



HOLLY ENERGY PARTNERS

February 22, 2010

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

via Federal Express

Dear Mr. Seeley,

Holly Energy Partners (HEP) is in receipt of your letter regarding the Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order, CPF 4-2010-5005, for the River and Trust Pipeline System inspection held on November 30 through December 3, 2009.

In compliance with the requirements of 49 CFR 190, Subpart B, enclosed please find our responses and proposed corrective action plans for your review and approval. This response specifically addresses items 1 and 5 of the Proposed Compliance Order, items 2, 6 and 7 of the Proposed Civil Penalty and Warning Items 3 and 4.

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

Sincerely,

Mark Cunningham
Vice President – Operations

Enclosures

Proposed Compliance Order (PCO)

Pursuant to 49 CFR § 190.211(a), HEP respectfully requests a hearing in regard to the following items. At the present time, no counsel will be requested on behalf of HEP.

Item 1 **§ 195.310 Records.**

(a) A record must be made of each pressure test required by this subpart, and the record of the latest test must be retained as long as the facility tested is in use.

During the inspection, HEP was not able to demonstrate through documentation a record of the hydrotests for the following pipeline system segments per Subpart E of 49 CFR 195:

Trust X-6 – Big Spring to Hawley
Trust 6/8 – Colorado City to Merkel
Trust 6/8 – Throckmorton to Archer

Prior to the inspection, we took a voluntary 20% reduction in our operating pressures as we continued to try and locate the required documentation to substantiate the pressure test for each segment. However, since the inspection, we were still unable to locate the required records. HEP now intends to schedule and complete hydrotests to re-establish each maximum operating pressure. Upon successful completion of each hydrotest and establishment of MOP of each segment, HEP intends to resume normal operations at a MOP based on requirements defined in 49 CFR 195.406. The hydrotest records will be documented, secured and retained as long as the facility tested is in use.

Item 5 **§ 195.432 Inspection of in-service breakout tanks.**

(b) Each operator shall inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to section 4 of API Standard 653. However, if structural conditions prevent access to the tank bottom, the bottom integrity may be assessed according to a plan included in the operations and maintenance manual under §195.402(c)(3).

(d) The intervals of inspection specified by documents referenced in paragraphs (b) and (c) of this section begin on May 3, 1999, or on the operator's last recorded date of the inspection, whichever is earlier.

During the inspection of the Wichita Falls Terminal, HEP personnel informed the inspectors that Tank 9 had been emptied and removed from service during the 3rd

quarter of 2009. Effective January 2010, HEP also removed Tank 8 from service to begin inspection, necessary repairs and determination of corrosion rates, which will be determined and made in accordance with Section 4.4.7 of API Standard 653.

In accordance with the Notice of Amendment, Procedure HEP-O&M-195.432 is being updated to reflect detailed requirements and conditions in which an internal inspection interval must be established per API Standard 653.

Warning Items

3. § 195.402 Procedural manual for operations, maintenance, and emergencies.

(13) Periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

HEP has implemented a policy for supervisors to review and document work done by employees and contractor personnel to ensure procedures are effective and deficiencies are corrected when found. In conjunction with the Notice of Amendment, our procedures will be updated to include detail that will be added to address requirements of the review as well as how the review is documented and steps for addressing deficiencies. HEP will also add a requirement in the OQ Plan for evaluators, at least annually, to review work done by all employees to determine the effectiveness of procedures when performing Covered Tasks.

4. § 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.

Additional line markers have been installed beyond public road crossings to ensure the visible route of the pipeline is accurately known.

Proposed Civil Penalty (PCP)

In regard to the following three items proposed civil penalties, HEP respectfully requests a reduction in the penalties assessed as a result of this inspection.

Item 2 ***§ 195.402 Procedural manual for operations, maintenance, and emergencies.***

(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:

(5) Analyzing pipeline accidents to determine their causes.

(6) Minimizing the potential for hazards identified under paragraph (c)(4) of this section and the possibility of recurrence of accidents analyzed under paragraph (c)(5) of this section.

During the inspection it was noted that HEP could not demonstrate through documentation or otherwise that investigations had been completed for the two reportable excavation accidents that occurred in 2005 and 2006. HEP would like to note that we recognized our deficiency in our process and began conducting incident investigations since that time frame regarding accidents that have occurred on our facilities, and we have also recognized that more in-depth procedural steps and a formalized process are required to ensure that documentation is maintained to demonstrate this. Therefore, HEP is implementing a more in-depth company-wide policy for incident investigations and intends to continue accomplishing the investigations through its Safety Committee and Reliability Manager. The Safety Committee is comprised of company employees from different areas of our operations who are trained in the accident/incident investigation process to ensure an investigation is conducted thoroughly using the specific criteria and/or guidelines outlined in the process. As a result of any investigation, affected policies and procedures will be reviewed, modified and updated and employee/contractor education and training will be conducted upon completion to minimize the possibility of recurrence of the incident.

In addition and accordance with the Notice of Amendment, Procedure HEP-O&M-195.442 (Damage Prevention Program) will be updated to reflect the criteria used in the investigation process to ensure a review for effectiveness of procedures related to accidents and/or incidents are completed.

6. § 195.571 What criteria must I use to determine the adequacy of cathodic protection?

Cathodic protection required by this subpart must comply with one or more of the applicable criteria and other considerations for cathodic protection contained in paragraphs 6.2 and 6.3 of NACE Standard RP 0169 (incorporated by reference, see §195.3).

The records provided at the time of inspection showed that the minimum criteria were not met and promptly corrected for the specified locations and time frames pursuant to our cathodic protection procedures. HEP recognized these deficiencies and corrected the conditions in 2009 prior to the inspection by installing two additional rectifiers on the affected segments which provided adequate cathodic protection. Readings which met the required criteria were successfully demonstrated to the inspectors at the time of the inspection.

In addition, and in accordance with the Notice of Amendment, HEP is amending its Cathodic Protection Procedure, HEP-O&M-195.563, to reflect detailed criteria and other considerations provided per NACE Standard RP 0169 as well as identifying a definition of reasonable time for correction of deficiencies when found.

7. § 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).*

The records provided at the time of inspection showed that the minimum criteria were not met and promptly corrected for the specified locations and time frames pursuant to our corrosion control procedures. HEP recognized these deficiencies and corrected the conditions prior to the inspection by installing 2 deep anode systems on the line segment from Throckmorton to Wichita Falls. Both units were energized on June 29, 2009 and a test point survey was completed on June 30, 2009 demonstrating correction of the low potentials. The annual test point survey was completed on November 30, 2009, again demonstrating adequate corrosion control provided per the requirements. Readings taken during the inspection also reflected that the action taken had corrected the prior deficiencies.

In addition, and in accordance with the Notice of Amendment, HEP is amending its Cathodic Protection and Corrosion Control Procedures to more adequately define the conditions in which deficiencies will be addressed and corrected when identified.