

WARNING LETTER

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

December 16, 2021

David Sheppard
Senior Vice President - Operations
Denbury Green Pipeline-Montana LLC
5851 Legacy Circle, Suite 1200
Plano, Texas 75024

CPF # 4-2021-056-WL

Dear Mr. Sheppard:

On July 6 and 7, 2021, a representative of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code (U.S.C.) inspected the Denbury Green Pipeline-Montana LLC's (Denbury) pipe storage facilities for its Cedar Creek Anticline (CCA) CO2 pipeline construction project in Alzada and Baker, Montana.

As a result of the inspection, it is alleged that Denbury has committed a probable violation of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations (CFR). The item inspected and the probable violation is:

1. §195.202 Compliance with specifications or standards

Each pipeline system must be constructed in accordance with comprehensive written specifications or standards that are consistent with the requirements of this part.

Denbury failed to construct its pipeline system in accordance with written comprehensive specifications or standards consistent with Part 195. Specifically, Denbury failed to follow its *Construction Standards, Below Grade Pipe Coatings, C1080* (Revised 2013-08-01), during the construction of its CCA Project.

The procedures contain requirements to protect pipeline coating material during transportation, handling, and storage of pipe. Specifically, Section 2.4 states, "To prevent damage and loss of product, coating materials shall be transported, handled, and stored per Manufacturer's recommendations. All coating material shall be stored in a clean, dry

location and in a manner to protect them from contact with the ground and moisture. All coating material will be shielded from direct sunlight when not in use.”

During PHMSA’s inspection, pipes stored at the Alzada and Baker storage yards were heavily oxidized due to ultraviolet exposure. PHMSA’s review of the Material Test reports and Logistics Inspection reports indicated that the pipes were manufactured in 2019 and transported to the pipe storage yards by April 2020. The pipes at the storage yards were exposed to direct sunlight and moisture from April 2020 until the start of the project in July 2021.

As a result of the inspection, PHMSA’s representative requested Denbury perform tests to ensure that the performance of the coating due to the failure to protect the pipe from exposure to direct sunlight as required by their specifications.

Under 49 U.S.C. § 60122 and 49 CFR § 190.223, Denbury Green Pipeline-Montana, LLC is subject to a civil penalty not to exceed \$225,134 per violation per day the violation persists, up to a maximum of \$2,251,334 for a related series of violations. For violations occurring on or after January 11, 2021, and before May 3, 2021, the maximum penalty may not exceed \$222,504 per violation per day the violation persists, up to a maximum of \$2,225,034 for a related series of violations. For violations occurring on or after July 31, 2019, and before January 11, 2021, the maximum penalty may not exceed \$218,647 per violation per day the violation persists, up to a maximum of \$2,186,465 for a related series of violations. For violations occurring on or after November 27, 2018, and before July 31, 2019, the maximum penalty may not exceed \$213,268 per violation per day, with a maximum penalty not to exceed \$2,132,679. For violation occurring on or after November 2, 2015, and before November 27, 2018, the maximum penalty may not exceed \$209,002 per violation per day, with a maximum penalty not to exceed \$2,090,022.

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 Denbury Green Pipeline-Montana LLC 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 # 4-2021-056-WL**. 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,

Mary L. McDaniel, P.E.
Director, Southwest Region, Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration