



U.S. Department
of Transportation

**Research and
Special Programs
Administration**

400 Seventh St., S.W.
Washington, D.C. 20590

NOV 29 2004

Mr. Roger Hamson
Vice President, Southern Assets
Venoco, Inc.
5464 Carpinteria Avenue, Suite J
Carpinteria, CA 93013-1423

Re: CPF No. 5-2002-2001

Dear Mr. Hamson:

Enclosed is the Final Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation, assesses a civil penalty of \$9,000, and specifies actions to be taken to comply with the pipeline safety regulations. The Final Order also makes a finding of inadequate procedures and requires amendment of certain of your procedures for operations, maintenance, and emergencies. The penalty payment terms are set forth in the Final Order. When the civil penalty is paid and the terms of the Compliance Order and Amendment of Procedures are completed, as determined by the Director, Western Region, OPS, this enforcement action will be closed. Your receipt of the Final Order constitutes service of that document under 49 C.F.R. § 190.5.

Sincerely,

James Reynolds
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

DEPARTMENT OF TRANSPORTATION
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION
OFFICE OF PIPELINE SAFETY
WASHINGTON, DC 20590

In the Matter of)
)
Venoco, Inc.,)
)
Respondent.)
)

CPF No. 5-2002-2001

FINAL ORDER

Between July 31 and August 2, 2001, pursuant to 49 U.S.C. § 60117, a representative of the Office of Pipeline Safety (OPS) conducted an on-site pipeline safety inspection of Venoco, Inc.'s (Respondent's) facilities and records in Carpinteria, California. As a result of the inspection, the Director, Western Region, OPS, issued to Respondent, by letter dated August 16, 2002, a Notice of Probable Violation, Proposed Civil Penalty, Proposed Compliance Order, and Notice of Amendment (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had committed violations of 49 C.F.R. Part 192, proposed assessing a civil penalty of \$9,000 for the alleged violations, and proposed that Respondent take certain measures to correct the alleged violations. The Notice also proposed, in accordance with 49 C.F.R. § 190.237, that Respondent amend its procedures for operations, maintenance and emergencies.

Respondent failed to respond within 30 days after it had received the Notice. Respondent's failure to respond constitutes a waiver of Respondent's right to contest the allegations in the Notice and authorizes the entry of this Final Order.

FINDINGS OF VIOLATION

Respondent did not contest the alleged violations in the Notice. Accordingly, pursuant to 49 C.F.R. § 190.209(c) and 49 U.S.C. § 60122, I find that Respondent violated the following sections of 49 C.F.R. Part 192, as more fully described in the Notice:

49 C.F.R. § 192.605 (Item 1) – failing to maintain a written procedural manual having sufficient detail to allow its personnel to conduct operations in accordance with all requirements of Part 192;

49 C.F.R. § 192.479 (Item 2) – failing to protect above-ground pipeline components from atmospheric corrosion at the flange riser on the Platform Grace;

49 C.F.R. § 192.481 (Item 8) – failing to demonstrate that above-ground pipeline components were evaluated for atmospheric corrosion as required in 1999;

49 C.F.R. § 192.706 (Item 9) – failing to conduct leakage surveys at onshore locations within the maximum required interval;

49 C.F.R. § 192.739 (Item 10) – failing to conduct testing and inspections of a pressure limiting and regulating station at an offshore location within the maximum required interval;

49 C.F.R. § 192.745 (Item 11) – failing to conduct testing and inspections of two transmission line valves at the Carpenteria Plant within the maximum required interval.

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 a civil penalty not to exceed \$100,000 per violation for each day of the violation up to a maximum of \$1,000,000 for any related series of violations.

49 U.S.C. § 60122 and 49 C.F.R. § 190.225 require that, in determining the amount of the civil penalty, I consider the following criteria: nature, circumstances, and gravity of the violation, degree of Respondent's culpability, history of Respondent's prior offenses, Respondent's ability to pay the penalty, good faith by Respondent in attempting to achieve compliance, the effect on Respondent's ability to continue in business, and such other matters as justice may require.

The Notice proposed a total civil penalty of \$9,000 for the violation of §§ 192.481, 192.706, 192.739, and 192.745 (Items 8, 9, 10, and 11, respectively). With respect to Item 8 – failure to demonstrate that above-ground pipeline components were evaluated for atmospheric corrosion as required in 1999 – the Notice proposed a civil penalty of \$2,000. Failure to timely evaluate and take remedial measures to protect the above-ground portions of the pipeline could potentially jeopardize the integrity of those areas of pipe. Respondent did not offer any information that would justify a reduction in the penalty amount proposed in the Notice for this violation. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$2,000 for its violation of § 192.481.

With respect to Item 9 – failure to conduct leakage surveys at onshore locations within the maximum required interval – the Notice proposed a civil penalty of \$2,000. Failure to timely conduct leakage surveys could have adversely impacted public safety. Respondent did not offer any information that would justify a reduction in the penalty amount proposed in the Notice for this violation. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$2,000 for its violation of § 192.706.

