

**DRAFT**

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Western Geophysical Company of America  
3900 Essex Lane Suite 1200  
Houston TX 77027-5177

Dear Sir or Madame:

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has reason to believe that Western Geophysical Company of America (“Western”), of Houston, Texas, has committed 156 violations of the Export Administration Regulations (the “Regulations”),<sup>1</sup> which are issued under the authority of the Export Administration Act of 1979, as amended (the “Act”).<sup>2</sup> Specifically, BIS charges that Western committed the following violations:

**Charges 1-26            (15 C.F.R. § 764.2(a) – Violating a license condition)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, Western was responsible for Export License D268971. This license authorized underwater geophysical mapping equipment, including several Titan 1000 seismic streamer sections, to be exported to the People’s Republic of China (“PRC”) for lease to the Geophysical Company of Bohai Oil Corporation. The equipment was subject to the Regulations and classified under Export Control Classification Number (“ECCN”) 6A001. Exports of this equipment to the PRC were controlled for National Security reasons during the relevant time period.

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<sup>1</sup> The Regulations are currently codified in the Code of Federal Regulations at 15 C.F.R. Parts 730-774 (2006). The violations charged occurred in 2000. The Regulations governing the violations at issue are found in the 2000 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> 50 U.S.C. app. §§ 2401- 2420 (2000). From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent being that of August 3, 2006 (71 *Fed. Reg.* 44551, August 7, 2006), continues the Regulations in effect under IEEPA. The Act and Regulations are available on the Government Printing Office website at: <http://w3.access.gpo.gov/bis/>.

Several conditions were imposed on Export License D268971 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment by a monitor from a former CoCom member country was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment.<sup>3</sup> Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the above-described period, Western maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, Western committed 26 violations of Section 764.2(a) of the Regulations.

**Charges 27-52 (15 C.F.R. § 764.2(a) – Violating a license condition)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, Western was responsible for Export License D256834. This license authorized underwater geophysical mapping equipment, including at least one LRS-16A seismic streamer, to be exported to the PRC for lease to the Shanghai Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of this equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D256834 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the above-described period, Western maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to

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<sup>3</sup> The Coordinating Committee for Multilateral Export Controls (CoCom) consisted of the following member countries: Australia, Belgium, Canada, Denmark, France, Germany, Greece, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Turkey, United Kingdom and United States.

monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, Western committed 26 violations of Section 764.2(a) of the Regulations.

**Charges 53-78 (15 C.F.R. § 764.2(a) – Violating a license condition)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, Western was responsible for Export License D255483. This license authorized underwater geophysical mapping equipment, including at least two LRS-16A seismic streamers, to be exported to the PRC for lease to the Guangzhou Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D255483 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the above-described period, Western maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, Western committed 26 violations of Section 764.2(a) of the Regulations.

**Charge 78-104 (15 C.F.R. § 764.2(e) – Acting with knowledge of a violation)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western stored equipment subject to the Regulations with knowledge that violations of an export license issued under the authority of the Regulations occurred or were about to occur in connection with the items. During the time period described, Western was responsible for Export License D268971. This license authorized underwater geophysical mapping equipment, including several Titan 1000 seismic streamer sections, to be exported to the PRC for lease to the Geophysical Company of Bohai Oil Corporation. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D268971 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized

representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment by a monitor from a former CoCom member country was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the period described above, Western stored the above-mentioned equipment with knowledge that the equipment was not or would not be monitored in accordance with the applicable license condition imposed on Export License D268971. Specifically, Western knew of the applicable license condition but neglected to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with that condition. In so doing, Western committed 26 violations of Section 764.2(e) of the Regulations.

**Charges 105-130 (15 C.F.R. § 764.2(e) – Acting with knowledge of a violation)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western stored equipment subject to the Regulations with knowledge that violations of an export license issued under the authority of the Regulations occurred or were about to occur in connection with the items. During the time period described, Western was responsible for Export License D256834. This license authorized underwater geophysical mapping equipment, including at least one LRS-16A seismic streamer, to be exported to the PRC for lease to the Shanghai Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

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For each of the 26 weeks of the period described above, Western stored the above-mentioned equipment with knowledge that the equipment was not or would not be monitored in accordance with the applicable license condition imposed on Export License D256834. Specifically, Western knew of the applicable license condition but neglected to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with that condition. In so doing, Western committed 26 violations of Section 764.2(e) of the Regulations.

**Charges 131-156 (15 C.F.R. § 764.2(e) – Acting with knowledge of a violation)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western stored equipment subject to the Regulations with knowledge that violations of an export license issued under the authority of the Regulations occurred or were about to occur in connection with the items. During the time period described, Western was responsible for Export License D255483. This license authorized underwater geophysical mapping equipment, including two model LRS-16A seismic streamers, to be exported to the PRC for lease to the Guangzhou Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D255483 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the period described above, Western stored the above-mentioned equipment with knowledge that the equipment was not or would not be monitored in accordance with the applicable license condition imposed on Export License D255483. Specifically, Western knew of the applicable license condition but neglected to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with that condition. In so doing, Western committed 26 violations of Section 764.2(e) of the Regulations.

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Accordingly, Western is hereby notified that an administrative proceeding is instituted against it pursuant to Section 13(c) of the Act and Part 766 of the Regulations for the purpose of obtaining an order imposing administrative sanctions, including any or all of the following:

The maximum civil penalty allowed by law of \$11,000 per violation for all violations occurring between May 31, 2000 and November 13, 2000;<sup>4</sup>

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<sup>4</sup> See 15 C.F.R. §6.4(a)(4) (2005).

The maximum civil penalty allowed by law of \$120,000 per violation for all violations involving national security controls that occurred between November 12, 2000 and August 20, 2001;<sup>5</sup>

Denial of export privileges; and/or

Exclusion from practice before BIS.

If Western fails to answer the charges contained in this letter within 30 days after being served with notice of issuance of this letter, that failure will be treated as a default. (Regulations, Sections 766.6 and 766.7). If Western defaults, the Administrative Law Judge may find the charges alleged in this letter to be true without hearing or further notice to Western. The Under Secretary of Commerce for Industry and Security may then impose up to the maximum penalty on each charge in this letter.

Western is further notified that it is entitled to an agency hearing on the record if it files a written demand for one with its answer. (Regulations, Section 766.6). Western is also entitled to be represented by counsel or other authorized representative who has power of attorney to represent it. (Regulations, Sections 766.3(a) and 766.4).

The Regulations provide for settlement without a hearing. (Regulations, Section 766.18). Should Western have a proposal to settle this case, Western or its representative should transmit the offer to the attorney representing BIS named below.

The U.S. Coast Guard is providing administrative law judge services in connection with the matters set forth in this letter. Accordingly, Western's answer must be filed in accordance with the instructions in Section 766.5(a) of the Regulations with:

U.S. Coast Guard ALJ Docketing Center  
40 S. Gay Street  
Baltimore, Maryland 21202-4022

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<sup>5</sup> See 15 C.F.R. §6.4(a)(7). As mentioned above, on November 13, 2000, the Act was reauthorized by Pub. L. No. 106-508 (114 Stat. 2360 (2000)) and it remained in effect through August 20, 2001. During this time period, the penalties in Sec. 11(c) of the Act, rather than those in 50 U.S.C. § 1705(a) are applied in administrative cases.

Western Geophysical Company of America  
Proposed Charging Letter  
Page 7

In addition, a copy of Western's answer must be served on BIS at the following address:

Chief Counsel for Industry and Security  
Attention: Charles Wall, Esq.  
Room H-3839  
United States Department of Commerce  
14th Street and Constitution Avenue, N.W.  
Washington, D.C. 20230

Charles Wall is representing BIS in this case; any communications that Western may wish to have concerning this matter should occur through him. He may be contacted by telephone at (202) 482-5301.

Sincerely,

Michael D. Turner  
Director  
Office of Export Enforcement

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

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In the Matter of: )  
 )  
Western Geophysical Company of America )  
3900 Essex Lane Suite 1200 )  
Houston TX 77027-5177 )  
 )  
Respondent. )  
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SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between Respondent, Western Geophysical Company of America (“Western”), and the Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) (collectively referred to as “Parties”), pursuant to Section 766.18(a) of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”),<sup>1</sup> issued pursuant to the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),<sup>2</sup>

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<sup>1</sup> The violations charged occurred in 2000. The Regulations governing the violations at issue are found in the 2000 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 3, 2006 (71 FR 44551 (August 7, 2006)), has continued the Regulations in effect under the IEEPA.

WHEREAS, BIS has notified Western of its intention to initiate an administrative proceeding against Western, pursuant to the Act and the Regulations;

WHEREAS, BIS has issued a proposed charging letter to Western that alleged that Western committed 156 violations of the Regulations, specifically:

**Charges 1-26 (15 C.F.R. § 764.2(a) – Violating a license condition)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, Western was responsible for Export License D268971. This license authorized underwater geophysical mapping equipment, including several Titan 1000 seismic streamer sections, to be exported to the People's Republic of China ("PRC") for lease to the Geophysical Company of Bohai Oil Corporation. The equipment was subject to the Regulations and classified under Export Control Classification Number ("ECCN") 6A001. Exports of this equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D268971 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment by a monitor from a former CoCom member country was required between actual usage periods at sea, and that only authorized personnel

were to have access to the equipment.<sup>3</sup> Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

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**Charge 78-104 (15 C.F.R. § 764.2(e) – Acting with knowledge of a violation)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western stored equipment subject to the Regulations with knowledge that violations of an export license issued under the authority of the Regulations occurred or were about to occur in connection with the items. During the time period described, Western was responsible for Export License D268971. This license authorized underwater geophysical mapping equipment, including several Titan 1000 seismic streamer sections, to be exported to the PRC for lease to the Geophysical Company of Bohai Oil Corporation. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

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For each of the 26 weeks of the period described above, Western stored the above-mentioned equipment with knowledge that the equipment was not or would not be monitored in accordance with the applicable license condition imposed on Export License

D268971. Specifically, Western knew of the applicable license condition but neglected to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with that condition. In so doing, Western committed 26 violations of Section 764.2(e) of the Regulations.

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WHEREAS, Western has reviewed the proposed charging letter and is aware of the allegations made against it and the administrative sanctions which could be imposed against it if the allegations are found to be true;

WHEREAS, Western and Baker Hughes Incorporated (hereinafter referred to as "BHI"), guarantor of the payment of the civil penalty, fully understand the terms of this Agreement and

the Order (“Order”) that the Assistant Secretary of Commerce for Export Enforcement will issue if he approves this Agreement as the final resolution of this matter;

WHEREAS, Western enters into this Agreement voluntarily and with full knowledge of its rights;

WHEREAS, Western states that no promises or representations have been made to it other than the agreements and considerations herein expressed;

WHEREAS, Western neither admits nor denies the allegations contained in the proposed charging letter;

WHEREAS, Western wishes to settle and dispose of all matters alleged in the proposed charging letter by entering into this Agreement; and

WHEREAS, Western and BHI agree to be bound by the Order, if entered;

NOW THEREFORE, the Parties hereby agree as follows:

1. BIS has jurisdiction over Western, under the Regulations, in connection with the matters alleged in the proposed charging letter.
2. The following sanction shall be imposed against Western in complete settlement of the violations of the Regulations set forth in the proposed charging letter:
  - a. Western shall be assessed a civil penalty in the amount of \$1,965,600 which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of the Order. The payment of the civil penalty is guaranteed by BHI and BHI and Western are jointly and severally liable for the payment of the penalty.

