



U.S. Department
of Transportation

**Pipeline and Hazardous
Materials Safety
Administration**

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

AUG 11 2011

Mr. Max Jameson
Environmental/Regulatory Manager
Sabco Oil and Gas Corporation
34 S. Wynden Drive
Houston, TX 77056

Dear Mr. Jameson:

In a letter to the Pipeline and Hazardous Materials Safety Administration (PHMSA) dated April 6, 2011, you requested an interpretation to determine the applicability of the Federal pipeline safety requirements as they relate to the filing of annual reports for your pipeline system. You provided a map of your offshore gas pipeline system and identified the system to include flow lines from wellheads to two platforms, a 10-inch gas transmission line, a 4-inch emulsion line, a 3-inch condensate line, a 4-inch produced water line, and a 10-inch condensate line.

You described your system as a gas gathering operation that transports full-stream product (gas + condensate + produced water) in 2.5-inch flow lines from the wellheads to the two production platforms, where it is then separated. The produced water is either discharged or carried in the 4-inch water line to an onshore disposal well. The separated gas is either sold to a commercial gas transmission line at the platforms, or recombined with the separated condensate and carried to an onshore tank battery by a gathering pipeline. You stated that the pipeline system is only a few miles long and is within the offshore waters of the State of Texas.

Your opinion of a gathering or transmission pipeline is the line that carries products from your offshore platforms to your onshore tank battery. You ask whether you should include the flow lines in the pipeline safety annual reporting requirements.

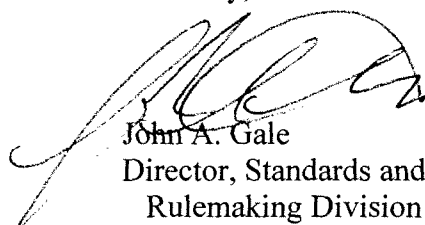
Per 49 CFR 192.1(b)(1) and 195.1(b)(5), the offshore gathering of gas or crude oil in state waters upstream from the outlet flange of each facility where hydrocarbons are produced or where produced hydrocarbons are first separated, dehydrated, or otherwise processed, whichever facility is farther downstream, is not subject to the pipeline safety regulations in Parts 192 and 195. Accordingly, the 2.5-inch flow lines are not regulated by PHMSA. The 10-inch gas line, as identified by you, is regulated as an offshore transmission pipeline. Since separation first occurs at platform 62, the 4-inch emulsion line is a regulated offshore gas gathering line beginning at the outlet of the separator on platform 62. Likewise, since separation first occurs for the 3-inch condensate line at platform 62 and then the condensate is combined with additional product at platform 49, this line is a regulated offshore hazardous liquid gathering line beginning at the outlet of the separator on platform 62. The 4-inch produced water line would be a production or

flow line and is not regulated by PHMSA. Finally, the 10-inch condensate line that connects platform 49 with the onshore tank battery is a regulated hazardous liquids transmission line.

It is important to note that the pipeline system is an intrastate pipeline system regulated by the State of Texas. Therefore, we recommend that you contact the Railroad Commission of Texas (the state's regulatory agency) for determination of any additional annual reporting requirements and applicable pipeline safety regulations within the state's regulatory authority.

I hope that this information is helpful to you. If I can be of further assistance, please contact me at 202-366-4046.

Sincerely,



John A. Gale
Director, Standards and
Rulemaking Division

cc: Texas Railroad Commission

PI-11-0005

APR 18 2011



Via Certified Mail No. 70012510000163028549
Return Receipt Requested

April 6, 2011

Official Request for Interpretation

Attn: Mr. John Gale
Director of Regulations (PHP-30)
USDOT/PHMSA
1200 New Jersey Avenue SE
East Bldg., Room E22-321
Washington, DC 20590

Dear Mr. Gale:

Sabco Operating Company hereby requests official interpretation of PHMSA of USDOT in regards to jurisdictional status of flow-lines in an offshore production system. Sabco is an oil and gas production company that operates two offshore gas-gathering platforms and one oil platform. In our gas gathering operation, full-stream product (gas + condensate + produced water) is carried in 2.5" flow lines from the wellheads to our production platforms. The full-stream product is separated on the platforms. The produced water is either discharged or carried in a water line to an onshore disposal well. The separated gas is either sold to a commercial gas transmission line at the platform, or it is recombined with the separated condensate and is carried to an onshore tank battery via a gathering line. The attached schematic diagrams illustrate the flow of products in Sabco's gathering system.

Our interpretation of a "gathering/transmission" line is the line that carries products from our offshore platforms to our onshore tank batteries. The gathering lines are only a few miles long and are all intrastate. How should we treat our flow lines as applied to our pipeline safety annual reports? Should we report them as part of our gathering system and calculate the total length of all our flow lines to be added to our gathering/transmission line? Or should we only regard the lines between our production platforms and our onshore tank batteries as "gathering/transmission" lines? The line segments have been numbered on the schematic diagrams. Please interpret the jurisdictional status of each line segment by number and specify whether each line segment is part of our production system or a gathering/transmission line.

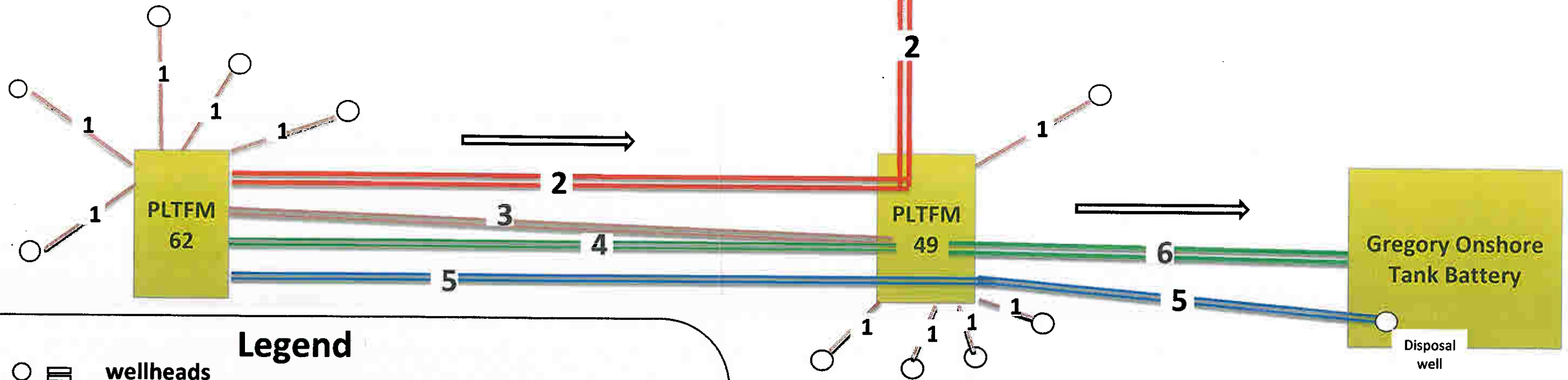
Sincerely yours,

Sabco Operating Company
Max Jameson

A handwritten signature in black ink, appearing to read "Max Jameson", is written over the printed name.

Environmental/Regulatory Manager

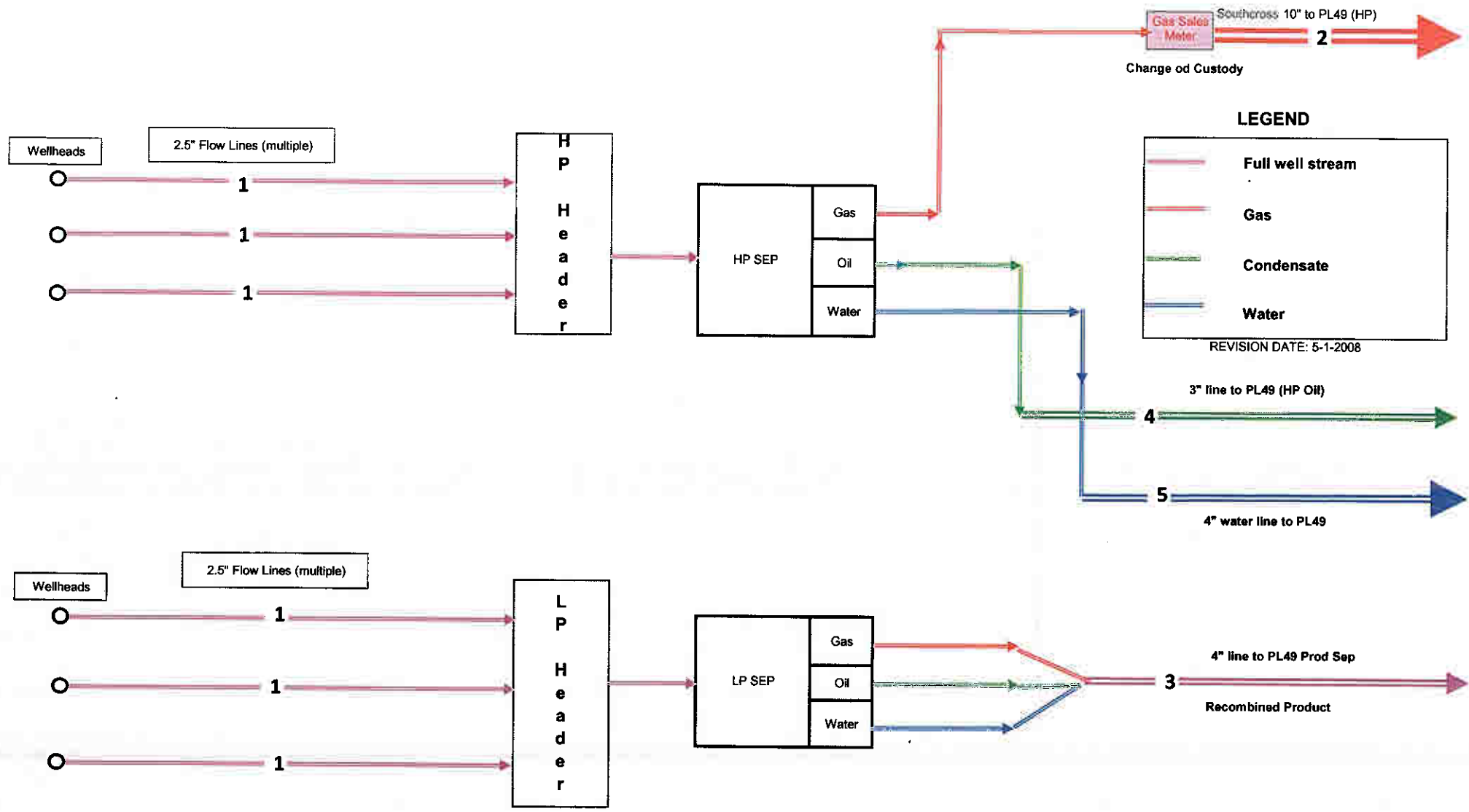
Sabco Encinal Channel Gas Gathering System in Corpus Christi Bay, Texas



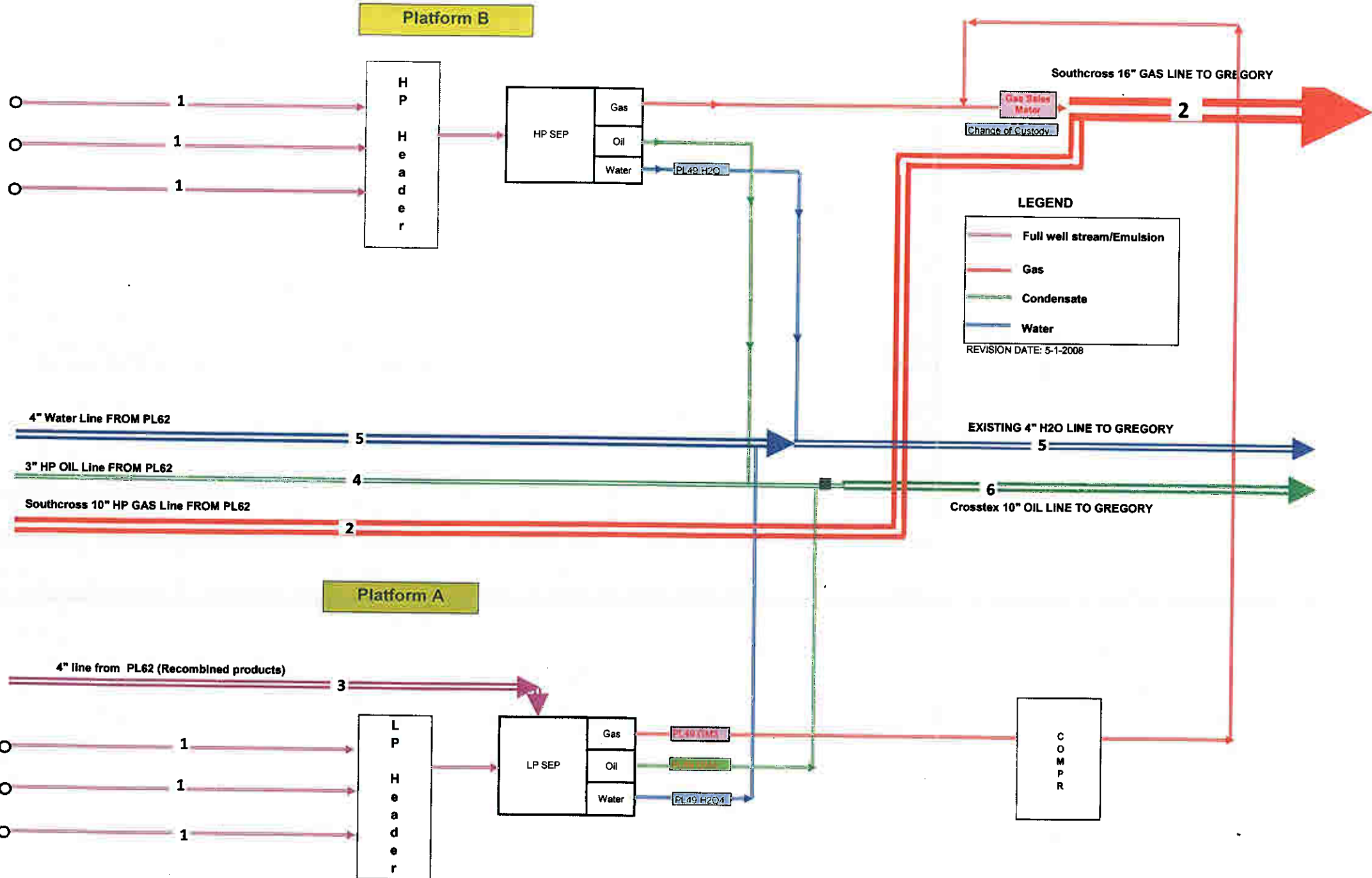
Legend

- ≡ wellheads
- 1 ≡ Flow Lines from wellheads
- 2 ≡ 10" Gas Transmission line (Southcross Line)
- 3 ≡ 4" emulsion line (recombined gas, condensate, water)
- 4 ≡ 3" condensate line
- 5 ≡ 4" produced water line
- 6 ≡ 10" condensate line (Southcross Line)

Platform 62 Flow Schematic



Platform 49 (PL49) Flow Schematic



Gregory Tank Battery (GR) Flow Schematic

