

TARIQ AHMAD
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Reno, NV 89511
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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 REPLY TO DIVISION'S
RESPONSE DATED JUNE 20, 2018
SUPPLEMENTAL BRIEF**

Pacific Energy & Mining Co. PEMC hereby files this supplementary brief addressing the issue of onshore gathering lines.

Sent: Friday, September 13, 2013 4:51 PM

Subject: Detail for Paradox (Natural Gas) Gathering Pipeline.

Terry,

I am sending you a somewhat detailed description of my logic that the Paradox (Natural Gas) Gathering Pipeline does not fall under the scope of 49 CFR 192.1,

under 192.1(b)(4)(ii) as it is not a regulated onshore gathering line (as determined in 49 CFR 192.8). The area in which this pipeline runs through is under development and if significant oil and gas discoveries will be made then this gathering pipeline will convey other producers' production to the Tie-in of Northwest Pipeline.

At present there is only one well producing, into this line, which is operated by Pacific Energy & Mining Company (PEMC). PEMC is currently developing its leases and will be conveying gas from other wells into this line. Additionally, another producer will also be conveying gas into this gathering line, as shown on

*Regards,
Mobashir Ahmad
PEMC
775-742-1032*

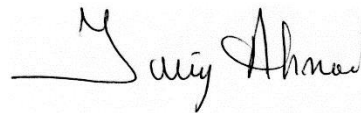
The analysis submitted by the consultant is attached as exhibit 1.

Additionally PEMC analysis is shown as exhibit 2.

CONCLUSION

For the foregoing reasons, PEMC requests that Divisions Notice of action be dismissed due to lack of jurisdiction.

DATED: August 10, 2018

A handwritten signature in black ink that reads "Tariq Ahmad". The signature is written in a cursive style with a long horizontal stroke at the beginning.

Tariq Ahmad
President

PROOF OF SERVICE

I certify that I caused a true and correct copy of the foregoing to be served this 6th day of July 2018 by email to the following:

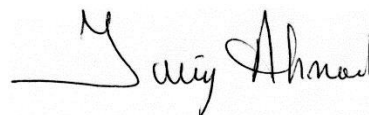
Chris Parker, Director Division of Public Utilities
chrisparker@utah.gov

Al Zadeh, Pipeline Safety Lead
azadeh@utah.gov

DPU Data Request
DPUdatarequest@utah.gov

Patrica E. Schmid
Justin C. Jetter
Assistant Attorney Generals
Counsel for Division of Public Utilities
pschmid@agutah.gov
jjetter@agutah.gov

Dated: August 10, 2018



Tariq Ahmad

EXHIBIT 1

DETERMINATION OF EXEMPTION FROM REGULATION UNDER TITLE 49, PART 192-TRANSPORTATION OF NATURAL AND OTHER GAS BY PIPELINE: MINIMUM FEDERAL STANDARDS

After reviewing the Utah regulations and the relevant CFR Title 49 parts, it is determined that the Paradox Pipeline does not fall under the specific scope of regulation by either the State of Utah nor the Federal government.

The relevant regulation is:

Title 49 CFR Ch. 1, Subpart A-General, 192.1 What is the scope of this part? (b)This part does not apply to-(4) Onshore gathering of gas-(ii) Through a pipeline that is not a regulated onshore gathering line (as determined in 192.8);

Detail:

The Paradox gas pipeline is located in the State of Utah and is as laid out in the attached map. The gas pipeline thus falls under the jurisdiction of the , government of the State of Utah; Pipeline Safety Program, Division of Public Utilities, Utah Department of Commerce. The state of Utah regulations are

R746, Public Service Commission, Administration. Rule R746-409. Pipeline Safety.

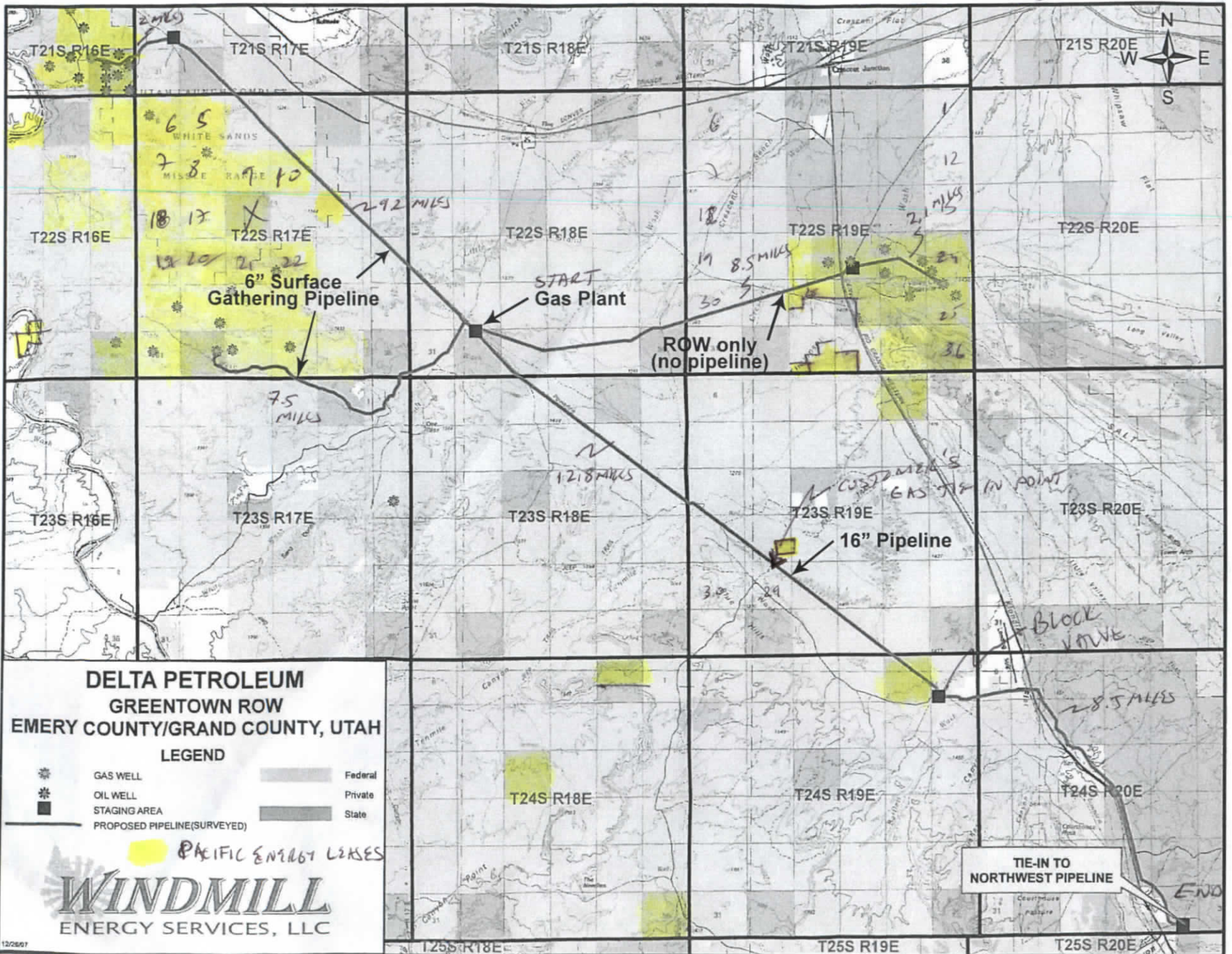
This rule incorporates the minimum safety standards specified in Parts 190, 191, 192, 198 and 199 of CFR Title 49.

Under 49 CFR, 192.1(b)(4)(ii), this “onshore gas gathering line” is not regulated. Specifically, under 192.8, this is an “onshore gathering line,” under API RP 80, especially under Annex A-Onshore Gas Gathering Decision Tree, Alternative 1. Thereafter, under 192.8(b)(1)(2), the Paradox pipeline doesn’t fall under any written criterion, as applicable to the table published after the above regulation. The table only applies to Class 2, 3, or 4 locations and not to a Class 1 location, as detailed in 192.5.

ATTACHMENTS:

1. Map of the Paradox Pipeline---1 page.
2. UTAH ADMINISTRATIVE CODE, R746, R746-409-1---1 page
3. CODE OF FEDERAL REGULATIONS, 49 CFR Ch. 1 (10-1-11 Edition) Parts 192.1, 192.3, 192.5, 192.7 & 192.8---8 pages.
4. API RP 80 (FIRST EDITION, APRIL 2000)-APPENDIX A-ONSHORE GAS GATHERING DECISION TREES, Figure A-1-Onshore Gas Gathering Decision Tree-Alternative 1---1 page.

ATTACHMENT 1- MAP OF PARADOX (NATURAL GAS) GATHERING PIPELINE



ATTACHMENT 2 - LEASE MAP



DELTA CORPORATION

Greentown Energy Center - Tank
 Private ROW
 Public ROW

Delta Energy and Gas Limited Partnership, Competitor Leasehold

Sheet: 10
 Date: 11/10/2010

ATTACHMENT 3
PARADOX (NATURAL GAS) GATHERING PIPELINE
PRESENT LINE

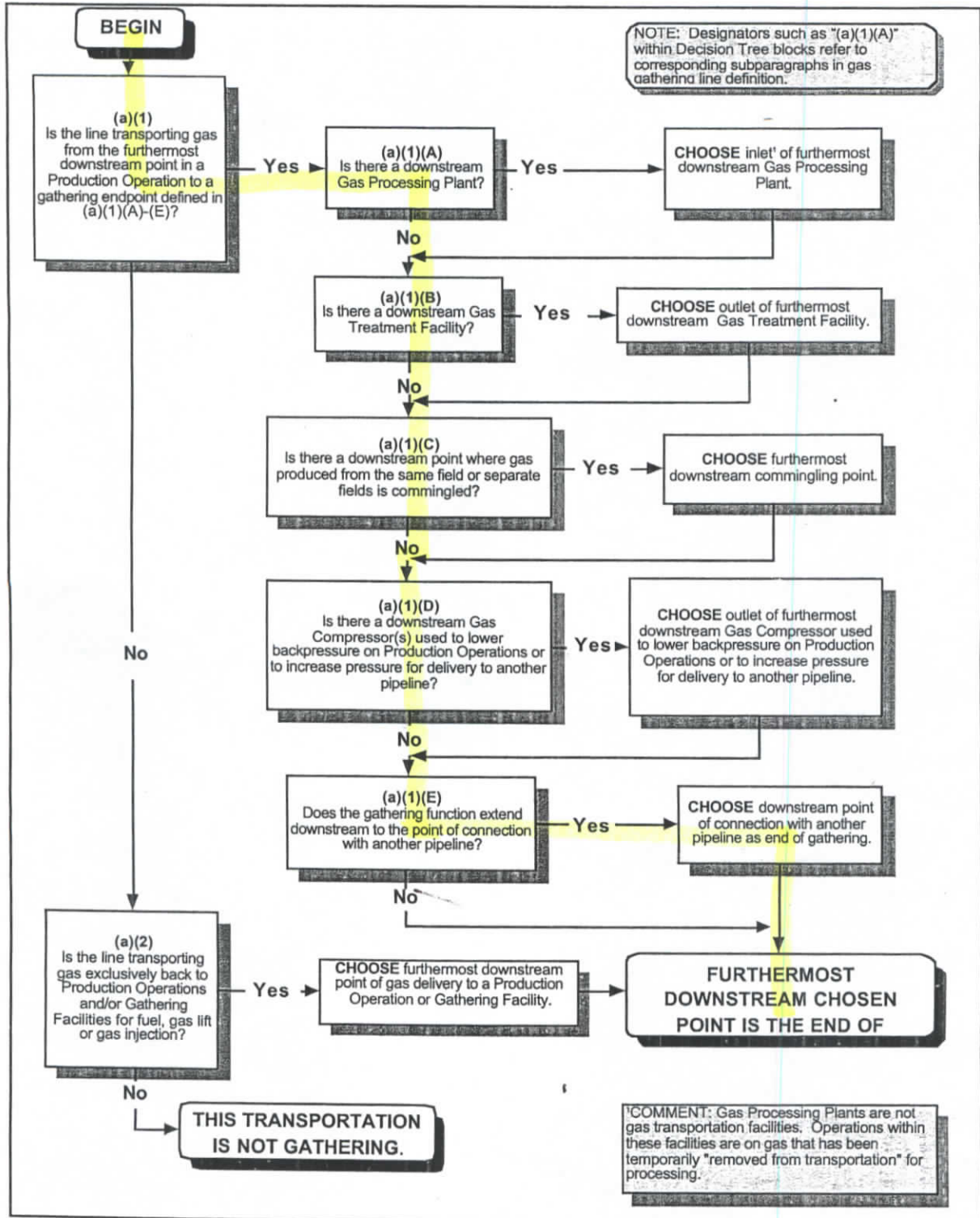


Figure A-1—Onshore Gas Gathering Decision Tree—Alternative 1

ATTACHMENT 4
PARADOX (NATURAL GAS) GATHERING LINE
FUTURE LINE

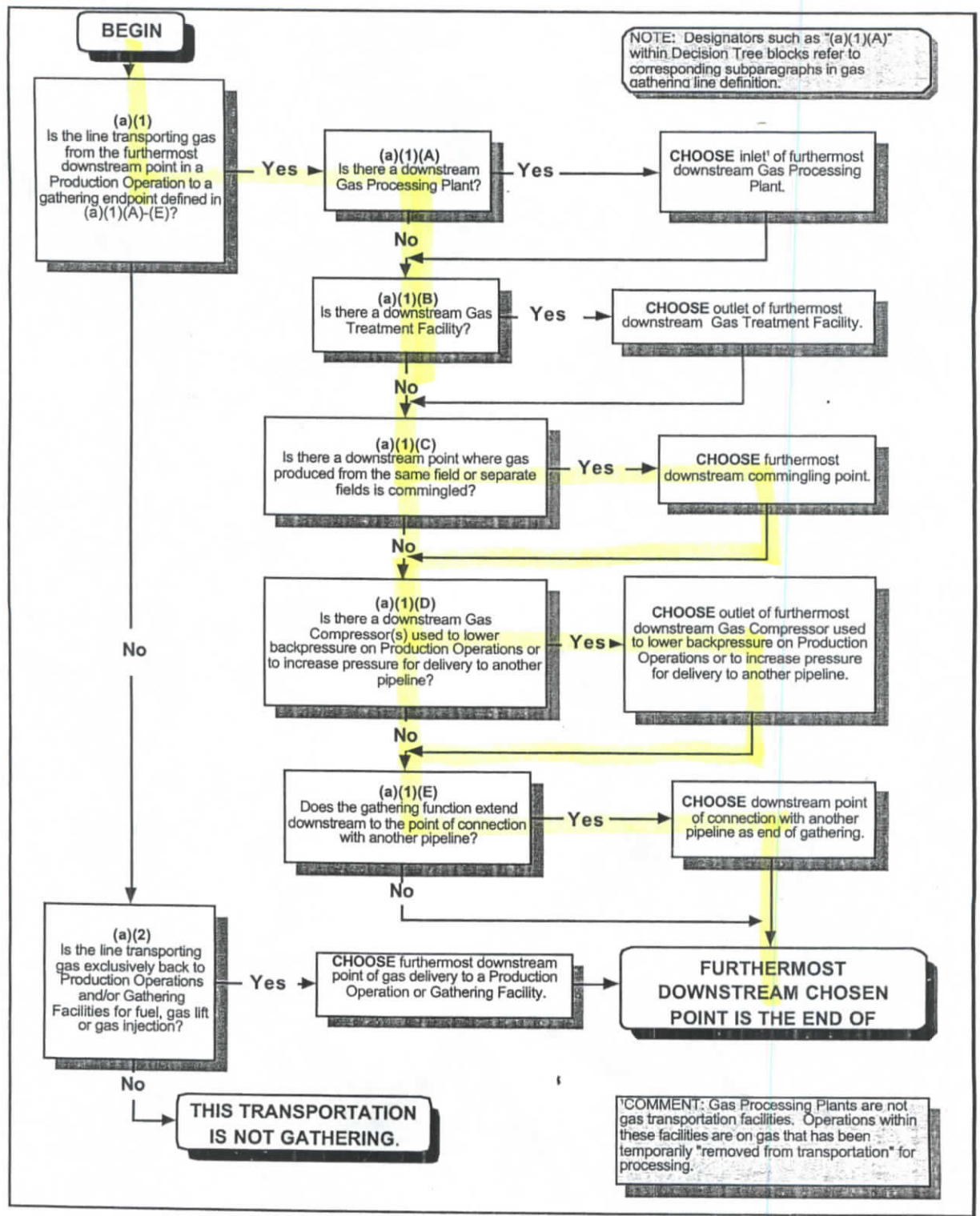
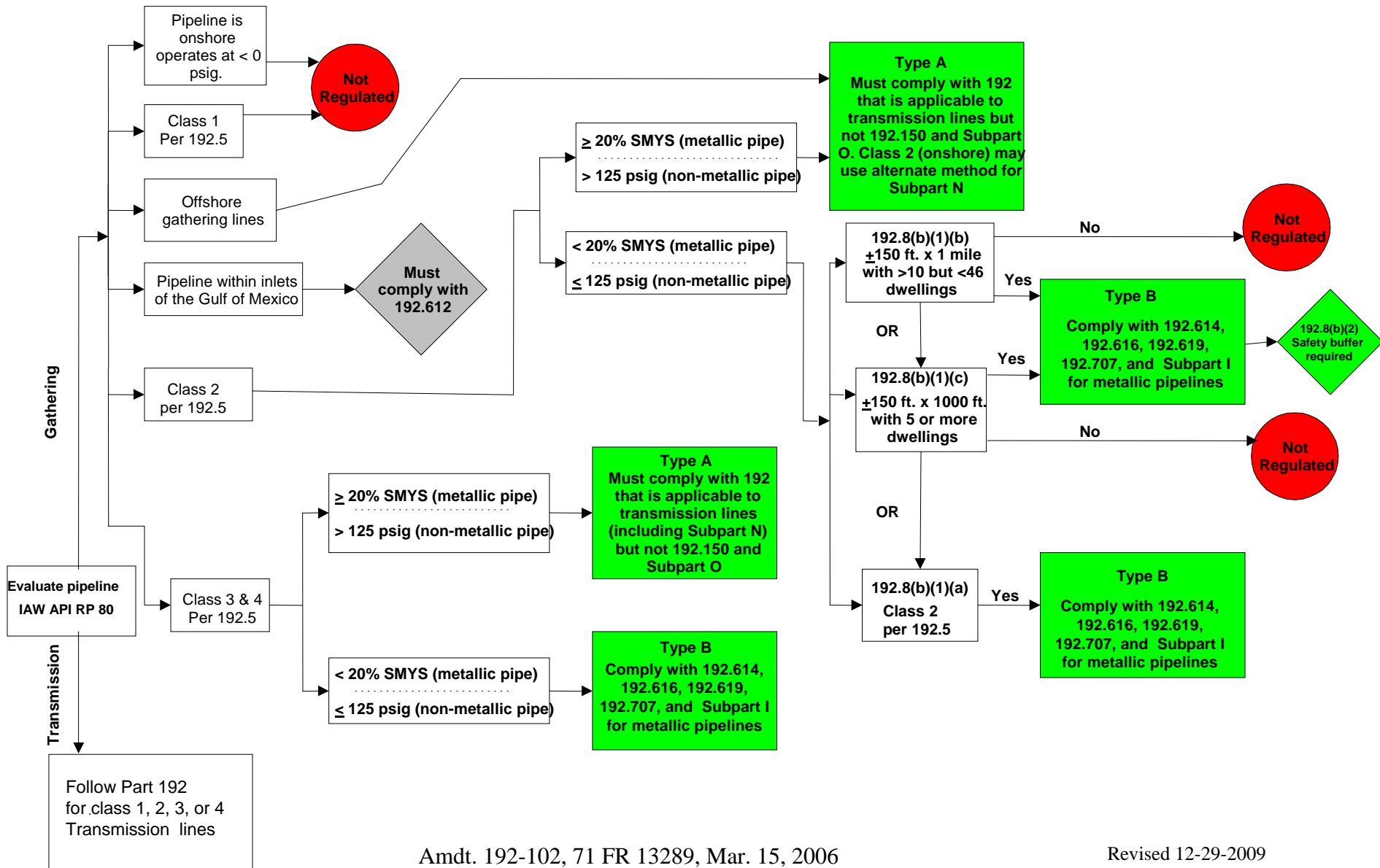


