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Attorneys at Law

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March 8, 2007

COLORADO SPRINGS

Chris Hoidal, P.E.
Director, Western Region
Pipeline and Hazardous Materials Safety Administration
12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

DENVER

Re: Belle Fourche Pipeline Company's Request for a Hearing;
CPF No. 5-2007-5002

Dear Mr. Hoidal:

LONDON

We are counsel to Belle Fourche Pipeline Company (Belle Fourche) regarding the above-referenced Notice of Probable Violation and Proposed Compliance Order (collectively, the "NPV"). The purpose of this letter is to request an in-person hearing, as set forth in 49 C.F.R. § 190.211, on the NPV, and to provide a statement of the issues we intend to raise at the hearing. Generally, Belle Fourche will raise numerous issues regarding both the NPV and the compliance order requirements set forth therein. Belle Fourche will be represented by undersigned counsel.

LOS ANGELES

MUNICH

The NPV states that the Pipeline and Hazardous Materials Safety Administration (PHMSA) will not pursue enforcement for the alleged violations constituting the Warning Items (Items 2a, 2b, 2c, 3,¹ 4a, 5, 6, 7 and 8). Therefore, we do not address those items here. However, Belle Fourche does not admit to any of those alleged violations. The Warning Items have been investigated and have been addressed.

SALT LAKE CITY

Belle Fourche has attempted to resolve this matter without the necessity for the filing of this hearing request. In May 2006, Belle Fourche requested a meeting with OPS to address potential resolution of the NPV, prior to the deadline for seeking a hearing. However, OPS declined the invitation to meet.

SAN FRANCISCO

¹ We note that PHMSA includes Item 3 as a warning item, but does not expressly mention 3(a) and 3(b). We have assumed that all parts of Item 3 are warning items. If that is incorrect, Belle Fourche appeals Item 3(a) and 3(b).

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Furthermore, OPS has unnecessarily caused the parties to expend resources regarding this matter. As you know, CPF No. 5-2006-5004 contained allegations as to Bridger Pipeline, LLC (Bridger), but did not include Bridger as a party or make any allegations against Bridger. Instead, all of the allegations (and orders) were directed to Belle Fourche.

On several occasions dating back to March 2006, we suggested that OPS simply identify the allegations and orders in CPF No. 5-2006-5004 that pertain to Bridger, serve a separate NPV on Bridger containing those allegations and orders, and name Bridger in this separate NPV. Bridger would then respond and we would agree to handling both proceedings on a consolidated basis.

On October 20, Belle Fourche and Bridger received a joint letter regarding CPF No. 5-2006-5004. The letter purported to "clarif[y] the application of" CPF No. 5-2006-5004 to Bridger and requested that Bridger "respond" within thirty days. However, this did not commence an enforcement action against Bridger.

OPS then sent a letter alleging that Bridger and Belle Fourche "are inextricably linked because they share the same manuals, personnel and resources." You nonetheless invited us to "articulate reasons" for treating the companies separately. On December 26, Belle Fourche and Bridger submitted a letter and exhibits confirming that Bridger and Belle Fourche are separate companies. On February 7, 2007, Bridger and Belle Fourche were issued separate NOV's, which is the result they had been seeking for approximately one year.

Belle Fourche remains interested in pursuing settlement of this matter and encourages OPS to agree to a dialogue. We do not believe that such cooperation is forbidden.

As set forth below, Belle Fourche disputes the referenced items in the NPV, and avers that the proposed compliance measures (if not already corrected) are unreasonable, unnecessary and unduly burdensome and punitive, or they do not allow sufficient time to implement. The following list is keyed to the allegations in the February 2, 2007, NPV, CPF No. 5-2007-5002, that provide

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the material basis for the Proposed Compliance Order. Language from the NPV is in **bold**; our response in regular font:

1. **§195.110. External loads.**

(a) Anticipated external loads (e.g.), earthquakes, vibration, thermal expansion, and contraction must be provided for in designing a pipeline system. In providing for expansion and flexibility, §419 of ASME/ANSI B31.4 must be followed.

The Sussex pump station and breakout tank was constructed in 2000 and still has temporary wooden and concrete blocks used as supports under the pig trap and receiver as well as supports for the tank booster pump piping.

This matter has been addressed.

The NPV includes a Proposed Compliance Order. The second numbered item orders Belle Fourche to take certain action regarding "Item 9." There is no "Item 9" to the NPV. Accordingly, this purported remedial requirement is a nullity. On the other hand, to the extent the order requires the requested relief, and assuming a violation existed, a grant of jurisdiction to require remedial measures is not an absolute duty to do so under any circumstances. Balancing the equities and the risks, and taking into consideration a cost-benefit assessment, we believe that any corrective action is unnecessary or excessive, and that the time for compliance is unrealistic.

In addition to the foregoing specific responses, Belle Fourche's investigation of this matter is continuing and it reserves the right to amend this notice for purposes of asserting additional defenses. Further, the matters in dispute may necessitate testimony regarding industry standards and practices, and Belle Fourche reserves the right to rely on expert testimony regarding such standards and practices as to each and every regulation at issue in this matter.

We suggest Denver, Colorado, as a suitable location for the in-person hearing. We propose that the hearing be consolidated with the hearing regarding CPF No. 5-2007-5003 (regarding Bridger). We request at least four months prior

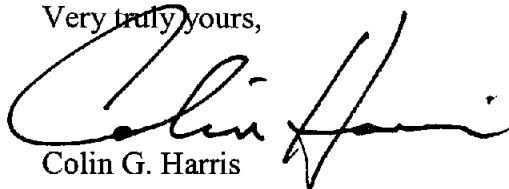
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notice of any hearing date. In addition, we request, to the extent not already provided, PHMSA (including OPS)'s case file for this matter, including internal notes, emails and memoranda.

Please do not hesitate to contact me at the below address.

Very truly yours,

A handwritten signature in black ink, appearing to read "Colin G. Harris". The signature is fluid and cursive, with a large initial "C" and "H".

Colin G. Harris

CGH/rb

cc May Chiranand, Esq.
Manuel Lojo, Esq.