

Delineation and Regulatory Oversight of “Processing” – Oil and Gas Midstream Facilities

Presented by Subcommittee on Midstream Facility Safety
PHMSA Gas & Liquids Technical Advisory Committees

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Background

- ▶ In 2014, the Gas and Liquids Advisory Committees formed a Subcommittee for Midstream Safety
- ▶ Goal to provide clarity and ensure there are no 'gaps or overlaps' in applied regulatory oversight of midstream processing facilities
- ▶ At present, PHMSA and OSHA both have regulations that apply to some parts of such facilities
- ▶ Representatives of federal agencies and industry (collectively, the Subcommittee) met on several occasions over 2014 – 2015
- ▶ Proposed guidance has been developed to assist in determining whether piping and facilities are subject to the regulatory oversight of PHMSA or OSHA
- ▶ The guidance is intended to be explanatory in nature, does not constitute a regulation, and does not create legally enforceable rights or obligations

Subcommittee Goals

- ▶ The subcommittee goals were established as:
 - Verifying the net safety equivalency of regulatory oversight programs for midstream facilities, as established by PHMSA and OSHA
 - Identification of means for delineating regulatory oversight by clarifying boundaries for entering and leaving midstream facilities
 - Addressing the regulatory oversight for “pass-through” or “bypass” system configurations
 - Addressing the regulatory oversight for “storage” and related piping (whether as part of processing or incident to transportation)

Federal Oversight of Safety

- ▶ At present:
 - PHMSA provides regulatory oversight for product “in transportation,” including transmission or mainlines entering and leaving midstream facilities as well as storage incidental to transportation (*49 C.F.R. Parts 192 and 195*)
 - OSHA provides regulatory oversight within midstream facilities through its Process Safety Management (PSM) regulations (*29 C.F.R. Part 1910.119*)
 - EPA regulates certain aspects of midstream facilities through its Risk Management Program (RMP) regulations (*40 C.F.R. Part 68, Subpart G*) and SPCC program (*40 C.F.R. Part 112*)
- ▶ Subcommittee members found that a net safety equivalency is provided by the regulatory oversight of either PHMSA 192/195 or OSHA PSM

Proposed Guidance

- ▶ The subcommittee proposes a draft set of Frequently Asked Questions (FAQs) to be issued by PHMSA to inspection and enforcement staff as well as industry stakeholders
- ▶ It is anticipated that operators would communicate FAQs and related guidance to facility personnel
 - Recommendation that demarcation points within any specific facility be shown on facility maps or drawings
 - Recommendation to mark (e.g., with paint) demarcation points for easy reference by agency inspectors and facility personnel
- ▶ The guidance reflected by these draft FAQs is intended to promote consistency; such guidance may be revised or changed by subsequent rulemakings, judicial decisions or other enforcement precedent

The Proposed FAQs

- ▶ The Subcommittee has prepared seven (7) FAQs for consideration. Taken together, these FAQs serve to clarify understanding of applicable regulatory oversight among PHMSA inspection and enforcement staff as well as facility operations personnel

FAQ 1

- ▶ Q: How are “processing” and “processing facility” defined?
- ▶ A: For the purposes of this policy and guidance, “processing” is defined as the treatment of products including, but not limited to, dehydration, removal of contaminants by separation or filtration, blending with other products, and heating or cooling units that separate or purify products and remove condensates by distillation.

Processing does not include the chemical conversion of crude oil into refined petroleum products (which PHMSA considers to be refining).

A “processing facility” comprises individual units that have a processing function and meets the applicability of OSHA PSM.

FAQ 2

- ▶ Q: How does one delineate the boundary between pipeline transportation and a processing facility?
- ▶ A: PHMSA Policy indicates that it will not provide regulatory oversight under PHMSA Part 192 and 195 for pipelines downstream of the first pressure control device entering the processing facility, and upstream of the last pressure control device leaving the processing facility, except under the provisions of FAQ 4.

FAQ 3

- ▶ Q: How does PHMSA Policy apply regulatory oversight to a pipeline entering a processing facility that bypasses a pressure control device?
- ▶ A: A pipeline that predominantly bypasses a pressure control device is subject to the regulatory oversight under PHMSA Part 192 or 195. Similarly, if a pipeline bypasses a facility that is no longer in service, the pipeline would be subject to regulatory oversight under PHMSA Part 192 or 195.

FAQ 4

- ▶ Q: How does PHMSA Policy apply regulatory oversight to piping that bypasses processing downstream of the first pressure control device?
- ▶ A: Piping that is downstream of the first pressure control device that is occasionally used to bypass processing is subject to regulatory oversight under OSHA PSM. Piping that is downstream of the first pressure control device that is predominantly used to bypass processing is subject to regulatory oversight under PHMSA Part 192 or 195.

FAQ 5

- ▶ Q: What if a given section of piping located on the grounds of a processing facility served by regulated pipelines connects two processing units or is otherwise used for a processing function?
- ▶ A: If the piping is located downstream of the first pressure control device entering the facility and upstream of the last pressure control device leaving the facility, it would be subject to regulatory oversight under OSHA PSM. PHMSA Policy indicates that this section of piping would not be subject to regulatory oversight under PHMSA Part 192 or 195.

FAQ 6

- ▶ Q: How is underground storage and associated piping located on the grounds of a processing facility regulated?
- ▶ A: Piping associated with underground storage used for the “purpose of managing processing facility inventory” is subject to regulatory oversight under OSHA PSM. Piping associated with storage caverns used for transportation is subject to regulatory oversight under PHMSA Part 192 or 195. States with underground storage laws regulate the underground storage.

FAQ 7

- ▶ Q: How are pipelines connecting storage or processing facilities regulated when traversing public or private lands (outside the grounds of storage or processing facilities)?
- ▶ A: Pipelines exiting a pressure control device of storage or processing facilities and traversing public or private lands outside the grounds of storage or processing facilities are subject to regulatory oversight under PHMSA Part 192 or 195.

Next Steps

- ▶ Receive input and confirm the support of the broader Joint Advisory Committees
- ▶ Distribute the guidance for reference by PHMSA inspection and enforcement staff as well as operator personnel
- ▶ Encourage industry to develop guidance for implementation
- ▶ Consider Advisory Committee and sub-committees as vehicle to address other regulatory issues