122 FERC ¶ 61,300
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 31, 2008

In Reply Refer To:
Black Marlin Pipeline Company
Docket No. RP08-271-000

Black Marlin Pipeline Company
2800 Post Oak Blvd
Houston, TX 77056

Attention: Larry Jensen
Regulatory Affairs Manager

Reference: Petition for Temporary Exemptions from Tariff Provisions

Ladies and Gentlemen:

1. On March 13, 2008, Black Marlin Pipeline Company (Black Marlin) filed a "Petition for Temporary Exemptions from Tariff Provisions and Request for Expedited Action" seeking temporary exemptions, for up to one year, from various parts of its FERC Gas Tariff, First Revised Volume No. 1, and any commensurate exemptions from Commission orders or policies upon which such tariff provisions are formulated, so that it can continue to provide some level of service while minimizing any extraneous costs to its stakeholders. Black Marlin states that it seeks such exemptions rather than modifying its tariff because it hopes to resolve many of its operational issues rather than make permanent changes. Black Marlin requests the Commission expedite its review of the petition and grant the temporary exemptions to be effective March 1, 2008, and continue for a period of one year.

2. Black Marlin's specific exemption requests fall within three categories. First, Black Marlin requests exemptions to suspend the nomination/scheduling process, including the determination of receipts/deliveries under that process so that Black Marlin recognizes and invoices only the actual quantities received and delivered. As such, Black Marlin requests exemptions from sections 9 and 12 of Rate Schedule FTS, sections 7 and 10 of Rate Schedule ITS, and section 9 of its General Terms and Conditions (GT&C).

3. Second, Black Marlin requests exemptions from the NAESB Nominations Related Standards listed in section 1.7(b)(ii) and Flowing Gas Related Standards in section 1.7(b)(iii) of its GT&C.

4. Third, Black Marlin requests exemptions to its imbalance resolution procedures in sections 21.2 and 21.3 of its GT&C in recognition of the necessity to batch deliveries to the Kinder Morgan (KM) delivery point and minimize any residual month-end imbalance cashouts with the shipper at an average index price for the month in lieu of the "high/low" value as contained in the tariff.

5. Black Marlin explains that it has experienced operational stress over the last six months, because it is experiencing severely declining volumes. It currently has only one shipper on its system receiving interruptible service, and it has not received any requests for transportation service associated with new production or any new developmental activity in the vicinity of its system. Black Marlin states that, over the last three years, it reported severe drops in production due to the natural depletion of its reserves and termination of production activity in certain production blocks attached to its system. In addition, by the start of 2007, only two producers with a combined gas stream of approximately 5,300 Mcf/d were delivering gas into its system.

6. Black Marlin further states that as a result of low volumes flowing on its pipeline system, gas measurement at its Dow/Union Carbide delivery point has become unreliable and inaccurate, to the point that it declared an Operational Flow Order (OFO) effective January 26, 2007, which stipulated that Black Marlin would cease accepting nominations and scheduling of gas to the Dow/Union Carbide delivery point until corrective action could be taken. In an effort to correct the measurement inaccuracies, Black Marlin requested and the Commission granted waiver to install and operate special equipment at the delivery point, but despite these efforts and subsequent attempts by the two remaining producers on its system to enhance their reserves, production continued to decline so rapidly that the current flow rate represents only 1.2 percent of design capacity.

7. As of November 1, 2007, Black Marlin states that the KM delivery point was the only delivery point in operation. The operator of the Dow/Union Carbide delivery point was no longer receiving gas because it felt the administrative costs, including imbalance cashouts, were too high economically to justify receiving the low gas volumes that were available. KM, for the same reasons, notified Black Marlin in early February 2008 of its intent to no longer ship gas on the Black Marlin system.

8. In an effort to find a solution that would allow gas to continue to flow for at least an interim period given the current operating conditions, Black Marlin issued an OFO pursuant to section 23 of the GT&C describing what actions it would take to avoid immediately shutting in its gas. The OFO provided that, commencing with March 1, 2008 production and continuing on a month-to-month basis, Black Marlin would "batch"

deliveries to the KM delivery point,[1] would only recognize actual deliveries to this point rather than nominated deliveries, and would assess an average index price for any imbalances with the producer that may occur instead of the “high/low” price required by its tariff. Recognizing the uniqueness of the situation, Black Marlin contacted the Commission about the actions taken in order to continue moving its gas. Upon the advice of Commission staff, Black Marlin has made the instant filing.

9. Black Marlin states that if the Commission grants its requested exemptions, all its stakeholders will benefit from its continued operations, and that it is not aware of any shipper or stakeholder that will be harmed in any manner by the granting of these exemptions.

10. The Commission issued notice of Black Marlin’s filing on March 18, 2008, allowing for protests as provided by section 154.210 of the Commission’s regulations. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2007), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late interventions at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. No party filed a protest or adverse comments. MC Offshore Petroleum, LLC (MC Offshore) filed supportive comments stating that if Black Marlin is not granted the requested exemption, MC Offshore may be required to shut in its gas being produced from the High Island Block 136 area.

11. For good cause shown, we grant Black Marlin’s proposed petition for temporary exemptions from sections 9 and 12 of Rate Schedule FTS, sections 7 and 10 of Rate Schedule ITS, and sections 1.7(b)(ii) and (iii), 9, 21.2 and 21.3 of its GT&C to be

[1] Batching refers to the practice of taking deliveries every 3-4 days so that the pipeline system’s internal pressure can build up to a level sufficient to improve measurement accuracy.

effective March 1, 2008, and continue for a period of one year, as proposed. These exemptions will allow Black Marlin to continue to provide some level of service while minimizing its costs as it attempts to find long term solutions to its operational issues.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

cc: All Parties

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