Figure A-1—Onshore Gas Gathering Decision Tree—Alternative 1

EXHIBIT 2

Gas Gathering Lines – Part 192





July 6, 2018

PHMSA – Office of Pipeline Safety
1200 New Jersey Avenue
Washington, DC 20590

RE: Request for Interpretation of Title 49 CFR 192

Dear PHMSA – Office of Pipeline Safety

Pacific Energy and Mining Company (“PEMC”) hereby requests Pipeline and Hazardous Materials Safety Administration (PHMSA) for a review, clarification and interpretation of Title 49 CFR 192.5 applicability to Greentown Pipeline Gathering System (“Gathering Line”) mistakenly referred to as the Paradox Pipeline (OPID 39040).

Our request is based upon the following:

- Greentown Pipeline Gathering System (“Gathering Line”) operated from 2008 to 2013 without regulation.
- State of Utah unilateral determination to regulate the Gathering Line by the Department of Commerce, Division of Public Utilities (“Division”) email 9/23/2013.¹
- On September 13, 32013, PEMC had informed the Division that the Gathering Line is not subject to regulation.
- Agreement with PEMC’s determination of its Exemption from regulation under Title 49, Part 192 – Transportation of natural and other gas by pipeline: minimum federal standards.

Background

1. Gathering Line was built in 2008 by Delta Petroleum Corporation. Gathering Line was built on a right-of-way issued by the United States Department of the Interior, Bureau of Land Management as the Greentown Pipeline Gathering System. Both the 6-inch and the 16-inch gathering lines are built on Right-of-Way UTU-83457 issued by the United States Department of the Interior, Bureau of Land Management.

¹ This determination was made after Pacific Energy & Mining Company (PEMC) asked PHMSA for conformance of existing laws in pertaining to safe operation of the Gathering Line by email & phone requesting a courtesy inspection of the Gathering Line.

“On February 1, 2008, right-of-way UTU-83457 was issued to Delta Petroleum Corporation for the **Greentown natural gas pipeline gathering system** on public lands in Grand County, Utah.”

See Approval of Assignment dated February 3, 2012 page 1, ¶1 Exhibit 1.

