

October 19, 2022

VIA ELECTRONIC MAIL TO: richard.voliva@hollyenergy.com

Richard Voliva
President
Holly Energy Partners, L.P.
2828 North Harwood Street, Suite 1300
Dallas, Texas 75201

Re: CPF 4-2022-055-NOPSO

Dear Mr. Voliva:

Enclosed please find a Consent Order incorporating the terms of the fully executed Consent Agreement between the Pipeline and Hazardous Materials Safety Administration (PHMSA) and Osage Pipe Line Company, LLC, which was executed on October 19, 2022. Service of the Consent Order and Consent Agreement by e-mail is deemed effective upon the date of transmission, 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

Enclosures: Consent Order and Consent Agreement

cc: Mr. Bryan Lethcoe, Director, Southwest Region, Office of Pipeline Safety, PHMSA
Mr. Rob Jamieson, VP of Operations, Holly Energy Partners, LP,
robert.jamieson@hollyenergy.com
Ms. Lori Coupland, Vice President, Compliance and EHS, Holly Energy Partners, LP,
lori.coupland@hollyenergy.com

CONFIRMATION OF RECEIPT REQUESTED

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

In the Matter of

**Osage Pipe Line Company, LLC,
a subsidiary of Holly Energy Partners, LP,**

Respondent.

)
)
)
) **CPF No. 4-2022-055-NOPSO**
)
)
)

CONSENT ORDER

By letter dated August 12, 2022, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety, issued a Notice of Proposed Safety Order (Notice) to Osage Pipe Line Company, LLC, a subsidiary of Holly Energy Partners, LP.

In accordance with 49 C.F.R. § 190.239, the Notice alleged that conditions exist on the Osage Pipeline that pose an integrity risk to public safety, property, or the environment. The Notice also proposed that Respondent take certain corrective measures to remedy the alleged conditions and ensure that the public, property, and the environment are protected from the potential risk.

In response to the Notice, Respondent requested an informal consultation, whereupon the parties engaged in good-faith settlement discussions that have resulted in the Consent Agreement attached to this Consent Order that settles all of the allegations in the Notice.

Accordingly, the Consent Agreement is hereby approved and incorporated by reference into this Consent Order. The Respondent is hereby ordered to comply with the terms of the Consent Agreement, effective immediately.

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 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.

October 19, 2022

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date

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

In the Matter of

**Osage Pipe Line Company, LLC,
a subsidiary of Holly Energy Partners, LP,**

Respondent.

CPF No. 4-2022-055-NOPSO

CONSENT AGREEMENT

On August 12, 2022, pursuant to 49 C.F.R. § 190.239, the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety, Southwest Region, issued a Notice of Proposed Safety Order (Notice) to Osage Pipe Line Company, LLC, a subsidiary of Holly Energy Partners, (Osage or Respondent). The Notice was issued after a reportable accident¹ occurred on July 8, 2022, on Osage's 136-mile, 20-inch crude oil pipeline (Osage Pipeline) that originates in Cushing, Oklahoma, and terminates in El Dorado, Kansas.

At approximately 12:29 a.m. CDT on July 8, 2022, Osage's control room reported a loss of suction at the Cushing pump station on the 20-inch crude oil Osage pipeline, and the Cushing pump station automatically shut down. At 12:30 a.m., the control room received a leak alarm, however both the shift foreman and controller were on a break and did not notice the alarm. The downstream Ralston Pump Station shut down automatically at 12:30 a.m. and the Hardy Pump Station shut down automatically at 12:32 a.m. Other controllers in the control room noticed the leak alarm and a senior controller phoned the upstream shipper at 12:33 a.m. to request that it shut down the booster pump feeding the Cushing mainline pump, which the shipper then did. The control room received a second leak alarm at 12:35 a.m. The Osage controller and shift foreman then returned and investigated the cause of the loss of suction. At 12:40 a.m., the controller and shift foreman attempted to restart the Cushing mainline pump, and the control center received a third leak alarm. At 12:43 a.m., the controller shut down the line and began the block in sequence. As part of this process, control room personnel blocked in the pig trap at the Cushing pump station and closed the South Cimarron valve, contacted the manager of pipeline operations, then blocked in all river crossings on the Osage Pipeline.

Osage dispatched a technician to the Cushing pump station at 12:50 a.m. who reported no sign of a release at 2:26 a.m. The technician began to move down the line, and an hour later, the technician reported signs of hydrocarbon on the ground in and around Skull Creek, a tributary of the Cimarron River, and the operator confirmed discovery of the accident. On July 8, 2022, Osage originally estimated a release of 1,001-barrels (bbls) of crude oil. On August 5, 2022, Osage reported the

¹ See 49 C.F.R. § 195.50.

estimated volume of commodity released on Form PHMSA F 7000-1 as 5,769 bbls and noted that the total volume may range between 6,000 to 8,000 bbls. The crude oil released onto land and reached Skull Creek. The release migrated about 0.75 miles northeast of the accident location.

