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Via UPS Delivery
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**RE: Hearing Summary
Explorer Pipeline Company – NOPV - CPF No. 3-2013-5009**

Explorer Pipeline Company (Explorer) is providing this summary following the April 16, 2014 Notice of Probable Violation (NOPV) hearing with the Pipeline and Hazardous Materials Safety Administration (PHMSA) in Kansas City, Missouri.

The summary indicates the closures of findings 1, 2 and 4, and presents Explorer's position concerning finding 3 that it and the repeated findings should be withdrawn.

Notice of Probable Violation Finding Number 1 Hearing Summary:

Explorer does not contest finding 1 nor the assessed civil penalty of \$17,600 for failing to provide the atmospheric corrosion monitoring documentation for required inspections per §195.583.

Explorer went through a system wide corrosion data conversion project to change platforms to a more widely used industry-standard software system. During this conversion process, Explorer scanned and catalogued physical records relating to atmospheric inspections. This work enabled Explorer to centralize records in a single inventory report with the ability to view and maintain chronological inspection records with checks and balances. The software with the corrosion conversion project had already been acquired and was not directly associated with the NOPV. There are no associated costs with this NOPV other than personnel time.

Notice of Probable Violation Finding Number 2 Hearing Summary:

Explorer does not contest finding 2 nor the assessed civil penalty of \$22,500 for failing to perform an inspection of exposed buried pipeline in a creek bed that was documented in a 2008 Close Interval Survey per §195.585.

Explorer has created a workflow for ongoing communications between Right-of-Way Management and Area Office personnel. This workflow allows the reporting and inspection of exposures on the pipeline system, and alerts Corrosion Control personnel

that atmospheric inspections need to be performed. Explorer has fortified this workflow with a strategic organizational change. This organizational change allows an additional check-and-balance process to occur between Corrosion Control and Right-of-Way on the integrity management team. There are no associated costs with this NOPV other than personnel time.

Notice of Probable Violation Finding Number 3 Hearing Summary:

Explorer challenges finding 3 and the repeated violations together with the assessed civil penalty of \$51,800. This finding asserts that Explorer did not correct deficiencies identified from the Close Interval Surveys performed in 2008 on the Rolla to Gerald Station, and the Gerald Station to Weldon Springs line sections.

Explorer disagrees with PHMSA's assessment that it was unaware of corrosion control deficiencies until documentation of performance was requested by the PHMSA inspectors. Explorer additionally disagrees with PHMSA's assessment that this finding was a deficiency with the cathodic protection system.

Explorer informed PHMSA during the November 2011 audit of recent staffing changes within the Asset Integrity group. As discussed during the audit, these new personnel were still in the process of reviewing current and historical data and they were not immediately familiar with all comprehensive historical data, including a voluntary 2008 Close Interval Survey (CIS) that had been conducted 3-years prior.

As demonstrated during the audit and during the hearing, the required Cathodic Protection (CP) survey results were well within the NACE standard criteria. No deficiencies existed with the CP criteria established under NACE standards incorporated under 49 CFR 195.3. These same standards are also incorporated into Explorer's procedures.

All the required 2008, 2009, 2010, 2011, and 2012 annual survey points from Rolla to Weldon Spring were above the NACE criteria of 850 millivolts (mV). Additionally, all of the 2008 on-potentials for Rolla to Weldon Spring in the CIS exceeded the NACE criteria of 850 millivolts.

NACE SP0169-2007 indicates that voltage drops must be considered for valid interpretation of this voltage measurement. The NACE standard is as follows:

NACE SP0169-2007

6.2.2.1.1 A negative (cathodic) potential of at least 850 mV with the cathodic protection applied. This potential is measured with respect to a saturated copper/copper sulfate reference electrode contacting the electrolyte. *Voltage drops other than those across the structure-to-electrolyte boundary must be considered for valid interpretation of this voltage measurement.*

However, NACE SP0169-2007 also indicates the application of sound engineering practices in determining the significance of voltage drops by methods such as:

- 6.2.2.1.1.1 Measuring or calculating the voltage drop(s);
- 6.2.2.1.1.2 Reviewing the historical performance of the cathodic protection system;
- 6.2.2.1.1.3 Evaluating the physical and electrical characteristics of the pipe and its environment; and
- 6.2.2.1.1.4 Determining whether or not there is physical evidence of corrosion.
- 6.2.2.1.2 A negative polarized potential (see definition in Section 2) of at least 850 mV relative to a saturated copper/copper sulfate reference electrode.
- 6.2.2.1.3 A minimum of 100 mV of cathodic polarization between the structure surface and a stable reference electrode contacting the electrolyte. The formation or decay of polarization can be measured to satisfy this criterion.

