

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

October 10, 2007

Mr. Dale Cantwell
VP of Engineering and Operations
Resolute Natural Resources
1675 Broadway, Suite 1950
Denver, CO 80202

CPF 5-2007-5036W

Dear Mr. Cantwell:

On September 13, 2007, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, conducted an Integrity Management (IM) inspection of the Resolute Natural Resources (Resolute) at your facility near Cortez, Colorado.

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

1. **§195.452 Pipeline integrity management in high consequence areas.**
 - (b) **What program and practices must operators use to manage pipeline integrity? Each operator of a pipeline covered by this section must:**

(2) Include in the program an identification of each pipeline or pipeline segment in the first column of the following table not later than the date in the second column:

Pipeline	Date
Category 1.....	December 31, 2001.
Category 2.....	November 18, 2002.
Category 3.....	Date the pipeline begins operation.

Resolute purchased the Carbon Dioxide (CO2) pipeline from ExxonMobil in June of 2006. However, Resolute did not receive any Integrity Management (IM) information from the previous operator on your CO2 pipeline. Meanwhile, Resolute did not complete the evaluation to determine a “could affect” High Consequence Area (HCA) segment until August of 2007.

2. §195.452 Pipeline integrity management in high consequence areas.

(f) What are the elements of an integrity management program? An integrity management program begins with the initial framework. An operator must continually change the program to reflect operating experience, conclusions drawn from results of the integrity assessments, and other maintenance and surveillance data, and evaluation of consequences of a failure on the high consequence area. An operator must include, at minimum, each of the following elements in its written integrity management program:

- (1) A process for identifying which pipeline segments could affect a high consequence area;**
- (2) A baseline assessment plan meeting the requirements of paragraph (c) of this section;**
- (3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);**
- (4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);**
- (5) A continual process of assessment and evaluation to maintain a pipeline's integrity (see paragraph (j) of this section);**
- (6) Identification of preventive and mitigative measures to protect the high consequence area (see paragraph (i) of this section);**

(7) Methods to measure the program's effectiveness (see paragraph (k) of this section);

(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h) (2) of this section).

Resolute did not contain provisions in its manual to monitor conditions along your CO2 pipeline for any changes of HCA.

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 item identified in this letter. Failure to do so will result in Resolute Natural Resources 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 5-2007-5036W**. 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,

Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 H. Nguyen (#119852)