



HOLLY ENERGY PARTNERS



January 24, 2008

Mr. R.M. Seeley
Director, Southwest Region
Pipeline and Hazardous Material Safety Administration
8701 South Gessner, Suite 1110
Houston, TX 77074

Certified Mail: #7005 1820 0002 6884 6881

Dear Mr. Seeley,

Holly Energy Partners is in receipt of your letter regarding the Notice of Amendment, CPF 4-2007-5052M, for the Operator Qualification Audit held in Artesia, New Mexico on October 16-17, 2007.

In compliance with the requirements of 49 CFR 195, Subpart G governing Holly Energy Partners' responses to the Notice of Amendment, enclosed are the amended procedures for your review and approval.

Holly Energy Partners has made revisions to the Operator Qualification Plan to include: ensuring through evaluation that individuals performing covered task are qualified per 195.505 (b), evaluate an individual if the operator has reason to believe that the individual's performance of a covered task contributed to an accident per 195.505 (d), and communicate changes that affect covered tasks to individuals performing those covered tasks per 195.505 (f).

Should additional information be required, please feel free to contact me at (214) 871-3846.

Sincerely,

Mark Cunningham
Vice President – Operations

Enclosure

Corporate Office
100 Crescent Court, Suite 1600
Dallas, Texas 75201-6927
214-871-3555

Operations Office
P.O. Box 1260 / 311 W. Quay
Artesia, New Mexico 88210
505-748-8940

SUBPART G – QUALIFICATION OF PIPELINE PERSONNEL

1. §195.505 Qualification program.

(b) Ensure through evaluation that individuals performing covered tasks are qualified

- **Describe the use of ISNetworld as it pertains to contractor personnel and what qualification methods will be accepted i.e. NCCER, OQSG, industry certifications.**
- **Document what industry certifications are accepted as qualifications for employee personnel.**
- **Address what passing scores for written assessments and/or performance evaluations are required to be qualified for both employee and contractor individuals.**

5.2 Employee Evaluation Methods

- Written exam
- Oral exam
- Work performance history
- Observation during performance on-the-job
- Observation during on-the-job training
- Simulations
- Other forms of assessment to include, but may not be limited to, Industry accepted third-party qualification programs

The Company has approved the following Industry accepted third-party assessment programs and their scoring criteria as a means of qualification of OQ Covered Tasks, which include but are not specifically limited to:

Approved Third Party Assessment Program	Required Written Exam Score	Required Performance Exam Score
NCCER (National Center for Construction, Education & Research)	70% or retraining and testing must be completed	100% or retraining and testing must be completed
NACE (National Association of Corrosion Engineers)	70% or retraining and testing must be completed	100% or retraining and testing must be completed
API (American Petroleum Institute)	80% or retraining and testing must be completed	Proof of 3 years on the job experience prior to taking the written exam
OQSG (Operator Qualification Solutions Group)	80% or retraining and testing must be completed	100% or retraining and testing must be completed

Energy World Net	80% or retraining and testing must be completed	100% or retraining and testing must be completed
------------------	---	--

The Company may review and approve other Industry accepted third-party assessment programs as they become available.

While performing evaluations using an oral examination, on-the-job performance observation, or an on-the-job training observation the evaluator should use a covered task evaluation checklist or procedure to ensure accurate and consistent assessment.

The operator has determined the acceptable qualification criteria level for each covered task evaluation checklist, written examination, etc. The operator ensures that acceptable performance will be achieved during the evaluation by requiring a minimum passing score of 70% for a written test and a 100% passing score of steps correctly completed during a performance evaluation.

7.1 Approved Contractors

It is recognized that very few contractors will have approved qualification programs during the initial stages of this program and new contractors will be established in subsequent years. The Company utilizes ISNetwork as their Contractor Administrator. Contractors wishing to become approved contractors for the Company are requested to subscribe to ISNetwork.

As the Contractor Administrator ISNetwork is utilized by the Company to maintain and process, all of the Company's approved contractor communications and paperwork as it pertains to Operator Qualifications. The Company's approved contractors are requested to subscribe to ISNetwork and submit all Operator Qualification certifications for all of their employees in ISNetwork. The Company communicates through ISNetwork by written or electronic communications the required documentation to become an approved contractor and to ensure compliance with the Company's Operator Qualification Plan. Once the Company receives, notification through ISNetwork that required documentation has been submitted by the contractor the Company then reviews the qualifications of the OQ certifications according to the Company's plan for approval.

If a contractor chooses not to subscribe to ISNetwork per the Company's initial request the contractor must provide their Operator Qualification Plan directly to the Company, which is subject to approval by the Company.

- A contractor wishing to become an **approved contractor** must submit a written program whether it is their own program or an Industry accepted third-party program to the Company for approval.
- The operator will either approve or disapprove the program either in whole or in part.
- If the qualification program is approved in whole the contractor will be added to the approved contractor list, and the contractor must submit to the Company the following:
 - List of qualified employees
 - Tasks which they are qualified for
 - Qualification date
 - Evaluation method used for the qualification
 - Re-qualification date
- If the qualification program is only partially approved the Company will identify those parts that cannot be approved and inform the contractor what part or parts cannot be approved.
- The operator at its discretion can choose to accept the contractors program in part if those parts in question do not, in the operator's opinion, allow an individual to perform a task or tasks that the individual is not qualified for.
- Reasons for not approving a qualification program could be the following:
 - Tasks were too broad in scope
 - Evaluation methods did not adequately determine the individuals qualification
 - The time intervals were not appropriate for re-evaluation
 - Changes in covered tasks were not adequately communicated to the individuals
 - The contractor did not adequately define how non-qualified personnel are utilized to perform covered tasks
 - Other

If after consulting with the operator, the contractor can re-submit its qualification program for re-approval, withdraw its plan or request aid from the operator in qualifying individuals if an emergency exists and a limited number of qualified individuals are available. It is the intent of the operator to hire only contractors that have approved programs and strongly recommend that contractors to subscribe to ISNetwork develop their own programs, or use approved Industry accepted third party programs for qualification.

Company personnel as well as regulatory personnel will keep a copy of the approved contractor's qualification program along with a list of its qualified individuals on file in the Regulatory Division offices for review.

The approved contractor will be required to submit to the operator any changes or additions to its qualified individual list, anytime a change or addition has occurred, or upon the request by the Company. Failure to submit such changes could result in the removal of the contractor from the approved contractor list.

The Company will ensure that all individuals performing covered tasks will comply with the Company's OQ Plan. An OQ Contractor Certification form will be included in contracts with contractors who perform Covered Tasks for the Company. The Company will require the contractor to furnish records, upon request, of any individuals prior to commencing work for the Company.

The Company will provide to the contractor, before commencement of any Covered Task assignment during the project, a list of Covered Tasks involved relating to the project and/or will provide direct observation/supervision of the non-qualified contract individuals.

To ensure effective communication of operator-specific requirements for Covered Task performance, the Company will take into consideration any language barriers between English and non-English speaking individuals and will make accommodations accordingly to ensure the task is comprehended fully.

The Company has approved the following Industry accepted third-party assessment programs and their scoring criteria as a means of qualification of OQ Covered Tasks, which include but are not specifically limited to:

Approved Third Party Assessment Program	Required Written Exam Score	Required Performance Exam Score
NCCER (National Center for Construction, Education & Research)	70% or retraining and testing must be completed	100% or retraining and testing must be completed
NACE (National Association of Corrosion Engineers)	70% or retraining and testing must be completed	100% or retraining and testing must be completed
API (American Petroleum Institute)	80% or retraining and testing must be completed	Proof of 3 years on the job experience prior to taking the written exam
OQSG (Operator Qualification Solutions Group)	80% or retraining and testing must be completed	100% or retraining and testing must be completed

Energy World Net	80% or retraining and testing must be completed	100% or retraining and testing must be completed
------------------	---	--

The Company may review and approve other Industry accepted third-party assessment programs as they become available.

7.2 Independent Contractors

Independent contractors will be hired in some instances to do specialized work such as cathodic protection surveys, close interval surveys, rectifier repair, etc. In most cases, these individuals will carry with them certifications such as NACE, ASME, etc. It is not anticipated that these **independent contractors** will develop their own qualification program but may qualify under an Industry accepted third-party qualification program such as NACE, ASME, API or others.

7.3 Full-time Contractors

The operator hires full-time contractors who are supervised by operator personnel, and are not part of a contractors floating crew. These individuals are paid through a contractor but work as though they were employees of the operator. These individuals will be qualified under the operator's qualification program. The records will reflect that these individuals are contractors qualified under the operator's qualification program. Should the contractor through which these individuals are employed, elect to develop their own program or use an Industry accepted third-party program i.e. NACE, ASME, API or others, a copy of the program should be submitted to the operator for its approval. The same procedures will be used to approve/disapprove the program as was used in approving/disapproving programs for **approved contractors** in the foregoing.

2. §195.505 Qualification program.

(d) Evaluate an individual if the operator has reason to believe that the individual's performance of a covered task contributed to an accident as defined in Part 195.

- ***Holly's OQ Plan needs to ensure that an individual whose actions while performing a covered task may have contributed to an incident shall be re-evaluated or suspended from performing the covered task while the investigation is being conducted.***

5.5 Re-Evaluation in Response to an Accident, Incident, or Near Miss

If the operator has reason to believe that an individual's performance contributed to an accident, incident, and/or near miss as defined in 49 CFR Part 195 and 49

CFR Part 192, the individual may be temporarily suspended from performing the covered task that may have contributed to the accident, incident, or near miss being investigated. During the investigation, the individual may be directly observed by a qualified individual while performing the covered task. After a thorough accident, incident, or near miss investigation has been performed, the operator shall re-evaluate an individual(s) if it has reason to believe that the accident, incident, or near miss was either directly/indirectly related or contributed to the accident, incident, or near miss. The root cause analysis may also indicate the need for additional training/evaluations of other individuals performing the same tasks. The investigation should consider the following:

- The qualification procedure used
- How in-depth the qualification procedure was
- The time interval for re-evaluation
- Procedures used in the task

Each of these items should be studied in depth. If after reviewing the qualification procedures it is found that changes should be made to the qualification program, these changes should be made to the program and be so noted.

3. §195.505 Qualification program.

(f) Communicate changes that affect covered tasks to individuals performing those covered tasks.

- ***Document how AOCs that could reasonable be anticipated during performance of covered tasks are identified and included in evaluations.***
- ***Specify how contractors will be notified of changes to covered tasks, which will require additional training and/or re-qualification.***

5.1 Evaluation Process

Responsibility – Evaluators/Reviewers shall ensure through evaluation that the individuals performing Covered Tasks are qualified.

Reviewer/Evaluator Criteria – Persons performing evaluations must possess the required knowledge (1) to determine an individual's ability to perform Covered Tasks and (2) to recognize and react to abnormal operating conditions that might occur while performing those tasks, and communicate this information verbally and/or in writing during the evaluation process to the individuals that will perform covered tasks. The evaluator does not have to physically perform the Covered Tasks.

6.1.1 Recognition of Abnormal Operating Conditions (AOCs)

Company personnel are trained and evaluated to recognize and react to abnormal operating conditions (AOCs) through various methods. Some of these methods include, but are not necessarily limited to:

- IBT Training Modules
- Operator Meetings
- Pre-Job Meetings
- On-The-Job Training
- Safety Meetings
- Annual Operating Procedure Review
- Post Accident Investigations

Specific task related AOCs are identified prior to performing a covered task. The Evaluator communicates either verbally or in writing these AOCs to the trainee during training along with any AOCs that may reasonably be encountered during performance of a covered task in order to ensure the trainee has the ability to identify and react to AOCs. The trainee must be able to accurately document AOCs for each covered task on the written examination.

Refer to Appendix G, where AOCs are listed for each covered task. Appendix G may be used as a referenced training tool sample by Evaluators to use during training of AOCs as shown in Appendix F. Appendix F also shows a sample of the written examination requiring AOC's to be listed. The Job Performance Evaluation Form also located in Appendix F requires the Evaluator to confirm that the trainee has the knowledge and ability to identify and react to AOCs.

7.6 Monitoring of Contractor Personnel

Prior to commencement of any job requiring the use of part time contactors, the supervisor in charge of the job will request proof of qualifications for all individuals that are to perform covered tasks on the job. This proof should consist of the following:

- Individuals name
- Each covered task individual is qualified for
- Date of qualification
- Evaluation method
- Under what program they were qualified
- Date for requalification

These records should be reviewed by the company supervisor to ensure that no individual's qualification expires during the duration of the job. A project with these records will be kept for review by company personnel or regulatory personnel. It is the Company's responsibility in conjunction with the contractors to

ensure that only qualified individuals perform covered tasks on the job site or are supervised in accordance with the guidelines spelled out for Non-Qualified Individuals.

Specific task related AOCs are identified prior to performing a covered task. These AOCs are communicated to the contractor(s) either verbally or in writing along with any AOCs that may reasonably be encountered during performance of a covered task.

8.0 Communicating Changes in Covered Tasks

The Regulatory Division will monitor the OQ Plan and incorporate any industry rules, regulations and changes accordingly. When significant changes occur, the Regulatory Division, along with its Company's supervisors, will consider whether additional qualification requirements and procedures are necessary and whether individuals performing the covered tasks should be evaluated again.

The Regulatory Division will keep affected individuals, including contractors performing work for the Company, properly informed by notifying them of any changes in covered tasks and the procedures for performing covered tasks and whether individuals performing the covered tasks should be evaluated again. Notifications to subscribing approved contractors from the Company may be made through communications in ISNet World. Non-subscribing approved contractors will receive written notification from the Company of any changes in covered tasks and the procedures for performing covered tasks. Plan change notification will be made in such cases (but not necessarily limited to) as listed below:

- Modifications to company policies or procedures.
- Changes to State or Federal regulations.
- Utilization of new equipment and/or technology.
- New information from equipment or product manufacturers.
- New or revised standards such as API, ASME, NACE, etc...

All applicable training documentation and evaluation materials will be updated to reflect the changes and so noted in the section **Changes to Operator Qualification Program** of this document. Each supervisor will review the operator qualification program on a regular basis and note any changes that have taken place that will affect the covered tasks in his/her area.

This program will be reviewed on a regular basis but no longer than one-year intervals to ensure that, any changes to the regulations, equipment, standards or procedures have been incorporated into the program.

This program should be viewed as a work-in-progress and should be reviewed and updated to fully incorporate the changing world of technology and

innovations. It was never intended for this program to stay as it was originally written nor should it remain in its original form.

The annual review of the program should include a close review of the following:

- Review premises and definitions
- Review Covered task lists
- Review each covered task
- Review the evaluation method and material of each covered task
- Review re-evaluation time intervals for each covered task
- Review the record keeping of the program
- Review contractor qualification program and records
- Review any phase of the non-qualified individuals section of the program
- Review new standards, regulations, procedures, etc.

All the above should be considered when reviewing this program but should not be considered the only elements of the program that should be reviewed. After review of the program, each supervisor who has the responsibility for qualifying individuals will be notified of the changes by either written or electronic media. To ensure a quick and timely response, any change should be e-mailed to all qualified individuals as soon as possible. The Regulatory Division will keep an electronic file of all changes and will incorporate the changes into the program at regular intervals and publish the changes to the program.