

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

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

June 2, 2023

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

CPF 3-2023-008-NOPV

Dear Mr. Lamp:

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 49 United States Code (U.S.C.), inspected Coffeyville Resources Crude Transportation, LLC's (CRCT) Hazardous Liquids Crude Pipeline System in Oklahoma and Kansas.

As a result of the inspection, it is alleged that CRCT has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The items inspected and the probable violations are:

- 1. § 195.412 Inspection of rights-of-way and crossings under navigable waters.
(a) Each Operator shall, at intervals not exceeding 3 weeks, but at least 26 times each calendar year, inspect the surface conditions on or adjacent to each pipeline**

right-of-way. Methods of inspection include walking, driving, flying or other appropriate means of traversing the right-of-way.

CRCT failed to satisfy the requirements of § 195.412(a) by not using an appropriate method for inspection of pipeline right-of-way. 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. The right-of-way was covered by a dense tree canopy extending approximately 1,200 feet, which prevented details of the surface conditions on and adjacent to each pipeline right-of-way from being observed. An appropriate means of inspecting the right-of-way in light of these obstructions, such as walking or driving along the right-of-way, was not performed. Therefore, CRCT is in violation of § 195.412(a).

2. § 195.573 What must I do to monitor external corrosion?

(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.

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.

From a review of CRCT’s records, PHMSA found that the Shidler cathodic protection test surveys were conducted on 2/28/18 and 6/17/19, which exceeded the allowable 15-month interval by 20 days. Therefore, CRCT is in violation of § 195.573(a)(1). This violation was issued as a Warning in CPF #320195021, Item #2.

CRCT did not demonstrate that tests at least once each calendar year, but with intervals not exceeding 15 months, were impractical for the affected pipeline segment.

3. § 195.573 What must I do to monitor external corrosion?

(a)

(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 § 195.452, you must correct the deficiency as required by § 195.452(h).

CRCT failed to correct identified deficiencies in its corrosion control. From 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.

The following test sites showed deficient cathodic protection (CP) in which a minimum negative polarization of 850mV was not achieved for two consecutive inspections.

Location	Inspection Year	CP reading (V)
ETF Tank 22A1 North East West	2020	-0.820 mV
	2021	-0.614 mV
	2020	-0.533 mV
	2021	-0.513 mV
	2020	-0.771 mV
	2021	-0.545 mV
ETF Tank 22A2 East West	2020	-0.757 mV
	2021	-0.695 mV
	2020	-0.797 mV
	2021	-0.617 mV
ETF Tank 22A3 East West	2020	-0.645 mV
	2021	-0.696 mV
	2020	-0.603 mV
	2021	-0.692 mV
Hooser Tank TK-270 North	2020	-0.630 mV
	2021	-0.742 mV

CRCT was unable to provide a record that it had corrected these deficiencies at the time of the inspection. Due to the identified deficiencies in 2020 not being corrected by the time of the next annual inspection in 2021, CRCT is in violation of § 195.573(e). This violation is a repeat of violation found in CPF # 320195021, Item # 1.

- 4. § 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.

CRCT failed to provide protection against atmospheric corrosion by cleaning and coating each pipeline or portion of pipeline that is exposed to the atmosphere. During PHMSA's field inspection from September 28 through October 7, 2021, severely degraded and disbonded coating and large sections of rusted/corroded bare steel were observed on exposed portions of CRCT's pipelines at the following six locations:

- Hooser to Broome 8" line segment at Bee Creek Valve;
- Kelley to Barnsdall 8" line segment at exposures #78, #51, #48, #27 and #4.

From a review of consecutive inspection reports for 2016 and 2019 at each of the five exposures on the Kelley to Barnsdall pipeline, it was found that the condition was graded as "D-Critical" and "coating repair required." CRCT failed to repair the coating and provided no evidence of tests or evaluations of these locations to show that the observed corrosion would not affect the safe operation of the pipe before the next scheduled inspection under the requirements of § 195.581(c). Therefore, CRCT is in violation of § 195.581(a).

5. § 195.589 What corrosion control information do I have to maintain?

(a)

(c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review, survey, and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must retain these records for at least 5 years, except that records relating to §§ 195.569, 195.573(a) and (b), and 195.579(b)(3) and (c) must be retained for as long as the pipeline remains in service.

During the inspection PHMSA found that CRCT failed 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. A device was used to allow field personnel to capture cathodic protection readings and recorded those readings within the internal memory of the device. Due to the internal memory limitations of the reader, which at the time was unknown, data was overwritten when performing surveys across the system. The overwritten data was unable to be recovered. Therefore, CRCT is in violation of § 195.589(c).

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(s) and recommend that you be preliminarily assessed a civil penalty of **\$146,900** as follows:

<u>Item number</u>	<u>PENALTY</u>
1	\$24,200
2	\$24,200
3	\$70,700
4	\$26,000
5	\$ 1,800

Proposed Compliance Order

With respect to Items 1, 3, and 4, 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

This Notice is issued in accordance with 49 C.F.R. § 190.207(c). Any response you may have submitted to the original Notice is no longer applicable. You must respond as set forth below.

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 your receipt of this Notice, you have 30 days to respond as described in the enclosed *Response Options*. 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. The Region Director may extend the period for responding upon a written request timely submitted demonstrating good cause for an extension.

In your correspondence on this matter, please refer to **CPF 3-2023-008-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
Ron McGill, DOT Compliance Primary, rfmcgill@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 failing to satisfy the requirements of § 195.412(a) by not using an appropriate method for inspection of the pipeline right-of-way in the area of Bee Creek Valve, CRCT must clear the right-of-way of tree cover for effective aerial patrolling or establish alternate effective patrols for this location if clearing will not be conducted. Within 180 days of the issuance of the Final Order: Provide to the Director, Central Region, a plan and schedule to complete the identified right-of-way clearing and records of completed patrols.
- B. 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 its four noted 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.
- C. In regard to Item 4 of the Notice pertaining to CRCT failing to provide protection against atmospheric corrosion by cleaning and coating each pipeline or portion of pipeline that is exposed to the atmosphere, CRCT must provide to the Director, Central Region, evidence of repairs made to the severely degraded and dis-bonded coating on its pipeline located at the Hooser to Broome 8" line at Bee Creek Valve and Kelley to Barnsdall 8" line at exposures #78, #51, #48, #27 and #4 within 180 days of receipt of the Final Order.
- D. It is requested that CRCT maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Gregory A. Ochs, 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.