

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 28, 2012

Timothy Barnhart
VP of Operations
Calumet Specialty Products Partners, LP
2780 Waterfront Parkway East Drive, Suite 200
Indianapolis, IN 46214

CPF 3-2012-6003

Dear Mr. Barnhart:

On April 4 through April 5, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) Central Region pursuant to Chapter 601 of 49 United States Code inspected the Pipeline Integrity Management Program (IMP) of Murphy Oil USA (Murphy) in Superior, Wisconsin. Subsequent to the inspection, Calumet Specialty Products Partners, LP (Calumet) acquired Murphy Oil's refinery and associated assets (including a PHMSA-regulated pipeline that is the subject of this Notice) on September 30, 2011.

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 violation(s) are:

1. **§195.452 Pipeline integrity management in high consequence areas.**

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must

continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

(1) A process for identifying which pipeline segments could affect a high consequence area;

Murphy was not able to demonstrate that they had identified all could affect HCA's. The IMP addresses the overland transport distances for only two points along the pipeline. On the south end near the refinery there is a 1500 foot estimate of spill coverage and at Murphy West, a 6000 feet spill coverage area. The IMP lacks specificity to what particular direction or area this coverage would occur. There was no map showing the release on overland transport, water transport (including storm and sewer drainage) or combination overland and water transport for all areas along this line. There is potential for the spill volumes to be increased in some circumstances from the draining down of the breakout tanks. These tanks were not addressed in the IMP.

2. §195.452 Pipeline integrity management in high consequence areas.

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(3) Leak detection. An operator must have a means to detect leaks on its pipeline system. An operator must evaluate the capability of its leak detection means and modify, as necessary, to protect the high consequence area. An operator's evaluation must, at least, consider, the following factors—length and size of the pipeline, type of product carried, the pipeline's proximity to the high consequence area, the swiftness of leak detection, location of nearest response personnel, leak history, and risk assessment results.

Murphy did not perform an adequate evaluation of its leak detection system. The leak detection system was designed to signal a leak when the pipeline pressure gauge at Murphy West reached a pressure of 10 psig.

3. §195.452 Pipeline integrity management in high consequence areas.

(i) What preventive and mitigative measures must an operator take to protect the high consequence area?

(4) Emergency Flow Restricting Devices (EFRD). If an operator determines that an EFRD is needed on a pipeline segment to protect a high consequence area in the event of a hazardous liquid pipeline release, an operator must install the EFRD. In making this determination, an operator must, at least, consider the following factors—the swiftness of leak detection and pipeline shutdown capabilities, the type

of commodity carried, the rate of potential leakage, the volume that can be released, topography or pipeline profile, the potential for ignition, proximity to power sources, location of nearest response personnel, specific terrain between the pipeline segment and the high consequence area, and benefits expected by reducing the spill size.

Murphy Oil had not adequately completed a comprehensive study on the potential benefits of installing EFRDs. There had been a study on EFRD for applying check valves, however, since the line is bi-directional check valves are not practical. In addition, there had been no review on the potential benefits of installing other remotely controlled valves. Also, the study did not address the breakout tanks and the effects they might have in contributing to the spill quantities.

4. **§195.452 Pipeline integrity management in high consequence areas.**

(j) What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(2) Evaluation. An operator must conduct a periodic evaluation as frequently as needed to assure pipeline integrity. An operator must base the frequency of evaluation on risk factors specific to its pipeline, including the factors specified in paragraph (e) of this section. The evaluation must consider the results of the baseline and periodic integrity assessments, information analysis (paragraph (g) of this section), and decisions about remediation, and preventive and mitigative actions (paragraphs (h) and (i) of this section).

Murphy had not performed an adequate evaluation to assure pipeline integrity when hydrostatic testing is used as the sole assessment method. An evaluation should address corrosion, third party damage and other risk factors.

5. **§195.452 Pipeline integrity management in high consequence areas.**

(k) What methods to measure program effectiveness must be used? An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas.

Murphy had not developed methods or measured the effectiveness of their IMP program in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas.

Proposed Compliance Order

With respect to items 1- 5 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Calumet

Specialty Products Partners. Please refer to the *Proposed Compliance Order*, which 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 3-2012-6003** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

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

Enclosure: *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 Calumet Superior, LLC (Calumet) a Compliance Order incorporating the following remedial requirements to ensure the compliance of Calumet with the pipeline safety regulations:

1. In regard to Item Number 1 of the Notice pertaining to identifying all could affect HCA's. The IMP addresses the overland transport distances for only two points along the pipeline. Calumet shall determine all could affect HCA's along the entire pipeline route. This includes taking into account ground slope, ditches, storm sewers etc. and leak volumes determined along the ROW and tank farm effects. Maps shall be developed to show overland transport, water transport or combination overland and water transport for all areas along this line.
2. In regard to Item Number 2 of the Notice pertaining to the ineffective evaluation of leak detection of the pipeline system. Calumet shall develop a plan to evaluate and improve the leak detection system and schedule for implementation.
3. In regard to Item Number 3 of the Notice pertaining to completing a comprehensive study on the potential benefits of installing EFRDs. Calumet shall review the potential benefits of installing other remotely controlled valves. The study should also include breakout tanks and the effects they might have in contributing to the spill quantities.
4. In regard to Item Number 4 of the Notice pertaining to adequate evaluations for assuring pipeline integrity. Calumet shall perform evaluations to address threats on their pipeline and propose additional preventative and mitigative actions.
5. In regard to Item Number 5 of the Notice pertaining to measuring the program's effectiveness. Calumet shall develop procedures to measure the program's effectiveness. Once developed, Calumet shall apply the metrics to determine if additional actions should be taken to ensure the integrity of the applicable pipeline segments.
6. Calumet shall submit a plan and schedule to perform the compliance requirements above within 30 days of receipt of the Final Order. This plan will require approval of the Regional Director.
7. It is requested that Calumet maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to David Barrett, Director, Central Region, Pipeline and Hazardous Materials Safety Administration. It is requested that these costs 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.