U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

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

December 19, 2017

Mr. Michael Farnsworth
Vice President
Wyoming Pipeline Company
10 Stampede Street
Newcastle, WY 82701

Mr. William Pate
President and CEO
Par Pacific Holdings, Inc.
One Memorial Plaza
800 Gessner Road, Suite 875
Houston, TX 77024

CPF 5-2017-6034

Dear Mr. Pate:

On November 5, 2015, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), pursuant to Chapter 601 of 49 United States Code, inspected your Newcastle Refinery to Mule Creek Junction Products Pipeline in Newcastle, Wyoming.[1]

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] Par Pacific Holdings, Inc. purchased the Wyoming Refining Company (WRC) in 2016.

1. **§195.406 Maximum operating pressure.**
(a) Except for surge pressures and other variations from normal operations, no operator may operate a pipeline at a pressure that exceeds any of the following:
(1) The internal design pressure of the pipe determined in accordance with §195.106. However, for steel pipe in pipelines being converted under §195.5, if one or more factors of the design formula (§195.106) are 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/ANSI B31.8 (incorporated by reference, see §195.3), reduced by the appropriate factors in §§195.106(a) and (e); or
(ii) If the pipe is 323.8 mm (12¾ in) or less outside diameter and is not tested to yield under this paragraph, 1379 kPa (200 psig).
(2) The design pressure of any other component of the pipeline.
(3) Eighty percent of the test pressure for any part of the pipeline which has been pressure tested under Subpart E of this part.
(4) Eighty percent of the factory test pressure or of the prototype test pressure for any individually installed component which is excepted from testing under §195.305.
(5) For pipelines under §§195.302(b)(1) and (b)(2)(i), that have not been pressure tested under Subpart E of this part, 80 percent of the test pressure or highest operating pressure to which the pipeline was subjected for 4 or more continuous hours that can be demonstrated by recording charts or logs made at the time the test or operations were conducted.

Wyoming Refining Company (WRC) failed to establish the maximum operating pressure (MOP) of its pipeline in accordance with 49 C.F.R. § 195.406(a). At the time of inspection, WRC did not have records to substantiate the MOP for its Newcastle Refinery to Mule Creek Junction Petroleum Products Pipeline. Although WRC produced an affidavit from the pipeline construction manager to indicate a hydrostatic pressure test was performed up to 2656 psig at the time of construction in 1982, this affidavit does not meet the records requirements of 49 C.F.R. § 195.310.[2] Thus, with certain conditions, §§195.406(a)(5) and 195.302(b)(1)(iii) could be used to substantiate an MOP for the products pipeline. Nevertheless, WRC did not produce any pressure test records, operating pressure charts, logs, or other supporting evidence to show that the MOP of its Newcastle Refinery to Mule Creek Junction Petroleum Products Pipeline was set in accordance with 49 C.F.R. §195.406(a).

2. **§195.505 Qualification program.**
Each operator shall have and follow a written qualification program. The program shall include provisions to:
(a) Identify covered tasks;
(b) Ensure through evaluation that individuals performing covered tasks are qualified;
(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;

(d) Evaluate an individual if the operator has reason to believe that the individual's performance of a covered task contributed to an accident as defined in Part 195;
(e) Evaluate an individual if the operator has reason to believe that the individual is no longer qualified to perform a covered task;
(f) Communicate changes that affect covered tasks to individuals performing those covered tasks; and
(g) Identify those covered tasks and the intervals at which evaluation of the individual's qualifications is needed.
(h) After December 16, 2004, provide training, as appropriate, to ensure that individuals performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of pipeline facilities; and
(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. Notifications to PHMSA may be submitted by electronic mail to InformationResourcesManager@dot.gov, or by mail to ATTN: Information Resources Manager DOT/PHMSA/OPS, East Building, 2nd Floor, E22-321, New Jersey Avenue SE, Washington, DC 20590.

