

CAA112(r) INSPECTION REPORT

Name: Scout Energy Group V, LP dba Scout Energy Partners – Jayhawk Gas Plant	
Address: 13201 East Highway 160, Ulysses, KS 67880	Date of Inspection: 07/11-12/2023
County: Grant	Case No: 23KS0711
Phone: (620) 657-4321	RMP No: 100000060783
High Risk: Yes	FRS No: 110010323836
CAA Title V: Synthetic Minor Permit, 06700052	Program Level: Program 3
Mailing Address: 13201 East Highway 160, Ulysses, KS 67880	
Process: NAICS 21113, Natural Gas Extraction	

SUMMARY OF OBSERVATIONS

A review of the Scout Energy Partners – Jayhawk Gas Plant documents and facility revealed the following deficiencies:

1. Scout Energy Partners failed to document the rationale for worst- and alternative-case scenarios as is required by 40 CFR 68.39(a) and (b).
2. Scout Energy Partners failed to document the data used to estimate the population and environmental receptors potentially affected by worst- and alternative-case release as is required by 40 CFR 68.39(e).
3. Scout Energy Partners failed to update and revalidate the process hazard analysis every five (5) years at the completion of the initial process hazard analysis as required by 40 C.F.R. 68.67(f).
4. Scout Energy Partners failed to ensure frequency of inspections is consistent with manufacturer's recommendations and good engineering practices as is required by 40 CFR 68.73(d)(3).
5. Scout Energy Partners failed to annually coordinate with local fire department as described in 40 CFR 68.90(b)(2) and (4) and as required by 40 CFR Part 68.93.

INTRODUCTION

I, Lynelle Ladd, Dave Hensley, and Christina Gallick, Compliance Inspectors with the U.S. Environmental Protection Agency (EPA), Region VII, inspected Scout Energy Partners – Jayhawk Gas Plant (Scout Energy) on July 11-12, 2023. The facility is located east of Ulysses, Kansas on Highway 160. This inspection was part of the EPA's National Enforcement and Compliance Initiative to Reduce Risks of Accidental Releases at Industrial and Chemical Facilities.

I announced the inspection on July 6, 2023. Dave Hensley and I attempted to call the numbers listed in Scout Energy's Risk Management Plan (RMP) (Appendix 5) for the plant's emergency contact Mr. Matt Harrold and the 24-hour emergency contact number but neither number was answered. I left a voice message for Mr. Harrold on both voice mails. Since we could not reach Mr. Harrold at either number listed in the RMP, I sent an email to Mr. Harrold, Plant Foreman, and Mr. Cody Graber, the listed contact for EPCRA Tier II reporting. I received an immediate response to the email, verifying they had received the announcement and would prepare for the inspection.

In the email, I explained the purpose of the inspection was to determine if the facility complies with Section 112(r) of the Clean Air Act (CAA), as amended in 1990. I also explained that the inspection also included reporting provisions of the Emergency Planning and Community Right to Know Act (EPCRA) and the release reporting provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). I notified the facility that an EPCRA Compliance/Enforcement Officer, Mr. Michael Seastrom, from the Kansas Department of Health and Environment's (KDHE) Right-To-Know program would be accompanying us on the inspection.

In the email I stated that the Clean Air Act (CAA) Section 112(r)(6)(L) provides facility employees and employee representatives with the right to participate in the physical inspection of any workplace conducted pursuant to CAA Section 112(r) as provided in the Occupational Safety and Health Act (29 C.F.R. 1903.8). Based on this, I explained that they should notify the employee representative(s), if any, of the date and time of the on-site inspection and provide them a copy of this email notice. I recommended they post a copy of this email, upon receipt, in the area subject to the inspection. During inspection, we observed the email posted on an employee bulletin board outside of the operations control room (Appendix 1, Photos 76-77).

We conducted the inspection to determine if the facility complies with Section 112(r) of the Clean Air Act (CAA), as amended in 1990. The inspection also included reporting provisions of the Emergency Planning and Community Right to Know Act (EPCRA) and the release reporting provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

EPA's regulations describing how these laws are to be implemented are found in the Code of Federal Regulations, Title 40 Part 68 (CAA) and Parts 355, 370, and 372 (EPCRA). The law and the implementing regulations of 40 C.F.R. 68, Chemical Accident Prevention Program (CAPP) require that the facilities must submit a complete Risk Management Plan (RMP) to the EPA for those regulated chemicals processed in amounts above the applicable threshold quantities after June 21, 1999, and to implement the program described in the RMP.

The finalized inspection report as well as the photos and photo locations (Appendix 1) will be transmitted via e-mail to the facility owner/ operator. A copy of this inspection report, documents obtained, photographs taken during the inspection, checklists and completed forms will be maintained in the EPA facility file.

HISTORY OF BUSINESS

The Scout Energy JGP is a natural gas processing plant, North American Industry Classification System (NAICS) 21113, Natural Gas Extraction. The facility was built in 1998 and has been operated under several different companies over the years including Amoco/BP, Linn Energy, Riviera and now Scout Energy Group V, LP, which purchased the facility in late 2019. It has also been identified under the generic name Jayhawk Gas Plant (JGP). Currently JGP produces 5% of the global helium.

JGP is situated on 35 acres of land and was designed to process 450 million standard cubic feet per day (MMscfd), however, the current inlet flow rate averages approximately 200 MMscfd, of which 150 MMscfd is methane. The facility operates three shifts and there are about 25 employees at JGP.

The plant operations include an amine unit for carbon dioxide rejection that was previously operated by another company and located just off plant property but was purchased and incorporated into plant property in 2017; a glycol dehydration unit for removal of water from the natural gas stream; and a cryogenic plant with nitrogen rejection to recover helium and to separate gas components in deethanizer, demethanizer, and depropanizer columns. The facility has propane storage and truck loading operations for propane shipment. Additionally, it has propane storage in the cryogenic plant, as propane is used as the refrigerant in the cryogenic process. The facility utilizes hypochlorite to disinfect well drinking water for employee use (Appendix 1, Photo 75).

The helium extracted in the cryogenic process is directly piped to a neighboring business, Praxair, which is not part of Scout Energy or the JGP. Some liquid nitrogen is produced during the cryogenic process and is piped directly to Praxair. In addition to liquid nitrogen product, some nitrogen that is in gas phase is directly rejected from the process to the atmosphere.

The Risk Management Plan has two covered processes. These are the propane storage and the flammable mixtures of hydrocarbon gases throughout the processing units and piping, including methane, propane, ethane, butane, isobutane, pentane, and isopentane. A small quantity of benzene can also be present in the gas stream.

Maximum Intended Inventory	Amount of Chemicals in Pounds
Quantity On-site at Time of Inspection (Propane)	181,217* (tanks storage only)
Quantity Listed in RMP	
--Propane	1,406,241
--Flammable Mixture	1,192,413
Maximum Daily Quantity per Tier II Forms	
--2020 - Propane	1,052,228
--2021 - Propane	1,052,228
--2022 - Propane	1,052,228

*Conversion used: 4.24 pounds per gallon of propane

At the time of the inspection, Scout Energy was not storing propane at full capacity. Also provided to me was a document of the individual process units and the Maximum Intended Inventory (Appendix 8).

PERSONS INTERVIEWED AND INDIVIDUAL RESPONSIBILITIES

Representees of Scout Energy JGP included:

Matt Harrold	Plant Foreman
Cody Graber	HSE Manager
Justin Anderson	Operations Compliance
Randy Dowell	Superintendent
Marion Schultz	Operations Foreman
Jared Schneider	Maintenance Foreman

OPENING CONFERENCE

Dave Hensley, Christina Gallick and I arrived at the Scout Energy facility located at 13201 East Highway 160, Ulysses, KS at 8:30 AM on July 11, 2023. Michael Seastrom, from the KDHE joined us at the facility location at this time. In the email response we received from Matt Harrold, we were directed to park in the Administration Office parking area. We entered the front entrance of the administrative office building and signed into the facility's visitor logbook. We were then escorted to a conference room. Dave Hensley presented his inspector credentials and explained that Christina Gallick and I are inspectors-in-training and that I would be leading this inspection. The opening conference was attended by six Scout Energy employees (Appendix 3). Mr. Harrold explained that Scout Energy did not have a union or union representatives. The email notification of our intent to inspect was posted on an employee bulletin board near the Operations Control Room (Appendix 1, Photo 76-77). I explained the reason for the inspection and what we planned to cover during the inspection.

I and Mr. Harrold, Plant Foreman, signed the Notice of Inspection Form (Appendix 2).

FIELD TOUR

Prior to conducting the field tour of the process, we were asked to review their visitor site safety information and take a test to demonstrate we understood the safety protocols for the plant. (Appendix 6)

At about 10:00 AM on July 11, 2023, we conducted a field tour of the Scout Energy – Jayhawk Gas Plant facility. Leading us on the field tour were Matt Harrold, Justin Anderson, and Cody Graber.

The tour started out at the beginning of the process, at the Amine and Dehydration Units (Appendix 1, Photo 4) located at the south end of the facility, where gas comes in via pipeline and is treated to remove carbon dioxide and dried or dehydrated to remove water from the gas

stream. At this section of the process, we viewed the main automatic shut-off valves (Appendix 1, Photo 6-7) to the inlet pipeline that act under fail-safe shutdown, in the event of emergency requiring a complete shutdown and stop of incoming natural gas to the plant.

At the south end of the facility, we also observed the four propane storage vessels and additional automated emergency shut-off valves (Appendix 1, Photo 8). I took photos of the manufacturer nameplates and safety data placarding (Appendix 1, Photos 10-25). The tanks were storing the following quantities on the day of the field tour (Appendix 32a), and I observed and photographed the tank level on Tank V4505 (Appendix 1, Photo 26):

Propane Tank ID	Actual Inventory (gallons)	Maximum Inventory (gallons)
V4504-1	12,790	55,120
V4504-2	12,790	55,120
V4504-3	12,790	55,120
V4505	4,370	83,806

Near the propane storage was a grey bullet that captures inlet slug from pig cleaning of pipes.

We then proceeded towards the east part of the plant. Along the way I noticed fire extinguishers. I asked how these were used and was told that they are for fires that would be quickly manageable, such as a small combustible material fire. I observed the inspection record affixed to the fire extinguishers labeled 24 and 84, two of numerous fire extinguishers located throughout the plant. The labels for monthly inspection and recharge were illegible in the field. (Appendix 1, Photos 29 – 38). Only when I reviewed the photos post-inspection and enlarged them, could I then see faint pen-marking imprinted into the paper. Both fire extinguishers 24 and 84 had a red tamper seal affixed with the date 2022, which indicated the date of the last annual inspection. I asked how they determine that the fire extinguishers are being inspected monthly when then affixed monthly inspection tags are illegible, and Mr. Anderson stated that they maintain a separate digital record of the inspections.

Walking through the process piping areas, I noted a pump that was leaking lubricant onto the equipment base and onto the gravel (Appendix 1, Photos 39- 40) and took note of the location of plant alarm horns (Appendix 1, Photos 42). Additionally, I observed combustible plant materials near and around process areas (Appendix 1, Photos 43 - 44). Although the largest dried plant was contained in an area next to a trash bin, in the foreground of image 43, more dried plant material can be seen around process equipment.

Next, we entered the compressor building that house three-1500 horsepower electric engines which compress the gas throughout the processing units. A key safety feature of this building is the fire eyes (Appendix 1, Photos 46 and 48).

We proceeded north from the compressor building toward the cryogenic plant and I observed a pressure relief valve and exhaust pipe location and that the direction of the exhaust pipe for the PRV was situated well above work areas (Appendix 1, Photos 49). I observed additional emergency notification devices on the north end of the compressor building, the red and blue beacon light system, where blue alerts employees that flammable gas has been detected inside

the compressor building and that the building should not be entered. The red beacon indicates that a flame has been detected by the fire detection system and that the building should not be entered. I also observed and noted that Class I Division 2 electrical equipment was in use throughout the plant (Appendix 1, Photos 50).

We entered the cryogenic plant and observed the storage tank, V5805, for the propane used as refrigerant in the cryogenic process (Appendix 1, photos 52-54). The manufacturer's data plate was painted over and illegible (Appendix 1, photos 53-54).

I observed several pipes and valve stems that were significantly iced over (Appendix 1, photos 55 – 74). I took images of ice accumulation on piping under insulation that has caused metal covering to bulge and separate (Appendix 1, photos 58-59).

The last stop on our tour was the Chlorinator building which houses a small tank of hypochlorite (Appendix 1, photo 75) to treat potable well-water for sanitary purposes including drinking, handwashing, eyewash, shower, toilet, and cooking.

We concluded the tour at approximately 11:15 AM on July 11, 2023, and returned to the conference room to begin review of records.

EPCRA TIER II

In preparation for the inspection, Christina Gallick and I reviewed the EPCRA Tier II reports for the years 2020, 2021 and 2022 that were obtained from the KDHE Community Right-To-Know program (Appendix 7). It was observed that the chemicals of the flammable mixture listed in the RMP, except for propane, were not listed in the Tier II reports. The flammable mixture chemicals listed in the RMP are ethane – CAS 74-84-0, butane – CAS 106-97-8, Isobutane [Propane, 2-methyl] – CAS 75-28-5, Pentane – CAS 109-66-0, Methane – CAS 74-82-8 and Isopentane [Butane, 2-methyl-] – CAS 78-78-4.

Dave Hensley asked how they determine that these chemicals are not reportable under EPCRA Section 312, Tier II reporting requirements. The discussion included Michael Seastrom, KDHE, who explained that KDHE's Right-To-Know program has interpreted that chemicals in pipeline are exempt from Tier II reporting. Messrs. Harrold and Graber indicated that they, too, had always interpreted that gases that are in pipeline, and are not stored, are not required to be reported on the annual Tier II report submitted to KDHE.

Dave Hensley and I reiterated that the gases in question are contained in piping that is on the process side versus gases contained in piping that would be considered in transportation. We explained that gases in transportation are exempt from the requirements of EPCRA Section 312. However, since the flammables in question are inside process piping and process units, these quantities do not qualify for the transportation exemption.

EPCRA Section 312 requires that any substance, for which OSHA requires an SDS, that is on-site at any time above 10,000 pounds during the reporting period, is required to be reported on the Tier II. Scout Energy maintains SDS for the flammable gases listed above. Although we

were unable to make an exact quantity calculation for daily maximum averages during the inspection, based on the JGP's Maximum Intended Inventory document provided to us (Appendix 8), it appears that the throughput of several of the gases would exceed the 10,000-pound daily average. Although I did not make a finding of deficiency at the end of the inspection, I told Messrs. Harrold, Anderson, and Graber that this matter needs resolution. While it was clear during the discussion that the LEPC and local fire department are aware that there are flammables on-site, Scout Energy should make this determination and make any reporting corrections to the State of Kansas' Right to Know Program and should also inform the Local Emergency Planning Committee of this change, as well as the local fire department, both of whom rely on the Tier IIs to know what chemicals and flammables are on-site at the JGP. Furthermore, any reporting corrections should also be provided to EPA Region 7, either to Lynelle Ladd or Dave Hensley.

RISK MANAGEMENT PLAN

In preparation for the inspection, I reviewed the facility's risk management plan that is in the Central Data Exchange (CDX). As described above, I attempted to contact Mr. Harrold, the person identified in the RMP as the person to contact about the RMP and is the emergency contact. To announce the inspection, I attempted to contact Mr. Harrold using both numbers listed in the RMP, but both went to voice messaging.

During the inspection we discussed the importance of the 24-hour line being answered by someone as it is the way for emergency responders to reach the facility at any time during an emergency. It was recommended and reiterated that the 24-hour line should be assigned to a phone number that will be answered by a person at any time. Mr. Harrold discussed the potential for changing the 24-hour emergency number to the Operations Control room, which is manned 24-hours per day. If that change is made, the emergency contact information in the RMP is required to be updated within one month of making that change pursuant to 40 CFR 68.195(b).

HAZARD ASSESSMENT

In my email announcement of the inspection, I told Mr. Harrold and Mr. Graber that I would want to review the hazard assessment analysis that documents the basis and methodology used to make the determinations reported as worst- and alternative case release scenarios. When asked to review their hazard assessment analysis, Mr. Anderson said that they had used RMP*Comp for their worst- and alternate- case scenarios. When asked if they had additional documentation describing the assumptions and parameters used, including descriptions of the rationale for selection and anticipated effectiveness of administrative controls or passive mitigation, such as the blast-proof control room, Mr. Anderson stated that they did not have that information. Due to this lack of substantiating documentation, I identified the following deficiency:

- 1. Scout Energy failed to document the rationale for worst- and alternative-case scenarios as is required by 40 CFR 68.39(a) and (b).**

I asked Mr. Anderson how JGP had determined the population numbers used in the worst- and alternative-case scenarios and he stated that he did not know how they determined the number of

residents listed in their RMP. I asked if they were considering a nearby residence to make that determination. Mr. Harrold indicated that the residence was a rental property and stated that they did not always know how many persons were living in that residence and that the number of persons could fluctuate because it was a rental property. Later in the inspection, Mr. Anderson was able to produce a list of emergency contact numbers which included the names of two people last known to be at the address, however, the total number of persons at the residence was not verified or documented by Scout Energy. Also Mr. Anderson stated that they didn't know if those two persons were still residing at the residence.

As a result, I identified the following deficiency:

- 2. Scout Energy failed to document the data used to estimate the population and environmental receptors potentially affected by worst- and alternative case release as is required by 40 CFR 68.39(e).**

MANAGEMENT SYSTEM

Prior to the inspection I asked for documentation of a management system developed to oversee the implementation of the RMP elements including responsibilities by position or name and possibly an organizational chart. Mr. Anderson provided us with a copy of their JGP PSM/RMP Program Activities which contains a table highlighting programmatic elements, responsible persons, and the responsibilities under the program (Appendix 9). I reviewed the management system documentation and it appeared to meet the requirements listed in 40 CFR 68.15

INCIDENT INVESTIGATION

During the inspection planning, I reviewed the JGP RMP report from CDX. I noted that the Five-Year Accident History was blank. I further noted that no releases had been reported to the [National Response Center](#) within the past five years, nor were there any spills or releases recorded on KDHE's [website](#). I asked if the facility had any recent incidents that resulted in reportable releases, injuries, fatalities to employees, or impacts to the community, persons outside of JGP or to the environment. Mr. Anderson said that there had been no releases or reportable incidents to include in the Five-Year Accident History. I asked to see their OSHA 300 Logs and reviewed years 2020, 2021 and 2022. I also took a photo of the 2022 OSHA 300 Log (Appendix 1, photo 78) that was posted on the employee information board outside of the Operations Control Room.

Mr. Anderson provided us with an Incident Event Summary table which listed incidents that had been investigated between July 2019 and July 10, 2023 (Appendix 10). The document details the title of the incident investigation and the date the investigation was initiated as well as the status of the investigation and action items. We asked to see their written incident investigation procedures and we were provided with their PSM Incident reporting and Investigation Procedure (Appendix 11) which was last revised on August 9, 2022, and would be reviewed before or on August 9, 2023. Within the document, it defines a process incident and an RMP incident. The RMP incident describes the steps that are required to be taken to revise the RMP five-year accident history.

I asked to review the Heat Trace Fire (Appendix 12) and Loss of Instrumentation Air (Appendix 13) incidents and was provided with a copy of the incident report which contained information about the incident as well as action items to be taken as a result of the incident, including Management of Change (MOC) documentation, whether a process hazard analysis needs performed on the change that resulted from the incident, and other actions such as scheduling preventative maintenance.

The incident investigation documentation appeared to meet the requirements listed in 40 CFR 68.81.

PROCESS SAFETY INFORMATION (PSI)

I asked how the facility maintains process safety information. JGP maintains SDS electronically on an internal system all employees can access and maintains a hard copy of SDS in a binder located outside of the Operations Control Room. I asked for an example SDS and was provided with the SDS for their Helium product (Appendix 14). I noted that the SDS was still under the Linn Energy name and should be updated to Scout Energy, as they are the new owner and processors of the helium.

I asked how they maintain information regarding the technology of the process and Mr. Harrold indicated that historical documentation of the construction of the processes was maintained in several volumes of documents that include P&IDs which list the materials of construction, flow diagrams of the process, design and basis for pressure relief systems, the design codes and standards for the process, and all safety system evaluations, including blast-proof design of the Operations Control Room and the ventilation design of the compressor engine building that is designed for six air exchanges per hour.

The process safety information appeared to meet the requirements listed in 40 CFR 68.65.

PROCESS HAZARD ANALYSIS (PHA)

Prior to the inspection, I asked to review the two most recent PHAs that were developed. Christina Gallick and I reviewed the PHAs dated January 23, 2015, and December 21, 2021. The timespan between the 2015 and 2021 revalidations is 6 year, 31 days, this makes the Dec. 21, 2021, revalidation one year and 31 days late. Due to this late update and revalidation, we found the following deficiency:

- 3. Scout Energy failed to update and revalidate the process hazard analysis every five (5) years at the completion of the initial process hazard analysis as required by 40 C.F.R. 68.67(f).**

When reviewing the 2021 PHA, I observed that the PHA was completed using the Hazard and Operability Study (HAZOP) method. The team included a PHA facilitator with experience using the HAZOP method in industrial and refinery industries, employees with engineering expertise, and employees with experience and knowledge of the process. All plant employees participated in the PHA. The PHA covered the entire plant.

Christina Gallick reviewed the node for equipment involved in the Heat Trace Fire incident (Appendix 12) that had been previously reviewed. The node did not consider heat trace as a hazard (Appendix 15). However, as documented in an MOC (Appendix 25), the heat trace had been removed from piping that operated at high temperatures due to incompatibility. The incident was addressed in a different node of the PHAs. The actions taken after the incident were considered adequate and no additional concerns were noted (Appendix 16).

Christina Gallick and I observed that the PHA considered facility siting. The PHA discusses location and construction of the control room, the machine shop, and all other structures on the property along with off-site receptors and persons that could be impacted by a release. Human factors were also evaluated.

We observed that Scout Energy identified tornados as a natural hazard to the process. However, safeguards for the natural hazard were not documented despite the operations control room built to act as shelter and means of administrative and engineering controls being utilized to mitigate the impacts of the tornado. This was not identified as a deficiency in the preliminary findings, however Scout Energy should identify all hazards along with the engineering and administrative controls that are used to mitigate and prevent a release, as described in 40 CFR 68.67(c)(3).

Additionally, we discussed the proposed rule changes that currently includes requirements to address climate change in process hazard analysis.

I collected the PHA 2021 Recommendations (Appendix 17). PHA action items are tracked using an electronic system and a spreadsheet. A layers of protection analysis (LOPA) was completed for high-risk scenarios identified in the PHA. Recommendations from the LOPA were also tracked.

STANDARD OPERATING PROCEDURES (SOPs)

I asked to review JGP's SOPs and was provided with a hard copy of the Standard Operating Procedures Summary tables (Appendix 18). These tables identify the main procedure document. Those main procedures have other SOPs associated with them as well.

I asked to see an example SOP and was provided with the NGL System – Startup After Shutdown, NGL-SU01 (Appendix 19) which was last updated on January 31, 2023. Within the procedure, there is a list of other procedures to follow in sequence.

The standard operating procedures appeared to comply with the requirements of 40 CFR 68.69.

TRAINING

Prior to the inspection, I asked to review how Scout Energy trains employees involved in operating the covered processes. Mr. Anderson stated that employees are trained based on their role. Maintenance personnel are trained separately from operations personnel. Scout Energy has

a computerized program that all new employees must complete within the first 30 days after they start at JGP. The written training program (Appendix 20) has eleven lessons and 34 total modules. Training includes mentored on-the-job training as well as the computerized information.

Mr. Jared Schneider, Maintenance Foreman, stated that maintenance staff are primarily only trained once but would receive specific training if SOPs change or new equipment is installed.

Mr. Anderson stated that existing operational staff are re-tested every three years and demonstrate proficiency through re-testing. Existing operational staff are not required to repeat the same training new employees take, however any change in operations or new SOPs would trigger additional training for any employee who would be impacted by the change.

The training program appeared to comply with the requirements of 40 CFR 68.71.

MECHANICAL INTEGRITY

The facility has a written Mechanical Integrity program (Appendix 21). This plan describes how JGP was built based on AMOCO E & P sector engineering specification automation system. The plan creates a regular schedule for certain inspections, tests, and analyses. A Quality Assurance program is used to ensure equipment is installed properly and that the parts they order are what they receive. Mr. Anderson explained that JGP uses a commercially available electronic system to schedule and track maintenance. Action items are generated if inspections identify deficiencies. Most corrective actions involve paint and insulation.

The facility's inspection process is risk based (RBI), American Petroleum Institute (API) and Steel Tank Institute Procedure (STIP). Mr. Anderson explained that a contractor manages the inspections dates in their Mechanical Integrity Inspection List (Appendix 22). This excel document identifies equipment, the date of retirement for each equipment, the date of last inspection and when an inspection is due.

We asked why some of the equipment had overdue retirement dates and were still in operation. Mr. Harrold explained that Scout Energy believed their contractor was utilizing the incorrect industry methodology to establish retirement dates for the equipment.

We asked why some of the equipment had overdue inspection dates. Mr. Harrold stated that they believe that the contractor was not accurately entering information to determine inspection intervals in the excel.

During the inspection I took photos that show ice accumulation in areas of the cryogenic process. As discussed in the Field Tour section of this report, I documented separation and expansion of the metal casing covering pipe insulation caused by ice buildup. I also documented corrosion to the metal casing around pipes, as well as icing on valve stems and around valves. (Photos 55, 58 and 71)





According to JGP's Mechanical Integrity Program (Appendix 21, page 4), a third-party inspection company is contracted to inspect vessels and piping, and maintains an online database of the results, recommendations, and actions taken. JGP's MI program does not describe the frequency of these inspections. I reviewed the site map obtained during the inspection (Appendix 23) and reviewed the Mechanical Integrity Inspection List (Appendix 22) to determine when the last inspection of some of the vessels in the area had been performed. As mentioned above, much of the equipment is listed in the excel as overdue for inspection.

I sent an email (Appendix 33a) to Messrs. Harrold, Anderson, and Graber to request documentation on how they manage ice accumulation, such as the accumulation observed in photo 55 of Appendix 1, of an ice buildup on piping and a valve below an actuator.

The email response from Mr. Anderson wrote that JGP does not have a procedure to address ice accumulation in the cryogenic process other than an operations procedure for thawing the cold box after a CO₂ contamination. Concerning industry standards that apply to the process that are followed by Scout Energy at the JGP, Mr. Anderson wrote that API is the primary standard and that the design of the piping and vessels in the cold box are designed to American Society of Mechanical Engineers (ASME) and American National Standards Institute (ANSI) specifications.

Poor maintenance of insulation materials or failures to identify the causes of insulation failures, as seen in photo 58 of Appendix 1, exposes the equipment beneath the metal casing to moisture accumulation, corrosion and potentially stress cracking. Ice accumulation, as observed in photo 55 of Appendix 1, can overload pipe supports and damage pipe and equipment. Ice accumulation on valve stems (Appendix 1, photos 63 – 71) may impede the ability to close the valves easily in an emergency. Ice accumulations can also be a hazard to employees working in the area if large chunks were to breakoff and fall onto employees.

Also, as noted above in the Field Tour section of this report I observed a pump that was leaking lubricant onto the equipment base and onto the gravel (Appendix 1, Photos 39- 40).

Due to the uncertainty around the accuracy of inspection intervals and retirement dates, as well as the observed icing and damage to metal casing that covers insulation and lubricant-leaking pump, I identified the following deficiency:

- 4. Scout Energy failed to ensure frequency of inspections is consistent with manufacturer's recommendations and good engineering practices as is required by 40 CFR 68.73(d)(3).**

MANAGEMENT OF CHANGE (MOC)

Prior to the inspection, I asked JGP to make available for review their procedures for managing changes in the processes. We were provided a copy of their written management of change procedures which had been reviewed and updated on April 26, 2023. (Appendix 24)

I asked to review the MOC for the heat trace incident (Appendix 25) and for the loss of instrumentation air (Appendix 26) was provided with copies from of their electronic tracking system which they utilize to document and track starting actions and completed actions.

The MOC process and documentation appears to comply with the requirements of 40 CFR 69.75.

PRE-STARTUP SAFETY REVIEW (PSSR)

I asked to review JGP's PSSR methodology. Mr. Anderson provided me with a copy of the Minor, Major and Organizational PSSR Checklist (Appendix 27) that is used to initiate action items in their computerized system called Frontline.

The PSSR system of checklist and action initiation appeared to comply with the requirements of 40 CFR 68.77.

EMPLOYEE PARTICIPATION

Prior to the inspection I indicated that I would want to review JGP's written plan for implementing employee participation in the various aspects of the risk management program, such as process hazard analyses and process safety management. Mr. Anderson provided us with a copy of their employee participation (Appendix 28). The employee participation document

outlines the responsibility and actions that employees and management will, or can perform when requested, as it related to aspects of the PSM and RMP. The most recent revision to the Employee Participation document was February 14, 2023.

The employee participation plan and actions taken appeared to comply with the requirements of 40 CFR 68.83.

HOT WORK PERMIT

Prior to the inspection I requested to review the Hot Work Permit procedures. As part of the pre-inspection correspondence, I was told by Mr. Harrold that a Hot Work Permit would be issued for my use of a camera in the plant operations areas. Mr. Harrold indicated that hot work permits were maintained for 30 days after the work that required the permit is completed.

