



US Department
of Transportation

**Research and
Special Programs
Administration**

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

OCT 30 2003

Mr. Bruce Berwager
Chief Operations Officer
Venoco, Inc.
5464 Carpinteria Avenue, Suite J
Carpinteria, CA 93013-1423

Re: CPF No. 5-2002-0008

Dear Mr. Berwager:

Enclosed is the Final Order issued by the Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation and assesses a civil penalty of \$46,500. The Final Order also requires certain corrective actions and the amendment of your procedures for operations, maintenance, and emergencies. The penalty payment terms are set forth in the Final Order. Your receipt of the Final Order constitutes service of that document under 49 C.F.R. § 190.5.

Sincerely,

Gwendolyn M. Hill
Pipeline Compliance Registry
Office of Pipeline Safety

Enclosure

cc: Mr. Keith Wenal
Safety and Training/DOT Coordinator

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. 5-2002-0008

FINAL ORDER

On September 25-26, 2001, pursuant to 49 U.S.C. § 60117, a representative of the Western Region, Office of Pipeline Safety (OPS) conducted an on-site pipeline safety inspection of Respondent's Ryer Sales Gas Pipeline ("Ryer Pipeline") facilities and records in Concord, California. As a result of the inspection, the Director, Western Region, OPS, issued to Respondent, by letter dated August 19, 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: (1) proposed finding that Respondent violated 49 C.F.R. §§ 192.491, 192.616, 192.705, 192.706, 192.465, 192.467, and committed two violations of § 192.605; (2) proposed assessing a civil penalty of \$46,500 for six of the alleged violations; and (3) 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 responded to the Notice by letter dated September 18, 2002 (Response). Respondent did not contest the allegations of violation but offered information concerning the corrective measures it intended to initiate. Respondent did not request a hearing, consequently Respondent waived its right to one.

FINDINGS OF VIOLATION

In its Response, Respondent did not contest the alleged violations set forth in the Notice. Accordingly, 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 -- failing to adequately prepare and follow a manual of written procedures for conducting operations, maintenance, and emergency response activities in accordance with the requirements of 49 C.F.R. Part 192;

49 C.F.R. § 192.491 -- failing to maintain records demonstrating the adequacy of corrosion control measures during the 1998-2001 period;

49 C.F.R. § 192.705 -- failing to conduct patrols of the pipeline right-of-way within the prescribed maximum intervals during the 1998-99 period;

49 C.F.R. § 192.706 -- failing to adequately conduct leakage surveys within the prescribed maximum interval during the 1998-99 period;

49 C.F.R. § 192.465(a) -- failing to adequately conduct pipe-to-soil testing to monitor cathodic protection levels within the prescribed maximum intervals during the 1998-2001 period;

49 C.F.R. § 192.465(b) -- failing to adequately inspect the Ryer Station cathodic protection rectifier within the prescribed maximum interval during the 1998-2001 period;

49 C.F.R. § 192.467(d) -- failing to properly conduct electrical testing to ensure the adequacy of electrical isolation at railroad casings.

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.

Venoco, Inc. is responsible for operating and maintaining the Ryer Pipeline in accordance with the applicable pipeline safety regulations. These regulations represent the minimum measures that must be taken by pipeline operators to protect the public safety. In this case the violations involved, among other things, inadequate corrosion control measures and the failure to conduct periodic leak testing. These are among the most fundamental requirements of the gas pipeline safety regulations. In its response, Respondent acknowledged the deficiencies identified in the OPS inspection, including the fact that this pipeline was operated without cathodic protection for a significant period of time. Although a new impressed current cathodic protection system was eventually installed on the Ryer Pipeline, the failure to protect against corrosion during the 1998 to 2001 period could have

resulted in deterioration of the pipe wall and a corresponding increase in the potential for pipeline failures, putting the public safety at risk. Moreover, vital monitoring and inspections that were required on a semi-annual or annual basis were not missed by a matter of days or weeks, but rather, there were no records of their being conducted for a period of nearly three years. In addition, careful monitoring of the level of corrosion control is of particular importance on the Ryer Pipeline which is constructed of both 8-inch and 12-inch sections, potentially making periodic internal pipe wall inspections problematic.

The Notice proposed civil penalties for the violations as follows:

Item 2:	failure to maintain corrosion control records	=	\$18,000
Item 9:	2 missed patrolling x \$2,500	=	\$ 5,000
Item 10:	1 missed leakage survey	=	\$ 2,500
Item 11:	failure to follow cathodic protection procedures	=	\$15,000
Item 12:	1 missed rectifier survey	=	\$ 3,000
Item 13:	1 missed electrical survey	=	\$ 3,000
		Total =	\$46,500

Respondent has not presented information that warrants mitigation of the civil penalty amounts proposed for any of the violations committed. Accordingly, having reviewed the record and considered the assessment criteria, I assess Respondent a total civil penalty of \$46,500 for failing to comply with the requirements of 49 C.F.R. §§ 192.491, 192.705, 192.706, 192.465, and 192.467.

Payment of the civil penalty must be made within 20 days of service. Federal regulations (49 C.F.R. § 89.21(b)(3)) require this payment 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 25770, Oklahoma City, OK 73125; (405) 954-4719.

