STONE ENERGY

October 28, 2011

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

Reference: CPF 4-2011-7002M
Dated: August 8, 2011

Dear Mr. Seely,

We have received your letter dated August 8, 2011 following an inspection on December 6-10, 2010. The inspection included the East Cameron 46 pipeline and the West Cameron 45 pipeline located offshore Louisiana.

Your letter listed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The following is a list of the identified inadequacies and Stone Energy's responses:

1. **49 CFR 195.452 Pipeline integrity management in high consequence areas.**

   The team reviewed the process used to identify High Consequence Areas. Stone Energy appears to consider all navigable waterways to not be HCA's due to reroute capabilities. Under PHMSA FAQ # 3.19 "What types of considerations would PHMSA Pipeline Safety consider reasonable for determining whether pipelines can affect commercially navigable waterways in open water? Vessels that used commercially navigable waterways in open water, typically called fairways, can be rerouted. Pipeline spills in such areas may therefore have a limited impact on commerce. This is not the case for specific routes that provide sole access to a port (e.g., where water depth may limit ships to a specific approach), or where for other reasons vessels cannot be diverted."

   Stone Energy needs to determine that no navigable waterways are the sole access HCA's. If they are sole access HCA's, then Stone Energy needs to determine which, if any, pipeline segments could affect the HCA.

The team reviewed the process used to identify potential release locations. Stone Energy appears to select release points at one mile intervals up to 5 miles. The pipeline is 5.7 miles. Open water such as the Gulf of Mexico may result in spill release points characteristic that are different than where terrain features could cause closely spaced releases to move differently. However, release location spacing should be technically justified and support end point identification at locations less than a mile apart.

The team reviewed the process used to identify segments that could indirectly affect an HCA. Stone Energy appears to select release points at one mile intervals, and identify corresponding segments. Stone Energy should identify HCA's by specific endpoints and show where the specific point on the pipeline where the change from could affect to could not affect occurs.

Stone Energy Response: Stone Energy has revised Section 1.07 Water Transport Analysis and replaced the audited method for determining launch block probabilities with the MMS 2004-026 OCS Report "Oil-Spill Risk Analysis: Contingency Planning Statistics for Gulf of Mexico OCS Activities." The MMS 2004-026 OCS report was created by running the OSRA Model, used for the high degree of resolution and common use in determining probable shoreline impacts within the Gulf of Mexico. Due to this change each offshore pipeline will be considered one segment and both will be considered as could affect facilities; there will be no endpoints from could not affect to could affect. Along with these changes to Section 1, language has also been added to consider the shipping fairways in the area of Stone Energy's pipelines as HCA's. The revised Section 1 is enclosed along with this response.

2. 49 CFR 195.452 Pipeline integrity management in high consequence areas.

The team reviewed the assessment methods shown in the baseline assessment plan in Stone Energy's IMP. The process (i.e. Figure 2.2) directs Stone Energy to use an ILI tool, even though Stone Energy has chosen to use hydro-test for assessments. Stone Energy should correct the process in their IMP to correspond to the actual process being used to select an assessment method.

Stone Energy Response: The language in Figure 2.2 has been changed to reflect the process currently being used by Stone Energy to select an assessment method. The revised figure is enclosed along with this response.

3. **49 CFR 195.452 Pipeline integrity management in high consequence areas.**

   Stone Energy should add language to the IMP that if a temporary pressure reduction exceeds 365 days the operator must notify PHMSA and explain the reasons for the delay.

   Stone Energy Response: Language has been added to the Integrity Management Plan regarding notification to PHMSA for pressure reductions exceeding 365 days. The language was added to Section 3.05. The revised Section 3.05 is enclosed along with this response.

4. **49 CFR 195.452 Pipeline integrity management in high consequence areas.**

   The team reviewed the Risk Analysis Process. Stone Energy Integrity Management Plan section 5.03 appears to contain some risk input information that would not be relevant to your offshore pipelines while omitting other risk input information that would seem to be appropriate for offshore pipelines. (i.e. fishing, drilling, shipping navigation)

   Stone Energy Response: Stone Energy wishes to keep the risk input information relevant to onshore activity to maintain the plan's flexibility to incorporate any future onshore facilities. Also, risk input information pertinent to offshore pipelines has been pulled from Appendix I and included in Section 5.03. The revised Section 5.03 is enclosed along with this response.

It is toward Stone Energy's continuing commitment to operate in a manner that not only complies with Federal regulations, but ensures the safety of all operating personnel and affected population that we appreciate this opportunity to address the items brought forth in your letter. Should specific items provided to evidence our compliance, or proposed time frame to achieve compliance be found not sufficient, please advise so that we may remedy the issue as soon as possible.

If you should have any questions or require additional information please feel free to contact me at (337) 521-0213.

Sincerely,

Cobb Lebouef /sr

Cobb Lebouef
Stone Energy