

WARNING LETTER

May 12, 2000

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Lion Oil Company
Attn: Mr. Steve Cousins
Vice President, Refining
1000 McHenry
El Dorado, AR 71730

CPF No. 220006002

Dear Mr. Cousins:

From November 29 to December 2, 1999, a representative of the Southern Region of the Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code, conducted an inspection of your pipeline facilities and records in Arkansas.

As a result of the inspection, it appears that you have committed probable violations as noted below of Pipeline Safety Regulations, Title 49, Code of Federal Regulations, Part 195.

The probable violations are:

1. §195.248 Cover over buried pipeline.

(a) Unless specifically exempted in this subpart, all pipe must be buried so that it is below the level of cultivation. Except as provided in paragraph (b) of this section, the pipe must be installed so that the cover between the top of the pipe and the ground level, road bed, river bottom, or sea bottom, as applicable, complies with the following table:

Location	Cover (inches)	
	For normal excavation	For rock excavation 1
Industrial, commercial, and residential areas	36	30
Crossings of inland bodies of water with a width of at least 100 ft from high water mark to high water mark	48	18
Drainage ditches at public roads and railroads	36	36
Deepwater port safety zone	48	24
Gulf of Mexico and its inlets and other offshore areas under water less than 3.7 m (12 ft) deep as measured from the mean low tide	36	18
Any other area	30	18

1 Rock excavation is any excavation that requires blasting or removal by equivalent means.

(b) Except for the Gulf of Mexico and its inlets, less cover than the minimum required by paragraph (a) of this section and §195.210 may be used if-

- (1) It is impracticable to comply with the minimum cover requirements; and**
- (2) Additional protection is provided that is equivalent to the minimum required cover.**

In that the 1998 4" Louann line replacement segment was not buried where it crosses a creek.

2. §195.310 Records.

(a) A record must be made of each pressure test required by this subpart, and the record of the latest test must be retained as long as the facility tested is in use.

(b) The record required by paragraph (a) of this section must include:

- (1) The pressure recording charts;**
- (2) Test instrument calibration data;**
- (3) The name of the operator, the name of the person responsible for making the test, and the name of the test company used, if any;**
- (4) The date and time of the test;**
- (5) The minimum test pressure;**
- (6) The test medium;**
- (7) A description of the facility tested and the test apparatus;**
- (8) An explanation of any pressure discontinuities, including test**

failures, that appear on the pressure recording charts

In that the hydrostatic test that was performed on the 1998 4" Louann line replacement segment was not documented.

3. §195.404 Maps and Records. . .

(c) Each operator shall maintain the following records for the periods specified. . .

(3) A record of each inspection and test required by this subpart shall be maintained for at least 2 years or until the next inspection or test is performed, whichever is longer.

In that over-pressure protection inspections and tests were not documented. Although pressure "kill; switches" were routinely tested on the gathering at pumps located upstream of jurisdictional facilities, there was no documentation found indicating these tests were performed.

4. §195.416 External corrosion control. . .

(b) Each operator shall maintain the test leads required for cathodic protection in such a condition that electrical measurements can be obtained to ensure adequate protection.

In that test leads on the 6" and 8" Bigheart Line and Loop at Parker's Chapel were not marked to distinguish what line each lead was connected to.

5. (i) Each operator shall clean, coat with material suitable for the prevention of atmospheric corrosion, and, maintain this protection for, each component in its pipeline that is exposed to the atmosphere.

In that exposed portions of valves located at Wade Junction on the Big Heart system were not adequately coated for the prevention of atmospheric corrosion; two breakout tanks at P5 facility were inadequately coated.

6. §195.420 Valve maintenance. . .

(b) Each operator shall, at intervals not exceeding 7 1/2 months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

In that valve inspections for valves 146, 270, 374, 141, 7790, 779, located on the Bigheart system, were not performed within the required 7-1/2 month time interval. Inspection dates were 5/22/98, 1/19/99 (exceeded interval by 13 days).

In addition to the preceding, the following items have been brought to my attention and are cause

for concern.

Facilities

1. I understand that some of the Arkansas facilities that have not been deemed jurisdictional in the past have recently been determined to be jurisdictional to the pipeline safety regulations. These facilities include breakout tanks at the P5 facility and certain pipeline segments located between Magnolia, AR, and El Dorado, AR. I also understand that Lion is progressing in getting these facilities up to the standards required of the pipeline safety regulations. I want to convey to you my concern that Lion give the highest priority to getting all jurisdictional pipeline facilities in compliance. Also, I commend you for the remedial work that Lion has performed on the jurisdictional pipeline segments in recent years.
2. The 8" Southfield to Amoco pipeline traverses under the corner of two church structures in the El Dorado city limits (churches are located on Beech Street and on Detroit Street). I understand that Lion has plans to re-route this line from under the buildings. I encourage you to give these projects a high priority.