Explorer demonstrated during the audit and during the hearing that its documentation and procedures existed and accounted for the NACE CP criteria, and that sound engineering practices under NACE SP0169-2007 were performed. The documentation and performance of these practices included the following:

Anytime the pipeline is exposed for any reason, a potential measurement is obtained at the ground surface and at the pipeline.

Explorer considers IR Drop as well as the insertion of "off" readings, depolarization survey readings, and original construction native readings into the corrosion software system and all survey data is compared to these readings to insure a minimum polarization of 100 millivolts.

Comprehensive information on the output levels of all impressed current rectifiers along with other corrosion control records are integrated with other relevant operational data and analyzed for the purpose of determining the adequacy of the cathodic protection on the pipelines.

Based on an extrapolation of the data, procedures, and NACE SP0169-2007, Explorer more than demonstrated that it had documentation which satisfied the NACE cathodic protection criteria requirement and that no deficiencies with the CP system existed.

In CPF No. 5-2003-5006 PHMSA concluded that ExxonMobil utilized similar methodologies. As a result, PHMSA withdrew the allegation of violation. The same result is justified with regard to the current allegations against Explorer.

The reference to a *repeat* violation of CPF No. 3-2009-5018 is a reference to two (2) 1,362-foot station delivery lines to a third-party products terminal. The annual survey for these two delivery lines were below 850 mV. This was corrected in 2009. Explorer had classified these station delivery lines as low-stress segments excepted under 49 CFR

§195.1(b)(4) and historically and consistently reported them as such in our annual reports to PHMSA.

Explorer submitted a detailed summary of the exception in 49 CFR §195.1(b)(4) against the delivery lines to PHMSA, including guidance from PHMSA to support our position the delivery pipelines satisfied the exception. However, PHMSA's position to Explorer was that the PHMSA guidance material consisted only of instructions for completing an OPS form, and that such guidance did not constitute a binding regulation. However, in CPF No. 3-2011-5005 PHMSA referenced the PHMSA guidance material rather than regulations to uphold a new position with guidance material in Jeff Wiese's Decision for a Petition for Reconsideration to NuStar.

Explorer appealed CPF No. 3-2009-5018 through to a Petition for Reconsideration that was not issued as a Decision from PHMSA until January 25, 2012. However, this case and similar operations with other operators is still heavily debated within PHMSA and the industry.

Explorer's position is that its Close Interval Survey and Cathodic Protection documentation and practices as they pertain to the line sections between Rolla and Weldon Springs are in compliance with PHMSA regulatory standards. Explorer therefore moves that the NOPV and any suggestion that deficiencies existed should be withdrawn.

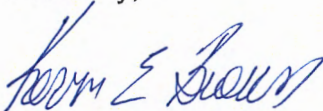
Notice of Probable Violation Finding Number 4 Hearing Summary:

Explorer does not contest the finding that it did not provide a means of containing hazardous liquids in the event of spillage. In response to the finding, Explorer has installed dikes around all the referenced pump stations identified in the NOPV.

The cost to install the concrete dikes in the NOPV was \$360,000.

If you have any questions, please contact me at (918) 493-5104.

Sincerely,



Kevin E. Brown

CC:
Curtis Craig, Vice President & General Counsel, Tulsa
Tom Jensen, Vice President & COO, Tulsa
Jeremiah Konell, Director Asset Integrity, Tulsa
Jim Sieck, Director HSSE/Engineering, Tulsa
Dave Ysebaert, President & CEO, Tulsa

**Hearing Summary
Explorer Pipeline Company
NOA - CPF 3-2013-5010M**

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