

WARNING LETTER

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 4-2011-7005W

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.

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

1. §195.505 Qualification program.

Each operator shall have and follow a written qualification program. The program shall include provisions to:

- (b) Ensure through evaluation that individuals performing covered tasks are qualified;**

The qualification paperwork of Mr. Sean Hines (The Wood Group) exhibited a lack of qualification records along with numerous inconsistencies. The Wood Group personnel are

qualified through an outside party. Many times the individuals have taken performance evaluations for skills and abilities, but have not taken knowledge evaluations. The records may indicate the individual is qualified for tasks that he should not be allowed to perform.

The review of Mr. Hines records' revealed that he was qualified in 18 covered tasks in the first quarter of 2010. As of April 2011, Mr. Hines' qualifications in 9 of the covered tasks had expired. Mr. Hines has completed performance evaluations in the 9 remaining covered tasks. Mr. Hines has completed the written evaluation in 6 of the 9 covered tasks. The Stone Energy Field Verification form states, "The above named employee has undergone training and field verification. Combined with the knowledge testing through OQSG, this employee has successfully completed training and testing required to obtain Operator Qualifications required in performing this covered task." Mr. Hines completed Subpart O training on October 12, 2009 and DOT training on May 12, 2008. Due to inconsistencies in the records, qualification in 12 of the 18 covered tasks cannot be verified.

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(s) identified in this letter. Failure to do so will result in Stone Energy Corporation 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 4-2011-7005W**. 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,

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