



U.S. Department
of Transportation
**Pipeline and Hazardous
Materials Safety
Administration**

901 Locust Street, Suite 480
Kansas City, MO 64106

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

**VIA ELECTRONIC MAIL TO: dllamp@cvrenergy.com; kakuehn@cvrenergy.com;
brecord@cvrenergy.com;**

May 4, 2023

David Lamp, President/Chief Executive Officer
Coffeyville Resources Crude Transportation, LLC
P.O. Box 3516
411 N.E. Washington Boulevard
Bartlesville, Oklahoma 74006

CPF 3-2023-006-NOPV

Dear Mr. Lamp:

From February 2022 to August 2022, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code (U.S.C.), investigated the February 10, 2022, release of approximately 720 barrels of crude oil in Cowley County, Kansas, from Coffeyville Resources Crude Transportation, LLC's (CRCT) eight-inch Valley pipeline near CRCT's, Brothers Station.

On February 10, 2022, at approximately 11:35 a.m. Central Standard Time (CST), Coffeyville Resources Crude Transportation, LLC, confirmed a release from a dead leg connected to their eight-inch Valley pipeline in Cowley County, Kansas. A local landowner notified personnel, onsite at CRCT's Brothers Station, of a dark patch of soil on rural farmland near the pipeline's location.

CRCT dispatched company personnel to the site to shut in the pipeline and investigate, as well as, contact their Oil Spill Response Organization (OSRO) contractors to begin cleanup. The dark spot was recognized by CRCT personnel as crude oil saturated soil above a dead leg section of pipe. CRCT crews excavated the site of the release and discovered the leak was much larger

than previously anticipated and had migrated to a pond on the landowner's property. CRCT crew clamped the leak locations at the six o'clock position on the pipe body using saddle-type clamps. Following this accident the dead line was purged, cut, and capped at both ends as a part of CRCT's idling process. Approximately 720 barrels of crude oil were released, but all the crude oil was recovered.

PHMSA deployed an investigator from the Accident Investigation Division (AID) to the scene. PHMSA determined, based on CRCT's Internal Investigation Findings, the direct cause of the release to be a through-wall internal corrosion at the six o'clock position at two points on the pipe body of a pipeline dead leg. Following analysis of over and short, and control room data, it is estimated that the release began on January 26, 2022. This was the first failure on the Valley pipeline. CRCT had two previous corrosion failures associated with the Wichita pipeline system mainline pipe in 2011 and 2012.

As a result of the investigation, it is alleged that CRCT has committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The item investigated and the probable violation is:

1. **§ 195.579 What must I do to mitigate internal corrosion?**
 - (a) **General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.**

CRCT failed to investigate the corrosive effect of the hazardous liquid on its pipeline or take adequate steps to mitigate internal corrosion. During the investigation of the February 10, 2022 release, it was found that the leak originated from a dead leg segment of pipe that had not been included in the Valley pipeline threat matrix due to ineffective internal communications. CRCT conducts integrity management with a contractor. Its integrity management plan regarding internal corrosion identifies dead legs as a unique threat. However, CRCT's Integrity Management Team was not aware that the dead leg existed at the failure location prior to the accident and were under the impression that the section had been previously idled. Because this segment of the pipe had not been included in the threat matrix, CRCT failed to evaluate the pipeline for the risk of internal corrosion failure.

Additionally, CRCT Integrity Management Plan Section 7.3 – Internal Corrosion, identifies the threat presented by dead leg pipe sections, stating:

“COMPANY should develop a procedure to monitor and mitigate internal corrosion in these areas.”

CRCT, however, failed to include the Valley dead leg section in its procedures to monitor and mitigate internal corrosion. The failure to comply with § 195.579 resulted in the release of approximately 720 barrels of crude oil. CRCT identified internal corrosion issues on the pipeline led to metal loss, resulting in two pinhole leaks in the six o'clock position of the pipe. Crude would sit idle in the dead leg, increasing the rate of internal

corrosion cell growth. CRCT's threat matrix states that additional steps would have been taken if they had been aware of the dead leg.

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed \$257,664 per violation per day the violation persists, up to a maximum of \$2,576,627 for a related series of violations. For violation occurring on or after March 21, 2022 and before January 6, 2023, the maximum penalty may not exceed \$239,142 per violation per day the violation persists, up to a maximum of \$2,391,412 for a related series of violations. For violation occurring on or after May 3, 2021 and before March 21, 2022, the maximum penalty may not 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 documentation involved for the above probable violation and recommend that you be preliminarily assessed a civil penalty of \$804,300 as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$ 804,300

Proposed Compliance Order

With respect to Item, 1, pursuant to 49 U.S.C. § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Coffeyville Resources Crude Transportation, LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Enforcement Proceedings*. Please refer to this document and note the response options. All material you 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 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 3-2023-006-NOPV** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Enforcement Proceedings

cc: Keith Kuehn, VP-Crude Transportation, kakuehn@cvrenergy.com
Blake Record,, DOT Compliance Primary, brecord@cvrenergy.com

PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Coffeyville Resources Crude Transportation, LLC (CRCT), a Compliance Order incorporating the following remedial requirements to ensure the compliance of CRCT with the pipeline safety regulations:

- A. In regard to Item 1 of the Notice pertaining to CRCT's failure to monitor and mitigate internal corrosion, CRCT must, within 90 days of the Final Order, provide a updated internal corrosion monitoring procedure that includes a process to periodically survey its pipeline segments for dead leg segments.