

PI-07-0104

U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration
1200 New Jersey Avenue, SE
Washington, D.C. 20590

June 4 2001

Mr. Andrew K. Soto
Sutherland Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Mr. Soto:

On December 27, 2006 you wrote to the Pipeline and Hazardous Materials Safety Administration (PHMSA) requesting a determination as to the jurisdiction of the Federal pipeline safety regulations to a Questar Gas Management Company (QGM) pipeline in Wyoming.

In your letter you state that QGM owns and operates a system of flow lines that separately carry condensates, natural gas, and water from well pads to the Gobbler's Knob Station in Sublette County, Wyoming. At Cobbler's Knob, QGM operates stabilization facilities that, in part, stabilize the condensate to a 10.5 pounds per square inch absolute (psia) true vapor pressure product. This stabilized condensate product then moves directly into QGM's No. 611 pipeline or a temporary holding tank, which is an integral part of the stabilization facilities used to ensure a consistent flow of condensate into the No. 611 pipeline.

In your letter you describe the No. 611 pipeline as a nominal 6-inch, 61-mile pipeline that transports the stabilized condensate from Gobbler's Knob Station to an interconnection with Rocky Mountain Pipeline Company at Labarge Station near Labarge, Wyoming. You add that the pipeline lies entirely within rural areas and does not pass through any cities, towns, villages or other designated residential or commercial areas.

The PHMSA's Federal pipeline safety regulations in 49 CFR Part 195 prescribe the minimum safety standards and reporting requirements for pipeline facilities used to transport hazardous liquids and carbon dioxide. According to § 195.1(b)(4), the regulations do not apply to the "*Transportation of petroleum in onshore gathering lines in rural areas except for gathering lines in the inlets of the Gulf of Mexico subject to § 195.413.*" (See § 195.1(b)(4)). The Federal pipeline safety regulations in § 195.2 contain the following definitions:

"Gathering line means a pipeline 219.1 mm (8 5/8 in) or less nominal outside diameter that transports petroleum from a production facility.

"Petroleum means crude oil, condensate, natural gasoline, natural gas liquids, and liquefied petroleum gas.

"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.

"Rural area means outside the limits of any incorporated or unincorporated city, town, village, or any other designated residential or commercial area such as a subdivision, a business or shopping center, or community development."

QGM's No. 611 pipeline as described in your letter of December 27, 2006 is less than 8 5/8-inches in nominal outside diameter, lies entirely within rural areas, and transports condensate (petroleum) from Gobbler's Knob Station (production facility). Accordingly, it is not regulated by PHMSA under 49 CFR Part 195. This determination is based upon the facts given to PHMSA in your letter. Should those facts be in error or change with time, such as residential or commercial encroachment along the pipeline, this decision could be rescinded.

If I can further assist you with this, or any other regulatory matter, please contact me at (202) 366-4595.

Sincerely,
Florence L. Hamn
Director, Office of Regulations

Sutherland, Asbill & Brennan LLP
1275 Pennsylvania Avenue, NW
Washington, DC 20004-2415

December 27, 2006

Theodore L. Wilke
Acting Associate Administrator Pipeline Safety
Pipeline and Hazardous Materials
Safety Administration
U.S. Department of Transportation
400 Seventh Street, SW
Washington, DC 20590

RE: Determination as to the jurisdiction of Questar Gas Management Company's No. 611 gathering line.

Dear Mr. Wilke:

Pursuant to Section 190.11(b) of the regulations of the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), 49 C.F.R. § 190.11 (2005), Questar Gas Management Company ("QGM") respectfully requests a written interpretation as to whether QGM's No. 611 line is a rural gathering line within the meaning of 49 C.F.R. § 195.2 and thus not subject to the safety standards and reporting requirements of 49 C.F.R. Part 195 in accordance with 49 C.F.R. § 195.1(b)(4). QGM believes that its No. 611 line is an exempt rural gathering line because it has a nominal diameter of 6 inches; it carries petroleum (natural gas condensate liquids) onshore, from production facilities at and upstream of Gobblers Knob Station (located in the Pinedale Anticline Producing Area in Sublette County, Wyoming) to an interconnection with Rocky Mountain Pipeline Company at Labarge Station, near Labarge, Wyoming; and, it does not pass through any cities, towns, villages or other designated residential or commercial areas.

Background

Questar Exploration and Production Company ("QEP") owns and operates wells in the Pinedale Anticline Production Area in Southwest Wyoming that produce natural gas and associated liquid hydrocarbons. For purposes of 49 C.F.R. Part 195, the liquid hydrocarbons recovered during the natural gas production process constitute "petroleum." The liquids are petroleum in the form of "condensates." They exist in the reservoir and are recovered at the surface without resorting to processing (*see* Williams and Myers, Manual of Oil & Gas Terms, 9th ed.). They are sometimes referred as "natural gas liquids." Condensates produced at natural gas wells located in the Pinedale Anticline Production Area are collected on well pads and carried via flow lines to Gobbler's Knob Station in Sublette County, Wyoming, where they are stabilized and prepared for transportation and delivery to Rocky Mountain Pipeline Company at Labarge Station, near Labarge, Wyoming.

