

July 22, 1996

Mr. James S. Teater
Counsel to BPXA
BP Exploration (Alaska) Inc.
PO Box 196612
Anchorage, Alaska 99519-6612

Dear Mr. Teater:

We have considered your letter of March 29, 1996, concerning certain petroleum blending facilities, known as the Skid 50 Pad. The letter explains why BP Exploration (Alaska) Inc. ("BPXA") believes the Skid 50 Pad facilities are exempt from the regulations in 49 CFR Part 195.

As you and BPXA staff explained in detail at our meeting on April 9, 1996, the Skid 50 Pad is located on the Prudhoe Bay field in Alaska between BPXA's oil and gas separation facilities and the Trans-Alaska Pipeline System. At the Skid 50 Pad, natural gas liquids that have been stripped from the gas at a Central Gas Facility are blended with the separated oil. Because of vapor pressure limitations, blending is necessary for the Trans-Alaska Pipeline System to transport the natural gas liquids.

We do not agree that the Skid 50 Pad facilities are excluded from Part 195 under § 195.1(b)(6) as production facilities. As defined in §195.2, the term "production facility" means:

“piping or equipment used in the production, extraction, recovery, lifting, stabilization, separation or treating of petroleum or carbon dioxide, or associated storage or measurement. (To be a production facility under this definition, piping or equipment must be used in the process of extracting petroleum or carbon dioxide from the ground or from facilities where CO₂ is produced, and preparing it for transportation by pipeline. This includes piping between treatment plants which extract carbon dioxide, and facilities utilized for the injection of carbon dioxide for recovery operations.”

Although the function of the Skid 50 Pad is to prepare petroleum (the natural gas liquids) for transportation by the Trans-Alaska Pipeline System, blending is not one of the operations that characterizes a facility as a production facility under the definition. The characterizing operations are all listed in the first sentence of the definition. Piping or equipment must be used in one of these operations to qualify as a production facility. The parenthetical reference to the process of extracting petroleum from the ground and preparing it for transportation by pipeline is meant to clarify and limit the application of this list of operations. (51 FR 15005; April 22, 1986).

Neither are we persuaded that the Skid 50 Pad facilities are excluded from Part 195 under

§195.1(b)(6) as manufacturing facilities. Although Part 195 does not define manufacturing facilities, furthering pipeline transportation is not the primary function of such facilities. The Skid 50 Pad facilities are operated primarily to further the transportation of natural gas liquids by pipeline. In this sense, the Skid 50 operation does not differ from typical pipeline operations in which an interface mixture is blended with a petroleum product to further the pipeline transportation of the interface mixture. Facilities used for this interface blending are covered by Part 195.

We hope this opinion is helpful. Please let me know if you have any further questions about the Part 195 regulations.

Sincerely,

Cesar DeLeon
Deputy Associate Administrator
for Pipeline Safety

cc: Edward J. Ondak
Mark Major, Arco Alaska, Inc.

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