

**INTERVIEW SUMMARY OF KATHLEEN LUCAS  
TAKEN ON JUNE 6, 2006  
THE FAIRFIELD INN  
TEXAS CITY, TEXAS**

On June 6, 2006, the Management Accountability Team interviewed Kathleen Lucas, Operations Manager of the Texas City Refinery ("TXC"). The participating team members were Bill Bonse, Stephanie Moore and Jeff Heller. Mr. Bonse was the primary interviewer. The interview lasted approximately three hours. Margene Westlund took minutes of the interview, but was absent for about 45 minutes of the interview. Margene Westlund prepared the interview summary. Ms. Lucas has not reviewed the summary.

Mr. Heller provided the introduction that this interview, while confidential, is not privileged under the attorney/client doctrine.

Mr. Bonse explained the interview was a fact gathering mission and that the team was not there to challenge any of her decisions.

**BACKGROUND**

Ms. Lucas was in Australia for approximately five years and was a BUL for three of those years. Ms. Lucas needed to move back to the states for family reasons. Ms. Lucas spoke to Mike Hoffman who indicated her next assignment would probably be in Texas. In August or September 2004, Mr. Hoffman offered Ms. Lucas either an IST job in Chicago or the Operations Manager job at TXC. It was already decided that TXC needed an Operations Manager because it was so large and Rick Hale had moved out. Don Parus had Chemicals, Chocolate Bayou and TXC, which was too much. They wanted someone to pull the operations together. Mr. Parus also wanted a Deputy BUL. TXC did not have a great structure across the site.

Ms. Lucas joined Amoco in January 1982 and worked at TXC until 1996. After that, Ms. Lucas went to the Mandan Refinery in Mandan, North Dakota. She learned a great deal about refining at this small refinery. In 2000, she became a Commercial Manager and then moved to Australia as a Commercial Manager. Rick Cape was the BUL. Ms. Lucas had a number of assignments during her career at BP. She was in engineering and technology, planning and scheduling, held a number of operator positions, supervisor, superintendent, strategy and maintenance. She took the operations manager position in 2002.

**TXC ISSUES**

Ms. Lucas knew about all of the issues at TXC. She knew they had three fatalities. She knew about the contractor falling in the tower; three employees involved in the September 2004 incident; the major explosion at Ultra Former 4 in 2004. TXC had systemic problems, technical competency issues and a structure problem. As a result of these problems, Mr. Hoffman wanted an Operations Manager at TXC. Ms. Lucas does not recall a specific

discussion around the Ultra Former 4 incident. Mr. Hoffman asked Ms. Lucas to think about what job she wanted. Ms. Lucas wanted the TXC job because of the problems. She called Pat Gower and told him that she wanted the TXC job.

When Ms. Lucas spoke to Don Parus, he said he did not need an Operations Manager because the MDLs did not want an Operations Manager. Mr. Hoffman and Mr. Gower were clear that Ms. Lucas would be the Operations Manager. To reiterate, Mr. Parus wanted a Deputy BUL so that that the MDLs would continue to report to him. Even at meetings, Mr. Parus introduced Ms. Lucas as his Deputy BUL.

When Ms. Lucas arrived at TXC, she sat down with Mr. Parus and he discussed his 1000 day goals with her. The MDLs and shift directors reported to Ms. Lucas. She also had one on one sessions with her direct reports.

One of Ms. Lucas' first meetings that she attended was in reference to the Telos Report. Ms. Lucas read the report and also kept a copy of the report.

### **MS. LUCAS' CHANGES/INSPECTION PROGRAM**

Ms. Lucas wanted to make sure that leaks and fires were reported. Ms. Lucas does not recall an explicit conversation regarding priorities at TXC. Somehow she became aware of the problems through talking to people. Ms. Lucas did an updated presentation to Mr. Hoffman and Mr. Gower on the 1000 day goals. She added process safety KPIs, which molded into personal safety.

The inspection program appeared to be out of focus. She gave approval to hire 11 new inspectors to improve the inspection role, tracking of action items, hazardous operations were done and refining goals bedded to personal safety. Ms. Lucas wanted to get in better balance or alliance with process safety (Joe Barnes and Bill Ralph). She wanted a database management tracking system.

Mr. Barnes was focused on the inspection program and getting the backlog down. Ms. Lucas does not know the history on Mr. Ralph. She thinks he might have gotten a bit lost because of all the moves. Further, his personal practices in managing his business created issues as he messaged things in ways that turned others off.

