



U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety
Administration**

1200 New Jersey Avenue SE
Washington DC 20590

2014 Hazardous Liquid State Program Evaluation

for

NM PIPELINE SAFETY BUREAU

Document Legend

PART:

- O -- Representative Date and Title Information
- A -- Progress Report and Program Documentation Review
- B -- Program Inspection Procedures
- C -- Program Performance
- D -- Compliance Activities
- E -- Accident Investigations
- F -- Damage Prevention
- G -- Field Inspections
- H -- Interstate Agent State (if applicable)
- I -- 60106 Agreement State (if applicable)



2014 Hazardous Liquid State Program Evaluation -- CY 2014
Hazardous Liquid

State Agency: New Mexico
Agency Status:
Date of Visit: 04/09/2015 - 04/30/2015
Agency Representative: Jason N. Montoya, Pipeline Safety Bureau Chief
 Isaac Lerma, Pipeline Inspector
PHMSA Representative: Glynn Blanton, PHMSA, State Programs
Commission Chairman to whom follow up letter is to be sent:
Name/Title: Karen L. Montoya, Chairwoman
Agency: New Mexico Public Regulation Commission
Address: 1120 Paseo de Peralta, 4th Floor, PO Box 1269
City/State/Zip: Santa Fe, New Mexico 87504-1269

INSTRUCTIONS:

Complete this evaluation in accordance with the Procedures for Evaluating State Pipeline Safety Program. The evaluation should generally reflect state program performance during CY 2014 (not the status of performance at the time of the evaluation). All items for which criteria have not been established should be answered based on the PHMSA representative's judgment. A deficiency in any one part of a multiple part question should be scored as needs improvement. Determine the answer to the question then select the appropriate point value. If a state receives less than the maximum points, include a brief explanation in the space provided for general comments/regional observations. If a question is not applicable to a state, select NA. Please ensure all responses are COMPLETE and ACCURATE, and OBJECTIVELY reflect state program performance. Increasing emphasis is being placed on performance. This evaluation together with selected factors reported in the state's annual progress report attachments provide the basis for determining the state's pipeline safety grant allocation.

Field Inspection (PART G):

The field inspection form used will allow different areas of emphasis to be considered for each question. Question 13 is provided for scoring field observation areas. In completing PART G, the PHMSA representative should include a written summary which thoroughly documents the inspection.

Scoring Summary

PARTS	Possible Points	Points Scored
A Progress Report and Program Documentation Review	10	9.5
B Program Inspection Procedures	13	13
C Program Performance	42	41
D Compliance Activities	15	15
E Accident Investigations	11	11
F Damage Prevention	8	8
G Field Inspections	12	12
H Interstate Agent State (if applicable)	0	0
I 60106 Agreement State (if applicable)	0	0
TOTALS	111	109.5
State Rating		98.6

PART A - Progress Report and Program Documentation Review

Points(MAX) Score

- | | | | |
|---|---|---|---|
| 1 | Accuracy of Jurisdictional Authority and Operator/Inspection Units Data - Progress Report Attachment 1
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
|---|---|---|---|

Evaluator Notes:

A review of Progress Report Attachment 1 found the number of operators & units inspected to be correct. This information was checked against the agency's spreadsheet and file documents. No areas of concern.

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| 2 | Review of Inspection Days for accuracy - Progress Report Attachment 2
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 0.5 |
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Evaluator Notes:

A review and verification of the number of inspections performed and recorded on Attachment 2 was conducted. It was found the number of drug and alcohol inspections was incorrect. The actual number of inspections should be 3 not 8.

This item will need to be corrected in the NM HL 2014 Progress Report by Program Manager or Carrie Winslow, PHMSA State Program, accessing FedSTAR to correct this error. A loss of half a point occurred.

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|---|--|---|---|
| 3 | Accuracy verification of Operators and Operators Inspection Units in State - Progress Report Attachment 3
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

A review and verification of the list of operators provided on Attachment 3 was checked. No areas of concern.

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| 4 | Were all federally reportable incident reports listed and information correct? - Progress Report Attachment 4
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, one accident occurred in CY2014. The operator was Holly Energy Partners. Date of the accident was December 18, 2014. No personal injuries but \$50,140 of property damage did occur. The incident is listed and found in the Pipeline Safety Data Mart database.

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| 5 | Accuracy verification of Compliance Activities - Progress Report Attachment 5
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, a review and verification of Attachment 5 found the numbers of probable violations corrected and carryover were correct. No areas of concern.

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| 6 | Were pipeline program files well-organized and accessible? - Progress Report Attachment 6
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

Yes, office files and spreadsheets showing the number and type of inspections performed was well organized.

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| 7 | Was employee listing and completed training accurate and complete? - Progress Report Attachment 7
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, a review of TQ transcript confirm all inspectors are qualified and meet the training requirements. No issues.

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|---|---|---|---|
| 8 | Verification of Part 195,198,199 Rules and Amendments - Progress Report Attachment 8
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Conducted a review and found all federal regulations have been adopted within the 24 month period. Noted the civil penalty amount is still below the federal amount. Current civil penalty is \$25,000 per violation to a maximum amount not to exceed \$500,000. Encourage action be taken to increase their civil penalty amount to the federal amount of \$100,000 to \$1 million.

- 9 List of Planned Performance - Did state describe accomplishments on Progress Report in detail - Progress Report Attachment 10 1 1
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Reviewed Attachment 10 and found the planned and past performance accomplishments were well documented. No issues.

- 10 General Comments: Info Only Info Only
Info Only = No Points

Evaluator Notes:

A loss of half a point occurred in this section of the review. Question A.2

A review and verification of the number of inspections performed and recorded on Attachment 2 was conducted. It was found the number of drug and alcohol inspections was incorrect. The actual number of inspections should be 3 not 8.

This item will need to be corrected in the NM HL 2014 Progress Report by Program Manager or Carrie Winslow, PHMSA State Program, accessing FedSTAR to correct this error. A loss of half a point occurred.

Total points scored for this section: 9.5
Total possible points for this section: 10



PART B - Program Inspection Procedures

Points(MAX) Score

- 1 Standard Inspection procedures should give guidance to state inspectors that insure consistency in all inspections conducted by the state? The following elements should be addressed at a minimum - pre-inspection activities, inspection activities, post-inspection activities.

Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, Standard Inspections are listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V-Procedures for Determining Inspection Priorities and subsection VI-Procedures for Selecting Large Operator Inspection Unit Rotation.

- 2 IMP Inspection procedures should give guidance to state inspectors that insure consistency in all inspections conducted by the state? The following elements should be addressed at a minimum - pre-inspection activities, inspection activities, post-inspection activities.

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, IMP inspections are listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V-Procedures for Determining Inspection Priorities and subsection VI-Procedures for Selecting Large Operator Inspection Unit Rotation. No issues.

- 3 OQ Inspection procedures should give guidance to state inspectors that insure consistency in all inspections conducted by the state? The following elements should be addressed at a minimum - pre-inspection activities, inspection activities, post-inspection activities.

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, OQ inspections are listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V-Procedures for Determining Inspection Priorities.

- 4 Damage Prevention Inspection procedures should give guidance to state inspectors that insure consistency in all inspections conducted by the state? The following elements should be addressed at a minimum - pre-inspection activities, inspection activities, post-inspection activities.

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, Damage Prevention inspection procedures are listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V-Procedures for Determining Inspection Priorities, page 5.

- 5 Any operator training conducted should be outlined and appropriately documented as needed.

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, operator training is listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 3, subsection IV page 9. No issues.

- 6 Construction Inspection procedures should give guidance to state inspectors that insure consistency in all inspections conducted by the state? The following elements should be addressed at a minimum - pre-inspection activities, inspection activities, post-inspection activities.

Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, construction inspections procedures are listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V-Procedures for Determining Inspection Priorities, (I), page 5. No issues.

- | | | | |
|----|---|--------------------------------------|--|
| 7 | Does inspection plan address inspection priorities of each operator, and if necessary each unit, based on the following elements?
Yes = 6 No = 0 Needs Improvement = 1-5 | 6 | 6 |
| a. | Length of time since last inspection (Within five year interval) | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| b. | Operating history of operator/unit and/or location (includes leakage, incident and compliance activities) | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| c. | Type of activity being undertaken by operators (i.e. construction) | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| d. | Locations of operators inspection units being inspected - (HCA's, Geographic area, Population Density, etc) | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| e. | Process to identify high-risk inspection units that includes all threats - (Excavation Damage, Corrosion, Natural Forces, Outside Forces, Material and Welds, Equipment, Operators and any Other Factors) | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| f. | Are inspection units broken down appropriately? | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |

Evaluator Notes:

Yes, Items (a thru e) are listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1; subsection VI-Procedures for Selecting Large Operator Inspection Unit Rotation, page 5. Reviewed inspection units item (f) and found they are broken down correctly. No issues.

8 General Comments:

Info Only Info Only

Info Only = No Points

Evaluator Notes:

No loss of points occurred in this section of the review.