2. The Gathering Line consists of 26 miles of 6-inch line and 21.19 miles of 16-inch line. See Exhibit 2.
3. Gas is transported from Wells in the 6-inch line to a plant where it is dehydrated and compressed. (First facility.)
4. Gas is transported in the 16-inch Gathering Line from “First Facility” to the second facility up stream of the Northwest Pipeline interconnect, where it is run through a filtration plant, tested for quality and finally transferred to Northwest Pipeline through a sales meter upstream of Northwest Pipeline valve connecting the processed gas to Northwest Pipeline interstate transmission line.
5. Delta Petroleum Corporation placed the Gathering Line in operation during 2008.
6. Delta Petroleum Corporation designed and built the Processing Facility to handle 25 million cubic feet of natural gas.
7. The initial production from the processing plant was approximately 1 million cubic feet of natural gas per day.
8. Construction of the Gas Gathering Line included the installation of a block valve in order to accept gas from other operators in the area.
9. Gathering Line is to gather gas from all operators within the vicinity of the Gathering Line, all in order to prevent multiple Gathering lines being built.
10. During 2010 PEMC acquired the Greentown Oil Field and the Gathering System.
11. PEMC dismantled the 25 million cubic feet per day processing plant and installed a equipment to process 500,000 cubic feet of gas per day. (Decrease by a factor of 50).
12. From inception of production in 2008 until October 2013 the Gathering Line was not regulated.
13. During 2013 PEMC requested a courtesy review of the Gathering Line for safe operations. This review was not for establishing jurisdiction or an agreement allowing the Gathering Line to be classified as a Transmission Line.
14. After a courtesy inspection by the Division, the Division decided to regulate the Gathering System as a Transportation Line.

15. One of the conditions of the permit was that the Gathering Line would be required to transport natural gas to the Second Facility from gas fields owned and operated by others. This was done in order to decrease the necessity to build additional pipelines on public lands.

16. 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 downstream of the natural gas sales meter. The gas is then transported in the Interstate Pipeline for delivery to an end user, i.e. consumer. In this case the ownership of the gas is transferred after the Second Facility.

17. On September 16, 2013, Utah Division of Public Utilities (“Division”) requested that its inspector be allowed to inspect the Pipeline. Pacific agreed to a courtesy inspection.

18. On September 19, 2013 the Division conducted its courtesy inspection. Thereafter, the division unilaterally decided, without any legal authority, that it had jurisdiction upon the Gathering Line. Division’s decision was based upon its logic the gas is processed at the beginning of the Gathering Line.

19. The gas gathering line was operated without the jurisdiction of the Division from the year 2008 until the unilateral decision of the Division as relayed by an email on September 23rd, 2013 by Jimmy W. Betham, Utah Pipeline Safety Engineer, State of Utah Department of Commerce, Division of Public Utilities. (“Division”):

“Review of the submitted documents on September 13, 2013 did not demonstrate using sound engineering principles that the end point of gathering extended beyond the processing plant. My field visit on September 19, 2013 also confirmed the fact that the end point of this gathering system is the outlet of the processing plant. Utah Pipeline Safety considers 22 miles of 16 inch steel pipeline from the processing plant to the Northwest Tie-in as Intrastate Transmission Pipeline.”

The above statement is contrary to the fact, as prior to transfer to Northwest Pipeline Transmission line, gas is treated as it flows thru a filtration plant removing impurities, quality of gas is measured: i.e., dew point, water content and BTU, (only after this point the gas is fit for the market) quantity of gas is measured thru a meter upstream of the Northwest Pipeline valve connecting the pipe to Northwest Pipeline Transmission Line. See definition of Gathering System.²

20. PEMC has operated the Gathering Line without any incidents, similar to the 6-inch gathering lines in the Greentown field, these lines are not regulated by the Division, but are located on the same right-of-way which specifies “Greentown natural gas pipeline gathering system.”

² *Gathering System: The gathering lines, pumps, auxiliary tanks (in the case of oil), and other 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.*

Status of Pipeline

The Paradox Pipeline operates at a maximum pressure of 750 psi. The closest municipality, Green River, Utah, from the Northwestern end of the Gathering Line is 13 miles. The closest municipality, Moab, Utah, from the southeastern end is 8 miles. In the 660 ft. buffer zone, there are two areas with potential population; 1) at Archview RV campground where there is one residential structure and RV camping sites and 2) at Moab Under Canvas there is one camp site. See Exhibit 3.

Based on Title 49 CFR Part 192 - Transportation of Natural Gas, under section §192.5 (b) (see attached flow chart Exhibit 4) the Gathering line is clearly Class 1.

(a) This section classifies pipeline locations for purposes of this part. The following criteria apply to classifications under this section.

(1) A "class location unit" is an onshore area that extends 220 yards (200 meters) on either side of the centerline of any continuous 1-mile (1.6 kilometers) of pipeline.

(2) Each separate dwelling unit in a multiple dwelling unit building is counted as a separate building intended for human occupancy.

(b) Except as provided in paragraph (c) of this section, pipeline locations are classified as follows:

(1) A Class 1 location is:

(i) An offshore area; or

(ii) Any class location unit that has 10 or fewer buildings intended for human occupancy.

(2) A Class 2 location is any class location unit that has more than 10 but fewer than 46 buildings intended for human occupancy.

(3) A Class 3 location is:

(i) Any class location unit that has 46 or more buildings intended for human occupancy; or

(ii) An area where the pipeline lies within 100 yards (91 meters) of either a building or a small, well-defined outside area (such as a playground, recreation area, outdoor theater, or other place of public assembly) that is occupied by 20 or more persons on at least 5 days a week for 10 weeks in any 12-month period. (The days and weeks need not be consecutive.)

(4) A Class 4 location is any class location unit where buildings with four or more stories above ground are prevalent.

(c) The length of Class locations 2, 3, and 4 may be adjusted as follows:

(1) A Class 4 location ends 220 yards (200 meters) from the nearest building with four or more stories above ground.

(2) When a cluster of buildings intended for human occupancy requires a Class 2 or 3 location, the class location ends 220 yards (200 meters) from the nearest building in the cluster.

See Exhibit 3, Google map showing pipeline and locations.

On September 13, 2013 Consultant for PEMC sent an email:

Sent: Friday, September 13, 2013 4:51 PM

Subject: Detail for Paradox (Natural Gas) Gathering Pipeline.

Terry,

I am sending you a somewhat detailed description of my logic that the Paradox (Natural Gas) Gathering Pipeline does not fall under the scope of 49 CFR 192.1,

under 192.1(b)(4)(ii) as it is not a regulated onshore gathering line (as determined in 49 CFR 192.8). The area in which this pipeline runs through is under development and if significant oil and gas discoveries will be made then this gathering pipeline will convey other producers' production to the Tie-in of Northwest Pipeline.

At present there is only one well producing, into this line, which is operated by Pacific Energy & Mining Company (PEMC). PEMC is currently developing its leases and will be conveying gas from other wells into this line. Additionally, another producer will also be conveying gas into this gathering line, as shown on

Regards,

Mobashir Ahmad

PEMC

775-742-1032

See Exhibit 4.

The Gathering Line has operated without any incident for over 10 years. Thus, PEMC's request, as stated above to review, clarify, and determine that the Gathering System is not a Transmission Line.

Request to exempt PEMC from regulation.

The definition by the Department of Energy is for economic purposes; however, it does demonstrate that other government agencies do consider gathering lines and processing plants as part of the same facility.

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

Exhibit 5 shows the right-of-way issued by the United States Department of the Interior Bureau of Land Management specifically issued the right-of-way for a gas gathering line. Thus as above deference must be given to the United States Government Department of the Interior.

Requested Interpretation

Pacific Energy and Mining Company requests an interpretation that the subject Pipeline is “Not Regulated.” Pursuant to 49 CFR 192.

Should there be any questions, please feel free to call me at (775) 636-3132.

Sincerely,
For Pacific Energy and Mining Company

Dan Green
Consultant

Cc: Tariq Ahmad

- Enclosures
- Exhibit 1 – Assignment from the BLM
 - Exhibit 2 – Paradox Pipeline Map
 - Exhibit 3 – Google Paradox Pipeline Map
 - Exhibit 4 – Part 192 – Gas Gathering Jurisdiction Flowchart
 - Exhibit 5 – Attachment to email dated September 13, 2013
 - Exhibit 6 – Memorandum dated January 18, 1980