March 20, 2012

Wilson Groen
President and CEO
Navajo Nation Oil & Gas Co., Inc.
50 Narbono Circle West
St. Michaels, AZ  86511

Dear Mr. Groen:

On August 16 and 17, 2011, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected the effectiveness of Navajo Nation Oil & Gas Co., Inc.’s (Navajo’s) Public Awareness Program (PAP) in St. Michaels (Window Rock) AZ.

As a result of the inspection, it appears that Navajo has committed two probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. §192.616 Public Awareness

   (c) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why conditions with all or certain provisions of the recommended practice is not practicable and not necessary for safety.
Section 8.3 and Table 8-1 of RP 1162 and Section 12 of the Navajo Public Awareness Program (PAP) require an annual review of the Navajo PAP. During the inspection, Navajo was unable to produce documentation of annual reviews conducted for years prior to CY 2010.

2. §192.616 Public Awareness

(i) The operator must follow the general program recommendations, including baseline and supplemental requirements of API RP 1162, unless the operator provides justification in its program or procedural manual as to why conditions with all or certain provisions of the recommended practice is not practicable and not necessary for safety.

(i) The operator's program documentation and evaluation results must be available for periodic review by appropriate regulatory agencies.

Section 8.4.2 and Table 8-1 of RP 1162 require program effectiveness evaluations no more than four years apart. At the time of the inspection, Navajo had not conducted a four-year effectiveness evaluation.

During the inspection, Navajo contacted RCP Inc. of Houston Texas and arranged to have a program effectiveness evaluation performed no later than October 1, 2011. RCP conducted the evaluation September 27, 2011. Navajo provided a copy of the page report to the PHMSA Southwest Region. The Southwest Region reviewed the report and found it satisfactory. The next program effectiveness evaluation is due no later than September 30, 2015.

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 correct the items identified in this letter. Failure to do so will result in Navajo 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 4-2012-1003W. 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,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration