

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 6, 2012

Mr. Mark Cunningham
Vice President
Holly Energy Partners-Operating, L.P.
2828 N. Harwood, Suite 1300
Dallas, TX 75201

CPF 5-2012-5004W

Dear Mr. Cunningham:

On May 12, 2011 a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your refined products pipeline facilities in Mountain Home, Idaho.

As a result of the inspection, it appears that you have committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation is:

- 1. §195.581 Which pipelines must I protect against atmospheric corrosion and what coating material may I use?**
 - (a) You must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.**
 - (b) Coating material must be suitable for the prevention of atmospheric corrosion.**
 - (c) Except portions of pipelines in offshore splash zones or soil-to-air interfaces, you need not protect against atmospheric corrosion any pipeline for which you demonstrate by test, investigation, or experience appropriate to the environment of the pipeline that corrosion will-**

- (1) Only be a light surface oxide; or**
- (2) Not affect the safe operation of the pipeline before the next scheduled inspection.**

At the time of the inspection, the sump lines at the Mountain Home Terminal were not coated at the air-to-soil interface. The sump lines are considered part of the pipeline facilities. In order to prevent atmospheric corrosion on the sump lines at the air-to-soil interface at the Mountain Home Terminal, Holly Energy Partners must clean and coat the air-to-soil interface with a suitable coating to prevent atmospheric corrosion.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Holly Energy Partners-Operating being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2012-5004W**. 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).

Sincerely,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 C. Allen (#133598)