Hydrostatic Test Plan

3. At the time of the inspection, Lion had not reviewed all jurisdictional lines to determine if testing, or lowering the MOP, is necessary (as required of the pipeline safety regulations). I understand that Lion has subsequently performed the review, and will be able to meet the test deadlines. I want to reiterate that the test deadlines are December 7, 2000 and December 7, 2003.

Cathodic Protection

4. Exposed piping spans a ditch adjacent to South Jackson Street. Also, several exposed pipe segments are in the pipelines traversing from Magnolia to El Dorado, including some that are partially buried. I understand that Lion is compiling a list of these pipeline facilities for further inspection and, if required, scheduling remedial action. It is strongly recommended that Lion continually maintain a list of all exposed facilities (including pipe that may be periodically exposed due to fluctuating water levels), and establish a regular inspection schedule to determine and document coating and/or pipe conditions. I also want to convey that pipeline safety regulations require, whenever an operator discovers any condition that could adversely affect the safe operation of its pipeline system, the operator to correct the condition within a reasonable time.
5. I understand that probe bars have been used to take pipe to soil readings. The concern is that this practice may damage the pipe and/or the protective coating. Lion should install test leads where necessary to conduct cathodic protection surveys.

Employee Training

6. The 4" Louann-Smackover pipeline replacement segment was not installed per the pipeline safety regulations, in that the segment was installed (in 1998) spanning a ditch. Also, there were no hydrostatic test records for this replacement segment (see above). I understand that Lion is to retest the replaced segment (with the pipeline), and will provide mechanical protection to the pipe span by installing casing around the pipe. Upon reviewing these facts, my concern is of the effectiveness of your training program. I strongly recommend that Lion review their pipeline safety training program, and review the effectiveness of the training of each applicable employee as required of the regulations. Consideration must be given to the requirements of CFR 195.403. Also, I recommend that Lion consider performing some mock emergency training exercises involving the gasoline and diesel lines traversing from the El Dorado Refinery to the P5 facility.

Pump Discharge Records

7. Lion utilizes electronic data in archiving pump discharge pressures on the diesel and gasoline pipeline pumps located at the El Dorado refinery. The OPS inspector was asked for guidance relating to acceptable archiving of pressures (acceptable time interval between pressure "snapshots," concerns of electronic data storage capacity/cost over time, etc.). Please find attached an OPS interpretative letter (dated October 1, 1997) that addresses this issue. In addition to pressures under normal operation, the retrievable data must exhibit any pressure spikes and/or indications of start/stop occurrences, "including the magnitude and time interval of all elevated pressures."

Other

8. The OPS inspector could not determine from fire extinguisher records the condition of the extinguishers, or the extinguisher inspection dates.
9. The breakout tanks located at the P5 facility are not equipped with high level alarms. Best Industry Practice is to equip breakout tanks with these devices. I would ask that you consider installing this type of safety equipment, for the purpose of notifying the refinery personnel (pipeline controller) of a potential pending tank overflow.
10. There was inadequate follow-up documentation of investigating aerial patrol reported conditions on the pipeline. Also, it was recommended that individual jurisdictional pipeline segments be listed on the patrol report form, so that the required patrolling frequencies and follow up documentation can be better managed and audited.

Damage Prevention, Line Marking

11. Marking of the 8" Southfield to Amoco pipeline, in the area where it parallels the railroad, was inadequate; high vegetation blocked the view of markers in this area. No markers were located over the Southfield to Amoco line where it crosses Detroit Street. Marking of the 6" Amoco to Refinery line along the railroad tracks at Cook Street (El Dorado) was inadequate. Telephone numbers on two pipeline markers on the Buckner Line in Magnolia (upstream of the strip mall, at rectifier downstream from strip mall) had an incorrect area

code, as did a pipeline marker at Hwy. 15 pipeline crossing on the gasoline and Smackover lines. Also, it was recommended that additional curb markers be placed in the area of the strip mall on the Buckner Line in Magnolia. Pipeline safety regulations require pipelines to be adequately marked.

12. I would like to point out that an important initiative, The Common Ground Study, sponsored by OPS, has been completed. The purpose of the study was to gather and assess information to determine the best of existing one-call notification system and underground facility damage prevention practices. The findings of the study have been published in a report, "Common Ground Study of One-Call Systems and Damage Prevention Best Practices." The report is available online in OPS's home page (<http://www.ops.dpt.gov>) and can be used to learn about the best practices for improvement of overall one-call system and damage prevention performance.

Under 49 United States Code, §60122, you are subject to a civil penalty not to exceed \$25,000 for each violation for each day the violations persist up to a maximum of \$500,000 for any related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to assess you a civil penalty. We advise you, however, that should you not correct the circumstances leading to the violations, we will take enforcement action when the continued violations come to our attention.

You will not hear from us again with regard to the noted inspection relating to this action. Because of the good faith you have exhibited up to this time, we expect that you will act to bring your pipeline (and/or your operations) into compliance with pipeline safety regulations.

Sincerely,

Frederick A. Joyner
Director, Southern Region
Office of Pipeline Safety

cc: Compliance Registry, OPS Headquarters