

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 10, 2013

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

CPF 5-2013-6004W

Dear Mr. Cunningham:

On May 10, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code, inspected the Holly Energy Partners-Operating, L.P. (HEP) hazardous liquid transfer pipelines associated with the Holly Refinery in Woods Cross, Utah. During the inspection, my staff inspected your procedures and records, including those associated with your integrity management program. My inspectors also conducted field inspections of your facilities.

First, I want to apologize for how long it has taken to provide the results of this inspection to HEP. As you know there were numerous discussions between us on who was responsible for the various Holly pipeline assets in the Salt Lake City area. Nevertheless, we must notify you that it appears that HEP committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. §195.404 Maps and Records.

- (c) Each operator shall maintain the following records for the periods specified;**
- (1) The date, location, and description of each repair made to pipe shall be maintained for the useful life of the pipe.**

There were no records for a repair of a pipe anomaly that was identified by your In Line Inspection (ILI) survey of the 10-inch Pioneer line. The anomaly location was at latitude 40.8829, longitude -111.9039. The pipe repair occurred on November 3, 2007. HEP must keep pipe repair records for the useful life of the pipe as required by §195.404(c)(1).

2. §195.410 Line markers.

(a) Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:

(1) Markers must be located at each public road crossing, at each railroad crossing, and in sufficient number along the remainder of each buried line so that its location is accurately known.

(2) The marker must state at least the following on a background of sharply contrasting color:

(i) The word "Warning," "Caution," or "Danger" followed by the words "Petroleum (or the name of the hazardous liquid transported) Pipeline", or "Carbon Dioxide Pipeline," all of which, except for markers in heavily developed urban areas, must be in letters at least 1 inch (25 millimeters) high with an approximate stroke of 1/4 inch (6.4 millimeters).

(ii) The name of the operator and a telephone number (including area code) where the operator can be reached at all times.

At the time of inspection, Holly Energy Partner's name was not on pipeline markers located over the 8-inch or 10-inch Pioneer pipelines as required by §195.410(a)(2)(ii). Improperly identified markers were located at crossings of South 875 West, on fence lines, and at several other places along the right-of-way.

3. §195.452 Pipeline integrity management in high consequence areas.

(a) Which pipelines are covered by this section? This section applies to each hazardous liquid pipeline and carbon dioxide pipeline that could affect a high consequence area, including any pipeline located in a high consequence area unless the operator effectively demonstrates by risk assessment that the pipeline could not affect the area. (Appendix C of this part provides guidance on determining if a pipeline could affect a high consequence area.) Covered pipelines are categorized as follows:

(1) Category 1 includes pipelines existing on May 29, 2001, that were owned or operated by an operator who owned or operated a total of 500 or more miles of pipeline subject to this part.

(2) Category 2 includes pipelines existing on May 29, 2001, that were owned or operated by an operator who owned or operated less than 500 miles of pipeline subject to this part.

(3) Category 3 includes pipelines constructed or converted after May 29, 2001.

(b) What program and practices must operators use to manage pipeline integrity?

Each operator of a pipeline covered by this section must:

(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:

Pipeline	Date
Category 1	March 31, 2002
Category 2	February 18, 2003.
Category 3	1 year after the date the pipeline begins operation

At the time of the 2011 inspection, HEP had not included the 8-inch Pioneer Pipeline in their Integrity Management Plan (IMP) as required by §195.452. During the inspection, HEP's Manager of Integrity Management, Todd Wright, confirmed that the 8-inch Pioneer pipeline was not included in their IMP. In addition, as of February 18, 2011, the 8-inch Pioneer pipeline was purged with nitrogen, double blocked and locked inside the Pioneer facility. PHMSA's understanding is that HEP began operating this pipeline in July 2004 when it acquired the Woods Cross Refinery and associated pipeline facilities, including the 8-inch Pioneer Pipeline. Within one year of acquiring the 8-inch Pioneer line, HEP should have considered if the pipeline could affect high consequence areas (HCA, high population and drinking water) and addressed any risk to the HCAs.

Under 49 United States Code, §60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a 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 HEP 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 5-2013-6004W. 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 (#133597)