

January 2, 2024

**VIA ELECTRONIC MAIL TO: [dllamp@cvrenergy.com](mailto:dllamp@cvrenergy.com)**

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

**CPF No. 3-2023-008-NOPV**

Dear Mr. Lamp:

Enclosed please find a Consent Order incorporating the terms of the Consent Agreement between the Pipeline and Hazardous Materials Safety Administration (PHMSA) and Coffeyville Resources Crude Transportation, LLC (CRCT), which was executed on December 15, 2023. Service of the Consent Order and Consent Agreement by electronic mail is deemed effective upon the date of transmission and acknowledgement of receipt, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

Enclosure: Consent Order and Consent Agreement

cc: Mr. Gregory A. Ochs, Director, Central Region, Office of Pipeline Safety, PHMSA  
Mr. Keith Kuehn, Vice President, Crude Transportation, CRCT, [kakuehn@cvrenergy.com](mailto:kakuehn@cvrenergy.com)  
Mr. Blake Record, DOT Compliance Primary, CRCT, [brecord@cvrenergy.com](mailto:brecord@cvrenergy.com)  
Mr. Hunter Jeffrey, Partner, Perkins Coie LLP, Counsel for CRCT, [jhunter@perkinscoie.com](mailto:jhunter@perkinscoie.com)

**CONFIRMATION OF RECEIPT REQUESTED**

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

_____	)	
<b>In the Matter of</b>	)	
	)	
<b>COFFEYVILLE RESOURCES</b>	)	
<b>CRUDE TRANSPORTATION, LLC,</b>	)	<b>CPF No. 3-2023-008-NOPV</b>
	)	
<b>Respondent.</b>	)	
_____	)	

**CONSENT ORDER**

By letter dated June 2, 2023, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), issued a Notice of Probable Violation, Proposed Civil Penalty and Proposed Compliance Order (Notice) to Coffeyville Resources Crude Transportation, LLC (CRCT or Respondent).

In response to the Notice, Respondent contested the proposed civil penalties for several Items and asked to meet informally with PHMSA to discuss the civil penalties and the terms of the proposed compliance order. Respondent did not request a hearing on the matter. Respondent and PHMSA (the Parties) subsequently met to discuss the issues raised in the Response. As a result of those discussions, as explained in more detail below, the Parties have agreed to a Consent Agreement by which PHMSA makes findings of violations for each of the Items alleged in the Notice, CRCT will pay a reduced civil penalty in the amount of **\$78,000**, and CRCT will complete certain compliance actions.

Accordingly, the Consent Agreement is hereby approved and incorporated by reference into this Consent Order. CRCT is hereby ordered to comply with the terms of the Consent Agreement pursuant to its terms. Pursuant to 49 U.S.C. § 60101, *et seq.*, failure to comply with this Consent Order may result in the assessment of civil penalties as set forth in 49 U.S.C. § 60122 and 49 C.F.R. § 190.223, or in referral to the Attorney General for appropriate relief in a district court of the United States.

The terms and conditions of this Consent Order are effective upon service in accordance with 49 C.F.R. § 190.5.

January 2, 2024

\_\_\_\_\_  
Alan K. Mayberry  
Associate Administrator  
for Pipeline Safety

\_\_\_\_\_  
Date Issued

**U.S. DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, D.C. 20590**

	)		)
<b>In the Matter of</b>	)		)
	)		)
<b>COFFEYVILLE RESOURCES</b>	)		)
<b>CRUDE TRANSPORTATION, LLC,</b>	)	<b>CPF No. 3-2023-008-NOPV</b>	)
	)		)
<b>Respondent.</b>	)		)
	)		)

**CONSENT AGREEMENT**

From August 23, 2021 to October 4, 2021, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of title 49, United States Code (U.S.C.), conducted an on-site pipeline safety inspection of the facilities and records of Coffeyville Resources Crude Transportation, LLC's (CRCT or Respondent) Hazardous Liquids Crude Pipeline System in Oklahoma and Kansas.

As a result of the inspection, the Director, Central Region, OPS (Director), issued to Respondent, by letter dated June 2, 2023, a Notice of Probable Violation, Proposed Compliance Order and Proposed Civil Penalty (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that CRCT committed five violations of 49 C.F.R. Part 195, proposed ordering Respondent to take certain measures to correct the alleged violations, and proposed a civil penalty of \$146,900.

CRCT responded to the Notice by letters dated July 7, 2023, and November 9, 2023 (collectively, Response). Respondent did not contest the allegations of violation but contested the proposed civil penalty and provided additional evidence of actions taken to address the terms of the proposed compliance order. CRCT requested an informal meeting with PHMSA to discuss the civil penalty proposed in the Notice and the proposed compliance order. CRCT did not request a hearing.

PHMSA and Respondent (the Parties) subsequently met to discuss the issues raised in the Response. As a result of those discussions and as explained in more detail below, the Parties have agreed to a Consent Agreement by which PHMSA makes findings of violations for each of the Items alleged in the Notice, CRCT will pay a reduced civil penalty in the amount of **\$78,000**, and CRCT will complete certain compliance actions.

Having agreed that settlement of this proceeding will avoid further administrative proceedings or litigation and will serve the public interest by promoting safety and protection of the environment,

pursuant to 49 U.S.C. § 60101, *et seq.* and 49 C.F.R. Part 190, and upon consent and agreement, the Parties hereby agree as follows:

## **I. General Provisions**

1. Respondent acknowledges that as the operator of the pipeline facilities subject to the Notice, Respondent and its referenced pipeline facilities are subject to the jurisdiction of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and administrative orders issued thereunder. For purposes of this Consent Agreement (Agreement), Respondent acknowledges that it received proper notice of PHMSA's action in this proceeding and that the Notice states claims upon which relief may be granted pursuant to 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder.

2. After Respondent returns this signed Agreement to PHMSA, the Agency's representative will present it to the Associate Administrator for Pipeline Safety, recommending that the Associate Administrator adopt the terms of this Agreement by issuing an administrative order (Consent Order) incorporating the terms of this Agreement. The terms of this Agreement constitute an offer of settlement until accepted by the Associate Administrator. Once accepted, the Associate Administrator will issue a Consent Order incorporating the terms of this Agreement.

3. Respondent consents to the issuance of the Consent Order, and hereby waives any further procedural requirements with respect to its issuance. Respondent waives all rights to contest the adequacy of notice, or the validity of the Consent Order or this Agreement, including all rights to administrative or judicial hearings or appeals, except for the Dispute Resolution provisions set forth herein.

4. This Agreement shall apply to and be binding upon PHMSA and Respondent, its officers, directors, and employees, and its successors, assigns, or other entities or persons otherwise bound by law. Respondent agrees to provide a copy of this Agreement and any incorporated work plans and schedules to all of Respondent's officers, employees, and agents whose duties might reasonably include compliance with this Agreement.

5. This Agreement constitutes the final, complete, and exclusive agreement and understanding between the Parties with respect to the settlement embodied in this Agreement. The Parties acknowledge that there are no representations, agreements or understandings relating to settlement other than those expressly contained in this Agreement, except that the terms of this Agreement may be construed by reference to the Notice.

6. Nothing in this Agreement affects or relieves Respondent of its responsibility to comply with all applicable requirements of the Federal pipeline safety laws, 49 U.S.C. § 60101, *et seq.*, and the regulations and orders issued thereunder. Nothing in this Agreement alters PHMSA's right of access, entry, inspection, and information gathering or PHMSA's authority to bring enforcement actions against Respondent pursuant to the Federal pipeline safety laws, the regulations and orders issued thereunder, or any other provision of Federal or State law.

7. For all transfers of ownership or operating responsibility of Respondent's pipeline system referenced herein, Respondent will provide a copy of this Agreement to the prospective transferee at least 30 days prior to such transfer. Respondent will provide written notice of the transfer to the Director no later than 60 days after the transfer occurs.

8. This Agreement does not waive or modify any Federal, State, or local laws or regulations that are applicable to Respondent's pipeline systems. This Agreement is not a permit, or a modification of any permit, under any Federal, State, or local laws or regulations. Respondent remains responsible for achieving and maintaining compliance with all applicable Federal, State, and local laws, regulations and permits.

9. This Agreement does not create rights in, or grant any cause of action to, any third party not party to this Agreement. The U.S. Department of Transportation is not liable for any injuries or damages to persons or property arising from acts or omissions of Respondent or its officers, employees, or agents carrying out the work required by this Agreement. Respondent agrees to hold harmless the U.S. Department of Transportation, its officers, employees, agents, and representatives from any and all causes of action arising from any acts or omissions of Respondent or its contractors in carrying out any work required by this Agreement.

10. Except as set forth herein, this Agreement does not constitute a finding of violation of any other federal law or regulation and may not be used in any civil proceeding of any kind as evidence or proof of any fact, fault, or liability, or as evidence of a violation of any law, rule, regulation, or requirement, except in a proceeding to enforce the provisions of this Agreement or in future PHMSA enforcement actions.

11. Respondent neither admits nor denies any allegation or conclusion in the Notice or this Agreement but agrees for purposes of this Agreement to comply with the terms of this Agreement.

## **II. Findings of Violation:**

12. ***Item 1- 49 C.F.R. § 195.412(a)***: The Notice alleged that CRCT failed to satisfy the requirements of § 195.412(a) by not using an appropriate method for inspecting the pipeline right-of-way. Specifically, the Notice alleged that during the field inspection at the Hooser-Broome 8" pipeline segment west of Bee Creek Valve (Lat. 37.053019, Long. -95.966233), PHMSA observed that CRCT failed to adequately clear the right-of-way of tree cover, thereby preventing effective aerial patrolling. Respondent did not contest the allegation in Item 1 of the Notice but provided additional information to PHMSA and requested mitigation or elimination of the proposed civil penalty. As such, PHMSA finds a violation of 49 C.F.R. § 195.412(a).

13. ***Item 2- 49 C.F.R. § 195.573***: The Notice alleged that CRCT failed to satisfy the Requirements of § 195.573(a)(1) by not performing cathodic protection testing on the protected Shidler pipeline segment within the required interval of at least once each calendar year, but not exceeding 15 months. Specifically, the Notice alleged that the Shidler cathodic protection test surveys were conducted on February 28, 2018 and June 17, 2019, which exceeded the allowable 15-month interval by 20 days. Respondent did not contest the allegation in Item 2 of the Notice but provided additional information to PHMSA and requested elimination of the proposed civil

penalty. As such, PHMSA finds a violation of 49 C.F.R. § 195.573(a)(1).

14. **Item 3- 49 C.F.R. § 195.573(e)**: The Notice alleged that CRCT failed to satisfy the Requirements of § 195.573(e) by failing to correct identified deficiencies in its corrosion control. Specifically, the Notice alleged that during the inspection of corrosion control records, PHMSA found that CRCT's inspections in calendar years 2020 and 2021 for four of its steel breakout tanks showed that the minimum protection criteria of NACE SP 0169 was not met as required by § 195.571. Respondent did not contest the allegation in Item 3 of the Notice but provided additional information to PHMSA and requested mitigation of the proposed civil penalty. As such, PHMSA finds a violation of 49 C.F.R. § 195.573(e).