- b. The timely payment of the civil penalty agreed to in paragraph 2.a. is hereby made a condition to the granting, restoration, or continuing validity of any export license, permission, or privilege granted, or to be granted, to Western or BHI. Failure to make timely payment of the civil penalty set forth above may result in the denial of all of Western's or BHI's export privileges for a period of one year from the date of imposition of the penalty.

3. Subject to the approval of this Agreement pursuant to paragraph 8 hereof, Western and BHI hereby waive all rights to further procedural steps in this matter (except with respect to any alleged violations of this Agreement or the Order, if entered), including, without limitation, any right to: (a) an administrative hearing regarding the allegations in any charging letter; (b) request a refund of any civil penalty paid pursuant to this Agreement and the Order, if entered; (c) request any relief from the Order, if entered, including without limitation relief from the terms of a denial order under 15 C.F.R. § 764.3(a)(2); and (d) seek judicial review or otherwise contest the validity of this Agreement or the Order, if entered.

4. Upon entry of the Order and timely payment of the \$1,965,600 civil penalty, BIS will not initiate any further administrative proceeding against Western or BHI in connection with any violation of the Act or the Regulations arising out of the transactions identified in the proposed charging letter

5. BIS will make the proposed charging letter, this Agreement, and the Order, if entered, available to the public.

6. This Agreement is for settlement purposes only. Therefore, if this Agreement is not accepted and the Order is not issued by the Assistant Secretary of Commerce for Export Enforcement pursuant to Section 766.18(a) of the Regulations, no Party may use this Agreement in any administrative or judicial proceeding and the Parties shall not be bound by the terms contained in this Agreement in any subsequent administrative or judicial proceeding.

7. No agreement, understanding, representation or interpretation not contained in this Agreement may be used to vary or otherwise affect the terms of this Agreement or the Order, if entered, nor shall this Agreement serve to bind, constrain, or otherwise limit any action by any other agency or department of the U.S. Government with respect to the facts and circumstances addressed herein.

8. This Agreement shall become binding on BIS only if the Assistant Secretary of Commerce for Export Enforcement approves it by entering the Order, which will have the same force and effect as a decision and order issued after a full administrative hearing on the record.

9. Each signatory affirms that he has authority to enter into this Settlement Agreement and to bind his respective party to the terms and conditions set forth herein.

BUREAU OF INDUSTRY AND SECURITY  
U.S. DEPARTMENT OF COMMERCE



Michael D. Turner  
Director, Office of Export Enforcement

Date: 08/25/2006

WESTERN GEOPHYSICAL COMPANY OF AMERICA &  
BAKER HUGHES INCORPORATED



Reid M. Figel  
Counsel and Authorized Signatory for:  
Western Geophysical Company of America; and  
Baker Hughes Incorporated, Guarantor

Date: 8-25-06

UNITED STATES DEPARTMENT OF COMMERCE  
BUREAU OF INDUSTRY AND SECURITY  
WASHINGTON, D.C. 20230

\_\_\_\_\_  
In the Matter of: )  
 )  
Western Geophysical Company of America )  
3900 Essex Lane Suite 1200 )  
Houston TX 77027-5177 )  
 )  
Respondent. )  
\_\_\_\_\_ )

ORDER RELATING TO WESTERN GEOPHYSICAL COMPANY OF AMERICA

The Bureau of Industry and Security, U.S. Department of Commerce (“BIS”) has notified Western Geophysical Company of America (“Western”) of its intention to initiate an administrative proceeding against Western pursuant to Section 766.3 of the Export Administration Regulations (currently codified at 15 C.F.R. Parts 730-774 (2006)) (“Regulations”),<sup>1</sup> and Section 13(c) of the Export Administration Act of 1979, as amended (50 U.S.C. app. §§ 2401-2420 (2000)) (“Act”),<sup>2</sup> by issuing a proposed charging letter to Western that alleged that Western committed 156 violations of the Regulations. Specifically, the charges are:

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<sup>1</sup> The violations charged occurred in 2000. The Regulations governing the violations at issue are found in the 2000 version of the Code of Federal Regulations (15 C.F.R. Parts 730-774 (2000)). The 2006 Regulations establish the procedures that apply to this matter.

<sup>2</sup> From August 21, 1994 through November 12, 2000, the Act was in lapse. During that period, the President, through Executive Order 12924, which had been extended by successive Presidential Notices, the last of which was August 3, 2000 (3 C.F.R., 2000 Comp. 397 (2001)), continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. §§ 1701 - 1706 (2000)) (“IEEPA”). On November 13, 2000, the Act was reauthorized and it remained in effect through August 20, 2001. Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), as extended by the Notice of August 3, 2006 (71 FR 44551 (August 7, 2006)), has continued the Regulations in effect under the IEEPA.

**Charges 1-26 (15 C.F.R. § 764.2(a) – Violating a license condition)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, Western was responsible for Export License D268971. This license authorized underwater geophysical mapping equipment, including several Titan 1000 seismic streamer sections, to be exported to the People's Republic of China ("PRC") for lease to the Geophysical Company of Bohai Oil Corporation. The equipment was subject to the Regulations and classified under Export Control Classification Number ("ECCN") 6A001. Exports of this equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D268971 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment by a monitor from a former CoCom member country was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment.<sup>3</sup> Under a modification of this condition, the controlled

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<sup>3</sup> The Coordinating Committee for Multilateral Export Controls (CoCom) consisted of the following member countries: Australia, Belgium, Canada, Denmark, France, Germany, Greece, Italy, Japan, Luxembourg, Netherlands, Norway, Portugal, Spain, Turkey, United Kingdom and United States.

equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the above-described period, Western maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, Western committed 26 violations of Section 764.2(a) of the Regulations.

**Charges 27-52 (15 C.F.R. § 764.2(a) – Violating a license condition)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, Western was responsible for Export License D256834. This license authorized underwater geophysical mapping equipment, including at least one LRS-16A seismic streamer, to be exported to the PRC for lease to the Shanghai Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of this equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D256834 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an

authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the above-described period, Western maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, Western committed 26 violations of Section 764.2(a) of the Regulations.

**Charges 53-78 (15 C.F.R. § 764.2(a) – Violating a license condition)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western refrained from engaging in conduct required by a condition imposed on an export license issued under the Regulations. During the time period described, Western was responsible for Export License D255483. This license authorized underwater geophysical mapping equipment, including at least two LRS-16A seismic streamers, to be exported to the PRC for lease to the Guangzhou Bureau of Marine Geological Survey. The equipment was subject to the

Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D255483 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the above-described period, Western maintained the controlled equipment in storage in the PRC under the authority of the above-mentioned license, but failed to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with the applicable license condition. In so doing, Western committed 26 violations of Section 764.2(a) of the Regulations.

**Charge 78-104 (15 C.F.R. § 764.2(e) – Acting with knowledge of a violation)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western stored equipment subject to the Regulations with knowledge that violations of an export license issued under the authority of the Regulations occurred or were about to occur in

connection with the items. During the time period described, Western was responsible for Export License D268971. This license authorized underwater geophysical mapping equipment, including several Titan 1000 seismic streamer sections, to be exported to the PRC for lease to the Geophysical Company of Bohai Oil Corporation. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D268971 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment by a monitor from a former CoCom member country was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the period described above, Western stored the above-mentioned equipment with knowledge that the equipment was not or would not be monitored in accordance with the applicable license condition imposed on Export License D268971. Specifically, Western knew of the applicable license condition but neglected to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with that condition. In so doing, Western committed 26 violations of Section 764.2(e)

of the Regulations.

**Charges 105-130 (15 C.F.R. § 764.2(e) – Acting with knowledge of a violation)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western stored equipment subject to the Regulations with knowledge that violations of an export license issued under the authority of the Regulations occurred or were about to occur in connection with the items. During the time period described, Western was responsible for Export License D256834. This license authorized underwater geophysical mapping equipment, including at least one LRS-16A seismic streamer, to be exported to the PRC for lease to the Shanghai Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D256834 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the period described above, Western stored the above-mentioned equipment with knowledge that the equipment was not or would not be monitored in accordance with the applicable license condition imposed on Export License D256834. Specifically, Western knew of the applicable license condition but neglected to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with that condition. In so doing, Western committed 26 violations of Section 764.2(e) of the Regulations.

**Charges 131-156 (15 C.F.R. § 764.2(e) – Acting with knowledge of a violation)**

During the period from on or about June 1, 2000 through on or about November 30, 2000, Western stored equipment subject to the Regulations with knowledge that violations of an export license issued under the authority of the Regulations occurred or were about to occur in connection with the items. During the time period described, Western was responsible for Export License D255483. This license authorized underwater geophysical mapping equipment, including two model LRS-16A seismic streamers, to be exported to the PRC for lease to the Guangzhou Bureau of Marine Geological Survey. The equipment was subject to the Regulations and classified under ECCN 6A001. Exports of the equipment to the PRC were controlled for National Security reasons during the relevant time period.

Several conditions were imposed on Export License D255483 to ensure that the controlled equipment was at all times under the supervision or oversight of the licensee or an

authorized representative. One of these conditions stated that 24 hours per day, seven days per week supervision of the controlled equipment was required between actual usage periods at sea, and that only authorized personnel were to have access to the equipment. Under a modification of this condition, the controlled equipment was required to be stored in a locked container and a national of a former CoCom country was required to enter the container and inspect the controlled equipment weekly.

For each of the 26 weeks of the period described above, Western stored the above-mentioned equipment with knowledge that the equipment was not or would not be monitored in accordance with the applicable license condition imposed on Export License D255483. Specifically, Western knew of the applicable license condition but neglected to monitor the equipment at all or otherwise failed to adequately monitor the equipment in accordance with that condition. In so doing, Western committed 26 violations of Section 764.2(e) of the Regulations.

WHEREAS, BIS, Western and Baker Hughes Incorporated (hereinafter referred to as "BHI"), as guarantor of payment of the civil penalty, have entered into a Settlement Agreement pursuant to Section 766.18(a) of the Regulations whereby they agreed to settle this matter in accordance with the terms and conditions set forth therein; and

WHEREAS, I have approved of the terms of such Settlement Agreement;

IT IS THEREFORE ORDERED:

FIRST, that a civil penalty of \$1,965,600 is assessed against Western, which shall be paid to the U.S. Department of Commerce within 30 days from the date of entry of this Order.

Payment shall be made in the manner specified in the attached instructions. The payment of the civil penalty is guaranteed by BHI and BHI and Western are jointly and severally liable for the payment of the penalty.

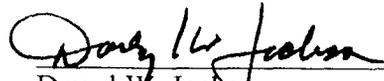
SECOND, that, pursuant to the Debt Collection Act of 1982, as amended (31 U.S.C. §§ 3701-3720E (2000)), the civil penalty owed under this Order accrues interest as more fully described in the attached Notice, and, if payment is not made by the due date specified herein a penalty charge and an administrative charge, as more fully described in the attached Notice, will be assessed, in addition to the full amount of the civil penalty and interest.

THIRD, that the timely payment of the civil penalty set forth above is hereby made a condition to the granting, restoration, or continuing validity of any export license, license exception, permission, or privilege granted, or to be granted, to Western or BHI. Accordingly, if Western should fail to pay the civil penalty in a timely manner, the undersigned may enter an Order denying all of Western's and BHI's export privileges for a period of one year from the date of entry of this Order.

FOURTH, that the proposed charging letter, the Settlement Agreement, and this Order shall be made available to the public.

Order  
Western Geophysical Company of America  
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This Order, which constitutes the final agency action in this matter, is effective immediately.

  
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Darryl W. Jackson  
Assistant Secretary of Commerce  
for Export Enforcement

Entered this 1<sup>st</sup> day of September 2006.