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U.S. Department
of Transportation
**Pipeline and
Hazardous Materials Safety
Administration**

12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 8, 2007

Mr. Clark Storms
Vice President, Land and Legal
Omimex Canada, LTD
2001 Beach Street, Suite 810
Fort Worth, TX 76103

CPF 5-2007-1009M

Dear Mr. Storms:

On February 28, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected Omimex's operation and maintenance procedures and Operator Qualification Program at your Battle Creek Compressor Station in Montana.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Omimex's procedures, as described below:

1. **§192.13 General.**
(c) Each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this part.

And

1.a. §192.231 Protection from weather.
The welding operation must be protected from weather conditions that would impair the quality of the completed weld.

Omimex welding procedure 4.C.3 has no guidance as to how to protect welding from adverse weather conditions.

And

1.b. §192.233 Miter joints.

(a) A miter joint on steel pipe to be operated at a pressure that produces a hoop stress of 30 percent or more of SMYS may not deflect the pipe more than 3°.

(b) A miter joint on steel pipe to be operated at a pressure that produces a hoop stress of less than 30 percent, but more than 10 percent of SMYS may not deflect the pipe more than 12 1/2° and must be a distance equal to one pipe diameter or more away from any other miter joint, as measured from the crotch of each joint.

(c) A miter joint on steel pipe to be operated at a pressure that produces a hoop stress of 10 percent or less of SMYS may not deflect the pipe more than 90°.

Omimex welding procedure 4.C.3 has no guidance for making miter joints.

And

1.c. §192.235 Preparation for welding.

Before beginning any welding, the welding surfaces must be clean and free of any material that may be detrimental to the weld, and the pipe or component must be aligned to provide the most favorable condition for depositing the root bead. This alignment must be preserved while the root bead is being deposited.

Omimex welding procedure 4.C.3 has no guidance for welding preparation and joint alignment during welding.

And

1.d. §192.241 Inspection and test of welds.

(a) Visual inspection of welding must be conducted by an individual qualified by appropriate training and experience to ensure that:

(1) The welding is performed in accordance with the welding procedure; and

(2) The weld is acceptable under paragraph (c) of this section.

(b) The welds on a pipeline to be operated at a pressure that produces a hoop stress of 20 percent or more of SMYS must be nondestructively tested in accordance with §192.243, except that welds that are visually inspected and approved by a qualified welding inspector need not be nondestructively tested if:

(1) The pipe has a nominal diameter of less than 6 inches(152 millimeters); or

(2) The pipeline is to be operated at a pressure that produces a hoop stress of less than 40 percent of SMYS and the welds are so limited in number that nondestructive testing is impractical.
(c) The acceptability of a weld that is nondestructively tested or visually inspected is determined according to the standards in Section 9 of API Standard 1104 (ibr, see §192.7). However, if a girth weld is unacceptable under those standards for a reason other than a crack, and if Appendix A to API 1104 applies to the weld, the acceptability of the weld may be further determined under that appendix.

Omimex welding procedure has no procedures for nondestructively testing welds.

And

1.e. **§192.505 Strength test requirements for steel pipeline to operate at a hoop stress of 30 percent or more of SMYS.**
(c) Except as provided in paragraph (e) of this section, the strength test must be conducted by maintaining the pressure at or above the test pressure for at least 8 hours.

Omimex hydrostatic test procedure 4.C.5 pg 2 refers to paragraph 2, page 3 for exceptions for pressure testing fabricated pipe sections. There is no page 3.

2. **§192.605 Procedural manual for operations, maintenance, and emergencies**
(a) General. Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least one each calendar year. This manual must be prepared before operations of a pipeline system commence. Appropriate parts of the manual must be kept at locations where operations and maintenance activities are conducted.

Omimex has several procedures in their Operation and Maintenance Plan that refer to various Subparts of 49 CFR 192 for guidance. Part 192 states the requirements that must be met by an operator but Part 192 does not instruct an operator how to operate and maintain their unique facilities. Procedures cannot refer to Part 192 for guidance. The operations and maintenance procedures must be developed by the operator as guidance to employees for performing various tasks associated with an operator's unique facilities and these procedures must comply with 49 CFR 192.

