

## **WARNING LETTER**

### **CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

November 16, 2009

Mr. Peter Sametz  
Executive Vice President and Chief Operating Officer  
Montana Refining Company, Inc  
Suite 2600, Watermark Tower  
530 8<sup>th</sup> Avenue, SW  
Calgary, Alberta T2P3S8

**CPF 5-2009-5040W**

Dear Mr. Sametz:

From June 30 to July 2, 2009, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Bootlegger Pipeline in Great Falls, Montana.

As a result of the inspection, it appears that Montana Refining Company, Inc. (MRC), has committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violations are:

- 1. § 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:**

<b>If the pipeline is located:</b>	<b>Then the frequency of inspection is:</b>
<b>Onshore</b>	<b>At least once every 3 calendar years, but with intervals not exceeding 39 months</b>

**Offshore**

**At least once each calendar year, but with intervals not exceeding 15 months**

- (b) During inspections you 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 you find atmospheric corrosion during an inspection, you must provide protection against the corrosion as required by Sec. 195.581.**

During the field inspection of the receiver and associated piping at the MRC Refinery, atmospheric corrosion was visible on the receiver barrel and associated valves and flanges. MRC must inspect its aboveground pipeline facilities for coating damage and evidence of corrosion. If coating damage and/or evidence of corrosion is observed, appropriate actions should be promptly taken to repair the coating damage and/or corrosion.

**2. § 195.589 What corrosion control information do I have to maintain?**

- (c) You must maintain a record of each analysis, check, demonstration, examination, inspection, investigation, review survey and test required by this subpart in sufficient detail to demonstrate the adequacy of corrosion control measures or that corrosion requiring control measures does not exist. You must maintain these records for at least 5 years.**

MRC was unable to provide documentation of their atmospheric corrosion monitoring inspections as required by § 195.583. MRC must inspect its aboveground pipeline facilities for coating damage and evidence of corrosion and retain a record of each inspection for at least five (5) years.

**3. § 195.404 Maps and Records**

- (b)(1) Each operator shall maintain for at least 3 years daily operating records that indicate the discharge pressure at each pump station**

MRC was unable to provide any documentation of the pressure of their pipeline at the Great Falls Station (or anywhere along the pipeline) where it receives crude oil from the Front Range Pipeline. MRC indicated that they rely on Front Range Pipeline personnel to monitor the discharge pressures into their pipeline and to maintain any documentation that is required. While it is acceptable to have a third party monitor the pipeline pressure and retain the pressure records, as the pipeline operator, MRC must also obtain the records from the third party and retain the pressure records for at least three (3) years.

**4. § 195.432 Inspection of in-service breakout tanks**

**(a) Except for breakout tanks inspected under paragraphs (b) and (c) of this section, each operator shall, at intervals not exceeding 15 months, but at least once each calendar year, inspect each in-service breakout tank.**

MRC was unable to provide documentation of their annual in-service breakout tank (Tank 124) inspection. MRC indicated that they assumed refinery personnel were performing this task. MRC must conduct annual inspections of Tank 124 and maintain a record of each inspection.

**5. § 195.579(a) What must I do to mitigate internal corrosion?**

**(a) General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.**

MRC was unable to provide documentation of any corrosive effect investigations. MRC indicated that they assumed Front Range Pipeline personnel were performing this task. While it is acceptable to have a third party perform corrosive effect investigations of the hazardous liquid transported through their pipeline, MRC must obtain the records from the third party and retain the records for at least three (3) years. In addition, MRC must take the appropriate steps to mitigate corrosion if the investigations determine that there is a possibility that the hazardous liquid could cause internal corrosion of the Bootlegger Pipeline.

**6. § 195.575 Which facilities must I electrically isolate and what inspections, tests and safeguards are required?**

**(b) You must install one or more insulating devices where electrical isolation of a portion of a pipeline is necessary to facilitate the application of corrosion control.**

**(c) You must inspect and electrically test each electrical isolation to assure the isolation is adequate.**

The annual cathodic protection survey records for the Bootlegger Pipeline do not include casing to soil potential readings to demonstrate that the casings are not shorted to the pipeline. MRC must ensure that casing to soil potential readings are obtained and documented during each annual cathodic protection survey that is conducted on the Bootlegger Pipeline.

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 violation. 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 correct the items identified in this letter. Failure to do so will result in the Montana Refining Company being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 5-2009-5040W**. 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).

Sincerely,

Chris Hoidal  
Director, Western Region  
Pipeline and Hazardous Materials Safety Administration

cc: Maureen Krum, Montana Refining Company, Inc.  
PHP-60 Compliance Registry  
PHP-500 M. Petronis (#123972)