



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

FEB 20 2007

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

Timothy Collins
President
Blacksand Energy, Inc.
1801 Broadway, Suite 600
Denver, CO 80202

Re: CPF No. 5-2005-0022

Dear Mr. Collins:

Enclosed is the Final Order issued by the Acting Associate Administrator for Pipeline Safety in the above-referenced case. It makes findings of violation and finds that you have completed the actions specified in the Notice required to comply with the pipeline safety regulations. The Final Order also finds that you have addressed the inadequacies in your procedures that were cited in the Notice of Amendment. This case is now closed. Your receipt of the Final Order constitutes service under 49 C.F.R. § 190.5.

Sincerely,

James Reynolds
Pipeline Compliance Registry
PHMSA-Office of Pipeline Safety

Enclosure

cc: Mr. Chris Hoidal, P.E., Director Western Region, PHMSA

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

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

In the Matter of

Blacksand Energy, Inc.,

Respondent

CPF No. 5-2005-0022

FINAL ORDER

Between March 28 through March 31, 2005, pursuant to 49 U.S.C. § 60117, a representative of the Pipeline and Hazardous Materials Safety Administration's (PHMSA's)¹ Office of Pipeline Safety conducted an on-site pipeline safety inspection of Respondent's Brea to Olinda Pipeline facilities, manuals, and records in Brea, California. As a result of the inspection, the Director, Western Region, PHMSA, issued to Respondent, by letter dated October 26, 2005, a Notice of Probable Violation, Proposed Compliance Order, and Notice of Amendment (Notice). In accordance with 49 C.F.R. § 190.207, the Notice proposed finding that Respondent committed violations of 49 C.F.R. Part 192 and proposed ordering Respondent to 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/plans.

On November 23, 2005, Respondent requested an extension and PHMSA's Regional Director granted a 60-day extension of time to respond in a letter dated December 1, 2005. Respondent responded to the Notice by letter dated January 25, 2006 (Response). Respondent did not contest the allegations of violation and offered information concerning the corrective actions it has taken. Respondent did not request a hearing, and therefore has waived its right to one.

¹ Effective February 20, 2005, the Pipeline and Hazardous Materials Safety Administration (PHMSA) succeeded Research and Special Programs Administration as the agency responsible for regulating safety in pipeline transportation and hazardous materials transportation. See, section 108 of the Norman Y. Mineta Research and Special Programs Improvement Act (Public Law 108-426, 118 Stat. 2423-2429 (November 30, 2004)). See also, 70 Fed. Reg. 8299 (February 18, 2005) re delegating the pipeline safety authorities and functions to the PHMSA Administrator.

FINDINGS OF VIOLATION

(Uncontested)

In its Response, Respondent did not contest the alleged violations 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:

Item 1 - 49 C.F.R. § 192.745(a-b) – failing to properly maintain transmission line valve;

Item 2 - 49 C.F.R. § 192.479(a-c) – failing to maintain the appropriate atmospheric protection on a short above ground section of pipeline;

Item 6 - 49 C.F.R. § 192.605(a) – failing to follow its procedures that were in place at the time; and

Item 12 - 49 C.F.R. § 192.475(b)(1-3) –failing to inspect for atmospheric corrosion within maximum intervals.

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 with respect to Items 1, 2, 6, and 12 in the Notice for violations of 49 C.F.R. § 192.745(a-b) (Notice Item 1), 49 C.F.R. § 192.479(a-c) (Notice Item 2), 49 C.F.R. § 192.605(a) (Notice Item 6), and 49 C.F.R. § 192.475(b)(1-3) (Notice Item 12). 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. The Director, Western Region, PHMSA has indicated that Respondent has taken the following actions specified in the proposed Compliance Order:

Item 1 - 49 C.F.R. § 192.745(a-b) – new valve has been installed;

Item 2 - 49 C.F.R. § 192.479(a-c) – pipeline has been cleaned and coated for atmosphere corrosion;

Item 6 - 49 C.F.R. § 192.605(a) – procedure 11.01, section 4.2 has been removed from manual (not required); and

Item 12 - 49 C.F.R. § 192.475(b)(1-3) – the latest corrosion coupon evaluation reports showed minimal loss and Respondent is currently looking into options such as injecting corrosion inhibitors with its contract chemical company.

Accordingly, since compliance has been achieved with respect to these violations, the compliance terms are not included in this Order.

AMENDMENT OF PROCEDURES

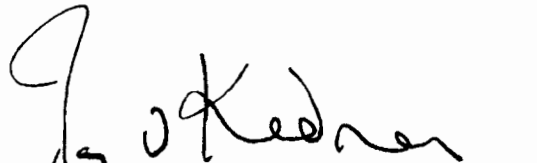
Notice Items 3, 5, 8, 9, and 13 alleged inadequacies in Respondent's procedures/plans and proposed to require amendment of Respondent's procedures to comply with the requirements of 49 C.F.R. § 192.227(a-b) (Notice Item 3), 49 C.F.R. § 192.743(a-c) (Notice Item 5), 49 C.F.R. § 192.605(c)(2) and (4) (Notice Item 8), 49 C.F.R. § 192.605 (b)(8) (Notice Item 9), 192.751(a-c) (Notice Item 13), as fully described in the Notice.

In its Response, Respondent submitted copies of its amended procedures, which the Director, Western Region, PHMSA reviewed. Accordingly, based on the results of this review, I find that portions of Respondent's original procedures as described in the Notice were inadequate according to the requirements of §190.237, but that Respondent has corrected the identified inadequacies. No need exists to issue an Order Directing Amendment.

WARNING ITEMS

The Notice did not propose a civil penalty or corrective action for Notice Item 4 (49 C.F.R. § 192.745(a), Notice Item 7 (49 C.F.R. § 192.616), Notice Item 10 (49 C.F.R. § 192.605(a)) and Notice Item 11 (49 C.F.R. § 192.465(d)) but warned Respondent that it should take appropriate corrective action to correct the items. In its Response, Respondent stated that it has taken action towards addressing the Notice Items 4 and 10. With respect to Notice Items 7 and 11, Respondent indicates it is working to develop the proper action for compliance. Respondent is again warned that if PHMSA finds a violation for any of these items in a subsequent inspection, enforcement action will be taken.

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



for
Jeffrey D. Wiese
Acting Associate Administrator
for Pipeline Safety

FEB 20 2007

Date Issued