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Contact: Thom Mrozek

Director of Media Relations

thom.mrozek@usdoj.gov

(213) 894-6947

3 Companies Agree to Plead Guilty to Federal Offense and Pay Nearly \$13 Million in Federal Fines and Response Costs for Offshore Oil Spill

LOS ANGELES – A Texas-based oil company and two of its subsidiaries have agreed to plead guilty to violating the federal Clean Water Act, pay a \$7.1 million criminal fine, and compensate federal programs approximately \$5.8 million in connection with the discharge of approximately 25,000 gallons of crude oil last October during an offshore leak in the 17-mile-long San Pedro Bay Pipeline, according to plea agreements filed today.

Federal prosecutors this afternoon filed plea agreements for the Houston-based Amplify Energy Corp., Beta Operating Co. LLC (a wholly owned subsidiary of Amplify doing business as Beta Offshore), and San Pedro Bay Pipeline Co. (a wholly owned subsidiary of Amplify). All three companies [were charged in an indictment](#) returned by a federal grand jury in December 2021.

Representatives of the three companies are expected to appear in the near future in United States District Court in Santa Ana to formally enter the guilty pleas. Each company has agreed to plead guilty to one misdemeanor count of negligently discharging oil into San Pedro Bay during the oil spill on October 1 and 2, 2021. The plea agreements are "binding" plea agreements, which means that the judge presiding over the case, United States District Judge David O. Carter, must accept or reject all aspects of the plea agreements. Should the court decide not to accept the plea agreements, any party may withdraw from the agreements and the case would proceed toward trial.

In addition to the payment of approximately \$13 million in federal fines and costs, the companies have agreed to be placed on probation for a period of four years, during which time they are required to perform a series of actions and make operational improvements, including:

- reimbursing governmental agencies and entities that incurred direct and indirect expenses as the result of their response, including the U.S. Coast Guard and the Oil Spill Liability Trust Fund, in an amount currently estimated to be \$5,844,700;
- improving training for all operational employees and related management personnel in identifying and responding to potential pipeline leaks;
- installing a new leak detection system for the pipeline;
- requiring notification to regulators of all leak detection alarms;

- contracting with an oil spill response organization that has the capability to detect oil on the surface of the water at night or in low-light conditions that will promptly deploy upon request;
- conducting visual underwater inspections of the pipeline semiannually; and
- making modifications to their pipeline-related procedures that will require financial investment of at least \$250,000.

“The substantial financial penalties and compliance measures required by the plea agreements demonstrate the federal government’s resolve to punish any entity that causes environmental damage,” said Acting United States Attorney Stephanie S. Christensen. “This oil spill affected numerous people, businesses and organizations who use the Southern California coastal waters. The companies involved are now accepting their responsibility for criminal conduct and are required to make significant improvements that will help prevent future oil spills.”

The San Pedro Bay Pipeline, which was used to transfer crude oil from several offshore facilities to a processing plant in Long Beach, began leaking on the afternoon of October 1, 2021. In response to multiple leak detection alarms on October 1 and 2, the defendants’ employees shut down the pipeline several times, but then repeatedly and incorrectly assessed there was no leak and started pumping crude oil through the pipeline again. As a result of the defendants’ conduct, approximately 588 barrels of crude oil were discharged from a point approximately 4.7 miles west of Huntington Beach from a crack in the pipeline.

“Today’s plea agreement is a noteworthy success for federal and state law enforcement agencies charged with enforcing U.S. maritime laws protecting the oceans and natural marine resources in U.S. waters and around the world,” said Traci Larson, the Assistant Special Agent in Charge of the Coast Guard Investigative Service, Pacific Region. “CGIS Pacific Region is committed to protecting people’s health and the environment in communities across the Pacific Coast and throughout the U.S.”

“Our nation’s environmental laws are designed to protect our communities and oceans from hazardous pollutants, including oil,” said Scot Adair, Special Agent in Charge of EPA’s Criminal Investigation Division in California. “Amplify Energy’s agreement to plead guilty today demonstrates that companies that negligently violate those laws will be held responsible for their crimes.”

“Resources were devoted by the FBI and our federal partners in this investigation, including the FBI’s Underwater Search and Evidence Recovery Team,” said Amir Ehsaei, the Acting Assistant Director in Charge of the FBI’s Los Angeles Field Office. “The anticipated guilty pleas will send a clear message of accountability to companies which rely on our natural resources and will hold them to elevated standards of environmental stewardship.”

“The expected guilty pleas serve as a compelling reminder that pipeline operators are responsible for exercising the highest levels of accountability for their operations given the potential for devastating consequences when they fail to do so,” said Cissy Tubbs, Special Agent in Charge of the U.S. Department of Transportation’s Office of Inspector General, Western Region. “Together with our law enforcement and prosecutorial partners, we will continue our vigorous efforts to pursue those who fail to meet the standards set by law and regulation designed to protect the people and natural resources of our nation.”

The plea agreements filed today require that the \$7.1 million fine in the federal case be paid in installments over the next three years. The defendants recently paid \$656,500 of the estimated \$5.8 million in costs incurred by the Coast Guard and the Oil

Spill Liability Trust Fund. Additionally, the defendants previously paid the vast majority of expenses related to the clean-up of the spill.

The Coast Guard Investigative Service; the U.S. Environmental Protection Agency, Criminal Investigation Division; the FBI; and the U.S. Department of Transportation, Office of Inspector General investigated the oil leak.

Assistant United States Attorneys Matt O'Brien and Brian Faerstein of the Environmental and Community Safety Crimes Section are prosecuting this case.

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