### **OVERDUE ACTION ITEMS**

There were a lot of overdue action items at TXC. Ms. Lucas was upset during her first week at TXC when she had a problem in Waste Water Treatment. There was process fluid in the system. This problem occurred 10 years ago and no one learned from this problem. TXC is better now. She still wants to make sure the pipes are not too thin.

Ms. Lucas was surprised at the condition the Refinery was in when she returned from Australia. Mr. Hoffman was very clear that the Refinery only had so much money to spend. Mr. Parus was conflicted because he had to meet the budget and fix things. On TARs, they

had cost overruns, but Mr. Hoffman told Ms. Lucas that her first job is legal and compliance and to do what she had to do.

### **OPERATOR TRAINING**

Every unit had its own trainers because there was no central training department. Ms. Lucas brought them together to centralize training and to ensure that the trainers really trained the operators. She told them to train on the basics.

### **LEADERSHIP MEETINGS**

Ms. Lucas typically held meetings at one facility. Willie Willis reported to Ms. Lucas and they went out and did unit visits or safety reviews. They would talk, but never really did a systematic review of what they learned. They had a ways to go on correcting issues and still do today. There were no follow-ups after the meetings. Ms. Lucas' meeting and Mr. Parus' meeting constituted the Leadership Team Meeting. Mr. Parus had the "big" meeting, while Ms. Lucas had the MDLs and shift leaders on the more technical stuff.

In March 2005, Ms. Lucas went to Houston and presented the 1000 day goals and safety plan with Mr. Parus and a few others. This was presented to Mr. Hoffman. Mr. Hoffman did not visit the plant.

### **PROCESS SAFETY**

Ms. Lucas saw a slow shift in process safety when she arrived at TXC, but it still was not in balance. Ms. Lucas felt there was a sense of urgency on safety by Pat Byrd and Joe Barnes. Ms. Lucas thought the site was starting to get its arms around things. There were discussions after Telos, which got them focused on some of the things that were also cited in the Mogford report. No one ever said directly to fix these problems. Mr. Hoffman and Mr. Gower said to focus on operations and operations excellence. TXC was harder to get its arms around the problems because it was so big and too many problems.

### **REPORTING RELATIONSHIPS**

Ms. Lucas thought that Mr. Parus reported to Mr. Gower. In fact, she thought that all BULs reported to the VP of Refining. Ms. Lucas believed that Mr. Hoffman signed all the performance contracts. Ms. Lucas reported to the Regional Refining VP when she was in Australia. C. J. Warner did Ms. Lucas' performance reviews and other things.

### **MS. LUCAS' INVESTIGATION/DISCIPLINES**

Ms. Lucas found out that Mr. Parus was leaving on the day that she and Mr. Gower were on their way to Westlake. Mr. Gower told Ms. Lucas to handle the disciplines. The Mogford investigation was also going on at that time, but a preliminary report was forthcoming. The employees were still working on the units. Ms. Lucas started her investigation around May 2005, before Mr. Parus left. In fact, she would have led the investigation even if Mr. Parus

was not leaving. Ms. Lucas, Willie Willis and Tommy Lambright conducted the interviews. Ms. Lucas also worked with BP's attorneys and kept Mr. Gower informed of her investigation. She reviewed transcripts from the investigation team and looked at the process data. Ms. Lucas interviewed Ray Hawkins, shift directors, etc.

Ms. Lucas used the following discipline standards: 1) did they know what they were accountable for; 2) if they did, did they consciously choose not to do the right thing; 3) if so, what are the consequences. For example, was someone aware of the policy? Did you decide to follow the policy? Gary Schultz was told to sign off by his supervisor. He was not qualified to do these jobs, but was told to "get us caught up". Accordingly, Mr. Schultz was given a discipline letter. However, the supervisor was fired. Ms. Lucas consulted with Mr. Willis, Mr. Lambright and BP's attorneys. There were discussions surrounding Mr. Yerrell, but he took the records. Mr. Yerrell grew up on the units and was a very good operator, but not sure he pushed things that TXC needed. Charlie Logan clearly understood that he was stepped up over the ISOM unit. Ms. Lucas removed Ray Hawkins from his role in part because he did not have the technical background. She now has Dan Harris, Bill Hagerman and one more that have both operations and technical backgrounds.

### **WILLIE WILLIS**

Ms. Lucas also looked at Mr. Willis. They worked a lot together. Ms. Lucas spoke to Mr. Gower and the attorneys who interviewed Mr. Willis about his accountability and how he managed his business. Mr. Willis was also there during the March 2004 Ultraformer incident. Mr. Willis has since been moved out of the line job. Ms. Lucas did not move him when she first got to TXC because she needed some stability in the West Plant. Mr. Willis is now doing common process stuff. Mr. Willis has a strong operations background and was not happy about his new role. When Ms. Lucas looked at what Mr. Willis was doing, there was the Ultraformer fire, the inspection program had been modified six months of Mr. Willis coming on the job, so he was not familiar with that but, by the September 2004 incident, Mr. Willis was at TXC long enough to know better. Ms. Lucas believed that Mr. Willis was a good people manager, but not a technical person. He needs a good technical person to be with him. In effect, Mr. Willis was a mustang superintendent.

### **TXC GREENBOOK PROJECT**

Ms. Lucas did not hear about the TXC Greenbook project. She had heard about the transformation and SHIS. The SHIS was dismantled. Mr. Gower and Mr. Willis were part of the transformation team, which was created sometime in 2002. Ms. Lucas recalls a lot of conversation about stranded costs, but not sure one can create efficiencies if it is taken apart after you put it together for efficiency purposes.

### **JOE BARNES**

Ms. Lucas believes there are some biases at TXC. Joe Barnes was passionate about HSE, but that did not mean he was a good HSE manager. You need a person with technical competencies, such as understanding OSHA regulations, environmental law, etc. Everyone

should be passionate about HSE. Mr. Barnes found a new job with an offshore BU (E&P). Ms. Lucas believes that Mr. Barnes' technical competency was part of reason that Mr. Barnes was moved out of his HSE job, but she was not involved in that decision. Ms. Lucas believes that Mr. Barnes could be held accountable at some level with respect to the ISOM incident. When Ms. Lucas and Mr. Parus did the presentation for Mr. Gower and Mr. Hoffman in March 2005 before the incident, Mr. Barnes put in their goals for process safety. Perhaps Mr. Barnes could have pushed harder for process safety.

## **CHANGES**

Everything was brought down for the hurricane. Inspections are still taking place. Ms. Lucas believes employees are getting the message. Currently, employees are required to sign as acknowledgement that they read the procedures as it is part of their VPP. The start up procedures for towers was reviewed and an action item was created because one step was missing in the procedures.

## **QUALITY OF LEADERS**

It is the responsibility of management to ensure that the company has the right people in place. Ms. Lucas worries about what she does not know. Ms. Lucas stated that they found two small leaks during a start up. There are overdue action items and Ms. Lucas is worried about the processes that support her team leaders. Ms. Lucas states that there needs to be a plan to complete the action items. It is totally unmanaged. Mr. Barnes was working on a document management system. Walt Wundrow needs to complete this. There are 3-14 units that cannot find their emergency procedures because they are referred to by different names. There needs to be a standard approach.

Everyone that reported to Ms. Lucas since the March 23 incident is gone, except for Mr. Hagerman. The shift directors that reported to Ms. Lucas now report to Mr. Hagerman.

## **JMW PROGRAM**

The JMW Program is basically a TXC version of Manager of the Future. All supervisors are getting some sort of this training. This program is about accountabilities, commitments and follow-through. The leadership team is further along with this than others.

## **TELOS REPORT**

TXC is trying to change the attitude surrounding the conflict between safety and profit. Ms. Lucas believes they are seeing more results. Ms. Lucas commented that they are putting clamps on lines, more inspections, etc., and if they cannot make it now, there is a definite problem. With respect to the Baker Panel, TXC had the highest rate in filling out the survey. There are a lot of questions around safety versus production and people want action.

## **CULTURAL CHANGES**

Ms. Lucas sees a shift in culture. She is spending more time in the field. There are more discussions on what people are learning. Ms. Lucas wants to get back to more group leader meetings in refining to set standards. Since March 23, Mr. Hoffman and Mr. Gower have spent more time at TXC. Both Mr. Hoffman and Mr. Gower went out to the units.

## **SELECTION OF DON PARUS**

Ms. Lucas would not have selected Mr. Parus as Refinery Manager because he was not a detailed person, which was required to run TXC. Mr. Parus did not like details.

## **MEMORIAL SERVICE**

One year later on March 23, 2006, Ms. Lucas had lunch with the ISOM workers at the unit in memory of those who were killed on March 23. Everyone was in good spirits.

## **INTERVIEW CONCLUDED**