

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

September 21, 2010

Mr. Edward McMurtrie
Vice President
Paiute Pipeline Company
P.O. Box 98510
Las Vegas, Nevada 89150

CPF 5-2010-1006W

Dear Mr. McMurtrie:

Between May 17 and 21, 2010, and July 26 and 30, 2010, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Paiute Pipeline Company (Paiute) facilities in Nevada. In May, our representative reviewed the Operation and Maintenance Manual and implementing records in Carson City, Nevada. In July, our representative conducted a field inspection of your northern pipeline facilities between the Nevada/Idaho border and Lovelock, Nevada.

As a result of the inspection, it appears that Paiute has committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation is:

1. §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.

Paiute did not follow their leak survey procedures presented in their Operations and Maintenance (O&M) manual. Their O&M manual states that leak surveys will be conducted in Class 3 areas two times each calendar year. At the time of the inspection, the operator's records indicate that two Class 3 leakage surveys in 2008 were late. Specifically, the late leakage surveys were:

1. The first survey in 2008 for the pipeline segment bounded between main line (ML) mileage reference ML 141.94 to ML 142.40. There is approximately one half miles of pipeline right-of-way near the Rye Patch Reservoir campground where Paiute was late in conducting the leak survey by two (2) days.
2. The first survey in 2008 for the pipeline segment on the Elko Lateral (EL) bounded by mileage reference EL 8.13 to EL 8.36. There is approximately ¼ miles of transmission pipeline right-of-way near an industrial facility where Paiute was late in conducting the leakage survey by twelve (12) days.

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. 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 put controls in place to ensure compliance with Federal regulations, including implementation of all parts of your O&M manual as identified in this letter. Failure to do so will result in Paiute 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 5-2010-1006W**. 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: PHP-60 Compliance Registry
PHP-500 B. Brown (#128404)