U.S. Department
of Transportation

Pipeline and Hazardous Materials Safety Administration

1200 New Jersey Avenue, SE
Washington, D.C. 20590

FEB 10 2016

Mr. John A. Jacobi
G2 Partners
Representing Caelus Energy Alaska, LLC
10850 Richmond Avenue, Suite 200
Houston, TX 77042

Dear Mr. Jacobi:

In a letter to the Pipeline and Hazardous Materials Safety Administration (PHMSA) dated October 2, 2015, you requested an interpretation of 49 CFR § 195.446 requirements for pipeline control room management. You asked if the requirements of § 195.446 apply to the operation of a pipeline operated by Caelus Energy Alaska that transports diesel fuel (the "Oooguruk line").

You stated the following:

- The line has no sensors or remote controlled valves "outside the fence" of the facility where it originates that affect or could affect the 2-inch diesel line;
- All control functions are performed by personnel with other assigned functions at the Oooguruk tie-in pad or at the Oooguruk drill site;
- The 2-inch diesel line is used only intermittently and for short periods of time (usually only a few hours). When the 2-inch diesel line is in use (either diesel fuel or base oil), it is operated by locally monitoring pressures and flow rates;
- The monitoring is typically not continuous;
- Automatic pressure and/or flow controls (local) are not attached directly to the pipeline to protect the line;
- Caelus has the ability to monitor overall operation of the production facility but not to remotely monitor and operate the 2-inch diesel line; and
- Caelus has no personnel in a control room using a SCADA system to monitor and control operation of the 2-inch diesel line.

Specifically, you asked whether the requirements of § 195.446 apply to the Oooguruk 2-inch diesel line.

Section 195.446 requirements apply to an operator of a pipeline facility with a controller working in a control room who monitors and controls all or part of a pipeline facility through a SCADA system. From the information you provided, it appears that the 2-inch diesel line is isolated from the control system for the overall operation of the Oooguruk facilities for monitoring purposes. Therefore, if the facility's control room and controllers are not used to monitor the 2-inch diesel line, the § 195.446 requirements do not apply to the operation of this line.

On the other hand, if the facility's control room and controllers are used to monitor the 2-inch diesel line, no matter how infrequently the line is used, Caelus must comply with the requirements of § 195.446.

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

Sincerely,

John A. Gale
Director, Office of Standards
and Rulemaking

G2 PARTNERS
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10850 Richmond Ave., Suite 200 Houston, TX 77042

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October 2, 2015

Mr. John Gale, Director
Standards & Rulemaking
Office of Pipeline Safety
Pipeline and Hazardous Materials Safety Administration (PHP-30)
U.S. Department of Transportation
1200 New Jersey Avenue S.E.
Washington, DC 20590-0001

via e-mail
Hard copy via USPS

Re: Request for Written Interpretation
Applicability of Control Room Management (195.446)

Dear Mr. Gale:

Caelus Energy Alaska, LLC owns and operates a production facility (Oooguruk) in Alaska. While Caelus respectfully disagrees with PHMSA's interpretation that a 2" pipe that is used solely for the production of crude, is an integral part of the production facilities, used only intermittently to move diesel fuel to a man-made island to provide well freeze protection and fuel to a generator necessary for production or only intermittently used to move base oil to be injected into the well as part of the drilling process is somehow "in the stream of regulated transportation" (see PI-14-0022 dated March 11, 2015), Caelus hereby requests a written interpretation regarding the applicability of 49 CFR §195.446 to the Oooguruk 2" diesel line.

Prior Interpretation

On April 2, 2015, PHMSA issued a written Interpretation to EnVen Energy Ventures, LLC (PI-15-0001) regarding the applicability of 49 CFR 195.446 to certain off-shore operations. More specifically, at the bottom of page 4 the following language appears:

> "However, you stated that the off-shore platform operators have not been charged with the responsibility of remotely controlling the pipeline. Also, all control actions are either performed by the automated logic programmed into the SCADA or locally operated with manual on/off switches at the pipeline components. In addition, at the land-based facility, there are three locally controlled valves used for normal flow and pig receiving. Therefore, for the off-shore application, as long as the persons on the platform exclusively operate equipment on the platform (which may include pipeline pumps, valves, and pressure control equipment located on the platform), and do not control the pipeline downstream, **they are not considered to be controllers subject to the CRM rule**." (emphasis added)

The Oooguruk Situation

With respect to the aforementioned Oooguruk 2" diesel line:

1. There are no sensors or remote controlled valves "outside the fence" that affect or could affect the 2" diesel line.
2. All control functions are performed by personnel with other assigned functions at the Oooguruk tie-in pad or at the Oooguruk drill site (both locations are part of an integrated production facility).

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3. The 2” diesel line is used only intermittently and for short periods of time (usually only a few hours).

4. When the 2” diesel line is in use (either diesel fuel or base oil), proper function is assured by locally monitoring pressures and flow rates.

5. The monitoring is typically not continuous. Automatic pressure and/or flow controls (local) not attached directly to the pipeline serve to protect the line.

6. Caelus has the ability to monitor overall operation of the production facility but not to remotely monitor and operate the 2” diesel line.

7. Caelus has no personnel in a control room using a SCADA system to monitor and control operation of the 2” diesel line.

8. Transfer of diesel fuel or base oil using the 2” diesel line is performed by operating technicians with direct access to the relevant gauges and controls.

9. The relevant gauges and controls are all “inside the fence” of the production facility and none are located on the pipeline itself.

Based on these circumstances, please confirm that the CRM requirements under 195.446 would NOT apply.

Please let me know if additional information is needed (john.jacobi@g2-is.com or via cell phone 832-712-3098). Your prompt attention to this matter would be greatly appreciated.

Sincerely,

John A. Jacobi, P.E., J.D.
Representing Caelus Energy Alaska, LLC

cc: Mr. J. Patrick Foley, Caelus Energy LLC