



CERTIFIED MAIL – RETURN RECEIPT REQUESTED

September 6, 2012

Mr. Wayne T. Lemoi
Director, Office of Pipeline Safety
PHMSA Southern Region
233 Peachtree Street Ste. 600
Atlanta, GA 30303

Re: CPF 2-2012-5011

Mr. Lemoi,

Denbury Onshore, LLC (“Denbury”) is writing in response to the Pipeline and Hazardous Materials Safety Administration’s (“PHMSA”) Notice of Probable Violation and Proposed Civil Penalty, CPF 2-2012-5011, dated August 9, 2012 and received on August 18, 2012 (the “Notice”). In the Notice, PHMSA cites Denbury for a probable violation of 49 CFR 195.64 (c)(1)(ii) based upon Denbury’s submittal of an Operator Registry Notification on July 16, 2012 for the construction of an additional 19.9 miles of loop pipeline to Denbury’s existing North East Jackson Dome carbon dioxide pipeline. Denbury is writing today to advise you that Denbury does not contest the penalty of \$18,700 and that such penalty was paid by wire transfer as required by 49 CFR 89.21 (b)(3). The wire transfer Fed Ref number is 0906 B1QGC03C 004575.

In addition, Denbury is also writing to you today to request clarification on the scope of 49 CFR 195.64 and specifically, whether 49 CFR 195.64 is intended to apply to carbon dioxide pipelines in addition to hazardous liquids pipelines. Although carbon dioxide pipelines are included in the hazardous liquids regulations (49 CFR Part 195), carbon dioxide is defined separately from hazardous liquid under 49 CFR 195.2. Carbon dioxide pipelines are also treated differently from hazardous liquids pipelines in several areas throughout 49 CFR Part 195 because carbon dioxide is a non-toxic and non-combustible medium, unlike hydrocarbon liquids which are also addressed in the rule.

49 CFR 195.64 (c)(1)(ii) specifically refers to a new hazardous liquid pipeline, not a new hazardous liquid or carbon dioxide pipeline. However, based on the preamble to the new rule as well as the reference to carbon dioxide pipelines in the Operator Registry Notification Form itself, it appears that PHMSA did intend the new rule to apply to all regulated operators, including operators of carbon dioxide pipelines. Furthermore, the term operator, as it is used throughout 49 CFR 195.64, is defined in 49 CFR 195.2 as “a person who owns or operates pipeline facilities.” 49 CFR 195.2 defines a pipeline facility as “new and existing pipe, rights-of-way and any equipment, facility, or building used in the transportation of hazardous liquids or carbon dioxide.” Due to these conflicts between the language of the rule, the preamble to the rule and the form, Denbury requests that PHMSA clarify the scope of 49 CFR 195.64 so that Denbury is clear which portion of the rule pertains to a segment of carbon dioxide pipeline construction when making future notifications related to its carbon dioxide pipelines.

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Denbury appreciates your consideration of the requested clarification in this letter. Please do not hesitate to contact me at (972) 673-2648 if you have any questions or need additional information.

Sincerely,

Denbury Onshore, LLC



John Filiatrault
Vice President CO₂ Supply and Pipelines