

NOV 03 2010

Mr. Dana Leach
Vice President, Refining Operations
Montana Refining Company, Inc.
1900 Tenth Street NE
Great Falls, MT 59404-1955

Re: CPF No. 5-2010-5008

Dear Mr. Leach:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and specifies actions that need to be taken by Montana Refining Company, Inc., to comply with the pipeline safety regulations. When the terms of the compliance order have been completed, as determined by the Director, Western Region, this enforcement action will be closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Chris Hoidal, Director, Western Region, PHMSA

Mr. Peter Sametz
Executive Vice President and Chief Operating Officer
Montana Refining Company, Inc.
Suite 2600, Watermark Tower
530 8th Avenue, SW
Calgary, Alberta T2P3S8
Canada

CERTIFIED MAIL – RETURN RECEIPT REQUESTED [7005 1160 0001 0041 0305]

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

In the Matter of)	
)	
Montana Refining Company, Inc.,)	CPF No. 5-2010-5008
)	
Respondent.)	
)	

FINAL ORDER

From June 30-July 2, 2009, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Montana Refining Company, Inc. (Montana or Respondent), in Great Falls, Montana. Montana, a subsidiary of Connacher Oil and Gas Limited, operates an oil refinery and the 2.6-mile Bootlegger Pipeline in Great Falls.

As a result of the inspection, the Director, Western Region, OPS (Director), issued to Respondent, by letter dated April 20, 2010, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Montana had violated 49 C.F.R. §§ 195.420(b), 195.428(a), and 195.428(d) and proposed ordering Respondent to take certain measures to correct the alleged violations.

Montana responded to the Notice by letters dated May 21 and June 15, 2010 (collectively, Response). The company did not contest the allegations of violation and stated that it intended to take the steps described in the proposed compliance order. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, Montana did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.420(b), which states:

§ 195.420 -- Valve maintenance.

(a)

(b) Each operator shall, at intervals not exceeding 7 ½ months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

The Notice alleged that Respondent violated 49 C.F.R. § 195.420(b) by failing to inspect the six mainline valves of the Bootlegger Pipeline at intervals not exceeding 7 ½ months, but at least twice each calendar year. Respondent could not provide documentation of the required inspections, nor could Montana personnel definitively confirm that the valves had been inspected with the required frequency. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.420(b) by failing to inspect the mainline valves of the Bootlegger Pipeline with the required frequency.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.428(a), which states:

§ 195.428 -- Overpressure safety devices and overfill protection systems.

(a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7 ½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

The Notice alleged that Respondent violated 49 C.F.R. § 195.428(a) by failing to inspect and test the overpressure safety devices on the Bootlegger Pipeline at intervals not exceeding 15 months, but at least once each calendar year. Respondent could not provide documentation of the required inspections and tests, nor could Montana personnel definitively confirm that the overpressure safety devices had been inspected and tested with the required frequency. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.428(a) by failing to inspect the overpressure safety devices of the Bootlegger Pipeline with the required frequency.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.428(d), which states:

§ 195.428 -- Overpressure safety devices and overfill protection systems.

(a)

(d) After October 2, 2000, the requirements of paragraphs (a) and (b) of this section for inspection and testing of pressure control equipment apply to the inspection and testing of overfill protection systems.

The Notice alleged that Respondent violated 49 C.F.R. § 195.428(d) by failing to inspect and test

the overfill protection systems on Tank 124 at intervals not exceeding 15 months, but at least once each calendar year. Respondent could not provide documentation of the required inspections or tests, nor could Montana personnel definitively confirm that the overfill protection systems had been inspected and tested with the required frequency. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.428(d) by failing to inspect and test the overfill protection systems of the Bootlegger Pipeline with the required frequency.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Items 1, 2, and 3 in the Notice for violations of 49 C.F.R. §§ 195.420(b), 195.428(a), and 195.428(d), respectively. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.420(b) (**Item 1**), Respondent must:
 - a. Maintain and retain the valve inspection records from the last two years for the six mainline valves installed on the Bootlegger Pipeline.
 - b. Ensure that each mainline valve is inspected twice each calendar year by qualified personnel at intervals not exceeding 7 ½ months to determine that it is functioning properly.
 - c. Ensure that each valve inspection is documented and that the documentation is retained for at least two years.
2. With respect to the violation of § 195.428(a) (**Item 2**), Respondent must:
 - a. Maintain and retain the inspection records from the last two years for the pressure control valve that controls the delivery pressure into the Bootlegger Pipeline.
 - b. Maintain and retain the inspection records from the last two years of the rupture disc on the Bootlegger Pipeline installed at the Montana refinery that protects piping and equipment downstream of the relief line.
 - c. Ensure that each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment installed on, or affecting, the Bootlegger Pipeline is inspected and tested each calendar year, at intervals not to exceed 15 months, to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.
 - d. Ensure that each overpressure safety device inspection is documented and that the documentation is retained for at least two years.
3. With respect to the violation of § 195.428(d) (**Item 3**), Respondent must:

- a. Maintain and retain the inspection records from the last two years of the overfill protection systems for Tank 124.
 - b. Ensure that each breakout tank overfill protection system is inspected and tested each calendar year, at intervals not exceeding 15 months, to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.
 - c. Ensure that each tank overfill protection inspection is documented and that the documentation is retained for at least two years.
4. Montana must complete the above terms of the Compliance Order within 90 days of receipt of this Final Order.
 5. Montana must maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit that total to the Director, Western Region, PHMSA. Costs shall be reported in two categories: (1) total cost associated with preparation and revision of plans, procedures, studies, and analyses, and (2) total cost associated with replacements, additions, and other changes to pipeline infrastructure.

The Director may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent and demonstrating good cause for an extension.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$100,000 for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

Under 49 C.F.R. § 190.215, Respondent has a right to submit a Petition for Reconsideration of this Final Order. The petition must be sent to: Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address. PHMSA will accept petitions received no later than 20 days after receipt of service of this Final Order by the Respondent, provided they contain a brief statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.215. Unless the Associate Administrator, upon request, grants a stay, the terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued