



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

SENT TO COMPLIANCE REGISTRY
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12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

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

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

March 4, 2008

Mr. Bill Liedtke
Windsor Energy Group LLC
14313 North May Avenue, Suite 100
Oklahoma City, OK 73414-3414

CPF 5-2008-5003

Dear Mr. Liedtke:

On August 21 to 23, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Bennett Creek, non-rural gathering line near Clark, Wyoming.

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. **§195.112 New pipe.**

Any new pipe installed in a pipeline system must comply with the following:

(a) The pipe must be made of steel of the carbon, low alloy-high strength, or alloy type that is able to withstand the internal pressures and external loads and pressures anticipated for the pipeline.

(b) The pipe must be made in accordance with a written pipe specification that sets forth the chemical requirements for the pipe steel and mechanical tests for the pipe to provide pipe suitable for the use intended.

(c) Each length of pipe with a nominal outside diameter of 114.3 mm (4½ in) or more must be marked on the pipe or pipe coating with the specification to which it was made, the specified minimum yield strength or grade, and the pipe size. The marking must be applied in a manner that does not damage the pipe or pipe coating and must remain visible until the pipe is installed.

Windsor used 4 1/2" diameter pipe that was not manufactured in accordance with an accepted or known standards for the construction of the Bennett Creek gathering line that is located in a non-rural area. Those sections were constructed in 2006.

Pipe left over from construction was examined during this inspection and the markings on the pipe were documented by PHMSA. Those markings were: "CRESSMAN TUBULAR PO #6851 Prudential 4 1/2" 0.188 Commercial E KPA 28600 @ SHAW YJ Z245.21-02,A1 N H560 FM30C 05/06/14/D COATED IN CANADA MADE IN CANADA LOT #31412." PHMSA researched those markings and determined that the pipe was manufactured in Canada by Prudential Pipe. PHMSA interviews with a Prudential representative revealed that this pipe was graded as "Commercial." Prudential informed us that the pipe did not meet Canadian Standards Association (CSA) standards and therefore did not meet API or ASTM standards. Prudential stated that this pipe was "seconds" and was sold by a subsidiary company to be used in non-regulated applications. Additionally Prudential said that the pipe was coated with Yellow Jacket coating and the Shaw Coatings lot number was 31412. Subsequently a representative from Shaw Coatings was contacted and he confirmed that the pipe had been coated by Shaw with Yellow Jacket and the grade of the pipe was "Commercial."

2. §195.202 Compliance with specifications or standards.

Each pipeline system must be constructed in accordance with comprehensive written specifications or standards that are consistent with the requirements of this part.

Windsor was unable to provide comprehensive written specifications or standards used for the 2006 construction of the non-rural portion of their Bennett Creek gathering line.

Construction specifications that were provided by Windsor were for general weld inspection, general weld testing, and general weld selection. These specifications were created for Kinder Morgan facilities and were not specific to the Windsor facilities that were constructed. There were no specifications or standards for material inspections, welding of support or braces, pipe location, pipe bending, qualified welding procedures, protection of welding from the weather, repair of arc burns, repair or removal of weld defects, installation of pipe in a trench, coating inspection, coating repair, cover over the pipe, clearance between the pipe and underground structures, backfilling, and required construction records.

3. §195.204 Inspection - General.

Inspection must be provided to ensure the installation of pipe or pipeline systems in accordance with the requirements of this subpart. No person may be used to perform

inspections unless that person has been trained and is qualified in the phase of construction to be inspected.

Windsor construction documentation indicates all welds had been nondestructively tested. There is, however, no evidence that there had been inspection of the welding process, welding repairs, excavation, coatings, pipe placement, or backfill during construction of the non-rural segment of their Bennett Creek gathering line. Additionally Windsor had no documentation showing that persons used for inspections, other than nondestructive testing (NDT) individuals, were trained and qualified in the particular phase of construction being inspected.

4. §195.214 Welding procedures

(a) Welding must be performed by a qualified welder in accordance with welding procedures qualified under Section 5 of API 1104 or Section IX of the ASME Boiler and Pressure Vessel Code (ibr, see § 195.3) . The quality of the test welds used to qualify the welding procedure shall be determined by destructive testing.