Total points scored for this section: 13
Total possible points for this section: 13



PART C - Program Performance

Points(MAX) Score

- 1** Was ratio of Total Inspection person-days to total person days acceptable? (Director of State Programs may modify with just cause) Chapter 4.3 5 5
 Yes = 5 No = 0
 A. Total Inspection Person Days (Attachment 2):
 101.00
 B. Total Inspection Person Days Charged to the Program (220 X Inspection Person Years) (Attachment 7):
 220 X 0.26 = 57.31
 Ratio: A / B
 101.00 / 57.31 = 1.76
 If Ratio >= 0.38 Then Points = 5, If Ratio < 0.38 Then Points = 0
 Points = 5

Evaluator Notes:

- A.Total Inspection Person Days (Attachment 2)= 101
 B.Total Inspection Person Days Charged to the program(220*Number of Inspection person years(Attachment 7)=57.30956
 Formula:- Ratio = A/B = 101/57.30956 = 1.76
 Rule:- (If Ratio >=.38 then points = 5 else Points = 0.)
 Thus Points = 5

- 2** Has each inspector and program manager fulfilled the T Q Training Requirements? (See Guidelines Appendix C for requirements) Chapter 4.4 5 5
 Yes = 5 No = 0 Needs Improvement = 1-4
- a. Completion of Required OQ Training before conducting inspection as lead? Yes No Needs Improvement
 - b. Completion of Required IMP Training before conducting inspection as lead? Yes No Needs Improvement
 - c. Root Cause Training by at least one inspector/prgram manager Yes No Needs Improvement
 - d. Note any outside training completed Yes No Needs Improvement
 - e. Verify inspector has obtained minimum qualifications to lead any applicable standard inspection as the lead inspector. Yes No Needs Improvement

Evaluator Notes:

- a. All but two inspectors have completed the OQ training course.
- b. IMP Lead inspectors are Issac Lerma, Lonnie Montaya & Loretta Cuthrell
- c. All five inspectors have completed the Root Cause course at TQ.
- d. Outside training was provided to all inspectors on Excel software.
- e. Three of the five inspectors (Issac Lerma, Lonnie Montaya & Loretta Cuthrell) have obtained the minimum qualifications to lead any applicable standard inspections. No issues of concern were noted or found.

- 3** Did state records and discussions with state pipeline safety program manager indicate adequate knowledge of PHMSA program and regulations? Chapter 4.1,8.1 2 2
 Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, Jason Montoya has over five years' experience as the program manager, a professional engineer, ten years' experience in Gas and hazardous liquid safety. He has successfully completed all the TQ courses. No issue.

- 4** Did state respond to Chairman's letter on previous evaluation within 60 days and correct or address any noted deficiencies? (If necessary) Chapter 8.1 2 2
 Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, the Chairman's letter was received on January 20, 2015. No issue.

- 5** Did State hold PHMSA TQ Seminar in Past 3 Years? Chapter 8.5 2 2
 Yes = 2 No = 0

Evaluator Notes:



Yes, NM PRC held the Pipeline Safety TQ Seminar on May 7-8, 2014 in Santa Fe, New Mexico. Several of the Hazardous Liquid operators attended the meeting as shown on the attendee list reviewed by this writer. No areas of concern.

- 6** Did state inspect all types of operators and inspection units in accordance with time intervals established in written procedures? Chapter 5.1 5 5
Yes = 5 No = 0 Needs Improvement = 1-4

Evaluator Notes:

Yes, conducted a review of CY2014 Inspection Assignments spreadsheet lists which listed all operators and the date of the inspections. The spreadsheet was compared to the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V-Procedures for Determining Inspection Priorities. It was found each inspection unit was inspected for the type of inspection required and within the time intervals listed in their procedures. No issue.

- 7** Did inspection form(s) cover all applicable code requirements addressed on Federal Inspection form(s)? Did State complete all applicable portions of inspection forms? Chapter 5.1 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, they use the Federal forms for all types of inspections. Conducted a review of the inspection form used for each operator inspected in CY2014 and found all sections of the forms were marked correctly with a satisfactory, unsatisfactory or NA.

- 8** Did the state review operator procedures for determining areas of active corrosion on liquid lines in sufficient detail? (NOTE: PHMSA representative to describe state criteria for determining areas of active corrosion) 1 1
Yes = 1 No = 0

Evaluator Notes:

Yes, this item is listed on the federal standard inspection form under, Subpart H, Corrosion Control, section 573. A review of inspections performed found this item was checked and discussed with the operators.

- 9** Did the state adequately review for compliance operator procedures for abandoning pipeline facilities and analyzing pipeline accidents to determine their causes? (NOTE: PHMSA representative to describe state criteria for determining compliance with abandoning pipeline facilities and analyzing pipeline accidents to determine their causes) 1 1
Yes = 1 No = 0

Evaluator Notes:

Yes, this item is listed on the federal standard inspection form under, Maintenance and Normal Operations Procedures, section 402(c-5) & (c-10). A review of inspections performed found this item was checked and discussed with the operators.

- 10** Is the state aware of environmentally sensitive areas traversed by or adjacent to hazardous liquid pipelines? (reference Part 195, review of NPMS) 1 1
Yes = 1 No = 0

Evaluator Notes:

Yes, the state is aware of the environmentally sensitive areas and reviewed this item with the hazardous liquid operators during their IMP inspections. Reviewed Plains Pipeline inspections conducted on August 11-15, 2014 and found this item was checked.

- 11** Did the state review operator records of previous accidents and failures including reported third party damage and leak response to ensure appropriate operator response as required by 195.402(c)(5)? 1 1
Yes = 1 No = 0

Evaluator Notes:

Yes, this item is listed on the federal inspection form they use during their inspection audits. A review of the inspections and forms using in CY2014 found the form was fully completed in accordance with their procedures and guidelines.

- 12** Has the state reviewed Operator Annual reports, along with Incident/Accident reports, for accuracy and analyzed data for trends and operator issues? 2 1
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

NM PRC is reviewing the operator annual and incident reports for accuracy of information but is not analyzing or trending the results of their review. Improvement is needed in conducting an analysis. No trending analysis was done for the hazardous liquid operators therefore a loss of one point occurred.

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| 13 | Did state input all applicable OQ, IMP inspection results into federal database in a timely manner? This includes replies to Operator notifications into IMDB database. Chapter 5.1
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

Yes, a review of OQ & IMP website found one OQ & one IMP inspection were uploaded into the database. No issues.

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|-----------|--|---|---|
| 14 | Has state confirmed intrastate operators have submitted information into NPMS database along with changes made after original submission?
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, this issue is covered on the federal "Standard Inspection of a Gas Transmission". Reviewed inspections performed in CY2014 found this item was checked. No issues.

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| 15 | Is the state verifying operators are conducting drug and alcohol tests as required by regulations? This should include verifying positive tests are responded to in accordance with program. 49 CFR 199
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

Yes, a review of files found three drug and alcohol inspections were performed in CY2014. The operators were Blue Fish Pipeline, Conoco Phillips & DCP Midstream.

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|-----------|---|---|---|
| 16 | Is state verifying operators OQ programs are up to date? This should include verification of any plan updates and that persons performing covered tasks (including contractors) are properly qualified and requalified at intervals determined in the operators plan. 49 CFR 195 Part G
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|-----------|---|---|---|

Evaluator Notes:

Yes, this is listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V- Procedures For Determining Inspection Priorities. The Head Quarter inspections are performed every five years. The Protocol 9 inspections are conducted every three years on each inspection unit. A review of files confirm these inspections have been performed.

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|-----------|--|---|---|
| 17 | Is state verifying operator's hazardous liquid integrity management (L IMP) Programs are up to date? This should include a previous review of LIMP plan, along with monitoring progress on operator tests and remedial actions. In addition, the review should take in to account program review and updates of operators plan(s). 49 CFR 195.452 Appendix C
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|-----------|--|---|---|

Evaluator Notes:

Yes, this is listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V. A review the PHMSA HL Integrity Management data base confirmed the inspections have been uploaded for the year under review. No issues.

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| 18 | Is state verifying operators Public Awareness programs are up to date and being followed. State should also verify operators have evaluated Public Awareness programs for effectiveness as described in RP1162. 49 CFR 195.440 PAPEI Effectiveness Inspections should have been completed by December 2013
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

Yes, this is listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection V, (G). These inspections are performed every five years. A review of files found all operators received a PAPEI in CY2012.

19 Does the state have a mechanism for communicating with stakeholders - other than state pipeline safety seminar? (This should include making enforcement cases available to public). 1 1
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
 Yes, this item is addressed in the New Mexico Public Regulation Commission website. This address is <http://nmprc.state.nm.us>.

20 Did state execute appropriate follow-up actions to Safety Related Condition (SRC) Reports? Chapter 6.3 1 NA
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
 N/A No safety related condition reports were filed in CY2014.

21 Did the state participate in/respond to surveys or information requests from NAPSRS or PHMSA? 1 1
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
 Yes, they have participated in all NAPSRS surveys and other states requesting information about their Gas and hazardous liquid safety programs. No issues.

22 If the State has issued any waivers/special permits for any operator, has the state verified conditions of those waivers/special permits are being met? This should include having the operator amend procedures where appropriate.(New Question for CY2013, no points until CY2015 evaluation conducted in CY2016.) 0 0
 Info Only = No Points

Evaluator Notes:
 NA. No waivers or special permits have been issued pertaining to hazardous liquid operators.

23 Did the state attend the National NAPSRS Board of Directors Meeting in CY being evaluated? (New Question for CY2014, no points first year) 0 0
 Info Only = No Points

Evaluator Notes:
 Yes, Jason Montoya attended the 2014 National NAPSRS Meeting in Springfield, IL.

24 Discussion on State Program Performance Metrics found on Stakeholder Communication site ? (question will be rolled up and included as part of Question C-12 on future evaluations) <http://primis.phmsa.dot.gov/comm/states.htm> 0 0
 Info Only = No Points

Evaluator Notes:
 Yes. A lengthy discussion with Jason Montoya about the Stakeholder website and information on performance metrics was reviewed. No issues.

25 General Comments: Info Only Info Only
 Info Only = No Points

Evaluator Notes:
 A loss of one point occurred in this section of the review. Question C.12

 NM PRC is reviewing the operator annual and incident reports for accuracy of information but is not analyzing or trending the results of their review. Improvement is needed in conducting an analysis. No trending analysis was done for the hazardous liquid operators therefore a loss of one point occurred.

Total points scored for this section: 41
 Total possible points for this section: 42

PART D - Compliance Activities

Points(MAX) Score

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|----------|--|--------------------------------------|--|
| 1 | Does the state have written procedures to identify steps to be taken from the discovery to resolution of a probable violation? Chapter 5.1
Yes = 4 No = 0 Needs Improvement = 1-3 | 4 | 4 |
| a. | Procedures to notify an operator (company officer) when a noncompliance is identified | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| b. | Procedures to routinely review progress of compliance actions to prevent delays or breakdowns | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |

Evaluator Notes:

a. Yes, procedures to notify an operator (company officer) is listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 1, subsection VIII(b).

b. Yes, procedures to routinely review compliance actions is listed in Section 1, subsection VIII (c). No issues.

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|----------|--|--------------------------------------|--|
| 2 | Did the state follow compliance procedures (from discovery to resolution) and adequately document all probable violations, including what resolution or further course of action is needed to gain compliance? Chapter 5.1
Yes = 4 No = 0 Needs Improvement = 1-3 | 4 | 4 |
| a. | Were compliance actions sent to company officer or manager/board director if municipal/government system? | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| b. | Were probable violations documented? | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| c. | Were probable violations resolved? | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |
| d. | Was the progress of probable violations routinely reviewed? | Yes <input checked="" type="radio"/> | No <input type="radio"/> Needs Improvement <input type="radio"/> |

Evaluator Notes:

a. Yes, reviewed compliance action letters send in CY2014 to the operators and confirmed the company officer or manager was on the letter head.

b. Yes, reviewed four probable violations cited and found them documented correctly.

c. Yes, one violation was corrected during CY2014.

d. Yes, violations are routinely reviewed by the Program Manager/Supervisor and inspectors prior to conducting an inspection.

- | | | | |
|----------|--|---|---|
| 3 | Did the state issue compliance actions for all probable violations discovered?
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
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Evaluator Notes:

Yes, two compliance actions were issued in CY2014. The compliance actions were against Plains Pipeline Company and Celero Energy II LP.

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| 4 | Did compliance actions give reasonable due process to all parties? Including "show cause" hearing if necessary.
Yes = 2 No = 0 | 2 | 2 |
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Evaluator Notes:

Yes, the operators Celero Energy and Plains Pipeline Company were cited for non-compliance were given due process in accordance to the New Mexico Public Regulation Commission procedures.

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| 5 | Is the program manager familiar with state process for imposing civil penalties? Were civil penalties considered for repeat violations (with severity consideration) or violations resulting in incidents/accidents? (describe any actions taken)
Yes = 2 No = 0 | 2 | 2 |
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Evaluator Notes:

Yes, Jason Montoya is familiar with imposing civil penalties for repetitive violations against operators. In CY2014 a civil penalty in the amount of \$10,000 was assessed against Plains Pipeline Company.

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| 6 | Can the State demonstrate it is using their enforcement fining authority for pipeline safety violations?
Yes = 1 No = 0 Needs Improvement = .5 | 1 | 1 |
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Evaluator Notes:

Yes, in CY2014 a civil penalty in the amount of \$10,000 was assessed against Plains Pipeline Company.

7 General Comments:

Info Only Info Only

Info Only = No Points

Evaluator Notes:

No loss of points occurred in this section of the review.

Total points scored for this section: 15

Total possible points for this section: 15



PART E - Accident Investigations

Points(MAX) Score

- 1 Does the state have written procedures to address state actions in the event of an incident/accident? 2 2
Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, this is listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 2, Pipeline/Incident/Accident Investigation.

- 2 Does state have adequate mechanism to receive and respond to operator reports of accidents, including after-hours reports? And did state keep adequate records of Incident/Accident notifications received? Chapter 6 2 2
Yes = 2 No = 0 Needs Improvement = 1

- a. Acknowledgement of MOU between NTSB and PHMSA (Appendix D) Yes No Needs Improvement
b. Acknowledgement of Federal/State Cooperation in case of incident/accident (Appendix E) Yes No Needs Improvement

Evaluator Notes:

Yes, NM PRC website provides an emergency number for all operators to use in reporting incidents during and after normal working hours. The emergency number is linked to the inspector(s) who are on call. A review of files found in CY2014 one reportable incident, Holly Energy Partners which occurred on December 18, 2014.

a. Yes, this is listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 2, PIPELINE / INCIDENT /ACCIDENT INVESTIGATION, subsection IX, Federal/State Cooperation in Case of Incident/Accident.

b. Yes, this is listed in the New Mexico Pipeline Safety Program Standard Operating Procedures, Section 2, PIPELINE / INCIDENT /ACCIDENT INVESTIGATION, subsection X.

- 3 If onsite investigation was not made, did state obtain sufficient information from the operator and/or by other means to determine the facts to support the decision to not go on-site? Chapter 6 1 1
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

No. Onsite investigation was not conducted due to the remote area and information obtained from Holly Energy Partners about the release of liquid. NM PRC reason to not conduct an investigation was, " the incident appeared to be related to an maintenance error and a small release, less than five gallons, occurred."

- 4 Were all accidents investigated, thoroughly documented, and with conclusions and recommendations? 3 3
Yes = 3 No = 0 Needs Improvement = 1-2

- a. Observations and document review Yes No Needs Improvement
b. Contributing Factors Yes No Needs Improvement
c. Recommendations to prevent recurrences where appropriate Yes No Needs Improvement

Evaluator Notes:

Yes, reviewed report and found all information about the Holly Energy Partners incident was investigated and thoroughly documented. No issues.

- 5 Did the state initiate compliance action for violations found during any incident/accident investigation? 1 1
Yes = 1 No = 0

Evaluator Notes:

No violations were cited against Holly Energy Partners for the incident that occurred on December 18, 2014.



- 6 Did the state assist region office by taking appropriate follow-up actions related to the operator accident reports to ensure accuracy and final report has been received by PHMSA? (validate report data from operators concerning incidents/accidents and investigate discrepancies) Chapter 6 1 1
 Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:

Yes, a review of files and emails found communications from Sam Bacenty, PHMSA Southwest Region Engineer, dated January 28, 2015 about the Holly Energy Partners incident. Correspondence was completed the same day and no areas of concern were mentioned. No issues.

- 7 Does state share lessons learned from incidents/accidents? (sharing information, such as: at NAPS Region meetings, state seminars, etc) 1 1
 Yes = 1 No = 0

Evaluator Notes:

Yes, this is accomplished during the NAPS Region and New Mexico Gas Association meetings in CY2014.

- 8 General Comments: Info Only Info Only
 Info Only = No Points

Evaluator Notes:

No loss of points occurred in this section of the review.

Total points scored for this section: 11
 Total possible points for this section: 11



PART F - Damage Prevention

Points(MAX) Score

- | | | | |
|----------|---|---|---|
| 1 | Has the state reviewed directional drilling/boring procedures of each pipeline operator or its contractor to determine if they include actions to protect their facilities from the dangers posed by drilling and other trench less technologies?
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|---|---|---|

Evaluator Notes:

Yes, this item is listed on the NM PRC Addendum Standard Gas/Liquid Inspection form, Damage Prevention Program Procedures.

- | | | | |
|----------|---|---|---|
| 2 | Did the state inspector check to assure the pipeline operator is following its written procedures pertaining to notification of excavation, marking, positive response and the availability and use of the one call system?
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|---|---|---|

Evaluator Notes:

Yes, this item is listed on Federal Inspection form and NM PRC Addendum Standard Gas/Liquid Inspection form, Damage Prevention Program Procedures.

- | | | | |
|----------|--|---|---|
| 3 | Did the state encourage and promote practices for reducing damages to all underground facilities to its regulated companies? (i.e. such as promoting/adopting the CGA Best Practices encouraging adoption of the 9 Elements, etc.)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|--|---|---|

Evaluator Notes:

The state is encouraging and promoting best practices thorough New Mexico Gas Association and New Mexico Regional CGA meetings. To assist in making the hazardous liquid operators more aware of the best practices it was suggested additional questions be added to the Standard Gas/Liquid Addendum form.

- | | | | |
|----------|--|---|---|
| 4 | Has the agency or another organization within the state collected data and evaluated trends on the number of pipeline damages per 1,000 locate requests? (This can include DIRT and other data shared and reviewed by the pipeline safety program)
Yes = 2 No = 0 Needs Improvement = 1 | 2 | 2 |
|----------|--|---|---|

Evaluator Notes:

Yes, this information is being provided to NM PRC from NM 811, Inc. Additionally, NM PRC has access to the One Call database to review all tickets and damages that occur across the State of New Mexico.

- | | | | |
|----------|--|-----------|-----------|
| 5 | General Comments:
Info Only = No Points | Info Only | Info Only |
|----------|--|-----------|-----------|

Evaluator Notes:

No loss of points occurred in this section of the review.

Total points scored for this section: 8
Total possible points for this section: 8



PART G - Field Inspections

Points(MAX) Score

1 Operator, Inspector, Location, Date and PHMSA Representative Info Only Info Only
 Info Only = No Points

Name of Operator Inspected:
 Agave Energy Company
 Name of State Inspector(s) Observed:
 Isaac Lerma, Pipeline Inspector New Mexico PRC
 Location of Inspection:
 Artesia, NM
 Date of Inspection:
 April 29-30, 2015
 Name of PHMSA Representative:
 Glynn Blanton, State Program

Evaluator Notes:
 This was a Standard Hazardous Liquid Inspection using Federal Form-3 Standard Inspection Report of a Liquid Pipeline Carrier. The following Agave Energy Company representative was present during the inspection: Glen Blake, Pipeline Safety Coordinator. The inspection was conducted at their office located at 105 South Fourth Street in Artesia, New Mexico. The inspection started on Monday, April 27 and this writer observed the inspection and field review April 29-30, 2015. The field inspection consisted of a review of the 4" Dagger Draw NGL, 7.23 miles in length, 3" ShoeBar NGL, 3.87 miles in length and 8" Red Hills NGL, 27.60 miles in length.

2 Was the operator or operator's representative notified and/or given the opportunity to be present during inspection? 1 1
 Yes = 1 No = 0

Evaluator Notes:
 Yes, Isaac Lerma, Pipeline Inspector New Mexico PRC contacted Mr. Glen Blake, Compliance Officer with Agave Energy Company on December 12, 2014 by telephone conversation. Additionally, a follow-up call was made on January 8, 2015 discussing the standard inspection form that would be used on April 27-30, 2015.

3 Did the inspector use an appropriate inspection form/checklist and was the form/checklist used as a guide for the inspection? (New regulations shall be incorporated) 2 2
 Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:
 Yes, Isaac Lerma, Pipeline Inspector, used PHMSA Federal Form-3 Standard Inspection Report of a Liquid Pipeline Carrier. Each item in the form was checked and reviewed with the operator.

4 Did the inspector thoroughly document results of the inspection? 2 2
 Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:
 Yes, Isaac Lerma, Pipeline Inspector, was very thorough in the review of the operator's documentation and test reports. This writer observed Mr. Lerma taking notes, recording pipe-to-soil potential readings and rectifier readings as the operator was monitoring their cathodic protection.

5 Did the inspector check to see if the operator had necessary equipment during inspection to conduct tasks viewed? (Maps, valve keys, half cells, etc) 1 1
 Yes = 1 No = 0

Evaluator Notes:
 Yes, protection clothing, half cell, pipe-to-soil potential meter, gas detector and other assorted equipment to test cathodic protection and presence of Gas. No areas of concern.

6 Did the inspector adequately review the following during the field portion of the state evaluation? (check all that apply on list) 2 2
 Yes = 2 No = 0 Needs Improvement = 1
 a. Procedures



- b. Records
- c. Field Activities
- d. Other (please comment)

Evaluator Notes:

- a. Yes, all company written procedures listed in their O&M Manual were reviewed prior to the inspection conducted in the office. Additionally, questions were asked during the office portion of the inspection.
- b. Yes, a thorough review of all records was performed. Each record was checked against the operator's O&M Manual for compliance.
- c. Field activities consisted of taking pipe to soil potential reading, reviewing patrolling markers, witnessing testing of relief valve and checking railroad crossing casings. No areas of concern were noted.

7 Did the inspector have adequate knowledge of the pipeline safety program and regulations? (Evaluator will document reasons if unacceptable) 2 2
 Yes = 2 No = 0 Needs Improvement = 1

Evaluator Notes:

Yes, Isaac Lerma, Pipeline Inspector, has completed all the Hazardous Liquid safety courses at TQ. He has over twelve years of experience in Gas and hazardous liquid products transported by pipeline.

