

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

UNITED STATES OF AMERICA

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CRIMINAL NO. 15-245

v.

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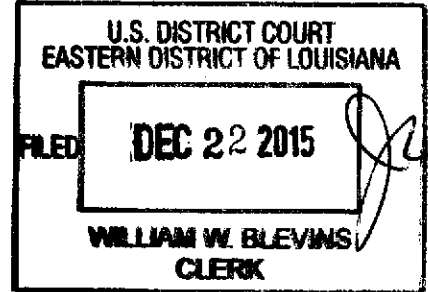
SECTION: "G"

WALTER OIL & GAS
CORPORATION

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FACTUAL BASIS

If this case were to proceed to trial, the United States would prove, beyond a reasonable doubt, through credible testimony and reliable evidence, the following factual summary:

Defendant, **WALTER OIL & GAS CORPORATION** ("WALTER"), is a Texas corporation with an office in Houston, Texas, that operated offshore facilities for oil and gas production in the Gulf of Mexico. **WALTER** operated the subsea well located in Lease Block Ewing Bank, Lease Block Area 878, No. 3 Well ("EW 878 #3") for the purpose of extracting oil and gas and sending it to the offshore platform. The offshore platform is in the Lease Block identified as Grand Isle 115 (GI 115) by means of a submersed pipeline. Grand Isle 115 is located within the Eastern District of Louisiana. **WALTER** is in the business of oil exploration and production, and was required to comply with provisions of Title 33 of the United States Code.

Witnesses would testify that as part of the oil and gas production industry, **WALTER** was tasked with ensuring all material extracted from their subsea wells or introduced into the production pipeline by means of an umbilical service line, was managed properly, and did not enter the waters of the United States.

___ Fee _____
___ Process _____
X Dktd _____
___ CtRmDep _____
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Documents would prove that subsea well EW 878 #3 (28°05'33.5076"N, 089°57'50.4936"W) is located approximately 1,560 feet below the surface. The well was finished with what is commonly referred to as a "subsea Christmas tree," which is a vertical assembly of mechanical elements, which include valves and are primarily used for flow control and resemble the shape of a Christmas tree. The aforementioned "subsea Christmas tree" at EW 878 well #3 consisted of multiple valves, one of which connected to an umbilical service line from the GI 115 platform. Another valve on the tree directed the produced oil and gas to a jumper line. The jumper line then connected to the Pipeline End Termination structure (PLET), which connects to the pipeline. This pipeline then runs approximately 15.4 miles to the GI 115 platform. On the jumper line is a panel with a hot stab connection port which allows maintenance to be performed at that location.

Documents would show that beginning in approximately February 2014, personnel on the GI 115 platform pushed hydrate inhibitor (MXU 5-2684) and paraffin solvent (MC P-3810) by way of the umbilical service line through the well tree into the jumper line and pipeline, for the purpose of clearing the flowline of a paraffin plug and thus returning the flow in the pipeline to an optimal level. These attempts were not successful. As a result, **WALTER** had a pipeline remediation plan developed, which included the recovery of the pipeline to the surface for the removal of any and all paraffin plugs by means of CoilTac jetting and chemical treatment.

On March 31, 2014, while conducting the pipeline remediation project, **WALTER** transferred fluids from the pipeline at the jumper panel port to a submersed bladder, by means of a remotely operated vehicle (ROV). The ROV was equipped with two (2) cameras for observing and recording the subsea activity.

Prior to the conclusion of the transfer to the bladder, a portion of the contents of the bladder, i.e. the material transferred from the jumper line and pipeline leaked into the Gulf of Mexico, by way of a malfunctioning release valve. This release was recorded via the ROV cameras. When the bladder reached the surface, the material in the bladder was transferred to tanks on board the M/V Uncle John and maintained until it was disposed as a hazardous waste.

Evidence would show that **WALTER** reportedly conducted sheen testing to determine the discharge did not contain hydrocarbons, or oil. **WALTER** personnel did not do further analysis to determine the contents of the bladder, but instead assumed the contents to be pure MXU 5-2684, hydrate inhibitor. **WALTER** had previous knowledge per the Material Data Safety Sheet provided by the manufacturer of the hydrate inhibitor, Multi-Chem Group LLC, that the ingredients, at or above certain levels, could be considered toxic to the environment.

The chemical components of MXU 5-2684 are Xylene, Quaternary Ammonium Chloride, Ethylbenzene and Isopropyl alcohol, which are hazardous substances as defined in Title 33. Xylene's reportable quantity is 100 pounds. On March 31, 2014, as much as sixty-four (64) gallons were lost from the bladder, or approximately 472 pounds of MXU 5-2684.

Testimony would prove that on April 1, 2014, the ROV returned to the subsea well to continue with the pipeline remediation project. The ROV was tasked with pumping seawater into the jumper panel to displace any remaining hydrate inhibitor MXU 5-2684 in the line past the valve on the PLET, before the jumper line was removed and taken to the surface. Log records showed the ROV was unable to push seawater into the jumper. The valves on either end of the jumper line were then closed and the jumper panel was opened which released fluid into the Gulf of Mexico to include hydrate inhibitor.

Despite viewing the discharge being released on a live video feed from the ROV from the jumper panel, personnel left the hot stab connection open and the hydrate inhibitor was allowed to discharge into the Gulf of Mexico. The volume of the jumper line was reported to be as great as forty-two (42) gallons, or approximately 310 pounds of MXU 5-2684.

Testimony would prove that 33 USC § 1321(b)(5) requires **WALTER** to provide notification of any oil or hazardous substance of a reportable quantity discharged into waters of the United States to the National Response Center, as soon as it has knowledge of the discharge. No notification was provided to the National Response Center from March 31, 2014 - April 1, 2014, and no attempts to remedy the spilled waste were conducted by **WALTER**.

The investigation revealed, if the jumper panel connection had been closed on April 1, 2014, after the discharge was observed, and a new subsea bladder was deployed to the jumper panel to remove the remaining hydrate inhibitor, the process could have taken an additional full day's work at a cost of approximately \$200,000.

In summary, all of the evidence introduced at trial would establish the elements of the offense and prove the defendant's guilt beyond a reasonable doubt.


READ AND APPROVED:



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