With respect to Item 10 – failure to conduct testing and inspections of a pressure limiting and regulating station at an offshore location within the maximum required interval – the Notice proposed a civil penalty of \$2,000. Failure to timely inspect pressure relief valves could increase the risk of an overpressure incident. Respondent did not offer any information that would justify a reduction in the penalty amount proposed in the Notice for this violation. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$2,000 for its violation of § 192.739.

With respect to Item 11 – failure to conduct testing and inspections of two transmission line valves at the Carpenteria Plant within the maximum required interval – the Notice proposed a civil penalty of \$3,000. Failure to timely inspect transmission line valve operation could result in a situation where the valve does not fully close when necessary, such as in response to a release incident. Respondent did not offer any information that would justify a reduction in the penalty amount proposed in the Notice for this violation. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a civil penalty of \$3,000 for its violation of § 192.745.

Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a total civil penalty of \$9,000.

Payment of the civil penalty must be made within 20 days of service. Payment may be made by sending a certified check or money order (containing the CPF Number for this case) payable to "U.S. Department of Transportation" to the Federal Aviation Administration, Mike Monroney Aeronautical Center, Financial Operations Division (AMZ-120), P.O. Box 25082, Oklahoma City, OK 73125.

Federal regulations (49 C.F.R. § 89.21(b)(3)) also permit this 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 (AMZ-120), Federal Aviation Administration, Mike Monroney Aeronautical Center, P.O. Box 25082, Oklahoma City, OK 73125; (405) 954-8893.

Failure to pay the \$9,000 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 United States District Court.

COMPLIANCE ORDER

The Notice proposed a Compliance Order for violations of §§ 192.605 and 192.479 (Items 1 and 2, respectively). Respondent did not contest the proposed Compliance Order. Under 49 U.S.C. § 60118(a), each person who engages in the transportation of gas 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. Within 60 days following receipt of this Order, Respondent must:

1. With respect to the violation of § 192.605 (Item 1), establish and follow written procedures for operations, maintenance and emergencies for the pipeline fully meeting all requirements of Part 192;
2. With respect to the violation of § 192.479 (Item 2), perform an atmospheric corrosion control evaluation in accordance with the requirements of § 192.481;
3. Within 60 days following receipt of this Order, submit documentation demonstrating that these actions have been completed to the Director, Western Region, Office of Pipeline Safety, 12600 Colfax Avenue, Suite A-250, Lakewood, CO 0215.

The Regional Director may extend the period for complying with any of the required items if the Respondent requests an extension and adequately justifies the reasons for the extension.

Failure to comply with this Order may result in the assessment of civil penalties of up to \$100,000 per violation per day, or in the referral of the case for judicial enforcement.

AMENDMENT OF PROCEDURES

The Notice alleged inadequacies in Respondent's procedures for operations, maintenance and emergencies and proposed to require amendment of Respondent's procedures to comply with the requirements of 49 C.F.R. Part 192. Respondent did not contest the proposed Notice of Amendment. Accordingly, I find that Respondent's procedures are inadequate to ensure safe operation of its pipeline system. Pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237, Respondent is ordered to make the following amendments to its procedures. Within 30 days following receipt of this Order, Respondent must:

1. With respect to Item 3 of the Notice, amend the procedures to include directions for submitting supplemental incident reports in accordance with § 191.15.
2. With respect to Item 4 of the Notice, amend the procedures to include step-by-step processes for conducting continuing surveillance in accordance with § 192.613.

3. With respect to Item 5 of the Notice, amend the procedures for line repairs to include the procedure(s) to be used for the permanent field repair of leaks in accordance with § 192.717.
4. Within 30 days following receipt of this Order, submit copies of the amended procedures to the Director, Western Region, OPS.

The Regional Director may extend the period for complying with any of the required items if the Respondent requests an extension and adequately justifies the reasons for the extension.

Failure to comply with this Amendment of Procedures may result in the assessment of civil penalties of up to \$100,000 per violation per day, or in the referral of the case for judicial enforcement.

WARNING ITEMS

The Notice did not propose a civil penalty or corrective action for Item 6, failing to demonstrate that the written manual of procedures for operations, maintenance, and emergencies had been reviewed and updated in years 1999 and 2000 in accordance with § 195.605; or Item 7, failing to demonstrate that rectifier R-1 was inspected in accordance with the maximum required interval in § 192.465. Therefore, these are considered to be warning items. Respondent is warned that if it does not take appropriate action to correct these items, enforcement action will be taken if a subsequent inspection reveals a violation.

Under 49 C.F.R. § 190.215, Respondent has a right to submit a petition for reconsideration of this Final Order. Should Respondent elect to do so, the petition must be received within 20 days of Respondent's receipt of this Final Order and must contain a brief statement of the issue(s). The filing of a petition automatically stays the payment of any civil penalty assessed. All other terms of the Order, including any required corrective action and amendment of procedures, remain in full effect unless the Associate Administrator, upon request, grants a stay. The terms and conditions of this Final Order are effective on receipt.



Stacey Gerard
Associate Administrator
for Pipeline Safety

NOV 23 2004

Date Issued