

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 11, 2012

Mr. Robert Haugen
Executive VP of Refining Operations
Coffeyville Resources LLC
2277 Plaza Drive, Suite 500, Building B
Sugar Land, Texas 77479

CPF 3-2012-5011M

Dear Mr. Haugen:

On April 25-29, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Coffeyville Resources LLC, procedures for the Integrity Management Program (IMP) in Bartlesville, Oklahoma.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Coffeyville Resources LLC's (Coffeyville) plans or procedures, as described below:

1. §195.452 Pipeline integrity management in high consequence areas.

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

§195.452(f)(1) A process for identifying which pipeline segments could affect a high consequence area;

Coffeyville's procedures did not adequately identify how pipe that could affect HCA's will be determined. Overland transport, water transport and the combination of the two are not addressed. In order to determine transport distances, spill volumes need to be established. These volumes need to be analyzed for transport distances as the topography dictates.

2. §195.452(f) (See Item 1 above)

§195.452(f)(1) A process for identifying which pipeline segments could affect a high consequence area;

Coffeyville's procedures did not address facilities and how they will be evaluated to determine if they could affect HCA's.

3. §195.452(f) (See Item 1 above)

§195.452 (f) (3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);

Coffeyville's procedures did not define how all the available information about the integrity of the pipeline data will be integrated.

4. §195.452(f) (See Item 1 above)

§195.452 (f) (5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);

Coffeyville's procedures did not address how the continual assessment will be performed or how often it will be performed. Also, they did not identify the individuals or position of the individuals that will perform the continual assessment.

5. §195.452(f) (See Item 1 above)

§195.452 (f) (6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);

Coffeyville's procedures did not address the need for assuring that all datasets used in the risk model are correctly identified or provide guidance on what to do if datasets are not available. Also, the procedures did not address how Coffeyville will evaluate the risks and consequences to HCA's for identification and implementation of preventive and mitigative measures.

6. §195.452(f) (See Item 1 above)

§195.452 (f) (7) Methods to measure the program's effectiveness (see paragraph (k) of this section);

Coffeyville had not developed adequate procedures for measuring the effectiveness of their integrity program.

7. §195.452(f) (See Item 1 above)

§195.452 (f)(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

Coffeyville's procedures did not define who should review the integrity results or the qualifications, training and experience that are required to be able to review integrity results. The Coffeyville IMP identified 8 tasks that an individual must complete to be qualified; however there were no procedures defining what the content of those eight tasks were.

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 30 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 that Coffeyville Resources LLC 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 3-2012-5011M** 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*