WRC failed to establish a written Operator Qualification (OQ) program in accordance with 49 C.F.R. § 195.505. At the time of the inspection, there was no written OQ program in use. Although an OQ program was in place until 2004, WRC abandoned its written OQ program after 2004, and started following OQ processes that were significantly different and not per any written program. A WRC representative indicated the former OQ plan was out-of-date, not used, and the operator did not make it available to PHMSA for review upon request. Consequently, WRC had no personnel performing covered tasks who were qualified per a written plan that met the provisions of Section 195.505.

3. §195.452 Pipeline integrity management in high consequence areas.
(b) What program and practices must operators use to manage pipeline integrity? Each operator of a pipeline covered by this section must:
(5) Implement and follow the program.

WRC failed to implement and follow its IMP program as required by 49 C.F.R. §195.452(b)(5). Specifically, WRC did not perform a verification dig and analysis of anomalies identified from an in-line-inspection (ILI) as set forth in its integrity management plan (IMP).[3] At the time of inspection, WRC had not compared the anomalies determined

---

[2] *See* 49 C.F.R. § 195.310 (listing requirements for records of pressure tests).
[3] *See* 49 C.F.R. §195.452(g)(2) (requiring operators to analyze all available information about the integrity of its pipeline, including data gathered through the integrity assessment required under 195.452, when periodically evaluating the integrity of each pipeline segment).

from ILI assessment results to known (measured) anomalies. WRC's ILI and Rehabilitation manual requires validation digs for ILI results.[4] However, there were no records of validation digs from the 2005 and 2010 ILI assessments. Although WRC stated during the inspection that anomalies identified in the 2005 ILI were compared to anomalies from the 2010 ILI, this constitutes an incomplete analysis of all available information. Even though an ILI vendor may have indicated a high level of accuracy, the results must be confirmed via validation digs under Section 6 of WRC's ILI and Rehabilitation Manual. By not confirming ILI results with validation digs as required by its manual, WRC did not implement and follow its program in violation of 49 C.F.R. § 195.452(b)(5).

4. §195.420 Valve maintenance.
(b) Each operator shall, at intervals not exceeding 7 1/2 months, but at least twice each calendar year, inspect each mainline valve to determine that it is functioning properly.

WRC failed to inspect each mainline valve at intervals not exceeding 7½ months, but at least twice each calendar year, to determine that it was functioning properly, in violation of 49 C.F.R. § 195.420(b). At the time of the PHMSA inspection, WRC identified eight mainline valves (MLVs) on its pipeline. As of November 5, 2015, WRC had valve maintenance/inspection records for the eight MLVs inspected on November 18, 2013, and February 5, 2015; and for one of the 8 MLVs (the South Beaver Creek MLV) inspected on November 6, 2014. However, WRC had no valve inspection records or other supporting evidence to show that valve maintenance was conducted on its eight MVLs for the following years:

2012 (2nd inspection of calendar year – 8 inspections);
2013 (first inspection of the calendar year-- 8 inspections);
2014 (entire calendar year with an exception of 1 inspection on November 6, 2014 -- 15 inspections.); and
2015 (second inspection of the calendar year -- 8 inspections).

By not performing the 39 requisite mainline valve maintenance every 7½ months, but at least twice each calendar year between 2012 and 2015 to ensure they were functioning properly, WRC violated 49 C.F.R. § 195.420(b).

5. §195.402 Procedural manual for operations, maintenance, and emergencies.
(c) Maintenance and normal operations. The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:
(13) Periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies are found.

---

[4] *See* WRC ILI and Rehabilitation Manual, Section 6, ¶ 2.

