

**NOTICE OF PROBABLE VIOLATION
and
PROPOSED CIVIL PENALTY**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 11, 2017

Mr. David Carroll
Senior V.P, Legal Counsel
Hunt Crude Oil Supply Company
2200 Jack Warner Parkway
Suite 400
Tuscaloosa, AL 35401

CPF 2-2017- 5004

Dear Mr. Carroll:

From March 27 through March 31, 2017, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) inspected Hunt Crude Oil Supply Company (Hunt) facilities and records in Alabama and Mississippi, pursuant to Chapter 601 of 49 United States Code.

As a result of the inspection, it appears that Hunt has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

- 1. §195.573 What must I do to monitor external corrosion control?**
 - (a) Protected Pipelines. You must do the following to determine whether cathodic protection required by this subpart complies with 195.571:**
 - (1) Conduct tests on the protected pipeline at least once each calendar year, but with intervals not exceeding 15 months. However, if tests at those intervals are impractical for separately protected short sections of bare or ineffectively coated pipelines, testing may be done at least once every 3 calendar years, but with intervals not exceeding 39 months.**

Hunt failed to meet the regulation because it did not conduct tests on its 10-inch Soso-to-Heidelberg line to ensure that the cathodic protection (CP) required by this part complies with §195.571.

Hunt's Soso-to-Heidelberg line is a 21-mile idled pipeline under CP, provided by an impressed current system. Hunt did not conduct measurements of pipe-to-soil (p/s) potentials in 2014, 2015, and 2016. Entries in Hunt's record of the annual survey for the referenced years indicate "No CP" for all CP test stations included in the survey. It should be noted that multiple p/s potential readings taken during PHMSA's inspection indicated adequate levels of CP, referenced to the -850mV "instant off" criteria, as adopted by Hunt.

2. §195.573 What must I do to monitor external corrosion control?

...(e) Corrective action. You must correct any identified deficiency in corrosion control as required by 195.401(b). However, if the deficiency involves a pipeline in an integrity management program under 192.452, you must correct the deficiency as required by 195.452(h).

Hunt did not correct several identified corrosion control deficiencies as required by §195.401(b).

A review of p/s potential readings documented in Hunt's 2014 and 2015 annual CP survey indicate several locations with CP deficiencies, as listed below (referenced to the -850mV "instant off" criteria, as adopted by Hunt).

12-inch Melvin-to-Tuscaloosa pipeline

- Test Station #69 US #11 Block Valve – P/S Potential Readings
July 23-24, 2014 (Survey Date Range): -0.892V (on)/-0.771V (instant off)
June 26 - July 3, 2015 (Survey Date Range): -0.861V (on)/-0.762V (instant off)
- Test Station # 70 Sanders Ferry Road CR 28 – P/S Potential Readings
July 23-24, 2014 (Survey Date Range): -0.892V(on)/-0.771(instant off)
June 26-July 3, 2015 (Survey Date Range): -0.854V(on)/-0.773V (instant off)
- Test Station #71 Warrior Parkway (Toll Road) CR 27 – P/S Potential Readings
July 23-24, 2014 (Survey Date Range): -0.835V(on)/-0.792V (instant off)
June 26 - July 3, 2015 (Survey Date Range): -0.847V(on)/-0.789V (instant off)

Yellow Creek line, Melvin-to-Yellow Creek Station

- Test Station # 1 Hunt tie-in to Foreign Line – P/S Potential Readings
July 16-17, 2014 (Survey Date Range): -0.991V(on)/-0.557V (instant off)
June 26 - July 3, 2015 (Survey Date Range): -1.102V(on)/-0.678V (instant off)

Furthermore, A review of tank-to-soil (t/s) potential readings documented in Hunt's 2014, 2015, and 2016 annual CP survey revealed several breakout tanks with CP deficiencies, as listed below (referenced to the -850mV "instant off" criteria adopted by Hunt).

East Tank # 647 at Yellow Creek Station

- Test Station # 18: North Side – T/S Potential Readings
June 26 - July 3, 2015 (Survey Date Range): -0.360V (on)-0.324V (instant off)
August 30, 2016: -1.086V (on) -0.622 V (instant off)
- Test Station # 19: South Side – T/S Potential Readings
June 26 - July 3, 2015 (Survey Date Range): -0.357V (on) -0.322 V (instant off)

- August 30, 2016: -0.801V(on) -0.587V (instant off)
- Test Station #20: East Side – T/S Potential Readings
June 26 - July 3, 2015 (Survey Date Range): -0.362V (on) -0.329V (instant off)
August 30, 2016: -0.986V (on) -0.561V (instant off)
- Test Station #21: West Side – T/S Potential Readings
June 26 - July 3, 2015 (Survey Date Range): -0.366V (on) -0.331V (instant off)
August 30, 2016: -0.826V (on) -0.503 V (instant off)

West Tank #585 at Yellow Creek Station

- Test Station # 25: East Side – T/S Potential Readings
June 26 - July 3, 2015 (Survey Date Range): -0.852V (on)-0.812V (instant off)
August 30, 2016: -0.867V(on) -0.657V (instant off)

Tank # 12 at Nancy Station

- Test Station # 39: South Side – T/S Potential Readings
July 23 - 24, 2014 (Survey Date Range): -0.471V (on)-0.465V (instant off)
June 26 - July 3, 2015 (Survey Date Range): -0.500 V(on) -0.492V (instant off)
September 1 - 8, 2016 (Survey Date Range): -1.004V (on) -0.813 V (instant off)
- Test Station # 40 East Side – T/S Potential Readings
July 23 - 24, 2014 (Survey Date Range): -0.451V(on)-0.447V (instant off)
June 26 - July 3, 2015 (Survey Date Range): -0.475V (on)-0.469V (instant off)
September 1 - 8, 2016 (Survey Date Range): -0.962V (on)-0.738V (instant off)
- Test Station # 41: North Side – T/S Potential Readings
July 23 - 24, 2014 (Survey Date Range): -0.420V (on) -0.414V (instant off)
June 26 - July 3, 2015 (Survey Date Range): -0.402V (on)-0.395V (instant off)
September 1 - 8, 2016 (Survey Date Range): -1.075V (on) -0.833V (instant off)
- Test Station # 42: West Side – T/S Potential Readings
July 23 - 24, 2014 (Survey Date Range): -0.418V (on) -0.411V (instant off)
June 26 - July 3, 2015 (Survey Date Range): -0.506V (on)-0.498V (instant off)
September 1 - 8, 2016 (Survey Date Range): -1.281V(on)-0.833V (instant off)

3. §195.573 What must I do to monitor external corrosion control?

...(d) Breakout tanks. You must inspect each cathodic protection system used to control corrosion on the bottom of an aboveground breakout tank to ensure that operation and maintenance of the system are in accordance with API RP 651 (incorporated by reference, see §195.3). However, this inspection is not required if you note in the corrosion control procedures established under §195.402(c)(3) why complying with all or certain operation and maintenance provisions of API RP 651 is not necessary for the safety of the tank.

Hunt failed to meet the regulation because it did not inspect the CP system used to control corrosion on the bottom of aboveground breakout tanks at its Yellow Creek Station to ensure that operation and maintenance of the system are in accordance with API RP 651 (incorporated by reference, per §195.3).

Tank-to-Soil potentials were not taken in 2014 for Tank Numbers 585 and 647 at Hunt's Yellow Creek Station.

4. **§195.555 What are the qualifications for supervisors?**

You must require and verify that supervisors maintain a thorough knowledge of that portion of the corrosion control procedures established under §195.402(c)(3) for which they are responsible for insuring compliance.

Hunt failed to meet the regulation because it did not verify that its corrosion control supervisor maintains a thorough knowledge of that portion of the corrosion control procedures established under 195.402(c)(3) for which they are responsible for insuring compliance.

Section 7.1 of Hunt's Operation & Maintenance (O&M) Manual requires that its corrosion control supervisor maintain a thorough knowledge of that portion of the corrosion control procedures for which they are responsible, including periodic review of the corrosion control program and adopted procedures. Hunt personnel interviewed were unaware of this requirement and were unable to identify the supervisor responsible for the corrosion control program, demonstrating a lack of thorough knowledge of Hunt's corrosion control program.

5. **§195. 438 Smoking or open flames**

Each operator shall prohibit smoking and open flames in each pump station area and each breakout tank area where there is a possibility of the leakage of a flammable hazardous liquid or of the presence of flammable vapors.

Hunt failed to prohibit smoking and open flames at its Boligee Booster Station, as well as at its Quitman facility (at both the pump station and the breakout tank area).

Section 6.19 of Hunt's O&M Manual requires "No Smoking" signs be installed "*at a minimum distance of 100 feet in all direction from any facility, including pumping stations and breakout tank areas.*" No signage was in place at the above-referenced facilities during PHMSA's inspection.

6. **§195.436 Security of facilities**

Each operator shall provide protection for each pumping station and breakout tank area and other exposed facility (such as scraper trap) from vandalism and unauthorized entry.

Hunt failed to meet the regulation because it did not provide protection from vandalism and unauthorized entry at its Quitman Facility.

During PHMSA's inspection, a portion of the fence on the south side of the pump station area of Hunt's Quitman facility was found broken, leaving the facility accessible to the public.

7. **§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.

Hunt failed to meet the regulation because it did not clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere.

The PHMSA inspector observed signs of atmospheric corrosion on uncoated portions of Hunt's pipeline system at the following locations. Furthermore, the referenced locations were not identified in records documenting the most recent atmospheric surveys.

- Melvin to Tuscaloosa line – 12-inch pig trap (at refinery)
- 8-inch line at Chaparral 8-inch & 10-inch block valve

Proposed Civil Penalty

Under 49 United States Code, § 60122, Hunt is subject to a civil penalty not to exceed \$209,002 per violation per day the violation persists up to a maximum of \$2,090,022 for a related series of violations. For violations occurring between August 2, 2016 to April 27, 2017, the maximum penalty may not exceed \$205,638 per violation per day, with a maximum penalty not to exceed \$2,056,380 for a related serious of violations. For violations occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$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 maximum penalty not to exceed \$1,000,000 for related series of violations. The Compliance Officer has reviewed the circumstances and supporting documentation involved in Item 1 above and has recommended that you be preliminarily assessed a civil penalty of \$19,600.

Warning Items

With respect to items 2 through 7, 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 Hunt to promptly correct these items. Failure to do so may result in additional enforcement action.

Response to this Notice

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. All material submit in response to this enforcement action may be 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).

Following the receipt of this Notice, you have 30 days to submit written comments, or request a hearing under 49 CFR § 190.211. 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 you are responding to this

Notice, we propose that you submit your correspondence to my office within 30 days from the receipt of this Notice. This period may be extended by written request for good cause.

In your correspondence on this matter, please refer to **CPF 2-2017-5004** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

James A. Urisko
Director, Office of Pipeline Safety
PHMSA Southern Region

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*