As a result of a preliminary investigation, PHMSA issued the Notice, which alleged that conditions exist on the Osage Pipeline that pose a pipeline integrity risk to public safety, property, or the environment, and proposed that Respondent take certain corrective measures to remedy the alleged conditions to ensure that the public, property, and the environment are protected from the potential risk.

On August 26, 2022, Osage responded to the Notice requesting an informal consultation. An informal consultation was held virtually on September 1 and continued on September 22, 2022. As a result of the informal consultation, PHMSA and Respondent (the Parties) agreed that settlement of this proceeding will avoid further administrative proceedings or litigation of the Notice and that entry into this Consent Agreement (Agreement) is the most appropriate means of resolving the issues raised in the Notice and is generally in the public interest. Therefore, pursuant to 49 C.F.R. Part 190, without adjudication of any issue of fact or law, and upon consent and agreement of the Parties, PHMSA and Osage agree as follows:

I. General Provisions

1. Respondent acknowledges that as the operator of the Osage Pipeline, Respondent and the Osage Pipeline 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 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. Respondent does not admit or deny any of the alleged integrity risks identified in the Notice but agrees, for purposes of this Agreement, to address the alleged integrity risks identified in the Notice by completing the actions specified in Section II of this agreement (Corrective Measures) and to abide by the terms of this Agreement. This Agreement does not constitute a finding of violation of any Federal law or regulation and may not be used in any civil or administrative proceeding of any kind as evidence or proof of any fact, fault or liability, or as evidence of the violation of any law, rule, regulation or requirement, except in a proceeding to enforce the provisions of this Agreement.

3. After Respondent returns this signed Agreement, a representative of PHMSA 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.

4. 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 as set forth herein.

5. This Agreement will apply to and be binding upon PHMSA, and upon 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.

6. For all transfers of ownership or operating responsibility of Respondent's Osage Pipeline, Respondent will provide a copy of this Agreement to the prospective transferee at least 30 days prior to such transfer and provide written notice of the transfer within 30 days after the transfer to the PHMSA Southwest Region Director (Director) who issued the Notice.

7. 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.

8. 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.

9. 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.

10. 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.

II. Corrective Measures

11. Upon issuance of the Consent Order, Respondent agrees to perform the Corrective Measures set forth below.

Definitions:

Affected Pipeline – The “*Affected Pipeline*” means Osage’s entire 136 mile 20-inch pipeline that originates in Lincoln County, Oklahoma and terminates in El Dorado, Kansas, where it connects with Holly Energy Partners – Operating, L.P.

12. ***Operating Pressure Restriction.*** Osage must maintain a twenty percent (20%) pressure reduction in the actual operating pressure along the entire length of the *Affected Pipeline* such that the *Affected Pipeline* will not exceed eighty percent (80%) of the 60-day high pressure at each pump station prior to the failure on July 8, 2022.

- a. This pressure restriction will remain in effect until written approval to increase the pressure or return the pipeline to its pre-failure operating pressure is obtained from the Director.
- b. Within 15 days of issuance of this Consent Order, Osage must provide the Director the actual operating pressures of the Cushing, Ralston, Hardy, and Wilmont pump stations at the time of failure and the reduced pressure restriction set-points at these same locations.
- c. This pressure restriction requires any relevant remote or local alarm limits, software programming set-points or control points, and mechanical over-pressure devices to be adjusted accordingly. Any related procedure or process documentation must be adjusted accordingly.
- d. When determining the pressure restriction set-points, Osage must consider any in-line inspection (ILI) features or anomalies present in the *Affected Pipeline* to provide for continued safe operation while further corrective actions are completed.
- e. Osage must review the pressure restriction monthly by analyzing the operating pressure data, taking into account any ILI features or anomalies present in the *Affected Pipeline*. Osage must immediately reduce the operating pressure further to maintain the safe operations of the *Affected Pipeline*, if warranted by the monthly review.
- f. The Director may allow the temporary removal or modification of the pressure restriction upon a written request from Osage demonstrating that temporary mitigative and preventive measures are implemented prior to and during the temporary removal or modification of the pressure restriction. The Director’s determination will be based on available information, including the failure cause and evidence that preventative and mitigative actions taken by the operator provide for the safe operation of the *Affected Pipeline* during the temporary removal or modification of the pressure restriction. Appeals to determinations of the Director in this regard will be decided by the Associate Administrator for Pipeline Safety.

13. ***Review of Prior In-line Inspection (ILI) Results.*** Within 30 days of issuance of this Consent Order, Osage must conduct a review of any previous ILI results of the *Affected Pipeline*. In its review, Osage must re-evaluate all ILI results from the past 10 calendar years, including a review of the ILI vendors’ reports. Osage must determine whether prior ILI runs indicated any anomalies at the failure location. Also, Osage must determine if any features with

similar characteristics are present elsewhere on the *Affected Pipeline*. Osage must submit documentation of this ILI review to the Director within 45 days of issuance of this Consent Order as follows:

- a. List all ILI tool runs, tool types, and the calendar years of the tool runs.
- b. List, describe (type, size, wall loss, etc.), and identify the specific location of all ILI features present in the failed joint and other pipe removed.
- c. List, describe (type, size, wall loss, etc.), and identify the specific location of all ILI features with similar characteristics present elsewhere on the *Affected Pipeline*.
- d. Explain the process used to review the ILI results and the results of the reevaluation.

14. ***Mechanical and Metallurgical Testing.*** Within 45 days of issuance of this Consent Order, Osage must complete mechanical and metallurgical testing and failure analysis of the failed pipe, including an analysis of soil samples and any foreign materials. Mechanical and metallurgical testing must be conducted by the previously approved independent third-party. Osage must complete the testing and analysis and ensure the testing laboratory distributes all reports whether draft or final in their entirety to the Director at the same time they are made available to Osage.

15. ***Root Cause Failure Analysis.*** Within 90 days of issuance of this Consent Order, Osage must complete a root cause failure analysis (RCFA) and submit a final report of this RCFA to the Director. The RCFA must be supplemented or facilitated by an independent third-party approved by the Director. The RCFA must document the decision-making process and all factors contributing to the failure. The final report must include findings and any lessons learned and whether the findings and lessons learned are applicable to other locations within Osage's pipeline system.

16. ***Remedial Work Plan (RWP).***

- a. Within 90 days of issuance of this Consent Order, Osage must submit an initial remedial work plan (RWP), based on the relevant information then available, to the Director for approval.
- b. The Director may approve the RWP incrementally without approving the entire RWP. Osage will update the RWP with the information required below, as it becomes available, and will periodically resubmit the RWP to the Director until all required elements are complete
- c. Once approved by the Director, the RWP will be incorporated by reference into this Order.
- d. The RWP must specify the tests, inspections, assessments, evaluations, and remedial measures Osage will use to verify the integrity of the *Affected Pipeline*. It must address all known or suspected factors and causes of the July 8, 2022, failure. Osage must consider the risks and consequences of another failure to develop a prioritized schedule for RWP-related work along the *Affected Pipeline*.
- e. The RWP must include a procedure or process to:
 - i. Identify pipe in the *Affected Pipeline* with characteristics similar to the

contributing factors identified for the July 8, 2022, failure.

- ii. Gather all data necessary to review the failure history (in service and pressure test failures) of the *Affected Pipeline* and to prepare a written report containing all the available information such as the locations, dates, and causes of leaks and failures.
- iii. Integrate the results of the metallurgical testing, root cause failure analysis, and other corrective actions required by this Order with all relevant pre-existing operational and assessment data for the *Affected Pipeline*. Pre-existing operational data includes, but is not limited to, design, construction, operations, maintenance, testing, repairs, prior metallurgical analyses, and any third-party consultation information. Pre-existing assessment data includes, but is not limited to, ILI tool runs, hydrostatic pressure testing, direct assessments, close interval surveys, and DCVG/ACVG surveys.
- iv. Determine if conditions similar to those contributing to the failure on July 8, 2022, are likely to exist elsewhere on the *Affected Pipeline*.
- v. Conduct additional field tests, inspections, assessments, and evaluations to determine whether, and to what extent, the conditions associated with the failure on July 8, 2022, and other failures from the failure history (see (e)(ii) above) or any other integrity threats are present elsewhere on the *Affected Pipeline*. At a minimum, this process must consider all failure causes and specify the use of one or more of the following:
 - 1) ILI tools that are technically appropriate for assessing the pipeline system based on the cause of failure on July 8, 2022, and that can reliably detect and identify anomalies;
 - 2) Hydrostatic pressure testing;
 - 3) Close-interval surveys;
 - 4) Cathodic protection surveys, to include interference surveys in coordination with other utilities (e.g., underground utilities, overhead power lines, etc.) in the area;
 - 5) Coating surveys;
 - 6) Stress corrosion cracking surveys;
 - 7) Selective seam corrosion surveys; and
 - 8) Other tests, inspections, assessments, and evaluations appropriate for the failure causes.

Note: Osage may use the results of previous tests, inspections, assessments, and evaluations if approved by the Director, provided the results of the tests, inspections, assessments, and evaluations are analyzed with regard to the factors known or suspected to have caused the July 8, 2022, failure.

