VIA FEDEX TRACKING NUMBER 7702 2602 8438

September 11, 2017

James A. Urisko
Director, Office of Pipeline Safety
PHMSA Southern Region
U.S. Department of Transportation
233 Peachtree Street, Suite 600
Atlanta, GA 30303

RE: **CPF 2-2017-5004**

Dear Mr. Urisko:

Hunt Crude Oil Supply Company, L.L.C. ("HCOS") is in receipt of the Notice of Probable Violation and Proposed Civil Penalty dated August 11, 2017 (the "Notice") and received by HCOS on August 14, 2017.

HCOS would like to respond to the matters addressed in the Notice in writing. HCOS does not desire a hearing as to this matter, but wants to address information that may not have been clearly communicated or understood during the time of the inspection.

Attached to this letter as Exhibit A is HCOS's response to the various matters outlined in the Notice. Attached as Exhibit B is a summary from Lewis Engineering LLC who has provided cathodic protection services for HCOS. We believe that these documents more clearly outline the situation and offer mitigating information relative to the items contained in the Notice. After you have reviewed the responses contained in those exhibits, HCOS is willing to discuss more fully any matters that remain a concern.

We appreciate your consideration in this regard.

Sincerely,

RECEIVED SEP 13 2017

David L. Carroll

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EXHIBIT A
Hunt Crude Oil Supply Company Response to
Notice of Probable Violation

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.

HCOS response:

This issue is related to the issue noted in Item # 4 on the PHMSA Notice of Probable Violation below, the lack of a corrosion control supervisor. The probable violation noted with the proposed penalty is for the lack of performing the annual surveys on this inactive portion to document the cathodic protection readings. However, as HCOS's investigation has determined, cathodic protection was provided from both ends of the inactive pipeline, and the pipeline was cathodically protected throughout this timeframe. The annual surveys were not performed due to miscommunication, and was not intentional. The information provided below will give you a history of some of the events that took place between 2002 and today, and may be helpful in your understanding of this situation.

In approximately 2002 or 2003, HCOS removed the 10" Soso to Heidelberg pipeline from service due to a lack of crude oil in the vicinity of Soso. Due to the results of an Internal Line Inspection (smart pig) performed in 1999, HCOS purged all crude oil from the pipeline by using nitrogen, an inert gas. The smart pig run indicated a significant number of metal loss anomalies greater than 10% in depth. Those results, coupled with the economic issues of not having significant amounts of oil to move through the pipeline resulted in HCOS taking the pipeline out of service. Cathodic protection was maintained on the inactive pipeline, and Right-Of-Way maintenance continued to be performed on a routine basis. A decision was made to skip the scheduled smart pig run due in 2004, with the stipulation that an ILI inspection would be performed before the pipeline was returned to service, should that ever occur.

Around 2006, HCOS gave consideration to utilizing some portions of this 10" pipeline and leased the first 2 miles to third party, with the pipeline to be operated by another party. HCOS personnel then purged all crude oil from the pipeline by using nitrogen, an inert gas, and cut and flanged off the pipeline at the new third party tie-in. Cathodic protection was also applied (by the new pipeline operator, not made known to HCOS) to the pipeline system from a bond to the third party operated portion of the pipeline.

A decision was then made to perform repairs on the remaining 21 miles of inactive/idled pipeline based on the information in the last ILI inspection performed in 1999. In 2007, HCOS personnel began the repair work, and removed or repaired approximately 500 anomalies with an indicated metal loss of 10% or greater from the pipeline. After these repairs were completed, HCOS decided to NOT return the pipeline to active service due to economic reasons. Again, the pipeline was determined to be idled/inactive, and CP and ROW maintenance continued. While HCOS considered this pipeline to likely be permanently out of service, HCOS wanted to retain rights to the right of way.

In 2012, HCOS disconnected the inactive 10" Soso to Heidelberg pipeline from the East Mississippi Pipeline ("EMPL") System to connect a newly activated 10" pipeline from Hunt Southland Refining Company to the EMPL system. HCOS maintenance employees bonded this inactive, purged, and disconnected pipeline system to the new active portion of the Hunt Southland to East Mississippi Pipeline System, providing cathodic protection to the inactive line.

Also in 2012, the Mississippi Public Service Commission lost their jurisdiction over hazardous liquids pipelines, and the entire East Mississippi Pipeline System became a federal PHMSA jurisdictional pipeline system. Until this point in time, the MS PSC had been performing annual pipeline inspections on this pipeline system, which included the Soso to Heidelberg 10" pipeline.

Up until the end of 2013, a HCOS employee, (who retired in 2010 but was retained as a consultant), performed the annual surveys and troubleshooting of all HCOS cathodic protection systems. In early 2014, in order to improve Hunt's corrosion control program, Lewis Engineering was hired to perform this service for all Hunt pipeline systems. One of the initial changes was to begin using the proper testing procedures to obtain accurate potential readings. Unfortunately, during the transition to Lewis Engineering, due to miscommunications and unknown information, Lewis Engineering was not ordered to perform the annual survey on the 10" Soso to Heidelberg pipeline.

After a September 2013 PHMSA inspection performed by Mr. James Urisko, HCOS was advised by him via telephone that HCOS needed to include the 22.8 mile Soso to Heidelberg 10" pipeline on our annual report to PHMSA. He stated that PHMSA did not recognize idle/inactive pipelines, they were either active or permanently abandoned. After discussions among HCOS personnel, it was decided that HCOS would not permanently abandon the pipeline in question, and the pipeline mileage was reported as active on the 2014 submission and in subsequent annual reports.

The field portion of the 2017 annual survey is complete but we have not received the final report as of this date. We have been informed by Lewis Engineering that the readings from the 10" Soso to Heidelberg pipeline indicate adequate cathodic protection.

(3)

In summary, it is correct that the annual surveys for 2014-2016 were not performed. HCOS's defense is that it was an oversight due to mistakes in communicating information between HCOS employees and contractors. However, the line was idled and had been purged of any product thereby rendering any concerns for safety or leaks moot. For the last 3 ½ years HCOS and Lewis Engineering's focus has been on maintaining and improving the protection on ACTIVE pipelines and facilities rather than on those not in active service. Mitigating factors as to this matter are:

- The pipeline has not contained crude oil since 2006, it was purged with pigs and nitrogen. Even if a leak had occurred on the pipeline, no product could have been released, and neither people nor the environment would have been harmed.
- Cathodic protection was continuously applied to the entire length of the pipeline at all times, and as evidenced by the 2017 annual survey, it is providing protection that exceeds the minimum criterion.
- The ROW was maintained and patrolled to meet or exceed the minimum federal requirements at all times.
- All Mississippi One-Call locate requests were responded to by HCOS employees immediately.
- Until 2012, the MS PSC performed annual inspections of the entire EMPL system, which included a review of records of all pipelines in the EMPL system.
- HCOS planned to perform both a hydrostatic pressure test and an ILI (smart pig) inspection of the 10" Soso to Heidelberg pipeline BEFORE it would be returned to active status.

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)

HCOS response:

The low potentials at these three test stations were evaluated by conducting a close-interval potential survey. This indicated the need for more current or a DCVG to locate coating defects for repair along the north end (~2500 feet). The potentials were near -800 millivolts, which meant there was no immediate danger of pipeline corrosion. The potentials were monitored and there were discussions of the most effective remedial action. Anode bed replacement for rectifiers R5 or R6 with a more remote anode design was the primary discussion. During the 2015 survey, the three potentials remained the same, near -800 millivolts. In 2016 a new anode system was installed for rectifier R5, which provided an additional 3 amps of current. The potentials measured in 2016 at these 3 test stations indicated adequate protection based on the -0.85 volt polarized potential criterion. The appropriate action was taken within a reasonable time-line for testing and evaluation based on the minimum threat.

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)

HCOS response:

At this location the Plains riser exits the ground where it has an isolation flange followed by a long aboveground pipe run before Hunt goes underground. The measurement is with the reference place over Plains pipeline and within its voltage gradients. Therefore, when the electrical connection is moved to Hunt's side of the isolation flange, there is foreign IR drop in the potential reading, which depresses the potential. This reading is only for the purpose for testing isolation status of the isolation flange not a true measurement of HCOS's protection level. The true potential was measured at the HCOS's end of the pipe run when the reference cell was place over Hunt's underground pipeline and electrically connected to HCOS. That is Test #12 and on 10-12-15 the polarized potential was -1.024 volts.

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)

(5)

- 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)

HCOS response:

At the Yellow Creek site the surface soil resistivity is extremely high because of the sandy soil, which means it is very oxygenated. The tanks on average have a native potential of -470 mV. The appropriate criterion is 100 mV of cathodic polarization. Refer to the above section titled "Criteria and Engineering Considerations". After the deep anode system installation in August 2015, all polarization levels meet the 100 millivolt polarization criterion except for the west side of the East Tank. It appears to have an erroneous native potential. This will need to be tested by depolarizing the entire site.

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)

(6)

HCOS response:

At the Nancy site, the tank's native potential range from -395 to -498 mV. The appropriate criterion is 100 mV of cathodic polarization. Refer to the above section titled "Criteria and Engineering Considerations". After the surface anode system installation in August 2015, all polarization levels meet the 100 millivolt polarization criterion.

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.

HCOS Response:

At the Yellow Creek site, there was not cathodic protection at the time, so potentials on the tanks were not measured because focus was on designing an anode system and preparing for installation. Measuring potentials on unprotected tanks served no purpose.

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.

(7)

HCOS response:

Caroll Pellegrin has been designated as the Hunt Crude Oil Supply Company "Corrosion Control Supervisor". In this role, all information relating to atmospheric, external, and internal corrosion control will be funneled through Caroll for review and approval. Outside contractors who are utilized for their subject matter area expertise for external and internal corrosion have been directed to take no non-routine actions on their own initiative or on the order of any other Hunt personnel without first consulting with the Corrosion Control Supervisor or his designee.

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.

HCOS response:

HCOS responded to this immediately following the audit. "No Smoking" signs were installed at Boligee Booster Station and Quitman Station on April 4 and 5, 2017. Between April 18, 2017 and April 28, 2017, HCOS has also replaced or added "No Smoking" signs at all HCOS facilities in appropriate areas.

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.

HCOS response:

The repairs to the fence rail were completed on July 20, 2017.

(8)

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

HCOS response:

The Tuscaloosa Refinery pig trap was sandblasted, recoated, and painted on May 1, 2017.

The Chaparral block valve and associated piping on the Yellow Creek Pipeline System was sandblasted, recoated, and painted on May 15 and 16, 2017.