

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

August 9, 2011

Mr. John R. Pantaleo
Vice President-Gulf of Mexico
Stone Energy Corporation
625 East Kaliste Saloom Road
Lafayette, LA 70508

CPF 4-2011-7006M

Dear Mr. Pantaleo:

On April 11-15, 2011, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected your Operator Qualification Program at your headquarters located in Lafayette, LA.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Stone Energy's plans or procedures, as described below:

- 1. §195.402 Procedural manual for operations, maintenance, and emergencies.**
 - a) General. Each operator shall prepare and follow for each pipeline system a manual of written procedures for conducting normal operations and maintenance activities and handling abnormal operations and emergencies. This manual shall be reviewed at intervals not exceeding 15 months, but at least once each calendar year, and appropriate changes made as necessary to insure that the manual is effective. This manual shall be prepared before initial operations of a pipeline system commence, and appropriate parts shall be kept at locations where operations and maintenance activities are conducted.**

The Stone Energy OQ Program, section 5 Accepted Off-the-Shelf Programs, 5.1 Operator Qualification Acceptable Programs dated January 26, 2011 lists as item #7 T-2 Certification. Item 7 T-2 Certification states “Stone Energy reviewed the requirements of T-2 Certification and accepts it as qualification for third-party entities to close valves on Stone Energy pipelines in the case of an emergency.” Stone Energy is using the T-2 Certification for the qualification of company and contract personnel to perform covered tasks other than valve operation. As a side-note, T-2 Certification is a requirement of the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE).

The Stone Energy OQ Program fails to indicate that T-2 Certification is acceptable for covered tasks other than to operate a valve, and fails to state that T-2 Certification is acceptable for company personnel. Stone Energy must amend the OQ Program as appropriate.

The Stone Energy OQ Program, section 2 Plan Review, page 2-1, dated January 26, 2011 states “This plan will be reviewed & evaluated for effectiveness once every year by the GOM Manager HSE (or their designee).” The OQ Program fails to require a program review once each calendar year, not to exceed a 15 month interval.

Advisory Bulletin ADB-09-03 explains that the OQ Program review is required per §195.402 and therefore should be performed as required in the regulation. Stone Energy must amend the OQ Program as appropriate.

The Stone Energy OQ Program, section 10 Qualification Methods, page 10-1, dated January 26, 2011 states "Qualification methods will include one or more of the following for each covered task: 1) Written exam, 2) Oral exam, 3) WPH, 4) Observation during performance of on-the-job, 5) Observation during on-the-job training, 6) Simulations, 7) Other forms of assessment, & 8) Field evaluations conducted in accordance with ASME B31Q. The qualification evaluation method or combination of methods should sufficiently measure the individual’s knowledge, skills and ability to perform the covered task for which he or she is being evaluated.” In section 8 Covered Tasks, pages 8-4 through 8-32, the appropriate qualification evaluation methods specific to each covered task are not listed.

The Stone Energy Operator Qualification Program fails to list task specific qualification evaluation methods used to qualify an individual as required by 195.503. Stone Energy must amend the OQ Program as appropriate.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled *Response Options for Pipeline Operators in Compliance Proceedings*. Please refer to this document and note the response options. 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). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 45 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

It is requested (not mandated) that Stone Energy Corporation maintain documentation of the safety improvement costs associated with fulfilling this Notice of Amendment (preparation/revision of plans, procedures) and submit the total to R. M. Seeley, Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. In correspondence concerning this matter, please refer to **CPF 4-2011-7006M** and, for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,

R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous Materials Safety Administration

Enclosure: *Response Options for Pipeline Operators in Compliance Proceedings*