WRC violated 49 C.F.R. § 195.402(c)(13) by failing to review the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies were found. Specifically, WRC did not perform three (3) procedure-effectiveness reviews between 2012 and 2015. At the time of the PHMSA inspection, WRC did not have records or other supporting evidence to demonstrate that it was periodically reviewing the work done by operator personnel to determine the effectiveness of the procedures used in normal operation and maintenance for the period between 2012 and 2015. WRC's procedures require the manuals be reviewed once per year. Therefore, by not presenting records or other substantiating evidence that it was conducting periodic reviews of the work done by personnel to determine the effectiveness of the procedures used in normal operation and maintenance and taking corrective action where deficiencies were found, WRC violated 49 C.F.R. § 195.402(c)(13).

6. **§195.428 Overpressure safety devices and overfill protection systems.**
(a) Except as provided in paragraph (b) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, or in the case of pipelines used to carry highly volatile liquids, at intervals not to exceed 7 ½ months, but at least twice each calendar year, inspect and test each pressure limiting device, relief valve, pressure regulator, or other item of pressure control equipment to determine that it is functioning properly, is in good mechanical condition, and is adequate from the standpoint of capacity and reliability of operation for the service in which it is used.

WRC violated 49 C.F.R. § 195.428(a) by failing to inspect and test each overpressure safety device to determine that it was functioning properly, was in good mechanical condition, and was adequate from a standpoint of capacity and reliability of operation for the service in which it was used at intervals not exceeding 15 months, but at least twice each calendar year. WRC had at least two over-pressure safety devices at its Newcastle Refinery, including a high-pressure shut-down switch for the pump and a pressure relief valve downstream of the pump. At the time of the PHMSA inspection, WRC did not have any records for six (6) over-pressure protection inspections for the years 2012 to 2015. WRC did not produce any other substantiating evidence to demonstrate that it had inspected and tested its pressure control equipment to determine that it was functioning properly, was in good mechanical condition, and was adequate from a standpoint of capacity and reliability of operation for the service in which it was used. Thus, by not performing overpressure device inspections at the requisite intervals, WRC violated 49 C.F.R. § 195.428(a).

7. **§195.583 What must I do to monitor atmospheric corrosion control?**
(a) You 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 onshore then the frequency of inspection is at least once every 3 calendar years, but with intervals not exceeding 39 months.

WRC violated 49 C.F.R. § 195.583(a) by failing to inspect each pipeline or portion of pipeline for evidence of atmospheric corrosion. At the time of the PHMSA inspection, WRC had no records of atmospheric corrosion inspection monitoring between 2010 and 2015. It was noted that there are at least eight sites where the pipeline is exposed to the atmosphere, and at least one inspection cycle of three-year maximums was missed. By failing to produce any substantiating evidence that it had performed 8 atmospheric corrosion control inspections between 2010 and 2015 at requisite intervals, WRC violated 49 C.F.R. § 195.583(a).

8. **§195.573 What must I do to monitor external corrosion control?**
(a) Protected pipelines. You must do the following to determine whether cathodic protection required by this subpart complies with § 195.571:
(1) Conduct tests on the protected pipeline at least once each calendar year, but with intervals not exceeding 15 months. However, if tests at those intervals are impractical for separately protected short sections of bare or ineffectively coated pipelines, testing may be done at least once every 3 calendar years, but with intervals not exceeding 39 months.

WRC violated 49 C.F.R. § 195.573(a)(1) by failing to conduct tests on its protected pipeline at least once each calendar year, but with intervals not exceeding 15 months. WRC's products system has 44 cathodic protection test stations. WRC performed an annual cathodic protection, pipe-to-soil survey in June 2011, but at the time of the PHMSA inspection, WRC did not have records for years 2012, 2013, and 2014. By failing to produce any substantiating evidence that it performed 132 corrosion-control monitoring inspections between 2012 and 2014 at the requisite intervals, WRC violated 49 C.F.R. § 195.573(a)(1).

9. **§195.573 What must I do to monitor external corrosion control?**
(c) Rectifiers and other devices. You must electrically check for proper performance each device in the first column at the frequency stated in the second column.

