REKA

Certified Mail – Return Receipt Requested

March 30, 2010

Chris Hoidal
Director, Western Region
Pipeline & Hazardous Materials Safety Administration
12300 W. Dakota Ave., Suite 110
Lakewood, CO 80228

Re: **CPF 5-2010-0010** Notice of Probable Violation & Proposed Compliance Order

Dear Mr. Hoidal:

Greka Oil & Gas, Inc. is in receipt of the Notice of Probable Violation and Proposed Compliance Order, dated March 03, 2010, regarding the lack of an established Damage Prevention Program, per Title 49, Code of Federal Regulations §1962.614.

Based upon the following explanation, Greka Oil & Gas, Inc. objects to the Proposed Compliance Order in whole.

The Greka Oil & Gas, Inc Standard Operations and Maintenance Manual for Gas Pipelines published in October 2002, and revised on an annual basis, was available to Mr. Kenerson during the May 12th through 16th, 2008 inspection. Included in the referenced Standard Operations and Maintenance Manual is the required Damage Prevention Program, Procedure 3.01.

Additionally, Greka Oil & Gas, Inc. submitted our entire Standard Operations and Maintenance Manual program to the Denver DOT Office approximately seven years ago. Included in the submittal was Procedure 3.01 that covers all Greka DOT Pipelines, including the Orcutt Hill to Suey Junction Pipeline System in Santa Maria, California. The DOT approved Greka's Standard Operations and Maintenance Manual program before DOT lifted CPF-5-2002-5.

It appears there may have been a miscommunication or oversight during the May 12th through 16th, 2008 inspection. Enclosed for your record and review is the Greka Oil & Gas, Inc. Damage Prevention Program, Procedure 3.01 of the Standard Operations and Maintenance Manual.

Pursuant to the foregoing information in response to the allegations in the Notice, we believe no violation of Title 49 CFR was committed and that the issuance of a Final Order is therefore moot.

P. O. Box 5489, Santa Maria, CA 93456 * Phone 805-331-3386 * Fax 805-357-2963

Sincerely,

Ray Marroquin
Pipeline Management
Greka Oil & Gas, Inc.

Enclosure: Damage Prevention Program, Procedure 3.01 of the Standard Operations and Maintenance Manual

cc: Susan Whalen, SR VP & GC
Alex Dimitrijevic, General Manager

DAMAGE PREVENTION PROGRAM

1. REFERENCE

49 CFR, Sections 192.614, 198.37, and 198.39.

2. PURPOSE

This procedure establishes the damage prevention program to minimize third-party damage to Greka pipelines.

3. RESPONSIBILITY FOR IMPLEMENTATION

The (84) _____ is responsible for implementation of the damage prevention program.

4. GENERAL

4.1 All onshore and offshore pipelines are included in this prevention program including unregulated lines in Class 1 locations.

4.2 Federal and state regulations require a written program to prevent damage to buried facilities due to excavation activities. Excavation activities include:

- 4.2.1 Excavation
- 4.2.2 Blasting
- 4.2.3 Directional drilling and other trenchless technology, which includes, cutting, jetting, boring, reaming, and jacking techniques.
- 4.2.4 Tunneling
- 4.2.5 Backfilling
- 4.2.6 Removal of above or below ground structures (such as stumps) by explosive or mechanical means.
- 4.2.7 Plowing (installation of flexible pipe, such as drain tile, or cable without open trenching).
- 4.2.8 Other earth moving or earth disturbing activities.
- 4.2.9 Offshore pipe laying.

5. PROCEDURE

5.1 "One Call" System Participation

5.1.1 Greka continues a May 11, 1998 agreement with:

USA- Dig Alert
Underground Service Alert – Southern California
1760 California Avenue
Corona, CA 92881
(800) 227-2600 (calls from excavators)
(909) 808-8100 (business office)
e-mail: polly@digalert.org

5.1.2 Each year, USA Dig Alert sends a form for updating the map grids they use for sending notices. The grids and notices are mapped according to the current edition of the Thomas Brothers Guide published by Rand McNally. The (85) _____ is responsible to update the grids with the service provider.

5.2 Identification of Excavators

The local practice of notifying USA-Dig Alert before excavation is well established. Accordingly, Greka does not attempt to anticipate or pre-identify those that may engage in excavation activities over its pipeline service areas.

5.3 Notification of Excavators and the Public

General notice to the public about pipeline safety is covered under the "Public Education Program" under Procedure 3.03 of this manual. Actual notice to persons excavating via USA Dig Alert is covered in paragraphs below.

5.4 Receiving and Recording Dig Alert Tickets

5.5

5.4.1 Dig Alerts tickets are received daily by e-mail at the Lakeview office.

5.4.2 The (86)_____ receives and logs Dig-Alerts tickets on Form 3.01A. Once logged, tickets are electronically archived to a dedicated

subdirectory and periodically backed up on CD. In no event shall any ticket be deleted.

5.5 Responding to Dig Alert Tickets

5.5.1 By checking maps, the (87) _____determines if excavation activity described on each Dig Alert ticket will be conducted in the vicinity of a Greka pipeline.

5.5.2 If the activity will not be conducted near a line, the (88)_____will telephone the requester at the listed number, stating the ticket number and "no conflict with Greka lines". Voice mail messages are acceptable. Log the date, time, telephone number, person receiving the call, or 'voice mail' on Form 3.01 A.

5.5.3 If the Dig Alert ticket is a 're-send' or an exact repeat of a previous ticket where the notifier was contacted, note the re-sent ticket number, date, and note "resend" on Form 3.01A.

5.5.4 If the Dig Alert ticket suggests activity that will (or could) be conducted near a line, the (89)_____will radio the (90)_____ with the Thomas Guide grid number and narrative boundaries on the ticket. The anticipated date of work also must be conveyed. Note the ticket number, date, time, and "field mark" on Form 3.01A. The (89)_____will inform the requester that a Greka pipeline is near the area described on the ticket and that the line will be marked. Record all conversations with requestors on Form 3.01A using as many lines as needed.

5.6 Pipeline Location and Marking

5.6.1 Where Dig Alert tickets are identified for marking the (90)_____ will locate and mark pipelines with marking paint on pavement. Spikes and 'rooster tails' shall be used on bare soil . Lath and flagging will be used at vegetated areas. The customary color for marking gas lines is yellow. For pavement markings, a line with arrow heads will be placed over the line showing direction. GAS (with diameter) will be painted above the line and the word 'GRKA' will be painted painted below the line. If no conflict is determined between USA markers that are typically painted in white, the words 'No GRKA' shall be painted near the USA marks.

5.6.2 Effort should be made to meet excavation personnel to discuss the planned activities, possible conflicts, and other safety related issues.

5.6.3 Because the depth of burial and true lateral locations of most lines is not known, GREKA EMPLOYEES SHALL NOT MAKE STATEMENTS THAT COULD BE INTERPRETED AS A WARRANTEE ON LINE DEPTH AND LOCATION. Employees shall caution all excavators about the dangers of working near gas lines and (if asked) suggest careful hand potholing near the pipe.

5.7 Inspection and of Pipelines Exposed by Excavation Activities

5.7.1 Where excavation exposes a Greka pipeline, the (92) _____ or the (90)_____ will be present to monitor for damage and examine the pipe. Greka safety rules apply (of course) to all entries into trenches. Form 3.01B will be used to internally report on condition of the exposed line.

5.8 Blasting

If blasting is anticipated, a leakage survey must be done prior to work to verify the pre-blasting integrity of the pipeline.

5.9 Horizontal Directional Drilling (HDD) and other Trenchless Technology

Because of the high potential risk associated with HDD and other trenchless technology, the following procedures are in addition to the above stated requirements for normal excavation methods. These additional procedures are to mitigate the risks of damage to Greka lines.

5.9.1 Maximum separation between substructures, when possible, should be designed into the trenchless operation.

5.9.2 Greka personnel shall ensure that contractor personnel are following safe practices and are well qualified and experienced in this type of pipeline installation.

5.9.3 Prior to the commencement of any work, a precise and thorough site survey must be done to locate potential conflicts with known existing underground facilities. Potholes may be required to determine

substructure location(s). A knowledgeable substructure representative from Greka must be on site at time of exploration (potholing) and actual trenchless operations.

5.9.4 Whenever HDD is proposed within 10 feet of a known substructure, potholes will be dug, when possible, at a maximum of 25 foot intervals to determine the exact location of the drill head during pilot and back reaming operations. Characteristics of the soil, such as rock, sand, etc.that could effect the alignment of the pilot hole and stiffness of the pipe should be considered.

5.9.5 Greka personnel shall monitor the location and alignment of the operation constantly with a 'walkover" detector. Readings on the drill head every 10 feet for direction and depth shall be marked on the surface. If a problem is encountered, the operation must be altered or shutdown immediately for resolution. The "drill head" should not be removed in the event of suspected damage or abnormalities. Further damage could be caused.

5.9.6 If necessary, and to ensure additional safety of the HDD operation, it may be necessary to reduce pipeline operating pressure or shutdown the pipeline completely.

5.10 Exposed Pipe

Whenever any buried pipe is exposed for any reason, the company shall examine the pipe for evidence of external corrosion.

If external corrosion requiring remedial action is found, additional investigation circumferentially and longitudinally may be necessary beyond the exposed portion (by visual examination, indirect method. or both) to determine whether additional corrosion requiring remedial action exists in the vicinity of the exposed portion. See Procedure 6.04 "Internal and External Examination of Buried Pipelines".