3. **§192.453 General.**
The corrosion control procedures required by §192.605(b)(2), including those for the design, installation, operation, and maintenance of cathodic protection systems,

must be carried out by, or under the direction of, a person qualified in pipeline corrosion control methods.

Neither Omimex corrosion control procedures 4.D.3 or 4.D.5 require that design, installation, operation, and maintenance of cathodic protection systems be carried out by, or under the direction of, a person qualified in pipeline corrosion control methods.. Methods to demonstrate competency for the qualified person also do not exist.

4. **§192.461 External corrosion control: Protective coating.**
(a) Each external protective coating, whether conductive or insulating, applied for the purpose of external corrosion control must-
(1) Be applied on a properly prepared surface;
(2) Have sufficient adhesion to the metal surface to effectively resist underfilm migration of moisture;
(3) Be sufficiently ductile to resist cracking;
(4) Have sufficient strength to resist damage due to handling and soil stress; and,
(5) Have properties compatible with any supplemental cathodic protection.
(b) Each external protective coating which is an electrically insulating type must also have low moisture absorption and high electrical resistance.
(c) Each external protective coating must be inspected just prior to lowering the pipe into the ditch and backfilling, and any damage detrimental to effective corrosion control must be repaired.
(d) Each external protective coating must be protected from damage resulting from adverse ditch conditions or damage from supporting blocks.
(e) If coated pipe is installed by boring, driving, or other similar method, precautions must be taken to minimize damage to the coating during installation.

Omimex corrosion control procedure 4.D.3 does not have enough detail or acceptable criteria to ensure coatings will meet Part 195.

5. **§192.465 External corrosion control: Monitoring.**
(a) Each pipeline that is under cathodic protection must be tested at least once each calendar year, but with intervals not exceeding 15 months, to determine whether the cathodic protection meets the requirements of §192.463. However, if tests at those intervals are impractical for separately protected short sections of mains or transmission line, not in excess of 100 feet (30 meters), or separately protected service line, these pipelines may be surveyed on a sampling basis. At least 10 percent of these protected structures, distributed over the entire system must be surveyed each calendar year, with a different 10 percent checked each subsequent year, so that the entire system is tested in each 10-year period.

Omimex corrosion control procedure 4.D.5, pg 4 of 5, does not state what the interval for annual pipe-to-soil monitoring shall be.

6. **§192.465 External corrosion control: Monitoring.**

(c) Each reverse current switch, each diode, and each interference bond whose failure would jeopardize structure protection must be electrically checked for proper performance six times each calendar year, but with intervals not exceeding 2 1/2 months. Each other interference bond must be checked at least once each calendar year, but with intervals not exceeding 15 months.

Omimex corrosion control procedure 4.D.5 does not give guidance for monitoring and evaluating interference bonds.

7. **§192.469 External corrosion control: Test stations.**
Each pipeline under cathodic protection required by this subpart must have sufficient test stations or other contact points for electrical measurement to determine the adequacy of cathodic protection.

Omimex corrosion control procedure 4.D.5 does not give guidance that will enable operator personnel to determine if there are sufficient test stations to verify the entire pipeline system is under adequate cathodic protection.

8. **§192.471 External corrosion control: Test leads.**
(a) Each test lead wire must be connected to the pipeline so as to remain mechanically secure and electrically conductive.
(b) Each test lead wire must be attached to the pipeline so as to minimize stress concentration on the pipe.
(c) Each bared test lead wire and bared metallic area at point of connection to the pipeline must be coated with an electrical insulating material compatible with the pipe coating and the insulation on the wire.

Omimex corrosion control procedure 4.D.5 does not give guidance for the proper installation of test leads.

9. **§192.473 External corrosion control: Interference currents.**
(a) Each operator whose pipeline system is subjected to stray currents shall have in effect a continuing program to minimize the detrimental effects of such currents.
(b) Each impressed current type cathodic protection system or galvanic anode system must be designed and installed so as to minimize any adverse effects on existing adjacent underground metallic structures.

Omimex corrosion control procedure 4.D.5 does not give guidance for operator personnel to determine if their pipeline is subject to stray currents, now or in the future.

10. **§192.479 Atmospheric corrosion control; General.**
(a) Each operator must clean and coat each pipeline or portion of pipeline that is exposed to the atmosphere, except pipelines under paragraph (c) of this section.
(b) Coating material must be suitable for the prevention of atmospheric corrosion.
(c) Except portions of pipelines in offshore splash zones or soil-to-air interfaces, the operator need not protect from atmospheric corrosion any pipeline for which the

operator demonstrates by test, investigation, or experience appropriate to the environment of the pipeline that corrosion will—
(1) Only be a light surface oxide; or
(2) Not affect the safe operation of the pipeline before the next scheduled inspection.

Omimex corrosion control procedure 4.D.1 gives no guidance for selecting proper coatings to be used to prevent atmospheric corrosion.

11. **§192.481 Atmospheric corrosion control: Monitoring.**
(a) Each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	Then the frequency of inspection is:
Onshore	At least once every 3 calendar years, but with intervals not exceeding 39 months
Offshore	At least once each calendar year, but with intervals not exceeding 15 months

(b) During inspections the operator must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.
(c) If atmospheric corrosion is found during an inspection, the operator must provide protection against the corrosion as required by Sec. 192.479.

Omimex corrosion control procedure 4.D.1 does not give instructions for operator personnel to provide atmospheric corrosion protection if atmospheric corrosion is found.

12. **§192.605 Procedural manual for operations, maintenance, and emergencies**
(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.
(1) Operating, maintaining, and repairing the pipeline in accordance with each of the requirements of this subpart and Subpart M of this part.

And

12.a. **§192.614 Damage prevention program.**
(c) The damage prevention program required by paragraph (a) of this section must, at a minimum:
(6) Provide as follows for inspection of pipelines that an operator has reason to believe could be damaged by excavation activities:
(i) The inspection must be done as frequently as necessary during and after the activities to verify the integrity of the pipeline; and

Omimex damage prevention procedure 3.N.1 does not provide guidance directing operator personnel to make a follow-up inspection of the pipeline where and when there is reason to believe the pipeline could have been damaged by a third party.

And

12.b. §192.629 Purging of pipelines.
(b) When a pipeline is being purged of gas by use of air, the air must be released into one end of the line in a moderately rapid and continuous flow. If air cannot be supplied in sufficient quantity to prevent the formation of a hazardous mixture of gas and air, a slug of inert gas must be released into the line before the air.

Omimex purging procedure 4.A.3 & 4.B.1 through 4.B.5 have adequate air purging procedures but they have no clear guidance for the purging of natural gas from a pipe.

And

12.c. §192.707 Line markers for mains and transmission lines.
(a) Buried pipelines. Except as provided in paragraph (b) of this section, a line marker must be placed and maintained as close as practical over each buried main and transmission line:
(2) Wherever necessary to identify the location of the transmission line or main to reduce the possibility of damage or interference.

Omimex line marking procedure 3.N.2 only requires line markers be placed at property boundaries. The distance between property boundaries can be considerable. This great distance can increase the odds of others striking the pipeline when doing excavation in close proximity to the unmarked pipeline. With the exception of cultivated lands, line markers should generally be placed so that at least one marker on either side of an occupied marker can be seen, and adequately reflect any linear deviations.

And

12.d. §192.713 Transmission lines: Permanent field repair of imperfections and damages.
(a) Each imperfection or damage that impairs the serviceability of pipe in a steel transmission line operating at or above 40 percent of SMYS must be-
(2) Repaired by a method that reliable engineering tests and analyses show can permanently restore the serviceability of the pipe.

Omimex repair procedure 4.C.2 appears to only give general guidance for repairs made by cutting out the damaged area and replacing it with a piece of pipe meeting the requirements of the system. This procedure, though it discusses other repair options, does not provide any detail nor reference a document that has detail for making other

repairs such as bolt on clamps, Type B sleeves, composite sleeves, Type A sleeves, or patches.

And

12.e. §192.713 Transmission lines: Permanent field repair of imperfections and damages.
(b) Operating pressure must be at a safe level during repair operations.

Omimex repair procedure 3.K.3 allows operating pressures to be as high as 100% of MAOP during welding and hot tapping. A maximum safe operating pressure during welding must be established.

And

12.f. §192.743 Pressure limiting and regulating stations: Capacity of relief devices
(a) Pressure relief devices at pressure limiting stations and pressure regulating stations must have sufficient capacity to protect the facilities to which they are connected. Except as provided in §192.739(b), the capacity must be consistent with the pressure limits of §192.201(a). This capacity must be determined at intervals not exceeding 15 months, but at least once each calendar year, by testing the devices in place or by review and calculations
(b) If review and calculations are used to determine if a device has sufficient capacity, the calculated capacity must be compared with the rated or experimentally determined relieving capacity of the device for the conditions under which it operates. After the initial calculations, subsequent calculations need not be made if the annual review documents that parameters have not changed to cause the rated or experimentally determined relieving capacity to be insufficient.
(c) If a relief device is of insufficient capacity, a new or additional device must be installed to provide the capacity required by paragraph (a) of this section.

Omimex maintenance procedure 3.J.1 does not specifically require a capacity check of each pressure relief device once each calendar year not to exceed 15 months.

And

12.g. §192.745 Valve maintenance: Transmission lines.
(b) Each operator must take prompt remedial action to correct any valve found inoperable, unless the operator designates an alternative valve.

Omimex maintenance procedure 3.E.1 does not direct operator personnel to take immediate remedial actions when a valve is found inoperable.

13. **§192.485 Remedial measures: Transmission lines.**

(a) General corrosion. Each segment of transmission line with general corrosion and with a remaining wall thickness less than that required for the MAOP of the pipeline must be replaced or the operating pressure reduced commensurate with the strength of the pipe based on actual remaining wall thickness. However, corroded pipe may be repaired by a method that reliable engineering tests and analyses show can permanently restore the serviceability of the pipe. Corrosion pitting so closely grouped as to affect the overall strength of the pipe is considered general corrosion for the purpose of this paragraph.
(b) Localized corrosion pitting. Each segment of transmission line pipe with localized corrosion pitting to a degree where leakage might result must be replaced or repaired, or the operating pressure must be reduced commensurate with the strength of the pipe, based on the actual remaining wall thickness in the pits
(c) Under paragraphs (a) and (b) of this section, the strength of pipe based on actual remaining wall thickness may be determined by the procedure in ASME/ANSI B31G or the procedure in AGA Pipeline Research Committee Project PR 3-805 (with RSTRENG disk). Both procedures apply to corroded regions that do not penetrate the pipe wall, subject to the limitations prescribed in the procedures.

Omimex maintenance procedure 4.D.2 gives no instructions for operator personnel to follow when determining the remaining pipe strength when general corrosion is found on the pipe.

14. **§192.605 Procedural manual for operations, maintenance, and emergencies**
(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.
(8) Periodically reviewing the work done by operator personnel to determine the effectiveness and adequacy of the procedures used in normal operation and maintenance and modifying the procedure when deficiencies are found

Omimex Procedures do not clearly define a process for assessing the effectiveness of their O&M procedures, and for documenting such action has occurred.

15. **§192.605 Procedural manual for operations, maintenance, and emergencies**
(b) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following, if applicable, to provide safety during maintenance and operations.
(9) Taking adequate precautions in excavated trenches to protect personnel from the hazards of unsafe accumulations of vapor or gas, and making available when needed at the excavation, emergency rescue equipment, including a breathing apparatus and, a rescue harness and line.

Omimex maintenance procedure 3.K.2 does not have enough detail for protecting personnel from hazards of unsafe accumulations of vapors or gas.

16. **§192.619 Maximum allowable operating pressure: Steel or plastic pipelines.**
(a) Except as provided in paragraph (c) of this section, no person may operate a segment of steel or plastic pipeline at a pressure that exceeds the lowest of the following:
(1) The design pressure of the weakest element in the segment, determined in accordance with subparts C and D of this part. However, for steel pipe in pipelines being converted under §192.14 or uprated under subpart K of this part, if any variable necessary to determine the design pressure under the design formula (§192.105) is unknown, one of the following pressures is to be used as design pressure:
(i) Eighty percent of the first test pressure that produces yield under section N5.0 of Appendix N of ASME B31.8, reduced by the appropriate factor in paragraph (a)(2)(ii) of this section; or
(ii) If the pipe is 12¾ inches (324 mm) or less in outside diameter and is not tested to yield under this paragraph, 200 p.s.i. (1379 kPa) gage.

Procedure 3.D.1 does not direct that the MAOP be determined from the lesser of 1) the design pressure, 2) the rated pressure of the weakest component, or 3) 80% of the lowest test pressure.

17. **§192.709 Transmission lines: Record keeping.**
(c) A record of each patrol, survey, inspection, and test required by subparts L and M of this part must be retained for at least 5 years or until the next patrol, survey, inspection, or test is completed, whichever is longer.

And

17.a. **§192.605 Procedural manual for operations, maintenance, and emergencies**
(c) Abnormal operation. For transmission lines, the manual required by paragraph (a) of this section must include procedures for the following to provide safety when operating design limits have been exceeded:
(1) Responding to, investigating, and correcting the cause of:
(i) Unintended closure of valves or shutdowns;
(ii) Increase or decrease in pressure or flow rate outside normal operating limits;
(iii) Loss of communications;
(iv) Operation of any safety device; and,
(v) Any other foreseeable malfunction of a component, deviation from normal operation, or personnel error which may result in a hazard to persons or property.

Omimex abnormal operation procedure 3.L.1 does not direct operator personnel to document of abnormal operations including actions taken.

18. **§192.805 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(a) Identify covered tasks;

Omimex's Operator Qualification Program (OQP) does not have a process for determining if a task is a covered task .

19. **§192.805 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(b) Ensure through evaluation that individuals performing covered tasks are qualified;

19.a. Omimex's OQP does not have a process that will enable an Omimex supervisor determine if contractor personnel are qualified and have had sufficient training to complete a covered task. Additionally Omimex's OQP does not require that there be task specific abnormal operating condition (AOC) qualification before contractor personnel are qualified to perform the covered task.

19.b. Omimex's OQP does not contain a process for insuring that newly aquired assets that result from mergers or acquisitions will be incorporated into the program.

20. **§192.805 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(c) Allow individuals that are not qualified pursuant to this subpart to perform a covered task if directed and observed by an individual that is qualified;

The provisions in the OQP state that ratio of qualified to non-qualified shall be minimized but does not give a number non-qualified individuals that can be directed and observed by a qualified individual for each covered task. Additionally the OQP does not provide guidance as to which covered tasks cannot be performed by a non-qualified individual under direct observation of qualified indivual.

21. **§192.805 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(f) Communicate changes that affect covered tasks to individuals performing those covered tasks;

Omimex's OQP does not clearly define the process for communicating changes that affect covered tasks to the individuals performing those covered tasks. Additionally the OQP states that each contractor has the responsibility to manage these changes and ensure that, if required, individuals will be re-evaluated and qualified according to the

changes prior to the performance of any covered tasks. Management of changes is the operator's responsibility, not a contractor's responsibility.

22. **§192.805 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(g) Identify those covered tasks and the intervals at which evaluation of the individual's qualifications is needed.

Omimex's latest revision of their Operator Qualification Program (OQP) does not contain their original list of covered task names associated with their faciltieies. It appears that this list of task names was in an earlier revision of their OQP under Appendix B but that list is no longer in their most recent OQP. Regardless, the old list only listed the name of the covered tasks and not the covered task descriptions; the required training, if needed, to qualify for each covered task; the accepted qualification methods; accepted industry certifications; re-qualifiation intervals for each task; and abnormal operating conditions (AOCs) unique to each covered task.

23. **§192.805 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(i) After December 16, 2004, notify the Administrator or a state agency participating under 49 U.S.C. Chapter 601 if the operator significantly modifies the program after the Administrator or state agency has verified that it complies with this section.

Omimex's OQP does not contain provisions for notifying PHMSA of significant modifications to their OQP.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. 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.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within [number of days] days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In correspondence concerning this matter, please refer to **CPF 5-2007-1009M** 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

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*

cc: PHP-60 Compliance Registry
PHP-500 G. Davis (#118882)