U.S. Department
of Transportation

**Pipeline and Hazardous
Materials Safety Administration**

400 Seventh Street, S.W.
Washington, D.C. 20590

SEP - 6 2006

Mr. Wilson Groen
President and General Manager
Navajo Nation Oil and Gas Company, Inc.
P.O. Box 4439
Window Rock, AZ 86515-4439

Re: CPF No. 4-2005-5008M

Dear Mr. Groen:

Enclosed is the Order Directing Amendment issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes a finding of inadequate procedures and requires that you amend your written integrity management program. When the terms of the Order are completed, as determined by the Director, Southwest Region, this enforcement action will be closed. Your receipt of the Order Directing Amendment constitutes service of that document under 49 C.F.R. § 190.5.

Sincerely,

James Reynolds
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, DC 20590

In the Matter of	)	
Navajo Nation Oil and Gas Company, Inc.,	)	**CPF No. 4-20085-5008M**
Respondent	)	

ORDER DIRECTING AMENDMENT

On October 12–15, 2004, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration's Office of Pipeline Safety inspected Respondent's written integrity management program (IMP) at its facility in Window Rock, Arizona. As a result of the inspection, the Director, Southwest Region, issued to Respondent, by letter dated January 7, 2005, a Notice of Amendment (NOA). The NOA alleged inadequacies in Respondent's IMP and proposed to require amendment of Respondent's procedures to comply with the requirements at 49 C.F.R. § 195.452.

Respondent did not respond to the NOA within 30 days, but submitted a letter dated March 24, 2005. Respondent did not contest the allegations set forth in the NOA and described the actions it is taking to address the inadequacies. Respondent did not request a hearing and has waived its right to one. Respondent requested an extension of 90 days to submit documentation of its compliance. By letter dated March 31, 2005, the Director, Southwest Region, provided Respondent an extension until May 20, 2005 to submit amended procedures for review. Respondent failed to submit any documentation for review.

Accordingly, I find that Respondent's IMP is inadequate to ensure safe operation of its pipeline system. Pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237, Respondent is ordered to make the following changes to its IMP. Respondent must—

1. Amend the process for identifying which pipeline segments could affect a high consequence area. The process must document the use of local knowledge, information obtained from routine field activities (such as right-of-way surveillance and aerial surveys), and other information sources to supplement data from the National Pipeline Mapping System (NPMS) to accurately reflect current conditions in the vicinity of the pipeline. Although Respondent's IMP refers to the use of "provisions to assure that local knowledge . . . is used as required to supplement NPMS data," Respondent does not actually provide details for that process. The IMP must provide a detailed process for

supplementing NPMS data as described, including how, when and where the process is to be performed, who is responsible, where the data flow goes, and why the process is necessary.

2. Amend the process for review of integrity assessment results and information analysis by someone qualified to evaluate the results and information. Respondent's IMP states that after in-line inspection tool runs, Respondent may implement a process for excavating anomalies to validate tool results using actual measured defect characteristics. The IMP must include procedures to identify and implement each activity that is required to validate the in-line inspection data. If Respondent chooses not to validate and calibrate tool results, the IMP must include documented justification to demonstrate that validation and calibration activities are not necessary for Respondent's particular circumstances. Respondent's IMP must also contain process documentation to provide guidance or procedures for performing a detailed review of integrity assessment results, generating a repair schedule, and integrating additional sources of risk factor data, such as cathodic protection data and right-of-way surveillance. The process must support the evaluation of pipeline condition and decision-making related to the repair or remediation of conditions, to ensure that qualified persons are able to effectively implement the process.

3. Amend the process for the review of integrity assessment results and information analysis by someone qualified to evaluate the results and information. The IMP must include process documentation specifying how additional information should be integrated with integrity assessment results to support decisions on excavation and repair of identified conditions. Respondent's form titled "Pipeline Integrity Assessment Results Analysis" provides a place for collected data to be recorded, but Respondent has no guidance for using the form. Respondent must provide guidance for using the form in addition to communication of results to ensure that the form is fully and consistently utilized.

