

SEP 09 2011

Mr. Mike Joynor
Senior Vice President
Alyeska Pipeline Service Company
P.O. Box 196660
Anchorage, AK 99519

Mr. John Mingé
President
BP Exploration (Alaska), Inc.
900 E. Benson Blvd.
Anchorage, AK 99508

Re: CPF No. 5-2008-5016H

Dear Messrs. Joynor and Mingé:

Please find enclosed the Post-Hearing Decision Withdrawing the Notice of Proposed Corrective Action Order in the above-referenced matter. As a result of your companies' replacement of the crude oil pipeline between Skid 50 and Pump Station 1, the Decision finds that issuance of a corrective action order is not necessary. As more fully explained in the document, the Notice of Proposed Corrective Action Order issued on June 20, 2008, to Alyeska Pipeline Service Company and BP Exploration (Alaska), Inc., is withdrawn and this enforcement action is now closed. Service of this Decision 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,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Chris Hoidal, *Director*, Western Region, PHMSA
Mr. Dennis Hinnah, *Deputy Director*, Western Region, PHMSA
Ms. Sheila Doody Bishop, *Attorney*, Alyeska Pipeline Service Co.
Mr. Randal Buckendorf, *Senior Attorney*, BP Exploration (Alaska) Inc.

VIA CERTIFIED MAIL – RETURN RECEIPT REQUESTED [7005 1160 0001 0075 9398]

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

In the Matter of)	
)	
Alyeska Pipeline Service Company,)	
)	
and)	CPF No. 5-2008-5016H
)	
BP Exploration (Alaska), Inc.,)	
)	
Respondents.)	

**POST-HEARING DECISION WITHDRAWING
NOTICE OF PROPOSED CORRECTIVE ACTION ORDER**

On June 20, 2008, the Director, Western Region, Office of Pipeline Safety (OPS), Pipeline and Hazardous Materials Safety Administration (PHMSA), issued a Notice of Proposed Corrective Action Order (Notice) under authority of 49 U.S.C. § 60112 alleging that continued operation of a crude oil pipeline at the Prudhoe Bay Unit oil field in the North Slope Borough, Alaska, by Alyeska Pipeline Service Company (Alyeska) and BP Exploration (Alaska), Inc. (BPXA), would be hazardous to life, property, and the environment without corrective measures. Alyeska operates the 800-mile Trans Alaska Pipeline System (TAPS) that transports crude oil from the North Slope to Valdez. BPXA operates approximately 150 miles of crude oil, natural gas liquids and natural gas pipelines in Alaska, and also has partial ownership of TAPS.¹

At the time of the Notice, the 0.4-mile pipeline at issue (Affected Pipeline) transported the combined output of crude oil—approximately 400,000 barrels per day—from the Prudhoe Bay Unit Western and Eastern Operating Areas to TAPS. The Affected Pipeline began at BPXA’s Skid 50 facility and ended at Alyeska’s Pump Station 1 of TAPS. The upstream section of the Affected Pipeline was operated by BPXA and the downstream section by Alyeska.

The Notice documented two prior failures on BPXA’s crude oil pipelines located just upstream of the Affected Pipeline that were caused by internal corrosion. The Notice alleged that the Affected Pipeline had similar operational and internal characteristics as the pipelines that failed, and proposed that Alyeska and BPXA (Respondents or Companies) be required to undertake corrective measures on the Affected Pipeline similar to those previously imposed by PHMSA on

¹ This information is reported by Alyeska and BPXA pursuant to 49 C.F.R. § 195.49.

the failed pipelines.² In particular, the Notice proposed that Respondents be required to take one of two options: they could either assess and repair the Affected Pipeline, or they could replace it with a new pipeline.

Enforcement Proceeding

Section 190.233, of title 49, Code of Federal Regulations, authorizes the issuance of a corrective action order, after reasonable notice and opportunity for hearing, when a pipeline facility is determined to be hazardous to life, property, or the environment. A corrective action order requires the facility's operator to take corrective measures to address the hazardous condition, which may include suspended or restricted use of the facility, physical inspection, testing, repair, replacement, or other appropriate action.

Written notice that OPS intends to issue a corrective action order must state the facts that support the allegation that the facility is hazardous and provide the operator with an opportunity for a hearing. If a hearing is held, the presiding official must submit a timely post-hearing recommendation to the Associate Administrator for Pipeline Safety as to whether or not a corrective action order is warranted. If the Associate Administrator finds the facility is or would be hazardous, the Associate Administrator issues a corrective action order. If the Associate Administrator does not find the facility is or would be hazardous, the Associate Administrator withdraws the allegation of the existence of a hazardous facility, and promptly notifies the operator in writing.

On June 20, 2008, OPS served written notice on Respondents that the agency intended to issue a corrective action order for the Affected Pipeline. The Companies responded separately to the Notice by letters dated June 30, 2008. Both operators requested a hearing. Separate hearings were held in accordance with 49 C.F.R. § 190.233(c), although representatives from both Companies attended each hearing. The hearing for BPXA's portion of the Affected Pipeline was held December 10, 2008, and the hearing for Alyeska's portion was held February 10, 2009. Both hearings took place in Lakewood, Colorado, and were presided over by the same attorney in the Office of Chief Counsel, PHMSA, pursuant to 49 C.F.R. § 190.233(c)(3). Respondents were represented by counsel during the proceedings.

After the hearings, Respondents provided separate written closing statements for the record, dated February 20, 2009. At the hearings and in their written statements, Respondents contested many of the allegations in the Notice and presented evidence in support of their respective positions that the Affected Pipeline did not pose an imminent threat to people or the environment. Shortly after post-hearing statements were submitted, Respondents and OPS (the Parties) requested that the Presiding Official suspend his recommendation for final action to allow the Parties to discuss a potential resolution to this matter. The Presiding Official granted the request and temporarily suspended his recommendation.

² See *In the Matter of BP Exploration (Alaska), Inc.*, Corrective Action Order, CPF No. 5-2006-5015H (Mar. 15, 2006) as amended by Amendment No. 1 to Corrective Action Order (July 20, 2006), Amendment No. 2 to Corrective Action Order (Aug. 10, 2006), and Amendment No. 3 to Corrective Action Order (Apr. 27, 2007).

On December 30, 2009, the Associate Administrator issued a statement to the Parties that PHMSA would continue to suspend its decision in this matter pending ongoing efforts by the Respondents to replace the Affected Pipeline. The Associate Administrator stated further that PHMSA would be prepared to withdraw the Notice in its entirety if the Respondents completed the replacement by the end of calendar year 2010.

Completion of Pipeline Replacement and Withdrawal of Notice

The Director, Western Region, OPS, has confirmed that Respondents completed replacement of the Affected Pipeline. BPXA performed a majority of the replacement work pursuant to an agreement between the Companies. PHMSA inspectors performed several on-site construction inspections, and confirmed the new pipeline was placed in service on November 13, 2010. PHMSA inspectors have also confirmed that construction of pig launchers and receivers for the new pipeline were completed in February 2011.

Since the Companies have successfully taken action to address the safety concerns expressed in the Notice, the Director has recommended that it be withdrawn. For the above reasons, I hereby withdraw the Notice issued to the Companies on June 20, 2008. The terms and conditions of this Decision are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued