

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 8, 2011

Mr. John Filiatrault
Vice President CO2 Supply and Pipelines
Denbury Onshore, LLC
5100 Tennyson Parkway, Suite 3000
Plano, TX 75024

CPF 2-2011-5010W

Dear Mr. Filiatrault:

On June 13-17, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected the Denbury Onshore, LLC (Denbury) Liquid Integrity Management Program (IMP) in Flowood, Mississippi.

As a result of the inspection, it appears that Denbury has committed probable violations of the Pipeline Safety Regulations, Title 49, and Code of Federal Regulations. The items inspected and the probable violations are:

1. **§195.452 Pipeline integrity management in high consequence areas.**
 - ... (i) *What records must be kept?*
 - (1) **An operator must maintain for review during an inspection:**
 - ... (ii) **Documents to support the decisions and analyses, including any modifications, justifications, variances, deviations and determinations made, and actions taken, to implement management program listed in paragraph (f) of this section.**

Denbury's IMP was incorrect because it identifies two distinct and different items as "Appendix F" of the IMP; Air Dispersion Modeling and the Direct Assessment & Corrosion Control Plan (DACCP). It cannot be both.
2. **§195.588 What standards apply to direct assessments?**
 - ... (b) **The requirements for performing external corrosion direct assessment are as follows:**

... (3) Indirect examination. In addition to the requirements in Section 4 of NACE SP0502 (incorporate by reference, see §195.3), the procedures for indirect examination of the ECDA regions must include---

Denbury's IMP was incorrect because the DACCP, Revision 4.0 dated July 2009, Section 5.1.2 Direct Examination, incorrectly states "*This phase includes prioritization of indications discovered during the direct inspections.*" Indications are prioritized for excavation during the indirect inspection phase.

NACE SP0502 Section 4.1.1 states: *The objective of the Indirect Inspection Step is to identify and define the severity of coating faults, other anomalies, and areas at which corrosion activity may have occurred or may be occurring.*

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$100,000 for each violation for each day the violation persists up to a maximum of \$1,000,000 for any related series of violations. We have reviewed the circumstances and supporting documents involved in this case, and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to correct the items identified in this letter. Failure to do so will result in Denbury being subject to additional enforcement action.

No reply to this letter is required. If you choose to reply, in your correspondence please refer to **CPF 2-2011-5010W**. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b).

Sincerely,

Wayne T. Lemoi
Director, Office of Pipeline Safety
PHMSA Southern Region