressure testing, or Commission-approved "Other Technology" at intervals not to exceed five (5) calendar years not to exceed 66 months. The initial (baseline) integrity assessment and any required remediation to meet 49 C.F.R. Part 195 are completed within one (1) year of the date the waiver is granted.

15. Based on the 2017 cathodic protection survey results, Oxy completes a study to identify current contributing to elevated interrupted-off values within six (6) months after the date the waiver is granted. Cathodic protection issues requiring remediation are completed within one (1) year after the date the waiver is granted by the Commission.
16. Oxy keeps records of all actions required by these waiver conditions for the life of the pipeline.
17. Oxy furnishes the Commission an annual report, not to exceed 13 months, with the following information:
 - a. Any new integrity threats identified during the previous year and the results of any ILI or direct assessments performed (including any un-remediated anomalies over 30 percent wall loss, cracking found in the pipe body, weld seam or girth welds, and dents with metal loss, cracking or stress riser) during the previous year including their survey station, failure pressure ratio, anomaly depth and length, class location, and whether they are in an HCA.
 - b. Any leaks, ruptures, or other integrity issues found when conducting weekly patrols, maintenance, or integrity management along the Wolfbone System.
 - c. Any reportable incident, any leak normally indicated on the DOT Annual Report, and all repairs on the pipeline that occurred during the previous year.
 - d. Any mergers, acquisitions, transfer of assets, or other events affecting the regulatory responsibility of the company operating the pipeline.
18. Within one (1) year of the waiver grant, a senior executive officer of Oxy, vice president or higher, certifies in writing to the Commission the following items:
 - a. The Oxy Wolfbone System meets the conditions described in this waiver, and
 - b. The written manual of operations and maintenance procedures for the Oxy Wolfbone System has been updated to include all additional operating and maintenance requirements for this waiver.
19. The waiver grant is limited to a maximum interval of ten (10) years from the date of issuance. Oxy may request a waiver renewal from the Commission six (6) months prior to expiration of this granted waiver.

IT IS FURTHER ORDERED that all requested findings of fact and conclusions of law, which are not expressly adopted herein, are **DENIED**.

IT IS ALSO ORDERED that all pending motions and requests for relief not previously granted or granted herein are **DENIED**.

IT IS THEREFORE ORDERED that UPON THE PASSAGE of 60 days from the date this order is signed and no objection from the United States Secretary of Transportation having been received as provided for in 49 U.S.C. §60118(c)(1), this order shall become final and effective.

SIGNED on February 11, 2020, in Austin, Texas.

RAILROAD COMMISSION OF TEXAS



CHAIRMAN WAYNE CHRISTIAN




COMMISSIONER CHRISTI CRADDICK

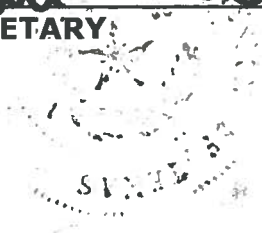


COMMISSIONER RYAN SITTON

ATTEST:



SECRETARY



**Amended Final Order
GUD No. 10790
Attachment 1
(PHMSA's July 3, 2019 Letter)**



U.S. Department
of Transportation

Pipeline and Hazardous
Materials Safety
Administration

1200 New Jersey Avenue, SE
Washington, D.C. 20590

JUL 3 2019

Ms. Stephanie Weidman
Director, Pipeline Safety Division
Railroad Commission of Texas
1701 North Congress Avenue
Austin, Texas 78711-2967

PHMSA-2019-0071

Dear Ms. Weidman:

By letter dated April 1, 2019, the Railroad Commission of Texas (Commission) notified the Pipeline and Hazardous Materials Safety Administration (PHMSA), that pursuant to 49 USC § 60118(d), a waiver was issued to OXY USA WTP LP (Oxy), for the use of a Zap-Lok connection system on the API 5L grade X 52 steel pipeline in its Wolfbone Oil Gathering System (Wolfbone System). Pursuant to § 60118(d), the Commission may waive compliance with a safety standard to which its certification applies, but must give PHMSA written notice of the waiver at least 60 days before its effective date. If PHMSA makes a written objection before the effective date of the waiver, the waiver is stayed.

The Oxy Wolfbone System is defined as 49.8 miles of 10.75-inch and 12.75-inch diameter pipeline constructed with a non-welded Zap-Lok pipe connection system. The Wolfbone System is a rural, low stress, crude oil, hazardous liquid pipeline, regulated in accordance with 49 Code of Federal Regulations (CFR) 195.12(c)(3)(i), and operates at a maximum operating pressure (MOP) of 135 pounds per square inch gauge (psig) in Reeves County, Texas.

Having reviewed the information provided in the Commission's order, and based on subsequent communications and meetings between the affected parties, pursuant to 49 USC § 60118(d), PHMSA does not object to issuance of this waiver by the Commission, provided such waiver requires that Oxy meet the following additional conditions:

- 1) Oxy must develop and implement procedures that meet 49 CFR 195.12(c)(3), 195.452, Subpart B, and Subpart H safety requirements within six (6) months of the waiver grant by the Commission.
- 2) The Wolfbone System must not exceed an MOP of 135 psig.
- 3) Within six (6) months after grant of the waiver by the Commission, Oxy must have an operational and monitored computational pipeline monitoring (CPM) leak detection system to meet 49 CFR 195.444 and 195.446, which includes a supervisory control and data acquisition (SCADA) system, flow measurement, volume measurement and balancing for all crude oil (hazardous liquid) inputs and outputs into the Wolfbone

System, remote shutdown of valves at pumps, and measurement skids. The Wolfbone System SCADA system must have continuous monitoring with controllers.

- 4) Within six (6) months after grant of the waiver by the Commission, Oxy must perform aboveground Wolfbone System pipe coating quality inspections using direct current voltage gradient (DCVG) or alternating current voltage gradient (ACVG) technology to identify the existence and location of coating holidays. Identified coating holidays must be remediated as specified below:
 - a. Oxy must repair any coating damage classified as severe (voltage drop greater than 60 percent for DCVG or 70 dB μ V for ACVG) in accordance with section 4 of NACE SP0502, "Pipeline External Corrosion Direct Assessment Methodology" (incorporated by reference, see § 192.7) within six (6) months after waiver grant by the Commission, or as soon as practicable after obtaining necessary permits not to exceed six (6) months after receipt of permits.
 - b. A minimum of two (2) coating survey assessment classifications must be excavated, classified, and/or remediated per each survey crew performing the coating surveys.
- 5) Oxy must provide increased right-of-way patrol frequency with an emphasis on identifying pipeline leaks at intervals of one (1) per week, not to exceed 10 days, unless inclement weather conditions should extend the interval, but the extension must be reported to the Commission within two (2) working days (Monday through Friday).
- 6) Oxy must complete hardness testing of at least two (2) representative Zap-Lok joints at an independent laboratory and provide results within 90 days after the date the waiver is granted by the Commission. The hardness test results must be furnished to the Commission. If the tested samples of the Zap-Lok joints have a maximum hardness of over 22 Rockwell C hardness (HRC) units or equivalent scale, Oxy must provide operational product test results showing that the combination of joint hardness and transported product are not consistent with the future development of cracking or develop procedures for monitoring the Zap-Lok joints for cracking.
- 7) Oxy must install and maintain cathodic protection test points at intervals not exceeding 3,500 feet on the Wolfbone System. Any damaged test sites must be repaired within one (1) month of the finding damage to the test site. Annual surveys must be conducted to meet 49 CFR 195.571 and 195.573.
- 8) Oxy must conduct "on and off" close interval surveys (CIS) at a maximum survey interval of five (5) feet along the entire Wolfbone System within six (6) months of the waiver grant by the Commission. Future CIS reassessments must be on a maximum five (5) calendar year basis not to exceed 66 months. Within six (6) months of conducting the CIS survey, Oxy must remediate any areas of inadequate cathodic protection that do not meet 49 CFR 195.571.
- 9) Oxy must conduct representative annual "on and off" CIS beginning in calendar year 2019, at one (1) year intervals not to exceed 15 months, that are selected to meet the following criteria:
 - a. Discrete 1-foot CIS spacing intervals conducted in such a manner as to assure one "on" potential and one "off" potential is measured at every 1-foot location at a

minimum of six (6) and a maximum of ten (10) segments of 80 feet total length for each selected;

