

**INTERVIEW SUMMARY OF WALT WUNDROW  
TAKEN ON MAY 23, 2006  
TREMONT HOTEL IN GALVESTON, TEXAS**

On May 23, 2006, the Management Accountability Team interviewed Walt Wundrow, Technical Manager. The participating team members were Rudy Blyweert, Stephanie Moore and Jeff Heller. Mr. Heller was the primary interviewer. The interview lasted approximately 2.5 hours. Margene Westlund took minutes of the interview. Margene Westlund prepared this interview summary. Mr. Wundrow has not reviewed this summary.

Jeff Heller gave the introduction that this interview was inspired by the Executive Office in London assessing accountability as it relates to the March 23 explosion. Mr. Heller informed Mr. Wundrow that Bill Bonse, Group VP of Europe is heading this project, but is not present for the interview.

Mr. Heller also informed Mr. Wundrow that while this interview is confidential, it is not covered under the attorney/client privilege doctrine.

### **BACKGROUND**

Mr. Wundrow joined Amoco full-time in February 1980 as a process engineer in the Refining Transportation and Engineering Department in Chicago. Mr. Wundrow held that position approximately two to three years. After that, he became a project engineer in the trade unit investment group for approximately two years. Mr. Wundrow arrived in TXC around February 1984. He was a supervisor and process engineer at TXC. In 1987, he was operations superintendent at the Cat Feed (approximately one year). He became the superintendent of the Crude Units in or about July 1990. Then, Mr. Wundrow transferred back to Chicago reporting to Dick Evans, VP of Refining, in a results management position. Mr. Wundrow was in that position for approximately one year. After that, Mr. Wundrow moved into capital planning. In late 1992, Mr. Wundrow transferred back to TXC as an Operations Manager for the West Plant and remained in that role until 1996. In 1997, Mr. Wundrow worked in HIPRO implementation. Then in 1998, he went back to Chicago for technical training. Because this department was eliminated as a result of the merger, Mr. Wundrow ended back in TXC and worked for the commercial department in capital planning. This was a new role at TXC. He reported to Brian McClellan. After that he worked for Alicia and Susan. He stayed in that role until September 2004. After the Innovene reorganization, Mr. Wundrow became a technical manager at the Refinery and remains in that role today.

### **HIPRO**

HIPRO was introduced around the 1995 and 1996 period after Al Kozinski took over as VP Refining in an effort to improve performance and optimize assets. Amoco was viewed as being over capitalized and under performing. Amoco wanted to improve performance from assets they had on the ground. This went back to prior efforts in 1994 to improve maintenance. For 20 years, Amoco had a constant organizing model in the plant. One issue that Mr. Wundrow

worked on was the environmental burden, which kept increasing. HIPRO created the roles of Optimization Superintendent and Asset Reliability Superintendent. While optimization was the driving force, the asset folks had the say regarding whether the plant should operate. Mr. Wundrow believed that successful union negotiations could change the operations role. There was a fair amount of work done on how the organization would work. Before the merger, there was a career planning toolkit to achieve certain roles. This was put on hold at the time of the merger.

Mr. Kozinski, VP Global Refining, was trying to adopt HIPRO through the assets he acquired. Mr. Kozinski thought HIPRO was effective and yielded value. After the merger, there was an intersection of that model and the BP model of strong BU leaders. There were not many champions of HIPRO. Ken Mayhall was the TXC refinery manager at the time of HIPRO. In July 1998, Tim Scruggs came to the refinery, but was not a creator of HIPRO, so leaders could not embrace this model. TXC was under cost pressures. The leadership team consisted of George Carter, Bill Frink, Brian McClellan, and others. HIPRO was taken to some other sites, such as the Whiting Refinery. TXC did not have an advocate as CJ Warner left shortly after it was created.

### **COST CUTTING MEASURES AT TXC**

Mr. Wundrow started again in TXC in February 1999 shortly after the merger with BP. Mr. Wundrow was told that capital had to be reduced substantially. TARs were included in this capital reduction. TXC was asked to remove 25% from fixed costs. There was tremendous pressure to shrink the size of support structures. A number of employees left because they thought they might get severed. Approximately one year later, TXC hired people back to work on a huge environmental project. TXC was highly dependent on central engineering which was removed. All technical development was cancelled and maintenance and training was deferred. The organization was trying to reduce costs without considering whether that could be sustainable. In 1998, training was cancelled. Heritage Amoco pushed for centralization. While Mr. Wundrow's team was small, they developed training programs. However, since BP was run by the business unit, there was no need for central training.

### **SHIS CONCEPT**

The SHIS concept materialized in 2001. Prior to the merger, there was some work shared between the chemical plant and the refinery for efficiency purposes. There were several possible sources of value in a common site process, such as operating decisions, integrated investment decisions and capital allocation. Tim Scruggs was the first Site Director. Then Don Parus became the Site Director.

### **THE LINK BETWEEN MR. PARUS, MR. HALE AND MR. HOFFMAN**

When asked what the link was between the above three named executives, Mr. Wundrow responded that it seemed as though there were two separate organizations at TXC: an operational side and a commercial/business side. Rick Hale worked for Don Parus, but since he was a BUL, he also reported to Mike Hoffman. Mr. Hale was responsible for the commercial

side of TXC and Mr. Parus was responsible for achieving objectives such as trying to find efficiency opportunities.

## **ORGANZATIONAL STRUCTURE: REFINERY vs. CHEMICAL**

The difference in Mr. Parus' relationship with the chemical BUL was that Alicia was responsible for the business. In contrast, Mr. Parus was responsible for the site. TXC is a big operation and people need to lead the business. There were two key roles: Mr. Hale was the leader for both operations and business. Tim Scruggs devoted a lot of time managing the tension between refining and chemicals on how the site should be managed. When Don Parus took over, he looked at what would be the best governance model. Mr. Parus also looked at the efficiency of sharing functions across the site, such as capital delivery. Mr. Parus also looked at what could different operating teams learn from each other.

## **COMMERCIAL DEPARTMENT**

Pat King had the original optimization project for the site. Mr. King thought early on that optimization decisions could have been better. Mike Elgin took over this role after Mr. King and thought it was tapped out, unless they made integrated capital decisions. Mr. Wundrow did not see anything distinctive as it related to training.

## **TXC—COST REDUCTIONS**

In 2001, TXC had to spend more money because of an agreement with the US EPA. This triggered a number of projects to get in compliance and to grow, which created tension in London. In 2002-2003, Mr. Parus had an assessment done by AT Kearney. The AT Kearney report noted that TXC cut costs in non-sustainable areas. The question was also asked whether TXC spent money on the right things after they spent it on such things as the Cogen. TXC needed a fuel gas liquids plant. TXC needed people to run the plant better. The outcome of the AT Kearney report was that more money was spent on inspections and maintenance.

The responsibilities were not clear in 2003. While they had an integrated site, there was a period of time that TXC had a part-time BUL. When Mr. Parus arrived, Mr. Hale was the BUL and operations head. Mr. Parus was told that there was no clarity of roles.

## **MR. WUNDROW'S RESPONSIBILITIES/INSPECTION PROCESS**

Mr. Wundrow was responsible for supporting the business unit on capital delivery. Later, Mr. Wundrow had to determine what TXC had to do to meet the environmental needs. TXC had to understand the requirements of the environmental program to make informed decisions and to get in compliance. But, TXC also had to sustain investment needs. Bill Frink started a project on renewing the infrastructure. Mr. Wundrow worked parallel with Mr. Frink. TXC used the Grangemouth ranking process to make decisions in what to invest in. Mr. Wundrow and other leadership members concerns were whether they had the right assessment process. They needed a good underlying inspection process. From 2003-2004, the inspection process diminished. The

inspection process is better today, but neglected in some parts. This information is important to determine what needs to be fixed. Today, TXC is ramping back up.

## **ANNUAL PLANNING PROCESS/CAPITAL SPENDING**

As part of the planning process, TXC updated its five and 10 year capital plans. Compared to other refineries, TXC was out of line in its capital spend and ROCT. There was a lot of pressure on TXC to reduce capital. Mr. Wundrow wondered whether the leadership of TXC really understood what the assets needed and whether BP was willing to spend the money. Mr. Wundrow told the story of Mr. Parus running into John Browne and solving the capital appetite statement.

Mr. Wundrow worked in the central engineering group and they took data from the site and compared to other refineries and looked at 5-10 years out. From a planning perspective, it did not look like a good investment at the time. But if in business for the long haul, the company cannot be in a harvest mode. Mr. Wundrow was not sure what model BP was following. Docks was a shared facility with Valero and Marathon. It was evident that Valero looked at things differently. TXC tried to decapitalize and harvest, but did not do a value growth agenda. Then, TXC put in capital for the environmental projects. There was constant tension with TXC on spending money when there is not growth. BP was trying to figure out where TXC fits in.

## **CHANGE IN STRUCTURE IN 2004**

Mr. Hale left in June or July 2004. Innovene was announced around April 2004. The announcement triggered the company to re-examine the organization. Mr. Parus focused on separating Innovene assets and creating a new organization with functional responsibility. Mr. Wundrow's job of Technical Manager was new. There was a project team leader and an engineering leader. This created a more functional relationship, which Mr. Hoffman liked because it closed the gaps. They started putting the organization together around the fall of 2004. Kathleen Lucas arrived around that time frame.

## **2004 INCIDENTS AT TXC**

In May 2004, there was a tower fatality and the employee was not wearing PPE clothing. In September 2004, there was another work practice incident with an employee. There was also a DDU incident with a contractor. Accordingly, within the leadership team, the focus was on work practice issues. Mr. Parus commissioned Telos to look at these issues and the casual compliance of BP's work rules at TXC. Mr. Wundrow's staff was concerned about the managing equipment integrity and safety. There were some serious incidents but no one was hurt.

## **PROCESS SAFETY MANAGEMENT ("PSM")**

Amoco heritage PSM was line accountability on process and hazards. Amoco had a Process Safety Director who had a variety of operations experience reporting to the VP of Refining. The plant also had a process safety committee chaired by the operations manager (or the most senior operator, like George Carter). This effort was supported by the local PSM team. At the time of

the merger, the question was raised whether this effort would continue. Al Kozinski told the BULs to have local committees and be responsible for them. When Mr. Hoffman came in, he converted the old standards to group standards. Mark Preston became the process safety person, which was a central position reporting to Paul Maslin.

At TXC, George Carter was the process safety committee chair person and he handed that over to Lee Valentine, who handed it over to John Curly. Kathleen Lucas became the process safety chair when she arrived at TXC. The process safety standards came from London. In early 2005, Mr. Wundrow was the technical manager; Joe Barnes was HSSE and Bill Ralph was Process Safety Manager.

When Mr. Wundrow was in commercial, he had two accounts—investment planning and technical manager network. He coordinated things in this group that were dispersed. When Mr. Wundrow moved to the technical manager role, he combined process control and engineering resources into one organization. After ISOM, they also created a new capital investment role given the scale of investments they were going to make. Today in the technical lab, they have process engineering and other engineering groups.

PSM is still reporting to the HSSE role, however, Mr. Ralph now reports to the new PSM role. Mr. Wundrow thought Mr. Ralph was asked to make decisions that an engineering authority should make, but he was just filling in the gaps. For example, like a gap in a standard – PSM and engineering expertise. Paul Coffman said you need both. The company needs a senior engineer to close the gaps, but it does not have enough engineer strength in that area.

## **BLOW DOWN STACKS/PSM COMMITTEE**

When asked about the elimination of blow down stacks, Mr. Wundrow responded that when he was in commercial, there were concerns on this from an environmental standard, but not from a risk standpoint. There was no engineering support to inform BP on risk. The Amoco blow down stack standard did not trigger their removal, but rather triggered replacement when doing a capital project. In the prior days, a high level process safety person would have initiated this as a key risk. However, there is no longer a person in that role. The process safety committee and manager should have taken responsibility and done more strategic and tactical work to determine residual effects. Mr. Wundrow told Ms. Lucas that the PSM committee needed his role on the committee (engineering authority). Ms. Lucas is acting on this. The committee should also spend more strategic time vs. tactical time on PSM.

Mr. Wundrow believes that the PSM became a huge paperwork job, but nothing was prioritized at the time of the March 23 incident. The process safety message that it was a priority went missing. The focus was on missing days from work. The brightest process engineers are sent to the commercial area. Discussion on how engineers/technical disciplines are not valued or nurtured in R&M compared to Upstream.

## **TRAILER SITINGS**

During Mr. Wundrow's career at BP, MOCs were not used. Trailers were placed all over the refinery. He further states that if you wanted to site something, the maintenance manager was chair of the building committee. After that, the MOC process was used. A unit superintendent draws the boundary around his or her area, but there are "no man land" areas where no one seems accountable. When asked if there were gaps or holes in accountability, Mr. Wundrow responded that when he was Operations Manager, he and Maintenance Manager Doug Bly would have been involved in those types of decisions. BP is currently trying to find the gaps. Last fall, BP was looking at accountabilities as part of its focus on future process.

## **CULTURAL CHANGES AFTER MARCH 23, 2005**

BP is looking at many things. PSM audits are being performed and the MOC process is being reviewed. Mr. Wundrow says that Colin Maclean is working hard to act on concerns voiced by employees. Because of cost pressures, employees stopped voicing their opinions. Some employees have said that TXC is better now, but question whether it will last.

When asked if TXC has enough resources, Mr. Wundrow responded that TXC has a better view of what it needs and now has the resources for high priority projects. This is a reactive process, which is not efficient. BP needs to have a business plan going forward to decide what it will go after and whether there are assets that should not be restarted.

There are more competent personnel (operators, superintendents) now at TXC. Some of the central engineering team were replaced under the UOP agreement. Mr. Wundrow believes reporting lines are clearer now, but still blurry around A&A. However, the lines to Mr. Maclean, Mr. Gower and Mr. Hoffman need to be clearer.

## **INTERVIEW CONCLUDED**