

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

January 13, 2012

Mr. Vern Meier
Vice President of Operations
TC Oil Operations Inc
717 Texas Ave
Houston TX 77002

CPF 3-2012-5001W

Dear Mr. Meier:

On May 9-12, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Keystone Pipeline from MP 0 to MP 310 in North and South Dakota.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

1. §195.410 Line markers.

§195.410(a) Requires the operator place line markers at all road crossings and in sufficient number along the pipeline in sufficient numbers so that its location is accurately known.

The operator has not placed line markers at all road crossings. Also, prior to operating above 72% SMYS, additional line markers will need to be added to achieve line of sight markings in accordance with Condition #40 of the Special Permit.

2. §195.412 Inspection of rights-of-way and crossings under navigable waters.

§195.412(a) Requires the operator to inspect the surface conditions on or adjacent to each pipeline right-of-way.

The Operator has not clearly observed the ROW near MP 5. The ROW has 250 feet of trees that were preserved during construction by boring the pipeline under them. The tree canopy prohibits clear observation of the ROW by aerial patrol and no other patrolling methods have been used.

3. §195.577 What must I do to alleviate interference currents?

§195.577 Requires the operator to have a program, identify and minimize detrimental effects of stray currents.

The operator was not able to demonstrate that field testing for potential AC interference was adequate. The AC readings are below expected values along with several negative AC values. Also during PHMSA's inspection, AC readings were as much as 100 times greater than those recorded during the close interval survey.

Also, two high voltage direct current power lines were identified with no information or documentation of a study to confirm that the power lines could not affect the integrity of the pipeline consistent with Condition #37 of the Special Permit for operation above 72% SMYS.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the items identified in this letter. Failure to do so will result in TC Oil Operations Inc being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 3-2012-5001W**. 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).

Sincerely,

David Barrett
Director, Central Region
Pipeline and Hazardous Materials Safety Administration