Device	Check frequency
Rectifier ..... Reverse current switch. Diode. Interference bond whose failure would jeopardize structural protection.	At least six times each calendar year, but with intervals not exceeding 2 ½ months
Other interference bond	At least once each calendar year, but with intervals not exceeding 15 months.

WRC violated 49 C.F.R. § 195.573(c) by failing to check the performance of their rectifiers and other devices at least six times each calendar year, but with intervals not exceeding 2½ months. At the time of inspection, WRC had inspection records to indicate that it had checked

one rectifier at Dewey Road for each month in 2011, for a total of 12 inspections. However, WRC did not have rectifier inspection records for the years 2012, 2013, 2014, and 2015. By failing to produce any substantiating evidence that it had performed 17 rectifier inspections between 2012 and 2015 at the requisite intervals, WRC violated 49 C.F.R. §195.573(c).

10. §195.55 Reporting safety-related conditions.
(a) Except as provided in paragraph (b) of this section, each operator shall report in accordance with §195.56 the existence of any of the following safety-related conditions involving pipelines in service:
(1) General corrosion that has reduced the wall thickness to less than that required for the maximum operating pressure, and localized corrosion pitting to a degree where leakage might result.

WRC violated 49 C.F.R. § 195.55(a)(1) by failing to report safety-related conditions involving pipelines in service regarding general corrosion that reduced wall thickness to less than required for the MOP, and any localized corrosion pitting to a degree where leakage might result. Specifically, WRC did not submit a safety-related condition report (SRCR) for external corrosion that reduced the maximum operating pressure (MOP) in December 2005. SRCRs must be filed with PHMSA within 10 working days as required by Section 195.56(a). Although corrosion anomalies were discovered from the 2005 in-line inspection, and 526 feet of pipe were replaced in January of 2006, WRC failed to file a SRCR in accordance with §195.56. By failing to submit a safety-related condition report on the existence of a safety-related condition involving corrosion on a pipeline in service, WRC violated 49 C.F.R. § 195.55(a)(1).

Proposed Civil Penalty

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, you are subject to a civil penalty not to exceed $209,002 per violation per day the violation persists, up to a maximum of $2,090,022 for a related series of violations. For violations occurring prior to November 2, 2015, the maximum penalty may not exceed $200,000 per violation per day, with a maximum penalty not to exceed $2,000,000 for a 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 $279,400 as follows:

Item number	PENALTY
2	$ 36,000
4	$ 30,400
5	$ 22,300
6	$ 41,400
7	$ 24,100
8	$ 72,000
9	$ 53,200

Warning Items

With respect to item 10 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 promptly correct these item(s). Failure to do so may result in additional enforcement action.

Proposed Compliance Order

With respect to items 1, 2 and 3, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to WRC. 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. All material you submit in response to this enforcement action may be 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 5-2017-6034** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Dustin Hubbard
Acting 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 C. Allen / D. Fehling (#150199)

PROPOSED COMPLIANCE ORDER

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

1. In regard to Item 1 of the Notice pertaining to a pressure test, WRC must submit operating pressure recording charts or logs to substantiate a maximum operating pressure (MOP) per 195.406(a)(5), or perform a pressure test per the requirements of 195.406(a)(3) that substantiates their maximum operating pressure.

2. In regard to Item Number 2 of the Notice pertaining to an operator qualification program, WRC must develop a written operator qualification (OQ) program that meets all the provisions of Section 195.505; and WRC must follow all the provisions of their OQ program including ensuring through evaluation that individuals performing covered tasks are qualified.

3. In regard to Item Number 3 of the Notice pertaining to an information analysis, WRC must perform validation dig(s) from the most recent in-line inspection assessment. WRC must submit the results of the validation dig(s) from the integrity assessment.

4. After receipt of the Final Order, WRC must submit records within 60 days which evidence that items 1, 2 and 3 above are complete.

5. It is requested (not mandated) that WRC maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Dustin Hubbard, Acting Director, Western 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.