

WARNING LETTER

VIA ELECTRONIC MAIL TO: greg.brown@chsin.com; michelle.slyder@chsinc.com; and bpatton@jayhawkpl.com

October 1, 2021

Mr. Greg Brown
Vice President
Jayhawk Pipeline LLC
803 Highway 212 S
Laurel, MT 59044

CFR 3-2021-075-WL

Dear Mr. Brown:

From March 15 through May 28, 2021, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected your records and facilities at multiple locations in Nebraska, Kansas, and Texas.

As a result of the inspection, it is alleged that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). 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;

(3) A record of each inspection and test required by this subpart shall be maintained for at least 2 years or until the next inspection or test is performed, whichever is longer.

Jayhawk Pipeline LLC (Jayhawk) did not maintain the inspection records for Tanks 4151 and 4152 in El Dorado, Kansas.

Jayhawk leased these two tanks from a third party. Jayhawk indicated that the third party was responsible for the inspections required by API 653 and could get those records. However, Jayhawk is considered the operator of the tanks and should have requested and maintained those records during the time that they leased the tanks. Jayhawk recently ended the lease and is no longer using those tanks.

2. §195.432 Inspection of in-service breakout tanks.

(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel above-ground breakout tanks according to API Std 653 (except section 6.4.3, Alternative Internal Inspection Interval) (incorporated by reference, see §195.3). However, if structural conditions prevent access to the tank bottom, its integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3). The risk-based internal inspection procedures in API Std 653, section 6.4.3 cannot be used to determine the internal inspection interval.

Section 6.3.2.1 External Inspection requires that all tanks shall be given a visual external inspection by an authorized inspector. This inspection shall be called the external inspection and must be conducted at least every 5 years or $RCA/4N$ years (where RCA is the difference between the measured shell thickness and the minimum required thickness in mils, and N is the shell corrosion rate in mils per year) whichever is less. Tanks may be in operation during this inspection.

Jayhawk did not inspect the external physical integrity of two in-service atmospheric within five years as required by API 653 Section 6.3.2.1.

During the records review, it was found that the following tanks exceeded the five year inspection interval:

- Tank 4433: Roth Station on the KAW pipeline system – September 11, 2013 and May 29, 2019.
- Tank 2056: Chase Station – October 29, 2013 and May 30, 2019.

3. §195.589 What corrosion control information do I have to maintain?

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records related to Secs. 195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

Jayhawk did not maintain a record for the October 2020 internal corrosion coupon monitoring for the Chase and Liberal districts. Specifically, the following locations were missing the October 2020 internal corrosion coupon monitoring record:

<u>Operating Area</u>	<u>Line Segment</u>	<u>Last Inspection</u>
Chase	Chase to Lyons	3/10/2020
Liberal	Eubanks to Meade	4/4/2020
Liberal	Harper Ranch to Haviland	4/10/2020
Liberal	Hooker to Clawson	4/9/2020
Liberal	Liberal to Meade	4/14/2020
Liberal	Mead to Kismet	4/14/2020

4. §195.452 Pipeline integrity management in high consequence areas.

(k) What methods to measure program effectiveness must be used? An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas. See Appendix C of this part for guidance on methods that can be used to evaluate a program's effectiveness.

Jayhawk did not conduct a Integrity Management Program effectiveness evaluation for 2019.

Jayhawk's records appear to utilize the reduction in the risks as the primary means of determining program effectiveness. For 2019, Jayhawk documented in Section 10 of their annual report that they changed their risk model to a more comprehensive dynamic risk model and did not feel that doing a comparison with the previous risk model was prudent since they were two different models. No other metrics were utilized to do an effectiveness review for 2019.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violation occurring on or after January 11, 2021 and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violation occurring on or after July 31, 2019 and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violation occurring on or after November 27, 2018 and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015 and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

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 Jayhawk Pipeline LLC 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 3-2021-075-WL**. 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,

Gregory A. Ochs
Director, Centyral Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration