

February 16, 2011

Mr. Chris Hoidal
Director, Western Region
Pipeline and Hazardous Materials Safety Administration
12300 W. Dakota Ave., Suite 110
Lakewood, Co 80228

Re: CPF 5-2011-6001

Dear Mr. Hoidal:

Merit Energy Company is in receipt of your "Notice of Probable Violation" and "Proposed Compliance Order" dated January 6, 2011, Probable Violations of the Pipeline Safety Regulations, Title 49 CFR, found within Merit Energy Company's Bairoil CO2 Pipeline System in Wyoming during an inspection in May 2010.

In regard to the subject inspection, Merit Energy Company has undertaken an in-depth evaluation of its pipeline operations and has addressed each of the inadequacies identified during the inspection. To fully explain the steps taken by Merit Energy Company in rectifying the issues, we have included the following:

1. A copy of the "Notice of Probable Violation" and "Proposed Compliance Order" letter dated January 6, 2011.
File Name – ***CPF5-2011-6001.pdf***

2. Hard copy and electronic documentation addressing items 1,2,5,7,8 and 9 of the NOPV

NOPV Items 1, 5 & 8 are addressed together:

File name – ***NOPVItems1,5,8.docx***

Documentation explaining how items 1, 5 & 8 were addressed

File name – ***BairoilHydrotestRecord1986.pdf***

Documentation of the original hydrostatic test records

File name – ***BairoilC02Alignment.pdf***

Updated alignment sheets of the pipeline

File name - ***BairoilResetReliefDevices.pdf***

Documentation of the re-set relief devices

File name - ***BairoilMOPCalc.pdf***

Documentation of the lowered MOP

NOPV Item 2

File name - ***NOPVItem2.docx***

Documentation explaining how item #2 was addressed

File names – ***BairoilConstructionPlan1986.pdf & BairoilWallThicknessChangeLocation .pdf***

Documentation of the original pipeline Construction Plan detailing wall thickness change

File name – ***BairoilC02Alignment.pdf***

A copy of the updated alignment sheets showing wall thickness documentation on Page 8

NOPV Item 7

File name – ***NOPVItem7.docx***

Documentation explaining how item #7 was addressed

File name – ***CorrosionTraining2010.pdf***

A copy of the Corrosion Training documentation conducted by Optimized Pipeline Solutions dated 8/9/2010

NOPV Item 9

File name – ***NOPVItem9.docx***

Documentation describing how item #9 was addressed.

File name – ***BairoilAnodeInstall2010***

Operation & Maintenance Manual updates detailing anode installation in 2010

File name – ***BairoilDeepwellGB.pdf***

Ground bed installation information by installer

3. A document detailing the cost associated with fulfilling this compliance order.

File name – ***CPF-5-2011-6001Costs.docx***

Total costs associated with fulfilling this compliance order

File name – ***ComplianceCostsCPF5-2011-6001.pdf***

Invoice documentation of the costs associated with fulfilling this compliance order

Should there be any questions or if additional information is required, please contact me at the address below.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jay Prudhome", with a long horizontal flourish extending to the right.

Jay Prudhome
Vice President Northern Rockies
13727 Noel Rd., Suite 500
Dallas, TX 75240