Failure to pay the \$46,500 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 with respect to the violation of 49 C.F.R. §§ 192.605 and 192.491.

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 with respect to its Ryer Sales Gas Pipeline to ensure compliance with the pipeline safety regulations applicable to its operations:

1. Establish and follow a comprehensive manual of written procedures for operations, maintenance, and emergencies developed specifically for the Ryer Sales Gas Pipeline that meets all requirements of 49 C.F.R. Part 192, including Subparts E, I, L, and M as more fully described in the Notice.
2. Verify the integrity of the pipeline by conducting a pressure test in accordance with 49 C.F.R. Part 192, Subpart J. Submit the pressure test results to the Director, Western Region, OPS within 7 days of receiving them. Include information on the nature and location of any leak incidents should they occur.
3. Evaluate the adequacy of the corrosion control measures by conducting a close-interval cathodic protection survey of the pipeline, as well as interference current testing at all crossings and other areas where fault currents may be present, in accordance with 49 C.F.R. §§ 192.463, 192.473, and Appendix D. Submit the results of the electrical surveys to the Director, Western Region, OPS within 7 days of receiving them. Include information on the nature and location of any deficiencies identified during the electrical surveys and a summary evaluation of the adequacy of the corrosion control measures.
4. If any failures or deficiencies are identified as a result of the testing and evaluation actions required by this Order, or are otherwise known or suspected by Respondent, provide for further evaluations, appropriate repairs, or other remedial actions to bring the pipeline and its associated facilities into compliance with the pipeline safety regulations and relevant industry standards. Prior to initiating any repairs, develop and submit a plan to the Director, with a schedule, including a description of the assessment criteria that will be used in the prioritization of any deficiencies that are identified, and a description of the repair criteria and methods that will be used in undertaking any corrective measures.
5. Develop and maintain a formal corrosion control record keeping system in accordance with 49 C.F.R. § 192.491 that includes, among other things, maps showing the location of the pipeline's cathodic protection facilities and any neighboring structures bonded to the pipeline or its cathodic protection systems, and records demonstrating the adequacy of the corrosion control measures required for the pipeline under 49 C.F.R. Part 192, Subpart I. The record keeping system must also ensure that any records created by maintenance contractors are regularly reviewed by Respondent to ensure that the pipeline is being operated in compliance with the pipeline safety regulations applicable to its operations.
6. Respondent must accomplish the above items within 60 days following receipt of this Final Order. Submit all test results, evaluations, action plans, schedules, procedures, and other documents demonstrating compliance with this Order to the Director, Western Region, Office of Pipeline Safety, Golden Hills Centre, Suite A-250, 12600 West Colfax Avenue, Lakewood, CO 80215-3736.

AMENDMENT OF PROCEDURES

Items 3-6 of 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 as described in the Notice 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:

1. In accordance with 49 C.F.R. § 191.15(b), amend the procedures to include directions for operator personnel to make a supplemental incident report where additional related information is obtained after an incident report is originally submitted.
2. In accordance with 49 C.F.R. § 192.605(c), amend the procedures to include instructions for personnel to follow in the event of personnel error, operation of any safety device, component malfunctions, or other instances of abnormal operation.
3. In accordance with 49 C.F.R. § 192.615, amend the procedures to include instructions for personnel to follow to promptly and effectively respond to a fire, natural disaster, or other gas pipeline emergency.
4. In accordance with 49 C.F.R. § 192.629, amend the procedures to include instructions for personnel to safely and reliably perform purging of the pipeline, including measures to ensure that lines containing air are properly purged.
5. Within 30 days following receipt of this Order, submit the amended procedures to the Director, Western Region, OPS.

WARNING ITEMS

The Notice did not propose a civil penalty or corrective action for Items 7 and 8 in the Notice; therefore, these are considered 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. The warnings were for:

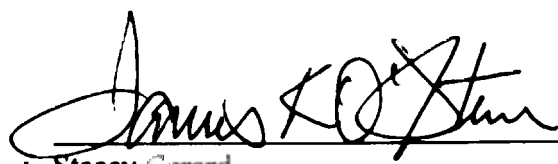
49 C.F.R. § 192.605(a) -- failing to conduct an annual review of the manual of written procedures for operations, maintenance, and emergencies during the 1999 period; and

49 C.F.R. § 192.616 -- failing to adequately establish a comprehensive public education program increasing awareness of the presence of the pipeline for potential excavators and enabling the public to recognize a gas pipeline emergency for the purpose of reporting it to the operator or appropriate public authorities.

The Director, Western Region, OPS may grant an extension of time for compliance with any of the terms of this Order for good cause. A request for an extension must be in writing.

Under 49 C.F.R. § 190.215, Respondent has a right to 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 filing of the petition automatically stays the payment of any civil penalty assessed. All other terms of the Order, including any required corrective actions, remain in full effect unless the Associate Administrator, upon written request, grants a stay.

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. The terms and conditions of this Final Order are effective on receipt.



Stacey Gerard
for Associate Administrator
for Pipeline Safety

OCT 30 2003

Date Issued