

May 14, 2018

Mr. Eldar Sætre
President and Chief Executive Officer
Statoil ASA
Forusbeen 50
4035 Stavanger,
Norway

Re: CPF No. 3-2017-6009

Dear Mr. Sætre:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$73,700, and specifies actions that need to be taken by Statoil Pipelines, LLC, a subsidiary of Statoil ASA, to comply with the pipeline safety regulations. The penalty payment terms are set forth in the Final Order. When the civil penalty has been paid and the terms of the compliance order completed, as determined by the Director, Central Region, this enforcement action will be closed. Service of the Final Order by certified mail is effective upon the date of mailing as provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Allan C. Beshore, Director, Central Region, Office of Pipeline Safety, PHMSA
Mr. Frederick Beck, Senior VP DPUSA, 6300 Bridge Point Parkway, Bldg 2, Suite 100,
Austin, TX 78730
Mr. Charles O'Brien, Managing Counsel, Statoil Pipelines LLC, 120 Long Ridge Road
Suite 3E01, Stamford, CT 06905
Mr. Ronnie Speer, Principal DOT Pipeline Compliance, DPUSA SSU SRC REG, 6300
Bridge Point Parkway, Bldg 2, Suite 100, Austin TX 78730

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)	
)	
Statoil Pipelines, LLC,)	CPF No. 3-2017-6009
 a subsidiary of Statoil ASA,)	
)	
Respondent.)	
)	

FINAL ORDER

On March 22-24 and May 3-5, 2016, pursuant to 49 U.S.C. § 60117, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), Office of Pipeline Safety (OPS), conducted an on-site pipeline safety inspection of the facilities and records of Statoil Pipelines, LLC’s (Statoil or Respondent) North Dakota pipeline unit in Williston, North Dakota. Statoil ASA, the parent company of Statoil, is a Norwegian multinational oil and gas company headquartered in Stavanger, Norway, with operations in 36 countries, including the United States.¹

As a result of the inspection, the Director, Central Region, OPS (Director), issued to Respondent, by letter dated September 29, 2017, a Notice of Probable Violation, Proposed Civil Penalty, and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Statoil had committed five violations of 49 C.F.R. Part 195 and proposed assessing a civil penalty of \$73,700 for the alleged violations. The Notice also proposed ordering Respondent to take certain measures to correct the alleged violations.

Statoil responded to the Notice by letter dated November 3, 2017 (Response). The company did not contest the allegations of violation and agreed to pay the proposed penalty amount and perform the terms of the proposed compliance order upon receipt of this Final Order. Respondent did not request a hearing and therefore has waived its right to one.

FINDINGS OF VIOLATION

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

¹ Statoil’s website, *available at* <https://www.statoil.com/> (last accessed January 16, 2018).

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 195.266, which states:

§ 195.266 Construction records.

A complete record that shows the following must be maintained by the operator involved for the life of each pipeline facility:

- (a) The total number of girth welds and the number nondestructively tested, including the number rejected and the disposition of each rejected weld.
- (b) The amount, location; and cover of each size of pipe installed.
- (c) The location of each crossing of another pipeline.
- (d) The location of each buried utility crossing.
- (e) The location of each overhead crossing.
- (f) The location of each valve and corrosion test station.

The Notice alleged that Respondent violated 49 C.F.R. § 195.266 by failing to maintain complete records showing the amount, location, and depth of cover of each size of pipe installed, the location of each crossing of another pipe, the location of each buried utility crossing, the location of each overhead crossing, and the location of each valve and corrosion test station. Specifically, the Notice alleged that Statoil did not have records containing information on the depth of cover at the time of installation (except for bored sections), pipeline location, utility or overhead crossings, or valves and corrosion test stations for the Loughheed section of its pipeline.

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. § 195.266 by failing to have the requisite construction records for the Loughheed section of its pipeline.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 195.402(c)(12), which states:

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

- (a)
- (c) *Maintenance and normal operations.* The manual required by paragraph (a) of this section must include procedures for the following to provide safety during maintenance and normal operations:
 - (1)
 - (12) Establishing and maintaining liaison with fire, police, and other appropriate public officials to learn the responsibility and resources of each government organization that may respond to a hazardous liquid or pipeline emergency and acquaint the officials with the operator's ability in responding to a hazardous liquid or carbon dioxide pipeline emergency and means of communication.

The Notice alleged that Respondent violated 49 C.F.R. § 195.402(c)(12) by failing to follow for each pipeline system a manual of written procedures that included procedures for establishing liaison with fire, police, and other appropriate public officials to learn the responsibility and resources of each organization that may respond to a hazardous liquid or pipeline emergency and

acquaint these officials with Statoil's response capabilities. Specifically, the Notice alleged that Statoil was unable to produce records evidencing liaison efforts with fire and police departments for the City of Willison and the City of Alexander. It also failed to produce records evidencing liaison efforts with the emergency-management and sheriff's departments for Williams and McKenzie Counties.

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. § 195.402(c)(12) by failing to follow procedures to establish and maintain liaison with fire, police, and other appropriate public officials pursuant to a manual of written procedures to provide safety during maintenance and normal operations.

Item 3: The Notice alleged that Respondent violated 49 C.F.R. § 195.410(a)(2)(ii), which states:

§ 195.410 Line markers.

(a) Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:

(1)

(2) The marker must state at least the following on a background of sharply contrasting color:

(i)

(ii) The name of the operator and a telephone number (including area code) where the operator can be reached at all times.

The Notice alleged that Respondent violated 49 C.F.R. § 195.410(a)(2)(ii) by failing to place and maintain a line marker that included a telephone number where the operator could be reached at all times. Specifically, the Notice alleged that Statoil failed to have a marker that listed a telephone number where a person could be reached at all hours. When the inspector called the number listed, there was no response.

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. § 195.410(a)(2)(ii) by failing to place and maintain a line marker that included a telephone number where the operator could be reached at all times.

Item 4: The Notice alleged that Respondent violated 49 C.F.R. § 195.452(b)(1), which states:

§ 195.452 Pipeline integrity management in high consequence areas.

(a)

(b) *What program and practices must operators use to manage pipeline integrity?* Each operator of a pipeline covered by this section must:

(1) Develop a written integrity management program that addresses the risks on each segment of pipeline in the first column of the following table not later than the date in the second column:

Pipeline	Date
Category 1	March 31, 2002.
Category 2	February 18, 2003.
Category 3	1 year after the date the pipeline begins operation.

The Notice alleged that Respondent violated 49 C.F.R. § 195.452(b)(1) by failing to develop an integrity management program (IMP) for a pipeline operating in a High Consequence Area (HCA) within the requisite time period. Specifically, the Notice alleged that Statoil failed to develop an IMP for a Category 3 pipeline (commissioned in 2013) until three years after it began operation, instead of the required one year.

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. § 195.452(b)(1) by failing to develop an IMP not later than one year after the date the pipeline began operation.

Item 5: The Notice alleged that Respondent violated 49 C.F.R. § 195.509(a), which states:

§ 195.509 General.

(a) Operators must have a written qualification program by April 27, 2001. The program must be available for review by the Administrator or by a state agency participating under 49 U.S.C. Chapter 601 if the program is under the authority of that state agency.

The Notice alleged that Respondent violated 49 C.F.R. § 195.509(a) by failing to have a written qualification program in place during operation. Specifically, the Notice alleged that Statoil failed to have its written operator qualification (OQ) program in place from the time when operations began in February 2013 through October 2015. Prior to October 2015, there were employees and contractors performing covered tasks even though Statoil did not have an OQ program in place.

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. § 195.509(a) by failing to have a written qualification program in place during operation.

These findings of violation will be considered prior offenses in any subsequent enforcement action taken against Respondent.

ASSESSMENT OF PENALTY

Under 49 U.S.C. § 60122, Respondent is subject to an administrative civil penalty not to exceed \$200,000 per violation for each day of the violation, up to a maximum of \$2,000,000 for any

related series of violations.² In determining the amount of a civil penalty under 49 U.S.C. § 60122 and 49 C.F.R. § 190.225, I must consider the following criteria: the nature, circumstances, and gravity of the violation, including adverse impact on the environment; the degree of Respondent's culpability; the history of Respondent's prior offenses; and any effect that the penalty may have on its ability to continue doing business; and the good faith of Respondent in attempting to comply with the pipeline safety regulations. In addition, I may consider the economic benefit gained from the violation without any reduction because of subsequent damages, and such other matters as justice may require. The Notice proposed a total civil penalty of \$73,700 for the violations cited above.

Item 1: The Notice proposed a civil penalty of \$16,900 for Respondent's violation of 49 C.F.R. § 195.266, by failing to maintain complete records showing the amount, location, and depth of cover of each size of pipe installed, the location of each crossing of another pipe, the location of each buried utility crossing, the location of each overhead crossing, and the location of each valve and corrosion test station. Statoil neither contested the allegation nor presented any evidence or argument justifying a reduction or elimination of the proposed penalty. I find that Statoil failed to comply with a requirement that was clearly applicable and offered no reasonable justification for its noncompliance. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$16,900 for violation of 49 C.F.R. § 195.266.

Item 3: The Notice proposed a civil penalty of \$22,400 for Respondent's violation of 49 C.F.R. § 195.410(a)(2)(ii) by failing to place and maintain a line marker that included a telephone number where the operator could be reached at all times. Statoil neither contested the allegation nor presented any evidence or argument justifying a reduction or elimination of the proposed penalty. Statoil failed to comply with a requirement that was clearly applicable and offered no reasonable justification for its noncompliance. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$22,400 for violation of 49 C.F.R. § 195.410(a)(2)(ii).