- vi. Describe the inspection and repair criteria Osage will use to prioritize, excavate, evaluate, and repair anomalies, imperfections, and other identified integrity threats. Include a description of how any defects will be graded and a schedule for repairs or replacement.

- vii. Based on the known history and condition of the *Affected Pipeline*, describe the methods Osage will use to repair, replace, or take other corrective measures to remediate the conditions associated with the pipeline failure on July 8, 2022, and to address other known integrity threats along the *Affected Pipeline*. The repair, replacement, or other corrective measures must meet the criteria specified in (e)(vi) above.
 - viii. Implement continuing long-term periodic testing and integrity verification measures to ensure the ongoing safe operation of the *Affected Pipeline* considering the results of the analyses, inspections, evaluations, and corrective measures undertaken pursuant to the Order.
- f. Include a proposed schedule for completion of the RWP.
 - g. Osage must revise the RWP as necessary to incorporate new information obtained during the failure investigation and remedial activities, to incorporate the results of actions undertaken pursuant to this Order, and to incorporate modifications required by the Director.
 - h. Submit any plan revisions to the Director for prior approval, the Director may approve plan revisions incrementally as needed.
 - i. Implement the RWP as it is approved by the Director, including any revisions to the plan.

17. **Quarterly Reports.** Osage must submit quarterly reports to the Director that: (1) include all available data and results of the testing and evaluations required by this Order; and (2) describe the progress of the repairs or other remedial actions being undertaken. The first quarterly report is due on October 31, 2022. The Director may change the interval for the submission of these reports.

18. **Extensions of Time.** The Director may grant an extension of time for compliance with any of the terms of the Agreement upon a written request timely submitted demonstrating good cause for an extension. The Director shall respond in writing to any such request.

III. Review and Approval Process

19. With respect to any submission under Section II (Corrective Measures) 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 action as approved by the Director, subject to Respondent's right to invoke the dispute resolution procedures. If the Director disapproves all or any portion of the submission, the Director will provide Respondent with a written notice of the deficiencies and a reasonable period of time to correct them. Respondent will correct all deficiencies within the time specified by the Director and resubmit it for approval. If the Director does not act on a submission or any document or plan submitted under this paragraph within 60 days of submission and Respondent has indicated the submission requires timely action, the Director will provide an estimated date of completion or otherwise provide guidance to Respondent on how to proceed.

IV. Dispute Resolution

20. The Director and Respondent will informally attempt to resolve any disputes arising under this Agreement, including, but not limited to, any decision of the Director. If Respondent and the Director are unable to informally resolve the dispute within 15 calendar days after Respondent invokes the dispute resolution provision in writing, Respondent may submit a written request for a determination resolving the dispute from the Associate Administrator for Pipeline Safety. The written request for a determination must be provided to the Director, counsel for Southwest Region, and the Associate Administrator no later than 10 calendar days after the 15-day deadline for the informal resolution referenced in this paragraph. Along with its request, Respondent must provide the Associate Administrator with all information that Respondent believes is relevant to the dispute. If the request is submitted as provided herein, the Associate Administrator will issue a final determination in writing. Determinations of the Associate Administrator under this paragraph 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 pendency of the dispute resolution process except as agreed by the Director or the Associate Administrator in writing.

V. Enforcement

21. This Agreement, as adopted by the Consent Order, is subject to all enforcement authorities available to the PHMSA under 49 U.S.C. § 60101, *et seq.*, and 49 C.F.R. Part 190. All work plans and associated schedules set forth or referenced in Section II will be automatically incorporated into this Agreement and are enforceable in the same manner.

VI. Recordkeeping and Information Disclosure

22. 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 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.

VII. Effective Date

23. The term "Effective Date," as used herein, is the date on which the Consent Order is issued by the Associate Administrator incorporating the terms of this Agreement. Unless specified to the contrary, all deadlines for actions required by this Agreement run from the Effective Date.

VIII. Modification

24. 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.

IX. Termination

25. This Agreement will remain in effect until the Corrective Measures in Section II are satisfied, as determined by the Director. Respondent may request written confirmation from PHMSA when this Consent Agreement is terminated, and the Director will provide such confirmation. Nothing in this Agreement prevents Respondent from completing any of the obligations earlier than the deadlines provided for in this Agreement.

X. Ratification

26. 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.

27. The Parties hereby agree to all conditions and terms of this Agreement.

[Signature Lines on Following Page]

For OSAGE PIPE LINE COMPANY, LLC:

Rob Jamieson, Vice President of Operations
Osage Pipe Line Company, LLC

Date

For PHMSA:

Bryan Lethcoe, Director, Southwest Region
Office of Pipeline Safety

Date