- b. At least one (1) CIS segment contains a prior wrapped (coated) holiday repair;
- c. At least one (1) CIS segment contains a prior field-coated epoxy holiday repair;
- d. At least one (1) CIS segment is conducted in areas of historic cathodic protection issues;
- e. A minimum of one (1) and a maximum of three (3) survey CIS segments must be selected from the previous year for comparison; and
- f. CIS segments are spaced throughout the Wolfbone System to be representative of local conditions.

Note: Annual CIS described above are required to verify the operational ability of the cathodic protection system current to be able to flow current through the Zap-Lok connections through-out the life-span of the waiver.

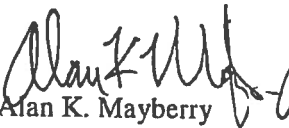
- 10) Oxy must complete integrity assessment of the Wolfbone System by means of inline inspection (ILI), Subpart E pressure testing, or Commission-approved "Other Technology" at intervals not to exceed five (5) calendar years not to exceed 66 months. The initial (baseline) integrity assessment and any required remediation to meet 49 CFR Part 195 must be completed within one (1) year of the date the waiver is granted.
- 11) Based on the 2017 cathodic protection survey results, Oxy must complete a study to identify current contributing to elevated interrupted-off values within six (6) months after the date the waiver is granted. Cathodic protection issues requiring remediation must be completed within one (1) year after the date the waiver is granted by the Commission.
- 12) Oxy must keep records of all actions required by these waiver conditions for the life of the pipeline.
- 13) Oxy must furnish the Commission an annual report, not to exceed 13 months, with the following information:
 - a. Any new integrity threats identified during the previous year and the results of any ILI or direct assessments performed (including any un-remediated anomalies over 30 percent wall loss, cracking found in the pipe body, weld seam or girth welds, and dents with metal loss, cracking or stress riser) during the previous year including their survey station, failure pressure ratio, anomaly depth and length, class location, and whether they are in an HCA.
 - b. Any leaks, ruptures, or other integrity issues found when conducting weekly patrols, maintenance, or integrity management along the Wolfbone System.
 - c. Any reportable incident, any leak normally indicated on the DOT Annual Report, and all repairs on the pipeline that occurred during the previous year.
 - d. Any mergers, acquisitions, transfer of assets, or other events affecting the regulatory responsibility of the company operating the pipeline.
- 14) Within one (1) year of the waiver grant, a senior executive officer of Oxy, vice president or higher, must certify in writing to the Commission the following items:
 - a. The Oxy Wolfbone System meets the conditions described in this waiver, and

- b. The written manual of operations and maintenance procedures for the Oxy Wolfbone System has been updated to include all additional operating and maintenance requirements for this waiver.
- 15) The waiver grant must be limited to a maximum interval of ten (10) years from the date of issuance. Oxy may request a waiver renewal from the Commission six (6) months prior to expiration of this granted waiver.

After the inclusion of these conditions into the waiver by the Commission, please provide this office with a copy of the final waiver granted to the operator. Pursuant to 49 USC § 60118(d), if the Commission does not include the conditions into the waiver, this letter serves as PHMSA's notice of objection to the waiver.

My staff would be pleased to discuss this matter or any other regulatory matter with you. John Gale, Director, Standards and Rulemaking Division, may be contacted at 202-366-0434 for regulatory matters and Sentho White, Director, Engineering and Research Division, may be contacted at 202-366-2415 for technical matters.

Sincerely,



Alan K. Mayberry
Associate Administrator for Pipeline Safety