

**NOTICE OF PROBABLE VIOLATION  
and  
PROPOSED COMPLIANCE ORDER**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

December 2, 2015

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

**CPF 5-2015-5024**

Dear Mr. Tate:

On February 2-6, 2015 and February 24-26, 2015, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Badami Sales Oil Pipeline located on the North Slope of Alaska.

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. § 195.402 Procedural manual for operations, maintenance, and emergencies.

**(a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective . . .**

Nutaaq Pipeline, LLC (Nutaaq) failed to review its procedural manual for emergencies at intervals not exceeding 15 months, but at least once each calendar year. The revision log for Nutaaq's emergencies procedural manual, titled *Badami Emergency Action Plan*, includes an initial release date of November 2, 2012 and a subsequent revision date of December 2, 2014. Nutaaq failed to review the manual in the 2013 calendar year.

2. § 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.**

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 (Badami Pad). The Badami Sales Oil Pipeline was constructed in 1998. The Badami Sales Oil Pipeline is an interstate pipeline, so the applicable date in Sec. 195.401(c) is March 31, 1970. Therefore, this buried pipeline is required to have cathodic protection. Nutaaq failed to provide cathodic protection to the buried pipeline section on the Badami Pad.

Proposed Compliance Order

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$200,000 per violation per day the violation persists up to a maximum of \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a related series of violations.

We have reviewed the circumstances and supporting documents involved in this case, and have decided not to propose a civil penalty assessment at this time.

With respect to Item 2, pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Nutaaq

Pipeline, LLC. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Warning Items

With respect to Item 1, 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 this. Be advised that failure to do so may result in Nutaaq Pipeline, LLC being subject to additional enforcement action.

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. 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). 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 5-2015-5024** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

Chris Hoidal  
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 T. Johnson (148790, 148791)

## **PROPOSED COMPLIANCE ORDER**

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

1. In regard to Item Number 2 of the Notice pertaining to cathodic protection of the buried section of the Badami Sales Oil Pipeline located on the Badami Central Production Facility Pad, Nutaaq must provide adequate cathodic protection to the buried section of the pipeline at issue or modify the system configuration such that cathodic protection is not required for the aforementioned pipeline section.
2. Within 30 days after receipt of the Final Order, Nutaaq shall submit to Chris Hoidal, Director, Western Region, PHMSA, a plan and schedule to comply with Item 1 of this compliance order.
3. Within 180 days after receipt of the Final Order, Nutaaq shall comply with Item 1 of this compliance order.
4. It is requested (not mandated) that Nutaaq maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to Chris Hoidal, Director, Western Region, PHMSA. 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.