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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**IN THE MATTER OF PACIFIC ENERGY &
MINING COMPANY**

Docket No. 18-2602-01

**PACIFIC ENERGY & MINING
COMPANY REQUEST TO
DENY AGENCY ACTION DUE TO
LACK OF JURISDICTION**

FACTS

The Paradox Pipeline Gas Gathering line was built in 2008 by Delta Petroleum Company and placed in operation at the same time.

1. In 2010 Pacific Energy & Mining Company (“PEMC”) acquired the Greentown Oil and Gas field, and assumed operations of the Field as well as the Gas Gathering System.
2. Greentown Field is composed of 26 miles of 6 inch natural gas pipelines from the well to a central facility where the gas is dehydrated and compressed .
3. The gas is then transported via a 16 inch gathering line to a facility owned by PEMC where a natural gas meter measures the quality of the gas and the volume before transferring the natural gas to Northwest Pipeline.
4. The 16 inch gas pipeline was build and permitted by the United States Government as a natural gas gathering system.

5. One of the conditions of the permit was that the pipeline will be required to transport natural gas to the company owned meter from gas fields owned and operated by others. This was done in order to decrease the necessity to build additional pipelines.
6. 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 for transportation in the Interstate Pipeline for sale to an end use, i.e. consumer.
7. The permits for the gas gathering system was issued by the United States Bureau of Land Management as a gas gathering line.
8. During the year, 2013 the division decided without any authority that it had jurisdiction upon the 16 inch line. Division's decision was based upon its logic that the meter and transfer facility were both owned by Northwest Pipeline. Division further stated that "lack of a compressor at the interconnect gives division the authority to regulate the gathering line"
9. The gas gathering line was operated without the jurisdiction of the Division from the year 2008 until the unilateral decision of the Division to regulate during 2013.
10. The Division ordered PEMC without any jurisdiction to prepare an operations manual.
11. PEMC prepared the manual.
12. Division stated that the manual was not complete.
13. PEMC requested the Division to assist PEMC in completing the manual.
14. Division did not provide any guidance as to the preparation of the manual, neither did the Division provide PEMC with an example manual.
15. During 2018 the Division filed the Notice of Violation.
16. The gas gathering system has been operated without any incidents by PEMC and previously by Delta Petroleum Corporation.
17. Divisions Notice of violation concerns the preparation of an operating manual and certain paper work issues, none of which are compromising the safety of the gathering system.

PEMC has maintained that it has not violated any of the regulations as it has complied to all the requirements including but not limited to the operations manual.

PEMC has complied to all applicable rules and regulations in spite of the fact that the gathering system is not regulated.

During 2013 the Division sent an inspector at the 16 inch gas gathering line claiming to have jurisdiction upon the line. The inspector stated:

“Since the compressor is located away from the interconnect, the Division has jurisdiction upon the gathering system.”

The inspector further stated:

“if the compressor was located at the interconnect, Division would not have any jurisdiction to regulate the gas gathering line.”

Divisions analysis above made no logical sense, as it all depended upon the location of a compressor and the interpretation by an inspector, hence upon further inquiry, Division inspector admitted that the intention of regulating this unregulated line is based upon the fact *that the Obama administration wants additional regulation.*¹

In the State of Utah it is normal operation for oil and gas operators to gather the gas, compress the same and sell the same to the main line which are regulated. The line from the operator to the Main transmission line is always considered a gathering line and is not regulated. Regulation commences with Transmission Pipelines such as Northwest Pipeline, said lines are transporting natural gas in interstate markets. Natural gas from PEMC line does not enter interstate commerce whereby it can be regulated until the gas is transferred to a Transmission line, which in this case is Northwest.

¹ It is a fact that during the Obama administration, Bureau of Land Management was instructed to add additional regulation upon operators and stop issuing new oil and gas leases. During 2018 all the oil and gas leases which were not leased due to the Obama administration were finally released for leasing. Similarly onerous regulations have been lifted.

JURISDICTION

Here the division does not have jurisdiction over gas gathering lines which is the case here.

Gathering System: The gathering lines, pumps, auxiliary tanks (in the case of oil), and other gathering 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

The term gathering system includes the processing plant furthermore, the term well site to the main pipeline is the determining factor, here the main pipeline is Northwest, not the gathering system. Eventual delivery to the consumer is at the transfer point at the end of the gathering line, not the beginning as the Division has insisted.

Thus Division's interpretation is contrary to the definition of a gathering system. The gas is not sent to the consumer and in interstate commerce, until the gas is transferred from PEMC at the end point of its gathering line which is located on PEMC property where PEMC owned equipment filter the gas for impurities, test for quality and finally measure and transfer ownership to the Mainline ("Northwest") through a meter owned by PEMC.

Here the division is trying to regulate a gas gathering system, a system that was not regulated and is and was always operated as a gathering system. The Division made a unilaterally decision to toe the line of the Obama Administration in increasing regulations and extending the same to unregulated gathering systems.

Simply put, the Division interpretation was correct until 2013 in not regulating this gathering system. Division's reinterpretation of its own decision in 2013 was not correct. The

gathering system does not fall under the jurisdiction of the Division. Division was correct in its determination that the gathering line is not a Transmission line.

As stated early, Division simply has no jurisdiction upon a gas gathering system. In fact it was never the intention of Delta Petroleum Corporation or PEMC to have the gas gathering system be used as anything other than a gas gathering system.

The removal of liquids from the gas at the well processing plant and the resulting gas, does not meet the generally accepted standards for “dry” gas being transported by transmission companies. PEMC is not a transmission company, rather it gathers the gas and delivers the same to the gas meter at its own property and equipment before it is transferred to Northwest Pipeline.

Division’s attempt to insert itself into regulating a gas gathering system by changing the nomenclature in simply calling a gathering line a Transmission line will result in every gas gathering system in the State of Utah to be regulated as a Transmission line. (there are hundreds of gas gathering systems located throughout the state of Utah.)

This attempt to extend Divisions jurisdiction is unwarranted and against the spirit and intent of the Federal Government regulations.²

² especially now under the current administration which is interpreting regulations all in order to deregulate. In this era of deregulation, rather than follow the rule where gas gathering systems are not subject to regulation by the Division, the Division here has inserted itself upon a non-regulated gas gathering system.

CONCLUSION

For the foregoing reasons, PEMC requests that Divisions Notice of action be dismissed due to lack of jurisdiction, further , Division be ordered to reimburse PEMC for its costs in responding to Divisions unlawful requests as well as unnecessary fees that PEMC had to pay.

DATED: June 5, 2018

A handwritten signature in black ink, appearing to read "Tariq Ahmad". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Tariq Ahmad
President

PROOF OF SERVICE

I certify that I caused a true and correct copy of the foregoing to be served this 5th day of June 2018 by email to the following:

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Dated: June 5, 2018



Tariq Ahmad