

NOVEMBER 16, 2012

Mr. Edward O'Donnell
Chief Executive Officer
Venoco, Inc.
370 17th Street, Suite 3900
Denver, CO 80202-1370

Re: CPF No. 5-2012-0014

Dear Mr. O'Donnell:

Enclosed please find the Final Order issued in the above-referenced case. It makes findings of violation and finds that Venoco, Inc. has completed the actions specified in the Notice to comply with the pipeline safety regulations. Therefore, this case is now closed. Service of the Final Order by certified mail is deemed effective upon the date of mailing, or as otherwise provided under 49 C.F.R. § 190.5.

Thank you for your cooperation in this matter.

Sincerely,

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Enclosure

cc: Mr. Chris Hoidal, Director, Western Region, OPS
Mr. Alan Mayberry, Deputy Associate Administrator for Field Operations, OPS
Mr. Keith Wenal, Manager – Health, Environment, and Safety, Venoco, Inc.
6267 Carpinteria Ave., Suite 100, Carpinteria, CA 93013

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Item 1: The Notice alleged that Respondent violated 49 C.F.R. § 192.905(a), which states:

§ 192.905 -- How does an operator identify a high consequence area?

(a) *General.* To determine which segments of an operator's transmission pipeline system are covered by this subpart, an operator must identify the high consequence areas. An operator must use method (1) or (2) from the definition in §192.903 to identify a high consequence area. An operator may apply one method to its entire pipeline system, or an operator may apply one method to individual portions of the pipeline system. An operator must describe in its integrity management program which method it is applying to each portion of the operator's pipeline system. The description must include the potential impact radius when utilized to establish a high consequence area. (*See* appendix E.I. for guidance on identifying high consequence areas.)

The Notice alleged that Respondent violated 49 C.F.R. § 192.905(a) by failing to identify a segment of the Montalvo Sales Gas pipeline as a segment that could affect a High Consequence Area (HCA). Specifically, the Notice alleged that the segment traversed an area within the calculated Potential Impact Radius (PIR) of 70 feet from the California Mushroom Farm in Oxnard, California, which met the definition of an Identified Site.² Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.905(a) by failing to identify a segment of the Montalvo Sales Gas pipeline as a segment that could affect a HCA.

Item 2: The Notice alleged that Respondent violated 49 C.F.R. § 192.921(a)(1), which states:

§ 192.921 -- How is the baseline assessment to be conducted?

(a) *Assessment methods.* An operator must assess the integrity of the line pipe in each covered segment by applying one or more of the following methods depending on the threats to which the covered segment is susceptible. An operator must select the method or methods best suited to address the threats identified to the covered segment (*See* §192.917).

(1) Internal inspection tool or tools capable of detecting corrosion, and any other threats to which the covered segment is susceptible. An operator must follow ASME/ANSI B31.8S (incorporated by reference, *see* §192.7), section 6.2 in selecting the appropriate internal inspection tools for the covered segment.

The Notice alleged that Respondent violated 49 C.F.R. § 192.921(a)(1) by failing to specify an internal inspection tool capable of detecting corrosion and other threats to which the pipeline is susceptible, such as stress corrosion cracking or electric resistance welded seam failure. Respondent did not contest this allegation of violation. Accordingly, based upon a review of all of the evidence, I find that Respondent violated 49 C.F.R. § 192.921(a)(1) by failing to specify an internal inspection tool for assessing its pipeline capable of detecting corrosion and other

² The term "Identified Site" is defined in 49 C.F.R. § 192.903 and includes buildings such as office buildings occupied by twenty or more persons on at least five days a week for ten weeks in any twelve month period.

threats to which the pipeline is susceptible.

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 and 2 in the Notice for violations of 49 C.F.R. §§ 192.905(a) and 192.921(a)(1), respectively. 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 indicates that Respondent has taken the following actions specified in the proposed compliance order:

1. With respect to the violation of § 192.905(a) (**Item 1**), Respondent has revised its integrity management plan to include the specified segment as a HCA segment; and
2. With respect to the violation of § 192.921(a)(1) (**Item 2**), Respondent has revised its assessment method matrix to ensure appropriate internal inspection tools are selected in accordance with ASME/ANSI B31.8S.
3. Respondent reported the costs to achieve compliance as requested.

Accordingly, I find that compliance has been achieved with respect to these violations. Therefore, the compliance terms proposed in the Notice are not included in this Order.

WARNING ITEMS

With respect to Items 3 and 4, the Notice alleged probable violations of Part 192 but did not propose a civil penalty or compliance order for these items. Therefore, these are considered to be warning items. The warnings were for:

49 C.F.R. § 192.937(a) (**Item 3**) — Respondent's alleged failure to reassess the Union Island pipeline in accordance with its assessment schedule; and

49 C.F.R. § 192.945(a) (**Item 4**) — Respondent's alleged failure to measure program effectiveness on a semi-annual basis and failure to report the 2010 performance measures to OPS.

Venoco presented information in its Response showing that it had taken certain actions to address the cited items. If OPS finds a violation of any of these items, Respondent may be subject to future enforcement action.

The terms and conditions of this Final Order [CPF No.:5-2012-0014] are effective upon service in accordance with 49 C.F.R. § 190.5.

Jeffrey D. Wiese
Associate Administrator
for Pipeline Safety

Date Issued