15. **Item 4- 49 C.F.R. § 195.581(a)**: The Notice alleged that CRCT failed to satisfy the Requirements of § 195.581(a) by failing to provide protection against atmospheric corrosion by cleaning and coating each pipeline or portion of pipeline that is exposed to the atmosphere. Specifically, the Notice alleged that during PHMSA's field inspection PHMSA observed severely degraded and dis-bonded coating and large sections of rusted/corroded bare steel on exposed portions of CRCT's pipelines at six locations. Respondent did not contest the allegation in Item 4 of the Notice but provided additional information to PHMSA and requested mitigation of the proposed civil penalty. As such, PHMSA finds a violation of 49 C.F.R. § 195.581(a).

16. **Item 5- 49 C.F.R. § 195.589(c)**: The Notice alleged that CRCT failed to satisfy the requirements of § 195.589(c) by failing to maintain records of cathodic protection surveys for calendar years 2018 and 2019 for East Tank Farm breakout tanks 22A1, 22A2, 22A3 and Hooser Tanks 25 and 270 due to a data processing error discovered in 2020. Specifically, the Notice alleged that the device used by CRCT field personnel to capture cathodic protection readings had unknown internal memory limitations, which resulted in the data being overwritten when performing surveys across the system. Respondent did not contest the allegation in Item 5 of the Notice but provided additional information to PHMSA and requested elimination of the proposed civil penalty. As such, PHMSA finds a violation of 49 C.F.R. § 195.589(c).

17. Items 1, 2, 3, 4, and 5 will be considered by PHMSA as prior offenses in any future PHMSA enforcement action taken against Respondent for the five (5)-year period following the **Effective Date** of this Agreement.

### **III. Civil Penalty:**

18. **Item 1**: The Notice proposed assessing a civil penalty in the amount of \$24,200 for Item 1. Respondent requested a reduction or elimination of the proposed civil penalty, and, with its responses, provided new information and evidence to support its request. Respondent provided evidence that CRCT found the non-compliance and took documented action to address the non-compliance and was in the process of correcting the non-compliance before PHMSA learned of the violation. Consequently, after consideration of the new information and evidence provided by Respondent, PHMSA agrees a reduction of the civil penalty based on reconsideration of the culpability assessment factor is appropriate, which results in a civil penalty of \$0. Therefore, PHMSA agrees to withdraw the proposed civil penalty for the violation in Item 1.

19. **Item 2:** The Notice proposed assessing a civil penalty in the amount of \$24,200 for Item 2. Respondent requested elimination of the proposed civil penalty based on three arguments: that the repeat offense finding was inappropriate, that its post-violation actions should be taken into consideration, and that COVID-19 made it difficult to comply with the regulation. PHMSA finds that the repeat offense is appropriate, post-violation action is not considered in calculating civil penalties, and per the March 20, 2020, Covid Stay of Enforcement and Notice of Enforcement Discretion, operators had to promptly notify and disclose to PHMSA any non-compliance resulting from COVID-19, which CRCT did not do. Therefore, no reduction of the civil penalty is appropriate. Respondent agrees to pay a civil penalty of **\$24,200** for the violation of Item 2.

20. **Item 3:** The Notice proposed assessing a civil penalty in the amount of \$70,700 for Item 3. Respondent requested a reduction of the proposed civil penalty, and, with its responses, provided new information and evidence to support its request. Respondent provided evidence that CRCT found the non-compliance and took documented action to address the non-compliance and was in the process of correcting the non-compliance before PHMSA learned of the violation. Respondent also provided evidence that it had a reasonable justification for its non-compliance, i.e., that it was using depolarization measurements to the cathodic protection readings to demonstrate that a number of readings were in compliance with the NACE standard. Consequently, after consideration of the new information and evidence provided by Respondent, PHMSA agrees a reduction of the civil penalty based on reconsideration of the culpability and good faith assessment factors is appropriate, which results in a civil penalty of \$26,000. Respondent agrees to pay a reduced civil penalty in the amount of **\$26,000** for the violation in Item 3.

21. **Item 4:** The Notice proposed assessing a civil penalty in the amount of \$26,000 for Item 4. Respondent requested a reduction of the proposed civil penalty based on an argument that between the 2019 and 2022 inspections, it repaired the observed atmospheric corrosion prior to the receipt of the Notice, and thus the good faith factor should be adjusted. PHMSA finds that these actions were taken after PHMSA had already identified the violation and therefore are not considered in calculating the civil penalty. In addition, Respondent failed to provide a reasonable justification for its non-compliance, which is required for an adjustment of the good faith factor. Therefore, no reduction of the civil penalty is appropriate. Respondent agrees to pay a civil penalty of **\$26,000** for the violation in Item 4.

22. **Item 5:** The Notice proposed assessing a civil penalty in the amount of \$1,800 for Item 5. Respondent requested that PHMSA withdraw Item 5 as Respondent had addressed the issue of record retention. PHMSA finds that the actions were taken after PHMSA had already identified the violation and therefore are not considered in calculating the civil penalty. Therefore, no reduction of the civil penalty is appropriate. Respondent agrees to pay a civil penalty in the amount of **\$1,800** for Item 5.

23. Respondent agrees to pay an adjusted total civil penalty in the amount of **\$78,000**, pursuant to the payment instructions at 49 C.F.R. § 190.227(a), to be paid in full no later than 20 days from the **Effective Date** of this Agreement.

#### **IV. Compliance Order:**

24. **Item 1:** The Notice proposed certain compliance order actions to address the non-compliance alleged in the Notice. Respondent provided supporting documents in its Response demonstrating that Respondent has completed the proposed compliance terms for this Item. Therefore, PHMSA agrees it is not necessary to include the proposed compliance terms for this Item.

25. **Item 3:** The Notice proposed certain compliance order actions to address the non-compliance alleged in the Notice. Respondent did not contest the Proposed Compliance Order. One of the steel tanks (Tank 270) identified and alleged to have been in non-compliance during the inspection has been permanently removed from service. As such, Respondent agrees to perform the following corrective measures:

- A. In regard to Item 3 of the Notice pertaining to CRCT failing to correct identified deficiencies in its corrosion control as required by § 195.401(b), CRCT must provide to the Director, Central Region, records demonstrating cathodic protection for the remaining three steel breakout tanks meet the minimum protection criteria of NACE SP 0169 as required by § 195.571 within 180 days of receipt of the Final Order.<sup>1</sup>
- B. PHMSA requests that CRCT maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director, Central Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.<sup>2</sup>

26. **Item 4:** The Notice proposed certain compliance order actions to address the non-compliance alleged in the Notice. Respondent provided supporting documents in its Response demonstrating that Respondent has completed the proposed compliance terms for this Item. Therefore, PHMSA agrees it is not necessary to include the proposed compliance terms for this Item.

#### **V. Enforcement:**

27. This Agreement is subject to all enforcement authorities available to PHMSA under 49 U.S.C. § 60101, *et seq.*, and 49 C.F.R. Part 190, including administrative civil penalties under 49 U.S.C. § 60122, of up to \$257,664 per violation for each day the violation continues and referral of the case to the Attorney General for judicial enforcement, if PHMSA determines that Respondent is not complying with the terms of this Agreement in accordance with the determinations made by the Director, or in accordance with decisions of the Associate Administrator if resolved pursuant to the Dispute Resolution process herein. The maximum civil

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<sup>1</sup> This Proposed Compliance Order term was originally term B in the Notice.

<sup>2</sup> This Proposed Compliance Order term was originally term D in the Notice.

penalty amounts are adjusted annually for inflation. *See* 49 C.F.R. § 190.223. All work plans and associated schedules set forth or referenced in Section IV are automatically incorporated into this Agreement and are enforceable in the same manner.

