



U.S. Department  
of Transportation

**Pipeline and  
Hazardous Materials Safety  
Administration**

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

OCT 14 2005

Mr. Charles Handly  
Executive Vice President  
Penn Octane Corporation  
820 Gessner Road, Suite 1285  
Houston, TX 77024-4471

Re: CPF No. 4-2005-5007

Dear Mr. Handly:

Enclosed is the Final Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation and specifies actions to be taken to comply with the pipeline safety regulations. When the terms of the compliance order are completed, as determined by the Director, Southwest Region, this enforcement action will be closed. Your receipt of this 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

cc: R.M. Seeley  
Director, Southwest Region, OPS

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

DEPARTMENT OF TRANSPORTATION  
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION  
OFFICE OF PIPELINE SAFETY  
WASHINGTON, DC 20590

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In the Matter of )  
 )  
Penn Octane Corporation, )  
 )  
Respondent )  
\_\_\_\_\_ )

CPF No. 4-2005-5007

FINAL ORDER

On March 29–31, 2004, pursuant to 49 U.S.C. § 60117, a representative of the Office of Pipeline Safety (OPS) conducted an on-site pipeline safety inspection of Respondent’s facilities and records in Brownville, Texas. As a result of the inspection, the Director, Southwest Region, OPS, issued to Respondent, by letter dated January 7, 2005, a Notice of Probable Violation and Proposed Compliance Order (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent had committed violations of 49 C.F.R. § 195.402(a) and proposed that Respondent take certain measures to correct the alleged violations.

Respondent responded to the Notice by letter dated January 25, 2005 (Response). Respondent did not contest the allegations of violation and provided information concerning the corrective action it is taking. Respondent did not request a hearing, and therefore has waived its right to one.

FINDINGS OF VIOLATION

In its Response, Respondent did not contest the violations alleged in the Notice. Accordingly, I find that Respondent violated the following section of 49 C.F.R. Part 195, as more fully described in the Notice:

49 C.F.R. § 195.402(a) – failing to have written procedures for: (A) maintaining pressure during pressure tests in accordance with § 195.304; (B) pressure testing components in accordance with § 195.305; (C) using a test medium in accordance with § 195.306; (D) testing tie-ins pursuant to § 195.308; and (E) making and retaining a record of each pressure test in accordance with § 195.310.

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

COMPLIANCE ORDER

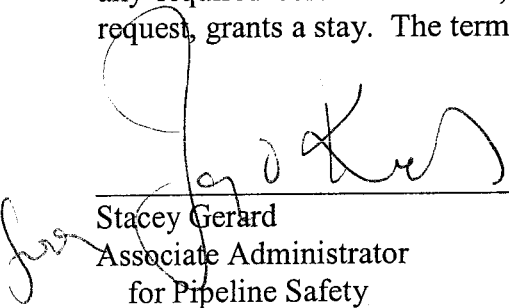
The Notice proposed a compliance order for the violations of 49 C.F.R. § 195.402(a). Under 49 U.S.C. § 60118(a), each person who engages in the transportation of hazardous liquids or who owns or operates a pipeline facility is required to comply with the applicable safety standards established under 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. Respondent must—

1. Establish written procedures for maintaining test pressure in accordance with § 195.304.
2. Establish written procedures for testing components in accordance with § 195.305.
3. Establish written procedures for using a test medium in accordance with § 195.306.
4. Establish written procedures for testing tie-ins pursuant to § 195.308.
5. Establish written procedures for making and maintaining a record of each pressure test in accordance with § 195.310.
6. Implement the established procedures into the Operating and Maintenance Manual.
7. Complete each of the above items within 30 days of receipt of this Final Order and submit documentation of completion to the Director, Southwest Region, Office of Pipeline Safety, Department of Transportation, 8701 South Gessner Drive, Suite 1110, Houston, Texas 77074-2948.

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

Failure to comply with this Final 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.

Under 49 C.F.R. § 190.215, Respondent has a right to submit a Petition for Reconsideration of this Final Order. 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 terms of the order, including any required corrective action, 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.

  
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Stacey Gerard  
Associate Administrator  
for Pipeline Safety

OCT 14 2005

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Date Issued