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

8701 South Gessner, Suite 1110
Houston, TX 77074

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 13, 2012

Mr. Michael Pearson
Vice President, Technical Services
Magellan Terminals Holdings, LP
One Williams Center, MD 27
Tulsa, OK 74172

CPF 4-2012-5030W

Dear Mr. Pearson:

On various dates in 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the Magellan Terminals Holdings, LLC (Magellan, the Operator) Cushing Terminal in Cushing, OK and Drumright breakout tank facility in Drumright, OK.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. §195.404 Maps and Records.

(a) Each operator shall maintain current maps and records of its pipeline systems that include at least the following information;

(1) Location and identification of the following pipeline facilities;

(i) Breakout tanks;

(ii) Pump stations;

(iii) Scraper and sphere facilities;

(iv) Pipeline valves;

(v) Facilities to which §195.402(c)(9) applies;

(vi) Rights-of-way; and

(vii)Safety devices to which §195.428 applies.

(2) All crossings of public roads, railroads, rivers, buried utilities, and foreign pipelines.

(3) The maximum operating pressure of each pipeline.

(4) The diameter, grade, type, and nominal wall thickness of all pipe.

Magellan did not have complete records documenting all of the Cushing Terminal and Drumright breakout facility piping, specifically the grades and wall thicknesses of each pipe. At the time of the inspection, the Operator had initiated a project to measure and document the pipe wall thicknesses and confirm the internal design pressure by using the yield strength specified in §195.106(b)(2), or perform tensile testing as specified in §195.106(b)(1).

2. §195.430 Firefighting equipment.

Each operator shall maintain adequate firefighting equipment at each pump station and breakout tank area. The equipment must be-

(a) In proper operating condition at all times;

(b) Plainly marked so that its identity as firefighting equipment is clear; and,

(c) Located so that it is easily accessible during a fire.

§195.10 Responsibility of operator for compliance with this part.

An operator may make arrangements with another person for the performance of any action required by this part. However, the operator is not thereby relieved from the responsibility for compliance with any requirement of this part.

Magellan did not maintain adequate firefighting equipment at each pump station and breakout tank area. The Operator has only fire extinguishers at most pump stations and breakout tank areas. The Magellan Portable Fire Extinguishers Administrative Procedure, 5.05-ADM-076 states "This equipment shall be adequate to extinguish fires that are in the early stages of development and in no case shall be expected to fight a fully engulfed fire." The Operator relies on public firefighting agencies and a cooperative organization known as the Safety Alliance of Cushing (SAC) to assist with equipment and supplies to respond to a fire at their pump stations and breakout tank facilities. While the Operator may make arrangements with another "person" for the performance of these requirements, the Operator is not relieved of the responsibility for compliance. The Operator's liaison documentation is not adequate to show that Magellan has confirmed that the agencies being relied on have adequate training, equipment, and supplies to respond to fires at their pump stations and breakout tank areas.

3. §195.432 Inspection of in-service breakout tanks.

(a) Except for breakout tanks inspected under paragraphs (b) and (c) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, inspect each in-service breakout tank.

(b) Each operator must inspect the physical integrity of in-service atmospheric and low-pressure steel aboveground breakout tanks according to API Standard 653 (incorporated by reference, see § 195.3). 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.

Magellan did not remedy a structural pipe support issue that should have been identified from the required breakout tank inspections and did not properly establish the internal inspection interval for at least one breakout tank in the Cushing Terminal. Pipe supports were found to be structurally compromised and could result in additional stresses on the breakout tank that were not accounted for in the design. Also, the internal inspection interval on tank 5003 had not been correctly established based on the Operator's procedures.

PHMSA questioned the internal inspection interval of 30 years established by the Operator for this tank. Magellan uses a risk-based methodology allowed by API Standard 653 to establish the internal inspection interval but this requires the Operator to consider the methods and accuracy used to determine the corrosion rates. The internal inspection report indicated that the contractor was not able to perform ultrasonic edge scrubs to determine the remaining floor thickness due to the internal coating. These edge scrub measurements would have been in the Critical Zone of the tank which is defined in API Standard 653 as "The portion of the tank bottom or annular plate within 3 in. of the inside edge of the shell, measured radially inward." This is the area of the tank that is subjected to the highest stresses due to the shell to floor joint. Integrity issues in the Critical Zone could result in structural failure of the tank and consequently there are additional API Standard 653 requirements for the Critical Zone, including floor thickness requirements.

Magellan responded that additional measurements had been taken in the Critical Zone on this tank at a later date and the plates were found to be within acceptable limits. However, the questions prompted Magellan to review their data for this tank and the Operator determined that the repair threshold for this tank had not been correctly entered into their database. This change resulted in a reduction of the internal inspection interval from 30 years to 16 years and also prompted Magellan to review the repair threshold data and internal inspection intervals for other tanks.

4. §195.573 What must I do to monitor external corrosion control?

(c) Rectifiers and other devices. You must electrically check for proper performance each device in the first column at the frequency stated in the second column.

Device	**Check frequency**
Rectifier	**At least six times each calendar year, but with intervals not exceeding 2 ½ months**

Reverse current switch, Diode
Interference bond whose failure would jeopardize structural protection
Other interference bond .....At least once each calendar year, but with intervals not exceeding 15 months.
(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 Recommended Practice 651. However, this inspection is not required if you note in the corrosion control procedures established under Sec. 195.402(c)(3) why compliance with all or certain operation and maintenance provisions of API Recommended Practice 651 is not necessary for the safety of the tank.

The Operator did not meet at least one of the cathodic protection criteria for breakout tanks specified by API RP 651 for some of the tanks located in the Magellan Shinn Pence tank farm as well as some piping and tanks at the Cushing Terminal facility. Also, Magellan did not detect a rectifier (Rectifier 873R) with reversed connections for nearly a year after acquiring the assets. Magellan corrected the rectifier connections in August 2011 and committed to performing integrity assessments of the affected piping and breakout tank.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed $100,000 for each violation for each day the violation persists up to a maximum of $1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the item(s) identified in this letter. Failure to do so will result in Magellan being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 4-2012-5030W**. Be advised that all material you submit in response to this enforcement action is subject to being 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).

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration