

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 26, 2017

Mr. James M. Piccone
President
Resolute Natural Resources Company
1700 Lincoln Street Suite 2800
Denver, CO 80203

CPF 5-2017-5007W

Dear Mr. Piccone:

On October 3 through 13, 2016, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code, inspected your Greater Aneth CO2 Pipeline in Denver and Cortez, Colorado.

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

1. **§195.412 Inspection of rights-of-way and crossings under navigable waters.**
(a) Each operator shall, at intervals not exceeding 3 weeks, but at least 26 times each calendar year, inspect the surface conditions on or adjacent to each pipeline right-of-way. Methods of inspection include walking, driving, flying or other appropriate means of traversing the right-of-way.

During the inspection of your records, it was found that there were no records of adequate frequency of the right-of-way (ROW) patrols. Resolute Natural Resources (RNR) has records of only 9 patrols for 2015, versus the required 26 times each calendar year as required by §195.412(a).

2. **§195.410 Line markers.**
 - (a) **Except as provided in paragraph (b) of this section, each operator shall place and maintain line markers over each buried pipeline in accordance with the following:**
 - (2) **The marker must state at least the following on a background of sharply contrasting color:**
 - (ii) **The name of the operator and a telephone number (including area code) where the operator can be reached at all times.**

During the field inspection, the line markers observed have the operator's name and emergency contact number covered by a warning label. It was noted that quite a few of the line markers show the line operator to be ExxonMobil rather than RNR. Furthermore, there are a few of the labels that are faded and/or weathered, and some of those line markers/labels are so faded and/or weathered that they are no longer have a contrasting color. Also, there are line marker labels that don't meet the letter/text size requirements. Most markers partially meet section §195.410 requirements, but very few markers meet all the requirements.

3. **§195.583 What must I do to monitor atmospheric corrosion control?**
 - (b) **During inspections you must give particular attention to pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water.**

During the records and procedures review, it was noted that neither RNR's O&M procedures nor their inspection form, used to record the atmospheric corrosion inspection, have provisions to show the need for employees to pay any particular attention to the pipe at soil-to-air interfaces, under thermal insulation, under disbonded coatings, at pipe supports, in splash zones, at deck penetrations, and in spans over water as required by §195.583(b).

4. **§195.579 What must I do to mitigate internal corrosion?**
 - (a) **General. If you transport any hazardous liquid or carbon dioxide that would corrode the pipeline, you must investigate the corrosive effect of the hazardous liquid or carbon dioxide on the pipeline and take adequate steps to mitigate internal corrosion.**

During the records review, RNR failed to demonstrate they had investigated the corrosive effects of the hazardous liquid on its pipeline. Also, when asked, they could not produce any records showing that they ever tried to investigate the corrosive effects the product has on their pipeline.

5. **§195.507 Recordkeeping.**

Each operator shall maintain records that demonstrate compliance with this subpart.

 - (a) **Qualification records shall include:**
 - (2) **Identification of the covered tasks the individual is qualified to perform.**

During the records review, it was noted that the OQ program has problems with keeping current records available and determining the current qualification of individuals. Also, the current Covered Task list (Rev.10.2016) does not include many cathodic protection types of covered tasks. The PHMSA inspector obtained the OQ record for a CP Tech and this record indicates a qualification date of 8/24/2009 for the covered tasks that the CP Tech would normally be required to do in 2016. There was no recent qualification/requalification date listed.

6. §195.440 Public awareness.

(d) The operator's program must specifically include provisions to educate the public, appropriate government organizations, and persons engaged in excavation related activities on:

(1) Use of a one-call notification system prior to excavation and other damage prevention activities.

During the inspection of your records, it was noted that RNR uses a 24/7 one-call center at 1-888-532-5427. They also have affiliations with Blue Stakes for Utah, and the Colorado 811. There were no records of public mailings to landowners and contractors for 2015, but RNR identified 11 landowners within 220 feet of the right-of-way for 2015. There were no one-calls for notifications in Colorado, and the one-call notification records for Utah are at the McElmo creek office. RNR does not differentiate their production side from their regulated side for one-call records.

Under 49 United States Code, § 60122, you are subject to a civil penalty not to exceed \$205,638 per violation per day the violation persists up to a maximum of \$2,056,380 for a related series of violations. For violation occurring between January 4, 2012 to August 1, 2016, the maximum penalty may not exceed \$200,000 per violation per day, with a maximum penalty not to exceed \$2,000,000 for a related series of violations. For violations occurring prior to January 4, 2012, the maximum penalty may not exceed \$100,000 per violation per day, with a maximum penalty not to exceed \$1,000,000 for a 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 Resolute Natural Resources Company 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 5-2017-5007W**. 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,

Kim West
Acting Director, Western Region
Pipeline and Hazardous Materials Safety Administration

cc: PHP-60 Compliance Registry
PHP-500 J. Coleman / C. Allen / D. Fehling (#154159)