



U.S. Department
of Transportation

Pipeline and Hazardous Materials
Safety Administration

1200 New Jersey Avenue SE
Washington DC 20590

AUG 7 5 2019

Mr. Dan Green
Consultant
Pacific Energy and Mining Company
3550 Barron Way #13A
P.O. Box 18148
Reno, Nevada 89511

Dear Mr. Green:

In a letter to the Pipeline and Hazardous Materials Safety Administration (PHMSA) dated July 6, 2018, you requested an interpretation on the applicability of Title 49 Code of Federal Regulations (CFR) Part 192 to your Greentown Pipeline Gathering System (Gathering System). Specifically, you requested "clarification and interpretation of Title 49 CFR § 192.5 applicability to [the] Greentown Pipeline Gathering System," and if the Gathering System is exempt from 49 CFR Part 192 regulations pursuant to 49 CFR § 192.1(b)(4)(ii).

For background purposes, you stated that the Gathering System was built in 2008 by Delta Petroleum Corporation, and that it was not regulated until October 2013. You stated that the Utah Division of Public Utilities began to regulate the Gathering System in October 2013 after they conducted what you described as a "courtesy inspection." You stated that the Utah Division of Public Utilities Safety Engineer concluded his inspection of the line as follows:

"Review of the submitted documents on September 13, 2013 did not demonstrate using sound engineering principles that the endpoint of gathering extended beyond the processing plant. My field visit on September 19, 2013 also confirmed the fact that the endpoint of this gathering system is the outlet of the processing plant. Utah Pipeline Safely considers 22 miles of 16-inch steel pipeline from the processing plant to the Northwest Tie-in as Intrastate Transmission Pipeline."

You described the Gathering Systems as consisting of 26 miles of 6-inch diameter line operated at an MAOP of 750 psig, and 21.19 miles of 16-inch diameter line operated at a maximum pressure of 750 psig.¹

Furthermore, you stated gas is transported from production wells in the 6-inch diameter line to a plant where it is dehydrated and compressed. The gas is then transported in the 16-inch diameter line to a second facility upstream of the Northwest Pipeline interconnect, where the gas is routed

¹ Information provided by email from Mr. Tariq Ahmad to Asebe Tewabe (PHMSA), dated March 5, 2019 (stating operating pressures for both the 6-inch and 16-inch pipelines).

The Pipeline and Hazardous Materials Safety Administration, Office of Pipeline Safety provides written clarifications of the Regulations (49 CFR Parts 190-199) in the form of interpretation letters. These letters reflect the agency's current application of the regulations to the specific facts presented by the person requesting the clarification. Interpretations do not create legally-enforceable rights or obligations and are provided to help the public understand how to comply with the regulations.

to a filtration plant prior to being transferred to the Northwest Pipeline interstate transmission line.² You asked whether the entire Gathering System is an unregulated onshore gathering line (both the 6-inch diameter pipeline and the 16-inch diameter pipeline) due to the presence of a filtration plant downstream of where the gas is dehydrated and compressed and upstream of the connection to the Northwest Pipeline, a PHMSA-regulated interstate transmission line.

In addition, on August 13, 2018, you provided additional information by email (see footnote #2). You assert that the Gathering System is an onshore rural gathering line exempt from PHMSA's regulations. Your assertion can be summarized as follows: (1) the entire Gathering System is located in a Class 1 location, as defined by 49 CFR § 192.5, and onshore gathering lines in Class 1 locations are unregulated gathering lines under 49 CFR § 192.8(b); (2) both the 6-inch diameter line and the 16-inch diameter line are gathering lines, as defined by 49 CFR § 192.3; and (3) the 6-inch diameter line and the 16-inch diameter line are gathering lines because there are three separate points along the Gathering System where the gas is treated before it reaches the end point of gathering and ready for consumer consumption. You describe the three treatment locations as follows: (i) the wellhead where the gas is separated to remove water and oil; (ii) a facility where the gas is compressed, dehydrated and refrigerated (Processing Plant); and (iii) a filtration plant where the gas is treated to remove impurities, and the quality of gas is measured and the 16-inch diameter line is connected to the Northwest Pipeline, PHMSA-regulated interstate transmission pipeline. Finally, you stated that only after the gas is treated and measured at the filtration facility it is fit for consumer consumption.

Pursuant to 49 U.S.C. 60101 et seq., PHMSA prescribes and enforces standards and regulations that apply to the gathering, transmission, and distribution of gas by pipeline. A gathering line is defined in Part 192 as "a pipeline that transports gas from a current production facility to a transmission line or main" per 49 CFR § 192.3. That same section defines a transmission line as "a pipeline, other than a gathering line that: (1) Transports gas from a gathering line or storage facility to a distribution center, storage facility, or large volume customer that is not downstream from a distribution center; (2) operates at a hoop stress of 20 percent or more of SMYS; or (3) transports gas within a storage field."

On March 15, 2006, PHMSA issued a Final Rule that defined a "regulated gathering line" and set forth the requirements that apply to regulated gathering lines (71 FR 13289). The rule adopted API RP 80 with certain limitations. Section 192.8 now provides as follows:

§ 192.8 How are onshore gathering lines and regulated onshore gathering lines determined?

(a) An operator must use API RP 80 (incorporated by reference, see § 192.7), to determine if an onshore pipeline (or part of a connected series of pipelines) is an onshore gathering line. The determination is subject to the limitations listed below. After making

² On the March 5, 2019, email, Mr. Tariq Ahmad described the filtration plant removes liquid hydrocarbons and water. In the August 13, 2018, email, Mr. Ahmad described the hydrocarbons as heavier gaseous hydrocarbons (ethane, propane, butane, isobutane, pentanes and even higher molecular weight hydrocarbons) that are collectively referred to as Natural Gas Liquids.

The Pipeline and Hazardous Materials Safety Administration, Office of Pipeline Safety provides written clarifications of the Regulations (49 CFR Parts 190-199) in the form of interpretation letters. These letters reflect the agency's current application of the regulations to the specific facts presented by the person requesting the clarification. Interpretations do not create legally-enforceable rights or obligations and are provided to help the public understand how to comply with the regulations.

this determination, an operator must determine if the onshore gathering line is a regulated onshore gathering line under paragraph (b) of this section.

(1) The beginning of gathering, under section 2.2(a)(1) of API RP 80, may not extend beyond the furthestmost downstream point in a production operation as defined in section 2.3 of API RP 80. This furthestmost downstream point does not include equipment that can be used in either production or transportation, such as separators or dehydrators, unless that equipment is involved in the processes of "production and preparation for transportation or delivery of hydrocarbon gas" within the meaning of "production operation."

(2) The endpoint of gathering, under section 2.2(a)(1)(A) of API RP 80, may not extend beyond the first downstream natural gas processing plant, unless the operator can demonstrate, using sound engineering principles, that gathering extends to a further downstream plant.

(3) If the endpoint of gathering, under section 2.2(a)(1)(C) of API RP 80, is determined by the commingling of gas from separate production fields, the fields may not be more than 50 miles from each other, unless the Administrator finds a longer separation distance is justified in a particular case (see 49 CFR § 190.9).

(4) The endpoint of gathering, under section 2.2(a)(1)(D) of API RP 80, may not extend beyond the furthestmost downstream compressor used to increase gathering line pressure for delivery to another pipeline.

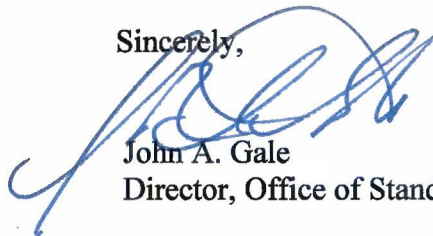
Based on the information provided, the 26-miles of 6-inch diameter pipeline meets the definition of a gathering line because it transports gas from a production facility (the wellhead), and is upstream from the Processing Plant, where the 16-inch pipeline originates. Further, the 6-inch diameter gathering line is located within a Class 1 location, and is therefore an unregulated rural onshore gas gathering line exempt from Part 192.

However, pursuant to 49 CFR § 192.8(a)(2), the endpoint of onshore gas gathering for the Gathering System is the outlet flange of the Processing Plant where the 21.19-miles of 16-inch diameter pipeline connects. As you described the treatment processes, the gas is processed at the wellhead and the Processing Plant. The treatment conducted at the filtration plant removes water and separates heavier hydrocarbons. There are no sound engineering principles that require the filtration plant to be located 21.19 miles downstream of the Processing Plant, and you have provided no justification to the contrary. In addition, the product that is transported in the 16-inch diameter pipeline could be injected into the Northwest Pipeline without first going through the filtration plant. Unless the gas is transported to an LNG facility, almost all natural gas is transported with some heavier hydrocarbons.

PHMSA agrees with the September 13, 2013, conclusion of the Utah Division of Public Utilities that treatment for transportation of gas by pipeline is completed at the Processing Plant. Therefore, the 16-inch diameter pipeline is regulated as an intrastate transmission line under 49 CFR Part 192.

If we can be of further assistance, please contact Tewabe Asebe at 202-366-5523.

Sincerely,



John A. Gale
Director, Office of Standards



PACIFIC ENERGY & MINING CO

July 6, 2018

Mr. Alan Mayberry
Associate Administrator
U.S. Department of Transportation,
Pipeline and Hazardous Materials
Safety Administration
1200 New Jersey Avenue, SE
Washington, DC 20590

Dear Mr. Mayberry:

Please find attached a "Request for Interpretation of Title 49 CFR 192.

If you have any questions, please feel free to call me at 775-636-3132

Sincerely,
For Pacific Energy and Mining Company

Dan Green
Consultant



JUL 13 2018

July 6, 2018

Mr. Alan Mayberry
Associate Administrator
U.S. Department of Transportation,
Pipeline and Hazardous Materials
Safety Administration
1200 New Jersey Avenue, SE
Washington, DC 20590

RE: Request for Interpretation of Title 49 CFR 192

Dear PHMSA – Office of Pipeline Safety

Pacific Energy and Mining Company ("PEMC") hereby requests Pipeline and Hazardous Materials Safety Administration (PHMSA) for a review, clarification and interpretation of Title 49 CFR 192.5 applicability to Greentown Pipeline Gathering System ("Gathering Line") mistakenly referred to as the Paradox Pipeline (OPID 39040).

Our request is based upon the following:

- Greentown Pipeline Gathering System ("Gathering Line") operated from 2008 to 2013 without regulation.
- State of Utah unilateral determination to regulate the Gathering Line by the Department of Commerce, Division of Public Utilities ("Division") email 9/23/2013.¹
- On September 13, 2013, PEMC had informed the Division that the Gathering Line is not subject to regulation.
- Agreement with PEMC's determination of its Exemption from regulation under Title 49, Part 192 – Transportation of natural and other gas by pipeline: minimum federal standards.

Background

1. Gathering Line was built in 2008 by Delta Petroleum Corporation. Gathering Line was built on a right-of-way issued by the United States Department of the Interior, Bureau of Land Management as the Greentown Pipeline Gathering System. Both the 6-inch and the 16-inch

¹ This determination was made after Pacific Energy & Mining Company (PEMC) asked PHMSA for conformance of existing laws in pertaining to safe operation of the Gathering Line by email & phone requesting a courtesy inspection of the Gathering Line.

gathering lines are built on Right-of-Way UTU-83457 issued by the United States Department of the Interior, Bureau of Land Management.

“On February 1, 2008, right-of-way UTU-83457 was issued to Delta Petroleum Corporation for the Greentown natural gas pipeline gathering system on public lands in Grand County, Utah.”

See Approval of Assignment dated February 3, 2012 page 1, ¶1 Exhibit 1.

2. The Gathering Line consists of 26 miles of 6-inch line and 21.19 miles of 16-inch line. See Exhibit 2.

3. Gas is transported from Wells in the 6-inch line to a plant where it is dehydrated and compressed. (First facility.)

4. Gas is transported in the 16-inch Gathering Line from “First Facility” to the second facility up stream of the Northwest Pipeline interconnect, where it is run through a filtration plant, tested for quality and finally transferred to Northwest Pipeline through a sales meter upstream of Northwest Pipeline valve connecting the processed gas to Northwest Pipeline interstate transmission line.

5. Delta Petroleum Corporation placed the Gathering Line in operation during 2008.

6. Delta Petroleum Corporation designed and built the Processing Facility to handle 25 million cubic feet of natural gas.

7. The initial production from the processing plant was approximately 1 million cubic feet of natural gas per day.

8. Construction of the Gas Gathering Line included the installation of a block valve in order to accept gas from other operators in the area.

9. Gathering Line is to gather gas from all operators within the vicinity of the Gathering Line, all in order to prevent multiple Gathering lines being built.

10. During 2010 PEMC acquired the Greentown Oil Field and the Gathering System.

11. PEMC dismantled the 25 million cubic feet per day processing plant and installed a equipment to process 500,000 cubic feet of gas per day. (Decrease by a factor of 50).

12. From inception of production in 2008 until October 2013 the Gathering Line was not regulated.

13. During 2013 PEMC requested a courtesy review of the Gathering Line for safe operations. This review was not for establishing jurisdiction or an agreement allowing the Gathering Line to be classified as a Transmission Line.

14. After a courtesy inspection by the Division, the Division decided to regulate the Gathering System as a Transportation Line.
15. One of the conditions of the permit was that the Gathering Line would be required to transport natural gas to the Second Facility from gas fields owned and operated by others. This was done in order to decrease the necessity to build additional pipelines on public lands.
16. As in other gas fields in the State of Utah, natural gas is owned by the operator of the wells until it is transferred to the natural gas buyer downstream of the natural gas sales meter. The gas is then transported in the Interstate Pipeline for delivery to an end user, i.e. consumer. In this case the ownership of the gas is transferred after the Second Facility.
17. On September 16, 2013, Utah Division of Public Utilities ("Division") requested that its inspector be allowed to inspect the Pipeline. Pacific agreed to a courtesy inspection.
18. On September 19, 2013 the Division conducted its courtesy inspection. Thereafter, the division unilaterally decided, without any legal authority, that it had jurisdiction upon the Gathering Line. Division's decision was based upon its logic the gas is processed at the beginning of the Gathering Line.
19. The gas gathering line was operated without the jurisdiction of the Division from the year 2008 until the unilateral decision of the Division as relayed by an email on September 23rd, 2013 by Jimmy W. Betham, Utah Pipeline Safety Engineer, State of Utah Department of Commerce, Division of Public Utilities. ("Division"):

"Review of the submitted documents on September 13, 2013 did not demonstrate using sound engineering principles that the end point of gathering extended beyond the processing plant. My field visit on September 19, 2013 also confirmed the fact that the end point of this gathering system is the outlet of the processing plant. Utah Pipeline Safety considers 22 miles of 16 inch steel pipeline from the processing plant to the Northwest Tie-in as Intrastate Transmission Pipeline."

The above statement is contrary to the fact, as prior to transfer to Northwest Pipeline Transmission line, gas is treated as it flows thru a filtration plant removing impurities, quality of gas is measured: i.e., dew point, water content and BTU, (only after this point the gas is fit for the market) quantity of gas is measured thru a meter upstream of the Northwest Pipeline valve connecting the pipe to Northwest Pipeline Transmission Line. See definition of Gathering System.²

² Gathering System: The gathering lines, pumps, auxiliary tanks (in the case of oil), and other equipment used to move oil or gas from the well site to the main pipeline for eventual delivery to the refinery or consumer as the case may be. In the case of gas, the gathering system includes the processing plant (if any) in which the gas is prepared for market.

20. PEMC has operated the Gathering Line without any incidents, similar to the 6-inch gathering lines in the Greentown field, these lines are not regulated by the Division, but are located on the same right-of-way which specifies "Greentown natural gas pipeline gathering system."

Status of Pipeline

The Paradox Pipeline operates at a maximum pressure of 750 psi. The closest municipality, Green River, Utah, from the Northwestern end of the Gathering Line is 13 miles. The closest municipality, Moab, Utah, from the southeastern end is 8 miles. In the 660 ft. buffer zone, there are two areas with potential population; 1) at Archview RV campground where there is one residential structure and RV camping sites and 2) at Moab Under Canvas there is one camp site. See Exhibit 3.

Based on Title 49 CFR Part 192 - Transportation of Natural Gas, under section §192.5 (b) (see attached flow chart Exhibit 4) the Gathering line is clearly Class 1.

(a) This section classifies pipeline locations for purposes of this part. The following criteria apply to classifications under this section.

(1) A "class location unit" is an onshore area that extends 220 yards (200 meters) on either side of the centerline of any continuous 1-mile (1.6 kilometers) of pipeline.

(2) Each separate dwelling unit in a multiple dwelling unit building is counted as a separate building intended for human occupancy.

(b) Except as provided in paragraph (c) of this section, pipeline locations are classified as follows:

(1) A Class 1 location is:

(i) An offshore area; or

(ii) Any class location unit that has 10 or fewer buildings intended for human occupancy.

(2) A Class 2 location is any class location unit that has more than 10 but fewer than 46 buildings intended for human occupancy.

(3) A Class 3 location is:

(i) Any class location unit that has 46 or more buildings intended for human occupancy; or

(ii) An area where the pipeline lies within 100 yards (91 meters) of either a building or a small, well-defined outside area (such as a playground, recreation area, outdoor theater, or other place of public assembly) that is occupied by 20 or more persons on at least 5 days a week for 10 weeks in any 12-month period. (The days and weeks need not be consecutive.)

(4) *A Class 4 location is any class location unit where buildings with four or more stories above ground are prevalent.*

(c) *The length of Class locations 2, 3, and 4 may be adjusted as follows:*

(1) *A Class 4 location ends 220 yards (200 meters) from the nearest building with four or more stories above ground.*

(2) *When a cluster of buildings intended for human occupancy requires a Class 2 or 3 location, the class location ends 220 yards (200 meters) from the nearest building in the cluster.*

See Exhibit 3, Google map showing pipeline and locations.

On September 13, 2013 Consultant for PEMC sent an email:

Sent: Friday, September 13, 2013 4:51 PM

Subject: Detail for Paradox (Natural Gas) Gathering Pipeline.

Terry,

I am sending you a somewhat detailed description of my logic that the Paradox (Natural Gas) Gathering Pipeline does not fall under the scope of 49 CFR 192.1,

under 192.1(b)(4)(ii) as it is not a regulated onshore gathering line (as determined in 49 CFR 192.8). The area in which this pipeline runs through is under development and if significant oil and gas discoveries will be made then this gathering pipeline will convey other producers' production to the Tie-in of Northwest Pipeline.

At present there is only one well producing, into this line, which is operated by Pacific Energy & Mining Company (PEMC). PEMC is currently developing its leases and will be conveying gas from other wells into this line. Additionally, another producer will also be conveying gas into this gathering line, as shown on

Regards,

Mobashir Ahmad

PEMC

775-742-1032

See Exhibit 5.

The Gathering Line has operated without any incident for over 10 years. Thus, PEMC's request, as stated above to review, clarify, and determine that the Gathering System is not a Transmission Line.

Request to exempt PEMC from regulation.

The definition by the Department of Energy is for economic purposes; however, it does demonstrate that other government agencies do consider gathering lines and processing plants as part of the same facility.

Gathering System: The gathering lines, pumps, auxiliary tanks (in the case of oil), and other equipment used to move oil or gas from the well site to the main pipeline for eventual delivery to the refinery or consumer as the case may be. In the case of gas, the gathering system includes the processing plant (if any) in which the gas is prepared for market.

*Manual of Oil & Gas Terms
Williams & Meyers, 3rd
Edition*

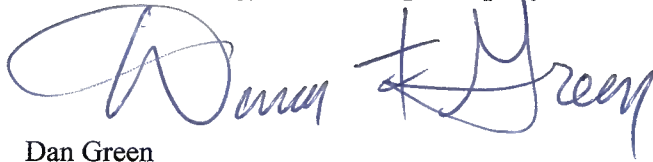
Exhibit 6 shows the right-of-way issued by the United States Department of the Interior Bureau of Land Management specifically issued the right-of-way for a gas gathering line. Thus as above deference must be given to the United States Government Department of the Interior.

Requested Interpretation

Pacific Energy and Mining Company requests an interpretation that the subject Pipeline is "Not Regulated." Pursuant to 49 CFR 192.

Should there be any questions, please feel free to call me at (775) 636-3132.

Sincerely,
For Pacific Energy and Mining Company

A handwritten signature in blue ink, appearing to read "Dan Green", with a stylized flourish at the end.

Dan Green
Consultant

Cc: Tariq Ahmad

Enclosures Exhibit 1 – Assignment from the BLM
Exhibit 2 – Paradox Pipeline Map
Exhibit 3 – Google Paradox Pipeline Map
Exhibit 4 – Part 192 – Gas Gathering Jurisdiction Flowchart
Exhibit 5 – Attachment to email dated September 13, 2013
Exhibit 6 – Memorandum dated January 18, 1980