Item 4: The Notice proposed a civil penalty of \$17,200 for Respondent's violation of 49 C.F.R. § 195.452(b)(1) by failing to develop an IMP for a Category 3 pipeline operating in an HCA within one year of operation. Statoil neither contested the allegation nor presented any evidence or argument justifying a reduction or elimination of the proposed penalty. The proposed penalty took into consideration the fact that Statoil found the noncompliance, which occurred within an HCA, and took documented action to correct it prior to the PHMSA inspection. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$17,200 for violation of 49 C.F.R. § 195.452(b)(1).

Item 5: The Notice proposed a civil penalty of \$17,200 for Respondent's violation of 49 C.F.R. § 195.509(a) by failing to have a written qualification program in place during operation. Statoil neither contested the allegation nor presented any evidence or argument justifying a reduction or elimination of the proposed penalty. The proposed penalty amount took

² These amounts are adjusted annually for inflation. *See, e.g.*, Pipeline Safety: Inflation Adjustment of Maximum Civil Penalties, 82 Fed. Reg. 19325 (April 27, 2017).

into consideration that Statoil found the noncompliance, which occurred within an HCA, and took documented action to correct it prior to the PHMSA inspection. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$17,200 for violation of 49 C.F.R. § 195.509(a).

In summary, having reviewed the record and considered the assessment criteria for each of the Items cited above, I assess Respondent a total civil penalty of **\$73,700**.

Payment of the civil penalty must be made within 20 days of service of this Final Order. Payment may be made by sending a certified check or money order (containing the CPF Number for this case), made payable to "U.S. Department of Transportation," to the Federal Aviation Administration, Mike Monroney Aeronautical Center, Financial Operations Division (AMK-325), 6500 S MacArthur Blvd, Oklahoma City, Oklahoma 79169. Federal regulations (49 C.F.R. § 89.21(b)(3)) also permit payment to be made by wire transfer through the Federal Reserve Communications System (Fedwire), to the account of the U.S. Treasury. Detailed instructions are contained in the enclosure. Questions concerning wire transfers should be directed to: Financial Operations Division (AMK-325), Federal Aviation Administration, Mike Monroney Aeronautical Center, 6500 S MacArthur Blvd, Oklahoma City, Oklahoma 79169. The Financial Operations Division telephone number is (405) 954-8845.

Failure to pay the \$73,700 civil penalty will result in accrual of interest at the current annual rate in accordance with 31 U.S.C. § 3717, 31 C.F.R. § 901.9 and 49 C.F.R. § 89.23. Pursuant to those same authorities, a late penalty charge of six percent (6%) per annum will be charged if payment is not made within 110 days of service. Furthermore, failure to pay the civil penalty may result in referral of the matter to the Attorney General for appropriate action in a district court of the United States.

COMPLIANCE ORDER

The Notice proposed a compliance order with respect to Item 2 in the Notice, for violation of 49 C.F.R. § 195.402(c)(12). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under chapter 601. Pursuant to the authority of 49 U.S.C. § 60118(b) and 49 C.F.R. § 190.217, Respondent is ordered to take the following actions to ensure compliance with the pipeline safety regulations applicable to its operations:

1. With respect to the violation of § 195.402(c)(12) (**Item 2**), Respondent must locate all missing records and send them to Allan C. Beshore, Director, Central Region, OPS, PHMSA within 90 days of receipt of this Final Order.

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

It is requested (not mandated) that Respondent maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to the Director. 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.

Failure to comply with this Order may result in the administrative assessment of civil penalties not to exceed \$200,000, as adjusted for inflation (49 C.F.R. § 190.223), for each violation for each day the violation continues or in referral to the Attorney General for appropriate relief in a district court of the United States.

Under 49 C.F.R. § 190.243, Respondent may submit a Petition for Reconsideration of this Final Order to the Associate Administrator, Office of Pipeline Safety, PHMSA, 1200 New Jersey Avenue, SE, East Building, 2nd Floor, Washington, DC 20590, with a copy sent to the Office of Chief Counsel, PHMSA, at the same address, no later than 20 days after receipt of service of this Final Order by Respondent. Any petition submitted must contain a statement of the issue(s) and meet all other requirements of 49 C.F.R. § 190.243. The filing of a petition automatically stays the payment of any civil penalty assessed. The other terms of the order, including corrective action, remain in effect unless the Associate Administrator, upon request, grants a stay. The terms and conditions of this Final Order are effective upon service in accordance with 49 C.F.R. § 190.5.

May 14, 2018

Alan K. Mayberry
Associate Administrator
for Pipeline Safety

Date Issued