

per attached e-mail from Mr. Clement
Alberts - This is a copy of POWI's original
submitted / PK 3/27/07
~~DRAFT~~

March, 1 2007

Mr. Chris Hoidal
Director, Western Region, PHMSA
12300 W. Dakota Ave., Suite 110

Re: **CPF 5-2007-0003**
Response To Allegations

Dear Mr. Hoidal,

This is in response to your letter dated February 16, 2007 regarding the above referenced CPF and associated Notice of Probable Violation and Proposed Civil Penalty. This letter serves as notice of our desire to eliminate the imposition of a civil penalty in this case without prejudice. Failing elimination, this letter shall serve as our request for a hearing of this matter to contest the allegation and/or proposed assessment of a civil penalty.

As evidenced by your letter, the imposition of the proposed civil penalty is based upon a PHMSA representative's inspection on July 26-27, 2005. We assume that the following quote, as taken from your letter under item one, to be the *verbatim* basis for the issuance of the subject Notice of Probable Violation:

"Pacific Operators did not inspect its mainline block valve, once a year, in the La Conchita plant for the last two years. Pacific Operators Offshore staff admitted that they failed to inspect this valve as required by Part 192.745 (a)."

In rebuttal, we submit that operation of a valve is *de facto* verification of proper functionality, i.e. industry accepted practice dictates that valve inspection normally consists of operating a valve to ensure that it is in fact operating in an acceptable manner. Section 192.745 states in part that subject valves "...*must be inspected and partially operated...*". A reasonable man hypothesis would equate "*inspection*" and verification of functionality *viz.*, by being "*partially operated*" as synonymous in terms of both intent and spirit. We therefore contend that any successful full operation of a subject valve combined with documentation of such an exercise constitutes inspection/exercise of such valves. Moreover, in that Section 192.745 dictates only partial operation, it follows that full operation of a subject valve exceeds the "*partially operated*" clause and hence must be interpreted as lying within the domain of the "*inspected*" clause of Section 192.745. Moreover, we contend that it is not reasonable to conclude that the intent of Section 192.745 is to require that a subject valve be dismantled in order that to ascertain its operational integrity nor for it to be thereby properly characterized as "*inspected*". It is therefore our contention that *any full operation* of a valve subject under Section 195.745 and associated documentation attesting to such a full operation constitutes a greater degree of stringency of compliance for both the inspection and partial operational clauses of section 195.745.

Relying upon the reasonableness of our assertion, we do confidently and respectfully submit that the subject valve was in full compliance with the requirements of Section 192.745 on July 26-27, 2005 due to the subject valve having been last been *fully actuated* on October 22, 2004 as evidenced by the attached (please refer to attached Exhibits as taken from our La Conchita 2004 Daily Operations Journal). A full actuation of the subject valve (and subsequent documentation of this action) on October 22, 2004 was necessary in order to affect retrieval of a pig at its associated pig trap at the La Conchita plant.

Operation of the subject valve on this date was neither specifically intended nor designed to demonstrate nor record compliance with Section 192.745. However, it is our contention that any successful incidental demonstration when associated with evidentiary documentation of the subject valve's self evident integrity is wholly sufficient to satisfy both the over riding spirit as well as the specific intent of the requirements of Section 192.745. We contend that the subject valve need not be specifically inspected and exercised in accordance to mandates of Section 192.745, excepting that such inspections/exercises, whether intentionally scheduled to meet the required expectations of Section 192.745, or operationally unintentional and unscheduled but nonetheless meeting the requirements of Sections 192.745 requirements, are documented and take place within the proscribed "*not to exceed 15 months but at least once each calendar year*" frequency requirement.

In light of the forgoing contestation and in light of the documentary evidence as contained in those exhibits as are attached herewith, Pacific Operators Offshore, Inc. hereby respectfully requests that the subject CPF 5-2007-0003 be summarily eliminated without prejudice. Should it be determined that a mutually satisfactory is unattainable, Pacific Operators Offshore, Inc. hereby respectfully requests a hearing on this matter.

Sincerely Yours,

Bruce Johnston, Operations Superintendent
Pacific Operators Offshore, Inc.

Exhibits

10:00 A.M. Changed Daily Charts	BOPD		
	Ø		
	Stock		
	Run		
	Ø		
Platform Houchin Leunched a foam pig	Water		
at 9:15 am.	1642		
Received foam pig at 1:45 pm.	Sales		
Houchin sent Gauge pig @ 5:15 P.M.	Ø		
Received Gauge pig @ 9:45 P.M., Good Cond.	Sales In		
	Ø		
Houchin sent Geo. pig @ 10:30 P.M.	Perm		
	Ø		
Pumping water from Storm pond	Used		
	Ø		
	Acc Sales		
	10489		
	Acc Oil		
	16658		
	w/ GAS		
	Ø		
	Net Oil		
	Gross Total		

12:01 A.M. changed weekly charts

BOPD

2:00 AM Received Geo. pig, Looks in good shape Stock

Run

7:45 A.M. STRAPPED 55001 (12'8") (17,370)

Water

10:35 A.M. 12" smart "PIG" LAUNCHED

1178

12:30 p.m. STRAPPED 55001 (14'8") 20,169

Sales

2:30 p.m. STRAPPED 55001 (15'4") 21,102

Sales D

3:45 p.m. Platform sending 12" foam pig
55001 STRAP @ 17.2" - 1'foot
for sludge - 5299 bbls.

Perm

Used

11:30 p.m. #2 SWD PUMP ON
4:30

Acc Sales

6" 16'3"

Acc Oil

w/ gas

Net O

7:45 p.m. 55001 STRAP @ 16.3

Gross total

8:45 p.m. 55001 STRAP @ 16'3 1/2"
gained 60 bbls.

12⁰⁰/AM CHANGED WEEKLY & DAILY CHATS
4⁰⁰/AM FILLED 50-50 CHEMICAL
4⁰⁰/AM TAGGED 55001 14'6"

9⁰⁰ A.M. Pumped 55001 charge pump 30 min
10⁰⁰ A.M. #2 SWD pump ONLINE

10¹⁵/PM PULLED 12" GAS LINE PIG

2:00 AM Daily chart's
3:00 AM PULLED 12" GAS LINE PIG

10:00 AM Sent 2nd foam pig @

5:00 PM #2 SUD PUMP ON
6:00 PM MAN VALVE PUMP ON & OFF
7:00 PM #2 SUD OFF #3 ON
8:00 PM RESET PUMP 5/Down
9:00 PM DRAINED AIR COMP