#### **VI. Review and Approval Process:**

28. With respect to any submission under Section IV (Compliance Order) of this Agreement that requires the approval of the Director, the Director may: (a) approve, in whole or in part, the submission; (b) approve the submission on specified, reasonable conditions; (c) disapprove, in whole or in part, the submission; or (d) any combination of the foregoing. If the Director approves, approves in part, or approves with conditions, Respondent will take all actions as approved by the Director, subject to Respondent's right to invoke the dispute resolution procedures with respect to any conditions the Director identifies. If the Director disapproves all or any portion of the submission, the Director will provide Respondent a written notice of the deficiencies. Respondent will correct all deficiencies within the time specified by the Director and resubmit it for approval.

#### **VII. Dispute Resolution:**

29. The Director and Respondent will informally attempt to resolve any disputes arising under this Agreement, including any decision of the Director under the terms of Section IV, Compliance Order. If Respondent and the Director are unable to informally resolve the dispute within 15 calendar days after the dispute is first raised, in writing, to the Director, Respondent may submit a written request for a determination resolving the dispute from the Associate Administrator for Pipeline Safety, PHMSA. Such request must be made in writing and provided to the Director, counsel for the Central Region, and to the Associate Administrator for Pipeline Safety, no later than 10 calendar days from the 15-day deadline for informal resolution referenced in this paragraph. Along with its request, Respondent must provide the Associate Administrator with all information Respondent believes is relevant to the dispute. Decisions of the Associate Administrator under this paragraph will constitute final agency action. The existence of a dispute and PHMSA's consideration of matters placed in dispute will not excuse, toll, or suspend any term or timeframe for completion of any work to be performed under this Agreement during the pendency of the dispute resolution process.

#### **VIII. Effective Date:**

30. The term "Effective Date," as used herein, is the date on which the Consent Order is issued by the Associate Administrator, PHMSA, incorporating the terms of this Agreement.

#### **IX. Recordkeeping and Information Disclosure:**

31. Unless otherwise required in this Agreement, Respondent agrees to maintain records demonstrating compliance with all requirements of this Agreement for a period of at least five (5) years following completion of all work to be performed. For any reports, plans, or other deliverables required to be submitted to PHMSA pursuant to this Agreement, Respondent may assert a claim of business confidentiality or other protections applicable to the release of information by PHMSA, covering part or all of the information required to be submitted to

PHMSA pursuant to this Agreement in accordance with 49 C.F.R. Part 7. Respondent must mark the claim of confidentiality in writing on each page and include a statement specifying the grounds for each claim of confidentiality. PHMSA determines release of any information submitted pursuant to this Agreement in accordance with 49 C.F.R. Part 7, the Freedom of Information Act, 5 U.S.C. § 552, DOT and PHMSA policies, and other applicable regulations and Executive Orders.

**X. Modification:**

32. The terms of this Agreement may be modified by mutual agreement of the Parties. Such modifications must be in writing and signed by both parties.

**XI. Termination:**

33. This Agreement will remain in effect until the Compliance Order in Section IV and the Civil Penalty in Section III are satisfied, as determined by the Director. The Agreement shall not terminate until the Director confirms, in writing, that the Agreement is terminated in accordance with this paragraph. Nothing in this Agreement prevents Respondent from completing any of the obligations earlier than the deadlines provided for in this Agreement.

**XII. Ratification:**

34. The Parties' undersigned representatives certify that they are fully authorized to enter into the terms and conditions of this Agreement and to execute and legally bind such party to this document.

35. The Parties hereby agree to all findings, conditions, and terms of this Agreement.

[Signature Lines on Following Page]

**For Coffeyville Resources Crude Transportation, LLC:**

\_\_\_\_\_  
Keith Kuehn, Vice President Pipelines, Coffeyville Resources Crude Transportation, LLC

\_\_\_\_\_  
Date

**For PHMSA:**

\_\_\_\_\_  
Director, Central Region, Office of Pipeline Safety

\_\_\_\_\_  
Date