6. RELATED PROCEDURES

3.02 Telephone Answering Services
3.03 Public Education Program
3.05 Crossing of Company Pipelines

REKA

Dig Alert Ticket Log

Form 3.01A

Sheet No.__________
Date Completed__________
Initials__________

Date	Ticket Number	Re-send	No Conflict	Mark	Requestor Name	Requestor Phone	Comments
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			
		☐	☐	☐			

REKA

PIPELINE MAINTENANCE AND SURVEILLANCE FORM 3.01B

NOTE: FILL OUT THIS REPORT FOR EACH EXPOSURE OF PIPELINE REGARDLESS OF THE CAUSE

COMPANY:	OPERATING LOCATION:	NAME OF LINE:	LINE NO:	DATE OF REPORT MO DAY YR
DRAWING NO:	LOCATION OR STATION PLUS LIMITS	PIPELINE SYSTEM ☐ GAS ☐ LIQ	CLASS LOCATION (GAS):	DATE OF INSPECTION MO ___ DAY ___ YR ___

PIPE:	SIZE O.D.	WALL THICKNESS	GRADE/SPECIFICATIONS/SEAM:	DEPTH OF COVER:

PURPOSE OF MAINTENANCE OR SURVEILLANCE:

☐ PIPELINE LEAK	☐ PIPELINE CHANGE OUT	☐ FOREIGN PIPELINE CROSSING
☐ PIPELINE FAILURE	☐ CATHODIC PROTECTION	☐ ABANDONMENT
☐ TAP	☐ CASING	☐ OTHER:

PIPELINE MAINTENANCE: PROCEDURES 8.02 AND 9.01

☐ NO REPAIR OR REPLACEMENT NEEDED, AS OF DATE _____ ☐ ACTION REQUIRED

1 REPLACED SECTION: SIZE WALL

FROM: ___ TO: ___ O.D. ___ THICKNESS ___ GRADE ___ SPEC. ___ SEAM ___

a) Replacement Section Test Pressure _____ for ___ hrs. Date _____ ☐ Test Chart Attached

b) Field Girth Welds Nondestructively Tested? ☐ No ☐ Yes What method used? _____ %.

c) For Pipelines Parallel to Overhead Electric Transmission Lines, was electric conductor Bonded to Pipeline? ☐ No ☐ Yes

2 REPAIRED SECTION: ☐ TEMPORARY ☐ PERMANENT

a) Method of Repair _____

b) Pressure Reduced During Repair? ☐ No ☐ Yes Pressure During Repair _____

c) Was Gas Leaking During Repair? ☐ No ☐ Yes Describe _____

d) Welding Nondestructively Tested? ☐ No ☐ Yes What Method Used? _____

INTERNAL CONDITION OF PIPELINE: PROCEDURES: Procedures 6.02 & 6.04

A. INTERNAL CORROSION DISCOVERED? ☐ No ☐ Yes Describe _____

B. METHOD OF INTERNAL CORROSION CONTROL IN EFFECT: ☐ None ☐ Chemical Treatment ☐ Coupons ☐ Other ___

EXTERNAL CONDITION OF PIPELINE: PROCEDURES 6.01, 6.03 & 6.04

A. CATHODIC PROTECTION POTENTIAL BEFORE EXCAVATION IF POSSIBLE ABOVE PIPE _____ VOLTS ___

B. CONDITION OF COATING: ☐ Satisfactory ☐ Disbonded ☐ Deteriorated ☐ Scraped ☐ Other _____

C. INDICATED CATHODIC PROTECTION POTENTIAL FROM PREVIOUS SURVEY ___ VOLTS DATE _____

HOT TAP REPORT: PROCEDURES 9.05

A. FOR: ___ SIZE: _____ LOCATION: ☐ TOP ☐ SIDE

B. MATERIAL ☐ FULL ENCIRCLEMENT SADDLE ☐ WELD TEE SIZE: ___ GRADE: ___ VALVE: ___ MAKE ___ TYPE

NIPPLE: LENGTH ___ W.T. ___ GRADE ___ INSULATION ___ ☐ No ☐ Yes

C. ASSEMBLY TEST: ☐ HYDRO TEST ___ (Test Chart Attached) ☐ PNEUMATIC TEST ___

OTHER NONDESTRUCTIVE TEST: METHOD _____ HEADER THICKNESS _____

FOREIGN PIPELINE CROSSING: PROCEDURE 3.05

A. COMPANY: _____ LINE SIZE _____ CLEARANCE IN INCHES ___ ☐ ABOVE ☐ BELOW

B. PIPE: ☐ STEEL ☐ OTHER

C. COATING: ☐ COATED ☐ BARE

D. APPROX. ANGLE OF CROSSING _____ PRODUCT TRANSPORTED _____

REMARKS:

_____

_____

_____

SIGNATURES:

COMPLETED BY: _____

SUPERVISOR: _____

Draw Foreign Line Crossing Company line or hot tap and arrow indicating North.

Company Line