4. Amend the process for analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure. The IMP must include a documented justification or basis for the risk model numerical values and weights used for variables and risk factors. Respondent must remove as much subjectivity from the process as possible by assigning criteria to the 1, 3, and 5 weights or by providing guidance for assigning subjective weights to assure consistent application and repeatability. The IMP must integrate information about pipeline risks associated with all modes of operation where hazardous liquids are present, including startup, shutdown, and slack line operation. Respondent's discharge volumes are stated as worst case conditions, but the analyses must consider lack of tankage isolation as a potential contributing factor to spill volume. If the tankage is sufficiently isolated to prevent the tank inventory from increasing the worst case spill volume, Respondent must provide a justified statement in the IMP describing the supporting conditions.

5. Amend the element for identification of preventive and mitigative measures to protect high consequence areas. The IMP must document the systematic decision-making process that includes input from relevant parts of the organization such as management, operations, and engineering. The process must consider the results of the risk analysis

along with other information in making decisions about which preventive and mitigative actions to implement.

6. Amend the element for identification of preventive and mitigative measures to protect high consequence areas. The IMP must document the process for evaluating the capability of leak detection means and modify, as necessary, to protect high consequence areas per § 195.452(i)(3). Respondent verbally refers to its Facility Response Procedure manuals regarding leak detection evaluation, but Respondent must include a process in the IMP for leak detection evaluation. The location of the nearest response personnel, as addressed in the Facility Response Manuals, is one of the required factors for consideration. Potential changes to leak detection capability as a response to operator actions and reactions and lessons learned during drills must also be included in the process. This manual, if used as part of Respondent's IMP must be referenced in the IMP documentation.

7. Amend the IMP to document the continual process of assessment and evaluation to maintain a pipeline's integrity. The periodic evaluation must be conducted as frequently as needed to assure pipeline integrity. Respondent must base the frequency of evaluation on the risk factors specific to its pipeline including the factors specified in § 195.452(e). The evaluation must consider the results of the baseline and periodic integrity assessments, information analysis (§ 195.452(g)), decisions about remediation, and preventive and mitigative measures (§ 195.452(h) and (i)).

8. Amend the IMP to document the continual process of assessment and evaluation to maintain a pipeline's integrity. The IMP must correlate assessment methods with pipeline specific conditions and risk factors evaluated in accordance with § 195.452(j)(5). The correlation must be specific enough to ensure that Respondent chooses assessment methods capable of detecting anomalies that could result from the specific risks to each pipeline segment assessed. One of the purposes of the hazardous liquids pipeline integrity management regulation is to promote rigorous, systematic management of pipeline integrity through the implementation of management systems (processes). As discussed during the inspection, as Respondent's IMP processes and management systems are implemented and revised, there must be greater specificity in process documentation, including inputs, steps performed, and expected outputs for evaluation to ensure these processes can be consistently applied and repeated. Respondent's IMP is largely comprised of language taken directly from PHMSA's Liquid IMP Inspection Protocols. Although the Protocols are intended to be helpful guidance in the initial development of an IMP, they do not constitute detailed process descriptions that meet regulatory requirements. Respondent must develop sufficiently detailed processes and procedural controls to assure consistent evaluation, quality, and communication of integrity management processes. Where prescriptive terminology is used in the regulation, such as deadlines, timelines or quantities, Respondent's IMP shall include that language. Respondent must customize the required processes to its unique operating environment. For example, Respondent must indicate how, when and where the processes are to be performed, who is responsible, where the data flow goes, and why the processes are necessary.

9. Complete each of the above items and submit documentation of completion within 30 days of receipt of this Order. Submit documentation to the Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration, 8701 South Gessner Drive, Suite 1110, Houston, TX 77074-2949.

The Director, Southwest Region, may grant an extension of time to comply with any of the required items upon a written request timely submitted by the Respondent demonstrating good cause for an extension.

Failure to comply with this Order may result in administrative assessment of civil penalties up to $100,000 per day for each violation and in referral to the Attorney General for appropriate relief in a district court of the United States. The terms and conditions of this Order Directing Amendment are effective upon receipt.

Stacey Gerard
Associate Administrator
for Pipeline Safety

SEP - 6 2006
Date Issued