QGM owns and operates the system of flow lines that separately carry condensates, natural gas and water from the well pads to Gobbler's Knob Station. At the wellhead and at various points at and upstream of Gobbler's Knob Station, separation equipment removes water and natural gas from the condensate flow lines. At Gobbler's Knob Station, which is located midway in the production and gathering process, QGM operates stabilization facilities for the condensates. The stabilization facilities include a low pressure separator to remove any remaining water as well as strainers and filters to remove other impurities. The condensates are stabilized to a 10.5 psia true vapor pressure product. The stabilized condensates move directly into QGM's No. 611 line, or are temporarily held in the condensate storage tank. QGM operates the condensate storage tank in an integrated manner with the stabilization facilities to ensure a consistent flow of condensates into QGM's No. 611 line. A site plan and general arrangement drawing of QGM's stabilization facilities at Gobbler's Knob Station is included as Attachment A.

QGM's No. 611 line is a nominal 6-inch line approximately 61 miles long that continues the gathering process by moving the stabilized condensate (crude petroleum) from the production facilities at Gobbler's Knob Station to an interconnection with Rocky Mountain Pipeline Company at Labarge Station near Labarge, Wyoming. A series of nine (9) route maps for the No. 611 line are included as Attachment B.

Analysis

The safety standards and reporting requirements for pipeline facilities set forth in 49 C.F.R. Part 195 do not apply to the "[t]ransportation of petroleum in onshore gathering lines in rural areas . . ." 49 C.F.R. § 195.1(b)(4). The term "petroleum" is defined to include "crude oil, condensate, natural gasoline, natural gas liquids, and liquefied petroleum gas." 49 C.F.R. § 195.2. Consequently, the liquid hydrocarbons recovered during QEP's natural gas production activities in the Pinedale Anticline Production Area are properly considered "petroleum" under the regulations.

A "gathering line" is defined as "a pipeline 219.1 mm (8 5/8 in.) or less nominal outside diameter that transports petroleum from a production facility." 49 C.F.R. § 195.2. QGM's No. 611 line — with a nominal diameter of 6 inches — clearly satisfies the size requirement of the regulations.

QGM's No. 611 line "transports petroleum from a production facility" within the meaning of the regulations. (It does not carry "highly volatile liquids" as that term is defined in 49 C.F.R. § 195.2.). Under § 195.2, a "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." When this definition was promulgated, the Department made clear that the concept of "production" included both the process of extracting petroleum from the ground "and preparing it for transportation by pipeline."¹ Accordingly, the Department concluded that production facilities are those facilities necessary to prepare the petroleum for transportation by pipeline, including stabilization, separation, treating, storage, and measurement.² QGM owns and operates stabilization equipment and associated storage facilities at Gobbler's Knob Station. These facilities at Gobbler's Knob Station qualify as "production facilities" under § 195.2 because they are necessary to prepare the condensates for transportation by pipeline. Thus, QGM's No. 611 line is a gathering line that transports petroleum from production facilities to Rocky Mountain Pipeline Company's oil pipeline at Labarge Station.

QGM's No. 611 line transports petroleum exclusively in rural areas. A "rural area" is defined in the regulations as an area "outside the limits of any incorporated or unincorporated city, town, village, or any other designated residential or commercial area such as a subdivision, a business or shopping center, or community development." 49 C.F.R. § 195.2. No part of QGM's No. 611 pipeline passes through a city, town, village, or other designated residential or commercial area. Thus, under § 195.2, QGM's No. 611 pipeline transports petroleum exclusively in rural areas.

Applying the regulations to the particular facts, QGM's No. 611 line is a gathering line within the meaning of Part 195. It has a nominal diameter of 6 inches; it gathers petroleum from production facilities at Gobbler's Knob Station; it is located entirely in rural areas. It does not transport highly volatile liquids.

Accordingly, QGM submits that its No. 611 line is a rural gathering line within the meaning of 49 C.F.R. § 195.2 and is thus not subject to the safety standards and reporting requirements of 49 C.F.R. Part 195.

Conclusion

Based on the foregoing, QGM requests an interpretive letter confirming QGM's belief that its No. 611 line is a gathering line not subject to the safety standards and reporting requirements of Part 195. If you have further questions or any disagreement with that interpretation, QGM respectfully requests an opportunity to meet and discuss your analysis prior to your issuing your letter.

Thank you for your prompt attention to this matter.

Sincerely,
Andrew K. Soto
William H. Penniman