

**NOTICE OF PROBABLE VIOLATION  
and  
PROPOSED COMPLIANCE ORDER**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

April 20, 2010

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

**CPF 5-2010-5008**

Dear Mr. Sametz:

From June 30 to July 2, 2009, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Bootlegger Pipeline in Great Falls, Montana.

As a result of the inspection, it appears that Montana Refining Company (MRC) has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

**1. §195.420 Valve Maintenance**

**(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.**

Under 49 C.F.R. §195.420 (b), an operator must, at intervals not exceeding seven and one-half (7 ½) months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly. During the inspection, MRC was unable to provide documentation of any mainline valve inspections for the Bootlegger Pipeline. In addition, MRC personnel could not definitively confirm that the mainline valves on the Bootlegger Pipeline had been inspected at the required frequency. MRC indicated that they assumed Front Range Pipeline personnel were inspecting the three (3) mainline valves at the beginning of the pipeline in the Great Falls Station and that MRC Refinery personnel were inspecting the three (3) mainline valves at the end of the pipeline in the MRC Refinery. As a result, MRC has not met federal pipeline safety requirements because they can not verify that the valves have in fact been inspected and they have not retained documentation of each mainline valve inspection for at least (2) two years per §195.404(c)(3).

**2. §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.**

Under 49 C.F.R. §195.428 (a), an operator must, at intervals not exceeding fifteen (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 seven and one-half (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. During the inspection, MRC was unable to provide any documentation that the overpressure safety device inspections were conducted on the Bootlegger Pipeline. In addition, MRC personnel could not definitively confirm that the overpressure safety devices on the Bootlegger Pipeline had been inspected and tested at the required frequency. MRC indicated that they rely on Front Range Pipeline to inspect and maintain the control valve at the Great Falls Station which regulates flow into the Bootlegger Pipeline. MRC also indicated that they assumed refinery personnel were periodically inspecting the rupture disc on the end of the pipeline at the refinery. As a result, MRC has not met federal pipeline safety requirements because they can not verify that the overpressure safety devices have in fact been inspected and they have not retained

documentation of each overpressure safety device inspection for at least two (2) years per §195.404(c)(3).

**3. §195.428 Overpressure safety devices and overfill protection systems**

**(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.**

Under 49 C.F.R. §195.428 (d), an operator must at intervals not exceeding fifteen (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 seven and one-half (7 ½) months, but at least twice each calendar year, inspect and test each overfill protection system to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of reliability of operation for the service in which it is used. During the inspection, MRC was unable to provide documentation of the inspection and testing of the overfill protection systems on Tank 124. In addition, MRC personnel could not definitively confirm that the overfill protection systems on the breakout tank (Tank 124) associated with the Bootlegger Pipeline had been inspected and tested at the required frequency. MRC indicated that they assumed refinery personnel were performing this task. As a result, MRC has not met federal pipeline safety requirements because they can not verify that the breakout tank overfill protection systems have in fact been inspected and they have not retained documentation of each breakout tank overfill protection system inspection for at least two (2) years per §195.404(c)(3).

Proposed Compliance Order

With respect to items 1, 2, and 3 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Montana Refining Company, Inc. Please refer to the *Proposed Compliance Order* that is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

In your correspondence on this matter, please refer to **CPF 5-2010-5008** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

cc: Ms. Maureen Krum  
Environmental Engineer  
Montana Refining Company, Inc  
1900 10<sup>th</sup> Street NE  
Great Falls, MT 59404

PHP-60 Compliance Registry  
PHP-500 M. Petronis (#123972)

Enclosures: *Proposed Compliance Order*  
*Response Options for Pipeline Operators in Compliance Proceedings*

## PROPOSED COMPLIANCE ORDER

Pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration (PHMSA) proposes to issue to Montana Refining Company, Inc. a Compliance Order incorporating the following remedial requirements to ensure the compliance of Montana Refining Company, Inc. with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to valve inspections, Montana Refining Company, Inc. must:
  - a. Maintain and retain the valve inspection records from the last two (2) years for the six (6) mainline valves installed on the Bootlegger Pipeline.
  - b. Ensure that that each mainline valve is inspected twice each calendar year by qualified personnel at intervals not exceeding seven and one-half (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 (2) years.
  
2. In regard to Item Number 2 of the Notice pertaining to overpressure safety device inspections, MRC must:
  - a. Maintain and retain the inspection records from the last two (2) 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 (2) years of the rupture disc on the Bootlegger Pipeline installed at the MRC 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 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.
  - d. Ensure that each overpressure safety device inspection is documented and that the documentation is retained for at least two (2) years.
  
3. In regard to Item Number 3 of the Notice pertaining to overfill protection system inspections, MRC must:
  - a. Maintain and retain the inspection records from the last two (2) 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 reliability of operation for the service in which it is used.

- c. Ensure that each tank overfill protection system inspection is documented and that the documentation is retained for at least two (2) years.
4. MRC must complete items 1, 2, and 3 within 90 days of receipt of a Final Order.
5. MRC shall maintain documentation of the safety improvement costs associated with fulfilling this compliance Order and submit the total to Christopher Hoidal, Director, Western Region, Pipeline and Hazardous Materials Safety Administration. Costs shall be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.