

August 04, 2016

Mr. Leland Tate
Chief Operating Officer
Nutaag Pipeline, LLC
601 West 5th Avenue, Suite 310
Anchorage, AK 99501

Re: CPF No. 5-2015-5024

Dear Mr. Tate:

Enclosed please find the Final Order issued in the above-referenced case. It makes a finding of violation and finds that Nutaag Pipeline, LLC has completed the actions specified in the Notice to comply with the pipeline safety regulations. Therefore, this case is now closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Acting Associate Administrator
for Pipeline Safety

Enclosure

cc: Chris Hoidal, Director, Western Region, OPS

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

**U.S. DEPARTMENT OF TRANSPORTATION
 PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
 OFFICE OF PIPELINE SAFETY
 WASHINGTON, D.C. 20590**

_____)
In the Matter of)
)
Nutaaq Pipeline, LLC,)
a subsidiary of Miller Energy)
Resources, Inc.,)
)
Respondent.)
 _____)

CPF No. 5-2015-5024

FINAL ORDER

On February 2-6, 2015, and February 24-26, 2015, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted on-site pipeline safety inspections of the facilities and records of Nutaaq Pipeline, LLC (Nutaaq or Respondent) at its Badami Sales Oil Pipeline located on the North Slope of Alaska. Nutaaq owns and operates a petroleum pipeline that extends from the Badami Central Processing Unit, Alaska to a tie-in point with the Endicott Pipeline System.

As a result of the inspection, the Director, Western Region, OPS (Director), issued to Respondent, by letter dated December 2, 2015, a Notice of Probable Violation and Proposed Compliance Order (Notice), which also included a warning pursuant to 49 C.F.R. § 190.205. In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Nutaaq had violated 49 C.F.R. § 195.563 and proposed ordering Respondent to take certain measures to correct the alleged violations. The warning item required no further action, but warned the operator to correct the probable violation or face possible enforcement action.

Nutaaq responded to the Notice by letter dated December 10, 2015 (Response). In addition, on February 4, 2016, PHMSA met with Nutaaq for clarification of certain aspects of Nutaaq's response. On March 24, 2016, Nutaaq provided additional clarifying information. The company did not contest the allegations of violation, but provided information concerning the corrective actions it had taken in response to the Notice. Respondent did not request a hearing and therefore has waived its right to one.

FINDING OF VIOLATION

In its Response, Nutaaq did not contest the allegations in the Notice that it violated 49 C.F.R. Part 195, as follows:

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.563, which states in relevant part:

§ 195.563-- Which pipelines must have cathodic protection?

(a) Each buried or submerged pipeline that is constructed, relocated, replaced, or otherwise changed after the applicable date in Sec. 195.401(c) must have cathodic protection. The cathodic protection must be in operation not later than 1 year after the pipeline is constructed, relocated, replaced, or otherwise changed, as applicable.

The Notice alleged that Respondent violated 49 C.F.R. § 195.563 by failing to provide cathodic protection to a buried section of its pipeline within a year of construction. Specifically, the Notice alleged that Nutaaq failed to provide cathodic protection to the 20-foot section of the Badami Sales Oil Pipeline that is buried on the Badami Central Production Facility Pad. The Badami Sales Oil Pipeline was constructed in 1998. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 195.563 by failing to provide cathodic protection to a buried section of the pipeline within a year of construction.

This finding of violation will be considered a prior offense in any subsequent enforcement action taken against Respondent.

WARNING ITEM

With respect to Item 1, the Notice alleged a probable violation of Part 195, but did not propose a civil penalty or compliance order for this item. Therefore, this is considered to be a warning item. The warning was for:

49 C.F.R. § 195.402 (**Item 1**) — Respondent's alleged failure to review its procedural manual for emergencies at intervals not exceeding 15 months, but at least once each calendar year.

Nutaaq presented information in its Response showing that it had taken certain actions to address the cited item. Upon investigation, it was found that Nutaaq had failed to review its procedural manual in calendar year 2013. This manual was subsequently reviewed in 2014 and 2015 as required. Nutaaq has established a compliance task matrix, which notifies personnel of upcoming deadlines and will ensure that such problems do not occur in the future.

If OPS finds a violation of this item in a subsequent inspection, Respondent may be subject to future enforcement action.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 2 in the Notice for violations of 49 C.F.R. § 195.563. Under 49 U.S.C. § 60118(a), each person who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. The Director indicates that Respondent has taken the following actions specified in the proposed compliance order:

With respect to the violation of § 195.563 (**Item 2**), Respondent has permanently converted the pipeline to an aboveground segment. Respondent removed the soil around the pipeline, placed a rubber boot on the casing, and built an enclosure around that section of the pipeline. Therefore, that section of the pipeline is no longer required by 49 C.F.R. Part 195 to have cathodic protection because it is no longer buried or in contact with soil.

Accordingly, I find that compliance has been achieved with respect to this violation. Therefore, the compliance terms proposed in the Notice are not included in this Order.

The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

Alan K. Mayberry
Acting Associate Administrator
for Pipeline Safety

Date Issued