8 Did the inspector conduct an exit interview? (If inspection is not totally complete the interview should be based on areas covered during time of field evaluation) 1 1
 Yes = 1 No = 0

Evaluator Notes:

Yes, an exit interview was performed in the office and after field portion of the inspection was completed.

9 During the exit interview, did the inspector identify probable violations found during the inspections? (if applicable) 1 1
 Yes = 1 No = 0

Evaluator Notes:

Yes, one potential violation was found. This violation applies to the liaison requirement that must be performed annually in accordance with section 195.402 (c). In CY2013, Agave Energy Company personnel failed to contact the local fire department about information on who to contact in case of an emergency.

10 General Comments: 1) What did the inspector observe in the field? (Narrative description of field observations and how inspector performed) 2) Best Practices to Share with Other States - (Field - could be from operator visited or state inspector practices) 3) Other Info Only Info Only
 Info Only = No Points

- a. Abandonment
- b. Abnormal Operations
- c. Break-Out Tanks
- d. Compressor or Pump Stations
- e. Change in Class Location
- f. Casings
- g. Cathodic Protection
- h. Cast-iron Replacement
- i. Damage Prevention
- j. Deactivation
- k. Emergency Procedures
- l. Inspection of Right-of-Way
- m. Line Markers
- n. Liaison with Public Officials
- o. Leak Surveys
- p. MOP
- q. MAOP



- r. Moving Pipe
- s. New Construction
- t. Navigable Waterway Crossings
- u. Odorization
- v. Overpressure Safety Devices
- w. Plastic Pipe Installation
- x. Public Education
- y. Purging
- z. Prevention of Accidental Ignition
- A. Repairs
- B. Signs
- C. Tapping
- D. Valve Maintenance
- E. Vault Maintenance
- F. Welding
- G. OQ - Operator Qualification
- H. Compliance Follow-up
- I. Atmospheric Corrosion
- J. Other

Evaluator Notes:

The field inspection consisted of a review of the 4" Dagger Draw NGL, 7.23 miles in length, 3" ShoeBar NGL, 3.87 miles in length and 8" Red Hills NGL, 27.60 miles in length. Pipeline patrolling, pipeline markers and pipe to soil potential readings were reviewed and checked along the entire section of the pipeline system. Witnessed relief valve being checked and checking several different highway and railroad crossing casings to ensure cathodic protection was working correctly. No issues of concern were found or noted.

Total points scored for this section: 12
 Total possible points for this section: 12



PART H - Interstate Agent State (if applicable)

Points(MAX) Score

1 Did the state use the current federal inspection form(s)? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

2 Are results documented demonstrating inspection units were reviewed in accordance with "PHMSA directed inspection plan"? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

3 Did the state submit documentation of the inspections within 60 days as stated in its latest Interstate Agent Agreement form? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

4 Were probable violations identified by state referred to PHMSA for compliance? (NOTE: PHMSA representative has discretion to delete question or adjust points, as appropriate, based on number of probable violations; any change requires written explanation.) 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

5 Did the state immediately report to PHMSA conditions which may pose an imminent safety hazard to the public or to the environment? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

6 Did the state give written notice to PHMSA within 60 days of all probable violations found? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

7 Did the state initially submit documentation to support compliance action by PHMSA on probable violations? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

8 General Comments: Info OnlyInfo Only
Info Only = No Points

Evaluator Notes:
Not an interstate agent.

Total points scored for this section: 0
Total possible points for this section: 0



PART I - 60106 Agreement State (if applicable)

Points(MAX) Score

1 Did the state use the current federal inspection form(s)? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

2 Are results documented demonstrating inspection units were reviewed in accordance with state inspection plan? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

3 Were any probable violations identified by state referred to PHMSA for compliance? 1 NA
(NOTE: PHMSA representative has discretion to delete question or adjust points, as appropriate, based on number of probable violations; any change requires written explanation.)
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

4 Did the state immediately report to PHMSA conditions which may pose an imminent safety hazard to the public or to the environment? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

5 Did the state give written notice to PHMSA within 60 days of all probable violations found? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

6 Did the state initially submit adequate documentation to support compliance action by PHMSA on probable violations? 1 NA
Yes = 1 No = 0 Needs Improvement = .5

Evaluator Notes:
NA Not an interstate agent.

7 General Comments: Info Only Info Only
Info Only = No Points

Evaluator Notes:
Not an interstate agent.

Total points scored for this section: 0
Total possible points for this section: 0

