

109 FERC ¶ 61,116  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, DC 20426

October 29, 2004

In Reply Refer to:  
Docket No. IS04-219-002

Vinson & Elkins, L.L.P.  
2300 First City Tower  
1001 Fannin Street  
Houston, TX 77002

Attn: Charles F. Caldwell, Esquire  
Attorney for Devon Louisiana Corporation  
and Spinnaker Exploration Company, LLC

Reference: Acceptance and Approval of Uncontested Settlement

Ladies and Gentlemen:

1. On September 29, 2004, Devon Louisiana Corporation (Devon) and Spinnaker Exploration Company, LLC (Spinnaker) filed an Offer of Settlement (Settlement), which would resolve all pending issues in Docket No. IS04-219-000 among Devon, Spinnaker, Chevron Pipeline Company (Chevron), ChevronTexaco Products Company, a division of Chevron USA (ChevronTexaco), Marathon Oil Company (Marathon Oil), and Marathon Pipeline Company, LLC (Marathon Pipeline). The Settlement also terminates these proceedings upon withdrawal of the protests filed against Chevron's FERC Tariff No. 828, as well as pending requests for rehearing of the Commission's order accepting and suspending the tariff.<sup>1</sup>
2. Under the terms of the Settlement, Chevron will lease a portion of its oil pipeline system in Southeastern Louisiana between the West Delta Receiving Station and the Venice Station to Devon Energy Offshore Pipeline Company (DEP). The leased facilities will be known as Devon Energy Petroleum Pipeline (DEP Pipeline). Chevron will install sampling facilities at its Venice Station. In addition, Chevron and DEP plan to execute a joint tariff

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<sup>1</sup> Commission acceptance of the Settlement will also cause Marathon Pipeline to withdraw its protest in a related proceeding in Docket No. IS04-283-000.

agreement and issue a joint tariff that becomes effective October 1, 2004,<sup>2</sup> and provides transportation over the new DEP Pipeline as well as Chevron's West Bay System. The parties state that this will permit Chevron to maintain its prohibition against receiving crude oil with a sulfur content in excess of 0.5 percent, while enabling Devon and Spinnaker to transport their crude to onshore markets. The Settlement provides an initial DEP Pipeline rate from all receipt points at the same level as the current rate established in Chevron's FERC Tariff No. 889 for its West Bay System. The initial term of the lease is 16 months, with an option for DEP to extend the term for an additional 12 months.

3. The parties emphasize that this action will not affect the rates for existing shippers under Chevron's tariff. However, Chevron will not be able to maintain the existing joint rate with Anadarko GOM Pipeline Inc. (Anadarko) and the routing under Chevron's FERC Tariff No. 839 during the term of the lease. For that reason, Chevron and Anadarko are filing a new joint tariff for transportation that will provide current Chevron-Anadarko joint tariff shippers the same transportation service for the same rate they now pay.

4. The parties ask the Commission to waive the requirements of 18 C.F.R. § 342.2 (2004) and allow the joint tariff to go into effect without both joint carriers having local rates in a filed tariff and also to waive any requirement that the carriers justify the joint rate on the basis of the local rates. Further, the parties ask the Commission to permit Chevron and Anadarko (or their successors) to reinstate the joint Chevron-Anadarko rate and current routing at the termination of the rate, with the reinstated rate being equal to or less than the sum of the then-current Chevron-Anadarko rate and the then-current Chevron-DEP Pipeline rate. Finally, the parties ask that the Commission exempt DEP from the obligation to file a Form No. 6 Report and Quarterly Financial Reports for the DEP Pipeline during the term of the lease.

5. The parties recognize that after the lease expires and the facilities revert back to Chevron's possession, Devon and Spinnaker may negotiate with Chevron for transportation of the Zia production into the West Bay System. The parties agree that for entry into the West Bay System the sulfur limit will be 0.5 percent. The Settlement provides for conditions when the parties may file a protest or complaint challenging the 0.5 percent sulfur content limit.

6. On September 30, 2004, the Commission issued a notice shortening the comment period on the Settlement. No party filed comments in response to the notice. Accordingly, the Commission finds that the Settlement is unopposed and reflects a complete settlement of

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<sup>2</sup> The parties ask the Commission to waive 18 C.F.R. § 341.14 (2004) to allow the joint tariff to become effective on short notice.

all of the issues raised in this proceeding. The Commission further finds that the Settlement is fair, reasonable, and in the public interest. Accordingly, the Commission accepts and approves the Settlement as submitted.

7. The parties have asked the Commission to exempt DEP from filing the Form No. 6 Report during the term of the lease. They state that all of the facilities, operations, costs, and revenue attributable to the DEP Pipeline will be accounted for by Chevron, as operator of the pipeline, in Chevron's Form No. 6 reporting during the term of the lease. The Commission will grant that request, but will require Chevron to identify clearly in its Form No. 6 the facilities, operations, costs, and revenues attributable to the lease of the facilities to DEP. This will provide adequate public notice to parties seeking information concerning the lease agreement.

8. This letter terminates Docket No. IS04-219-000.

By direction of the Commission.

Linda Mitry  
Acting Secretary

cc: All Parties