Windsor was unable to provide welding procedures for the 2006 construction of the non-rural segment of their Bennett Creek gathering line. Windsor was only able to provide a procedure for the installation of repair sleeves for pipe greater than 12 ¾ inch nominal size and for the selection of a welding procedure for Kinder Morgan facilities. There was no welding procedure for 4 ½ inch diameter nominal size pipe available for our inspector. In addition, no weld qualification tests could be provided.

5. §195.234 Welds: Nondestructive testing.

(b) Any nondestructive testing of welds must be performed-

(1) In accordance with a written set of procedures for nondestructive testing;

(c) Procedures for the proper interpretation of each weld inspection must be established to ensure the acceptability of the weld under §195.228.

Windsor could not provide evidence that the nondestructive testing of welds for the Bennett Creek non-rural segment had been performed in accordance with written procedures.

Windsor's contractor said they used a standard for Weld Inspection and Testing. This particular standard (O&M/Construction Standard, No. O&M4061 C1066) requires that the nondestructive testing (NDT) technician qualify an approved NDT procedure at the job site. Windsor was unable to provide evidence that there was an approved NDT procedure or that one had been qualified at the job site.

6. §195.266 Construction records.

A complete record that shows the following must be maintained by the operator involved for the life of each pipeline facility:

(b) The amount, location, and cover of each size of pipe installed.

(c) The location of each crossing of another pipeline.

(d) The location of each buried utility crossing.

- (e) **The location of each overhead crossing.**
- (f) **The location of each valve and corrosion test station.**

Windsor has no records regarding the amount or the cover over the pipe, the location of each crossing of another pipeline, the location of each buried utility crossing, the location of each overhead crossing and the location of each corrosion test station.

During our field inspection, there was evidence of overhead crossings and corrosion test stations. It also appeared this pipeline may cross the natural gas gathering line that generally parallels the Bennett Creek crude oil gathering line. None of these occurrences are reflected in Windsor construction records.

7. §195.310 Records.

- (a) **A record must be made of each pressure test required by this subpart, and the record of the latest test must be retained as long as the facility tested is in use.**
- (b) **The record required by paragraph (a) of this section must include:**
 - (2) **Test instrument calibration data;**
 - (9) **Where elevation differences in the section under test exceed 100 feet (30 meters), a profile of the pipeline that shows the elevation and test sites over the entire length of the test section.**
 - (10) **Temperature of the test medium or pipe during the test period**

Windsor pressure test records do not include either the test instrument calibration data or a profile of the entire test section. A profile is required because there is more than a 100 feet of elevation difference within the test section.

8. §195.401 General requirements.

- (c) **Except as provided by §195.5, no operator may operate any part of any of the following pipelines unless it was designed and constructed as required by this part:**
 - (5) **A low-stress pipeline on which construction was begun after August 10, 1994.**

Windsor Energy is operating the non-rural segment of their Bennett Creek gathering line without it having been constructed in accordance with comprehensive written specifications or standards that were consistent with the requirements of Part 195.

Proposed Civil Penalty

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. The Compliance Officer has reviewed the circumstances and supporting documentation involved in the above probable violation(s) and has recommended that you be preliminarily assessed a civil penalty of \$94,000 as follows:

<u>Item number</u>	<u>PENALTY</u>
8	\$94,000

Proposed Compliance Order

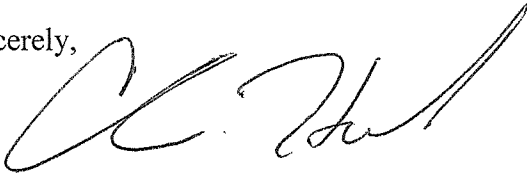
With respect to items 1, 2, 3, 4, 5, 6, and 7 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Windsor Energy Group LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this 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 5-2008-5003** 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

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

cc: PHP-60 Compliance Registry
PHP-500 G. Davis (#118875)

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item Number 1 of the Notice pertaining to the use of pipe materials that were not manufactured in accordance with an accepted or known standard for the 2006 construction of that portion of the Bennett Creek gathering line that is non-rural.
 - Windsor must replace all pipe material within that portion of the Bennett Creek gathering line that is non-rural.
 - Windsor must notify PHMSA 30 days prior to the replacement of the pipe material of that portion of the Bennett Creek gathering line that is non-rural.
 - Windsor must submit, to the Western Region Director, all pipe material documentation that provides evidence that the new pipe materials have been manufactured in accordance with an accepted or known standard.
2. In regard to Item Number 2 of the Notice pertaining to Windsor's lack of comprehensive written specifications or standards used for the 2006 construction of that portion of their Bennett Creek gathering line that is non-rural.
 - Windsor must develop comprehensive written specifications that will ensure that the replacement of pipe materials for that portion of their Bennett Creek gathering line that is non-rural will be in accordance with 49 CFR 195.
 - Windsor must submit those comprehensive written specifications to the Director.
3. In regard to Item Number 3 of the Notice pertaining to inspection that did not ensure that installation of that segment of the Bennett Creek gathering line that is non-rural was in accordance with the requirements of 49 CFR 195.
 - Windsor must develop an inspection plan for the replacement of that segment of the Bennett Creek gathering line that is non-rural. The inspection plan must ensure that the replacement is in accordance with 49 CFR 195.
 - Windsor must develop criteria for the person(s) performing the inspection of the replacement of that segment of the Bennett Creek gathering line that is non-rural. These criteria must ensure that the person(s) has been trained and is qualified in the phase of construction to be inspected.
 - Windsor must provide the inspection plan and the inspector criteria to the Director.
4. In regard to Item Number 4 of the Notice pertaining to the construction of that segment of the Bennett Creek gathering line that is non-rural that was performed without written and qualified welding procedures.
 - Windsor must develop written welding procedures for the replacement of that segment of the Bennett Creek that is non-rural in accordance with 49 CFR 195.

- Windsor must qualify those welding procedures in accordance with 49 CFR 195.
 - Windsor must provide those welding procedures and their qualifications to the Director.
5. In regard to Item Number 5 of the Notice pertaining to the nondestructive testing procedure used for the construction of that segment of the Bennett Creek gathering line that is non-rural.
- Windsor must develop written nondestructive testing procedures that will insure the acceptability of the weld under §195.228.
 - Windsor must submit those written nondestructive testing procedures to the Director.
6. In regard to Item Number 6 of the Notice pertaining to the incomplete construction records for the installation of that segment of the Bennett Creek gathering line that is non-rural.
- Windsor must ensure that all records required by §195.266 are maintained for the life of the pipeline. Specifically those records must include (1) The total number of girth welds and the number nondestructively tested, including the number rejected and the disposition of each rejected weld; (2) The amount, location, and cover of each size of pipe installed; (3) The location of each crossing of another pipeline; (4) The location of each buried utility crossing; (5) The location of each overhead crossing; and (6) The location of each valve and corrosion test station.
 - Windsor must submit those construction records to the Director.
7. In regard to Item Number 7 of the Notice pertaining to incomplete pressure test records for that segment of the Bennett Creek gathering line that is non-rural.
- Windsor must ensure that the pressure test records for the replacement of that segment of the Bennett Creek gathering line that is none rural will include (1) The pressure recording charts; (2) Test instrument calibration data; (3) The name of the operator, the name of the person responsible for making the test, and the name of the test company used, if any; (4) The date and time of the test; (5) The minimum test pressure; (6) The test medium; (7) A description of the facility tested and the test apparatus; (8) An explanation of any pressure discontinuities, including test failures, that appear on the pressure recording charts; (9) Where elevation differences in the section under test exceed 100 feet (30 meters), a profile of the pipeline that shows the elevation and test sites over the entire length of the test section; and (10) Temperature of the test medium or pipe during the test period.
 - Windsor must submit those pressure testing records to the Director.
8. In regard to Item Number 8 of the Notice pertaining to Windsor's operation of the non-rural segment of the Bennett Creek gathering line without it having been constructed in accordance with 49 CFR 195.
- Windsor must cease operation of the non-rural segment of the Bennett Creek gathering line until the line has been constructed in accordance with 49 CFR 195.
 - Windsor must notify the Director when the non-rural segment is de-activated and when it is re-activated.

9. Winsor must submit the records for items 1, 2, 3, 4, 5, 6, and 7 within 30 days of the receipt of the Final Order or within 30 days of the completion of construction, which ever comes later.
10. Windsor shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris 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.