The hot work permit program appeared to comply with the requirements of 40 CFR 68.85.

CONTRACTORS

I asked how JGP selects contractors hired for work on-site. Mr. Anderson stated that whenever possible they utilize a third-party electronic program, that maintains data on contractor performance, including safety history and past work performance. This program verifies ongoing contractor insurance information, safety and compliance records and provides oversight for performance records. Some generalized safety training is maintained by the program, however, most training is provided by JGP that is on-site specific to the plant and processes where work will be performed. This includes on-site training related to the hazards and emergency response. It appears that JGP meets the requirements listed in 40 CFR 68.87 with regards to contractors.

EMERGENCY RESPONSE

Prior to the inspection I indicated that I would want to review JGP's emergency response plan. I was provided with a copy of JGP's Emergency Action Plan (Appendix 29).

I asked if Scout Energy was a responding or nonresponding facility. Mr. Anderson stated that they are a nonresponding facility and rely on the Ulysses Fire Department to respond to emergencies and fires. I asked if Scout Energy had coordinated response efforts annually with the Ulysses fire department. Messrs. Graber and Anderson both verified that they had not coordinated with local fire department in more than three years.

I asked if Scout Energy had performed the annual emergency response coordination activities required under 40 CFR 68.93. Mr. Graber indicated that up until recently he had been active in the Local Emergency Planning Committee (LEPC) for Grant County and provided the minutes of the last meeting, he attended which was January 26, 2023 (Appendix 29) when he introduced an employee who would take his place on the committee since he was relocating to Scout Energy headquarters for another position. Mr. Graber indicated that he had participated in a multi-

agency drill several years ago, but it was natural disaster based and not based on the risks specific to JGP.

I reviewed the Grant County LEPC website to determine if JGP was included in the LEPC's County Emergency Plan, but the document was not available online. Scout Energy should take steps to ensure that the LEPC has a copy of the JGP Emergency Response Plan and is adequately informed about the risks at the JGP facility.

Additionally, we discussed the upcoming December 19, 2024, deadline to perform an initial exercise of JGP's emergency response notification mechanism as described in 40 CFR 68.90(b)(3), and annually thereafter, as required by 40 CFR 68.96(a).

Due to the lack of coordination with the fire department, I identified the following deficiency:

- 5. Scout Energy failed to annually coordinate with local fire department as described in 40 CFR 68.90(b)(2) and (4) and as required by 40 CFR Part 68.93.**

COMPLIANCE AUDIT

The last program we reviewed was the requirements for compliance audits. I reviewed the two most recent compliance audits, one performed by a consultant on June 8-10, 2021, and certified on June 25, 2021 (Appendix 30) and the previous audit that was performed on June 19-20, 2018, and certified on July 26, 2018. We also reviewed and were provided a copy of the 2021 Audit Action Tracking document (Appendix 31).

While the compliance audits appear to comply with the requirements of 40 CFR 68.79, some items recommended for action and documented in the 2021 Audit Action Tracking Document (Appendix 31) have not been corrected and as a result were identified as deficiencies during this inspection. It is highly recommended that Scout Energy take action to correct compliance audit recommendations as expeditiously as possible, and before the next compliance audit, which would be due by June 24, 2024.

CLOSING CONFERENCE

The closing conference was held at approximately 4:40 PM on July 12, 2023. We invited the representatives who had been working with us during the inspection and indicated they were welcome to invite other employees if they wished. All but two of the representatives that we had worked with throughout the inspection attended (Appendix 2).

We thanked the Scout Energy representatives for their time and cooperation during the inspection and I reiterated their right to claim Confidential Business Information (CBI). Mr. Harrold signed the Confidentiality Notice indicating that he had read the Notice and would exercise the right to let EPA know within five business days regarding any confidentiality claim covering materials provided to EPA at the time of the inspection. I dated and signed the Notice and Opportunity to Substantiate Confidential Business Information Claim to leave with Mr. Harrold for CBI determinations, if any were to be made post-inspection.

During the closing, I went over the preliminary inspection findings, next steps in the process, including timeframes for issuing the report and the next step of compliance officer evaluation of the findings. We explained that the report would be sent via email to Mr. Harrold. Dave Hensley covered the different EPA post-inspection actions that could be taken because of the inspection.

Mr. Harrold and I signed the Notice of Preliminary Findings and the Receipt of Samples and Documents forms. Yellow copies of all signed forms were left with Mr. Harrold.

We asked if there were any additional questions for us. After no further questions were asked, we concluded the Closing Conference and left the premises.

POST-INSPECTION FOLLOW-UP

On July 26, 2023, I sent an email (Appendix 33b) to Messrs. Harrold, Anderson, and Graber to notify them that the deadline had passed to submit CBI under the Notice and Opportunity to Substantiate Confidential Business Information Claim that was provided directly to them at facility on July 12, 2023. My email notification was to ensure that I or other representatives at EPA Region 7 hadn't missed their submittal. I received no response. None of the material taken at the time of the inspection was claimed as Confidential Business Information (CBI) or identified as containing Personal Identifying Information (PII).

On August 16, 2023, I emailed Messrs. Harrold, Anderson, and Graber to receive clarification on four documents that I had obtained during the inspection that that upon my further review while writing this report, I identified as containing either language indicating that the information had been held as Confidential Business Information (CBI) by JGP in the past or was current CBI and one document contained Personal Identifying Information (PII).

On August 16, 2023, Mr. Harrold responded (Appendix 33c) that the documents are not CBI and Mr. Anderson emailed to me a redacted document that removed PII (Appendix 33d).

LYNELLE LADD Digitally signed by LYNELLE LADD
Date: 2023.08.25 10:11:41 -05'00'

Lynelle Ladd
Compliance Inspector

DAVE HENSLEY Digitally signed by DAVE
HENSLEY
Date: 2023.08.25 13:36:00 -05'00'

Dave Hensley
Section Chief
Chemical Accident Prevention
Section

Appendices

- 1 – Photo Log and Site Map
- 2 – Inspection Forms
- 3 – Opening and Closing Conference Sign-in Sheets
- 4 – Inspection Checklist and Notes
- 5 – Scout Energy Risk Management Plan
- 6 – Jayhawk EHS Orientation and Test
- 7 – EPCRA Tier II Hazardous Chemical Inventory Forms
- 8 – JGP Maximum Intended Inventory
- 9 – Management System
- 10 – Incident Event Summary
- 11 – Incident Investigation Procedure
- 12 – Heat Trace Fire
- 13 – Loss of Instrumentation Air
- 14 – Process Safety Information – Helium SDS
- 15 – 2021 PHA Node 16
- 16 – 2021 PHA Node 90 and 91
- 17 – 2021 PHA Recommendations
- 18 – Standard Operating Procedures Summary Table
- 19 – NGL System – Startup After Shutdown, NGL-SU01
- 20 – Training Program
- 21 – Mechanical Integrity Program
- 22 – Mechanical Integrity Inspection List
- 23 – Facility Map
- 24 – Management of Change Procedures
- 25 – Heat Trace MOC
- 26 – Loss of Instrument Air MOC
- 27 – Pre-Startup Safety Review Checklist
- 28 – Employee Participation Plan
- 29 – Emergency Action Plan
- 30 – Grant County Local Emergency Planning Committee Minutes
- 31 – Compliance Audit, June 25, 2021
- 32 – 2021 Compliance Audit Action Tracking
- 33 – Post-Inspection Email Correspondence
 - 33a – Propane Storage Quantities and Ice Accumulation Procedures July 18, 2023, Email
 - 33b – CBI Deadline - July 26, 2023, Email
 - 33c – CBI Deadline – Important Update Email August 16, 2023
 - 33d – CBI Deadline – Important Update Redacted EAP Email August 16, 2023

NOTICE OF PRELIMINARY FINDINGS

FIRM NAME: Scout Energy - Jayhawk Gas Plant

RMP/TRI NO: 100000060783

FIRM ADDRESS: 13201 E. 160 Highway, Ulysses, KS

INSPECTOR: Lynelle M. Ladd

DATE: 7/12/2023

An inspection of the above facility has just been completed. The purpose of the inspection was to determine compliance with the requirements of the Clean Air Act Section 112r and Emergency Planning Community Right-to-Know Act. The following potential violations were identified:

<u>CITATION</u>	<u>DESCRIPTION</u>
40 CFR 68.39 (a) and (b)	Failed to document the rationale for worst-case and alternative scenarios
40 CFR 68.39 (c)	Failed to document the data used to estimate population and environmental receptor
40 CFR 68.47 (f)	Failed to update and recalculate the latest PHA within 5 years of last PHA
40 CFR 68.73 (d) (3)	Failed to ensure frequency of inspections is consistent with manufacturer's recommendations and good engineering practices.
40 CFR 68.90 (b) (2) and (4)	Failed to annually coordinate with local fire department as required by 40 CFR 68.93.

This Notice is provided to call your attention to those areas of potential noncompliance at the earliest possible time. This Notice does not constitute a Notice of Violation, Order, or Civil Action pursuant to the Emergency Planning Community Right-to-Know Act of 1986 (SARA Title III) or Section 113 of the Clean Air Act (CAA), and may not be a complete listing of all violations which may be identified as a result of this inspection.

You are encouraged to take corrective action to address these preliminary findings. Please submit the actions you take and/or a schedule of the actions to EPA in writing as soon as possible.

Lynelle M. Ladd

Phone: 913-551-7138

U.S. Environmental Protection Agency
11201 Renner Blvd.
Lenexa, Kansas 66219

Corrective actions you have taken may be considered in any subsequent U.S. EPA enforcement follow-up, to the extent allowed by Agency regulations, guidance, and policies.

The undersigned hereby acknowledges receipt of a copy of this Notice.

PRINTED NAME:

Matthew Harrold

TITLE:

Plant Foreman

SIGNATURE:

Matthew Harrold

DATE: 7-12-23