

140 FERC ¶ 61,041
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

Chipeta Processing LLC

Docket No. CP12-47-000

ORDER DETERMINING JURISDICITONAL STATUS OF FACILITIES

(Issued July 19, 2012)

1. On January 6, 2012, Chipeta Processing LLC (Chipeta) filed a petition for a declaratory order, requesting that the Commission determine that certain facilities at its Chipeta Plant Complex in Uintah County, Utah will be non-jurisdictional processing facilities exempt from the Commission's jurisdiction pursuant to section 1(b) of the Natural Gas Act (NGA). For the reasons discussed below, the Commission finds that the facilities will be exempt from the Commission's jurisdiction.

I. Background

2. Chipeta is a limited liability company organized under the laws of Delaware. Chipeta is owned 51 percent by WGR Operating, LP (WGR),¹ 24 percent by Anadarko Uintah Midstream, LLC (Anadarko Uintah),² and 25 percent by Ute Energy Midstream Holdings, LLC (Ute Energy).³ Chipeta processes natural gas from the Greater Natural Buttes Production Area located in the Uinta Basin in Uintah County, Utah. Chipeta does not own or operate any interstate natural gas transportation facilities subject to the Commission's NGA jurisdiction.

3. The Chipeta Plant Complex processes gas gathered through more than 1,300 miles of gathering lines operated by Anadarko Uintah in the Greater Natural Buttes Production Area. The Chipeta Plant Complex currently consists of the Chipeta Plant, the Natural

¹ WGR is Chipeta's managing member and is owned by Western Gas Partners, LP, a consolidated subsidiary of Anadarko Petroleum Corporation (Anadarko Petroleum).

² Anadarko Uintah is a wholly-owned subsidiary of Anadarko Petroleum.

³ Ute Energy is owned by Quantum Resources Management and the Ute Tribe.

Buttes Plant, and the Plant Interconnect Line. The Chipeta Plant is a technologically advanced processing plant that uses modern cryogenic processing equipment to cool gas to minus 140 degrees Fahrenheit, which greatly enhances the recovery of natural gas liquids (NGL), as well as the overall efficiency of processing operations. The Chipeta Plant delivers the processed gas to interconnections⁴ with Wyoming Interstate Company (WIC), Colorado Interstate Gas Company (CIG), and QEP Field Services Company (QEP).⁵ The Natural Buttes Plant is a relatively inefficient plant that uses a refrigeration process to cool gas to minus 20 degrees Fahrenheit and is primarily used as a back-up facility to the more efficient Chipeta Plant.

4. The Plant Interconnect Line is an approximately 5-mile long, 20-inch diameter, bi-directional pipeline that connects Chipeta's Natural Buttes and Chipeta Plants. The Plant Interconnect Line moves processed, partially processed, and unprocessed gas from the Natural Buttes Plant to the Chipeta Plant for processing, as necessary, and/or for delivery to WIC, CIG, or QEP. When the line is reversed, the Plant Interconnect Line moves processed gas from the Chipeta Plant to the Natural Buttes Plant for delivery to Questar Pipeline Company's (Questar) Mainline 40 (ML40). The interconnection with ML40 is located at the tailgate of the Natural Buttes Plant and downstream of Questar's Fidlar Compressor Station.

5. ML40 is a 20-inch diameter jurisdictional pipeline that traverses the Greater Natural Buttes Production Area. Questar currently transports gas westward on ML40 towards Questar's principal market areas in Utah. Questar's Mainline 104 (ML104), a 24-inch diameter jurisdictional pipeline that transports gas westward from the Fidlar Compressor Station, loops ML40.⁶

II. The 2009 Chipeta Order

6. The Natural Buttes Plant and Plant Interconnect Line were originally part of CIG's jurisdictional pipeline system. In *Colorado Interstate Gas Co.*, the Commission authorized CIG to abandon the facilities by sale to Chipeta and determined that,

⁴ These interconnections are located at the end of header systems that extend from the tailgate of the Chipeta Plant.

⁵ WIC and CIG are interstate pipelines subject to the Commission's jurisdiction. QEP is a non-jurisdictional pipeline formerly known as Questar Gas Management.

⁶ The Commission authorized Questar to extend ML104 east from its previous terminus at the Green River Block Valve to the Fidlar Compressor Station, looping ML40, in *Questar Pipeline Co.*, 135 FERC ¶ 61,114 (2011).

following their acquisition by Chipeta, the facilities would perform a production and gathering function exempt from the Commission's NGA jurisdiction under section 1(b).⁷

7. In the 2009 *Chipeta* Order, the Commission noted that under operation by Chipeta, unprocessed gas would flow on the bidirectional Plant Interconnect Line either from the Natural Buttes and/or Bridge Plants to the Chipeta Plant for processing and delivery to downstream pipelines, or from the Chipeta and/or Bridges Plants to the Natural Buttes Plant for processing and delivery to Questar. Consequently, the Commission found that depending on how gas was flowing, the Plant Interconnect Line would be exempt from the Commission's jurisdiction either because it would be behind the non-jurisdictional plants which it connects, or because it would function as an incidental extension of the plant complex's operations.⁸

III. Request for Jurisdictional Determination

8. In its petition, Chipeta states that most fields in the Uinta Basin contain natural gas that is high in natural gas liquids. A number of producing fields in the western area of the Uinta Basin have wells that deliver gas to Questar's jurisdictional laterals 46 (JL46) and 47 (JL47), and these laterals, in turn, deliver gas to a delivery point on ML40 at Pete's Wash, located downstream of the Fidlar Compressor Station and the Chipeta Plant Complex. There are also many wells that deliver gas directly into the segment of ML40 between Pete's Wash and the Fidlar Compressor Station.⁹ Chipeta asserts that because the owners of these wells lack access to efficient gas processing services, the higher value of the unrecovered NGL components of the gas stream is lost to them. Chipeta states that Questar plans to reconfigure ML40 and that Chipeta plans to

⁷ 128 FERC ¶ 61,122 (2009) (2009 *Chipeta Order*).

⁸ *See id.* PP 28-32.

⁹ The Fidlar Compressor Station is approximately 33.5 miles east of Pete's Wash and is an intersection point for Questar's Mainlines 40 and 104, as well as two other Questar mainlines.

reconfigure the Chipeta Plant Complex¹⁰ in order to give those producers access to the processing facilities at the Chipeta Plant Complex.¹¹

9. As part of the reconfiguration of its Chipeta Plant Complex, Chipeta is constructing a 400-foot pipeline, known as the Plant Receipt Line, to connect its Plant Interconnect Line with the block valve at the discharge side of the Fidlar Compressor Station. This will enable Chipeta to take delivery of the hydrocarbon rich gas from ML40 and transport it through its Plant Receipt Line and Plant Interconnect Line to the Chipeta Plant for processing.

10. Separate from the construction of the Plant Receipt Line described above, which will accommodate Questar's proposed Liquids Project, Chipeta states that it is also constructing a new 2.5-mile long, 20-inch diameter pipeline (the Residue Gas Delivery Line) from the header system at the tailgate of the Chipeta Plant to an interconnect with Questar's ML104 on the discharge side of the Fidlar Compressor Station. As noted above, Chipeta can currently deliver gas to Questar's ML40 from its Natural Buttes Plant delivery point. However, gas cannot be physically delivered into Questar at this point when gas on the Plant Interconnect Line is flowing in the direction of the Chipeta Plant. In addition, Chipeta cannot currently deliver gas from the Chipeta Plant Complex to Questar's ML104. Construction of the Residue Gas Delivery Line will increase Chipeta's operational flexibility and provide existing processing customers an outlet from the Chipeta Plant to ML104.¹²

11. Chipeta requests that the Commission determine that, following the contemplated reconfiguration of the Chipeta Plant Complex, the Plant Interconnect Line will continue

¹⁰ Chipeta states that the Chipeta Plant Complex currently has over 500 MMcf per day of capacity, including 250 MMcf per day of modern cryogenic processing capacity. Chipeta states that it is constructing a third processing train – a 300 MMcf per day cryogenic facility – at the Chipeta Plant, which will increase the Chipeta Plant Complex's processing capacity to nearly 1 Bcf per day.

¹¹ Concurrent with this order, the Commission is issuing a certificate in Docket No. CP12-40-000 authorizing Questar's proposed Uinta Basin Liquids Project, which would enable Questar to transport gas containing NGLs to the Chipeta Plant Complex for liquids removal.

¹² Chipeta states that it is constructing both the Plant Receipt Line and the Residue Gas Delivery Line on rights-of-way granted by the Ute Indian Tribe of the Uintah and Ouray Indian Reservation in Utah. Chipeta states that the Bureau of Indian Affairs performed environmental and cultural resources studies in connection with the permitting process and reviewed the potential impacts of the lines under the National Environmental Policy Act of 1969.

to be exempt from the Commission's jurisdiction under section 1(b) of the NGA. Further, Chipeta requests that the Plant Receipt Line and the Residue Gas Delivery Line also be exempt from the Commission's jurisdiction.

IV. Interventions

12. Notice of Chipeta's petition was published in the *Federal Register* on January 25, 2012.¹³ Timely, unopposed motions to intervene were filed by Merit Energy Company and ConocoPhillips Company. Timely, unopposed motions to intervene are granted by operation of Rule 214 of the Commission's Rules of Practice and Procedure.¹⁴

V. Discussion

13. Under section 1(b) of the NGA, the Commission has jurisdiction to regulate the transportation of natural gas in interstate commerce and any natural gas company engaged in such transportation. At the same time, section 1(b) exempts from Commission jurisdiction the "production or gathering of gas." In addition, the Commission has long held that processing plants are not jurisdictional under the NGA where the plant's function is the removal of liquids from the raw gas stream for their economic value,¹⁵ i.e., the processing plant is not necessary to make the gas fit for pipeline transportation.¹⁶

14. The reconfiguration of the Chipeta Plant Complex will enable Chipeta to operate the complex in two modes: (1) as a processing plant that continues to receive gas from upstream gathering systems in the Greater Natural Buttes Production Area; and (2) as a processing plant that receives gas from Questar's jurisdictional ML40 and delivers the processed gas to Questar's jurisdictional ML104 or to other pipelines connected to the Chipeta Plant's header. As discussed below, the Commission finds that the Plant Receipt Line, Plant Interconnect Line, and Residue Gas Delivery Line will be exempt from the Commission's NGA jurisdiction when the Chipeta Plant Complex is operating in either or both modes.

15. In the first mode of operation, the Chipeta Plant Complex will continue to receive gas for processing from upstream gathering systems in the Greater Natural Buttes

¹³ 77 Fed. Reg. 3,762.

¹⁴ 18 C.F.R. § 385.214(c) (2012).

¹⁵ See, e.g., *Texas Eastern Gas Transmission Corp.*, 43 FERC ¶ 61,044, at 61,129 (1988).

¹⁶ See *Northern Natural Gas Co.*, 69 FERC ¶ 61,264 (1994); *Questar Pipeline Co.*, 67 FERC ¶ 61,197 (1994); and *Texas Eastern Transmission Corp.*, 43 FERC ¶ 61,044.

Production Area and process this gathered gas in the same manner as described above and in the 2009 *Chipeta* Order. Thus, the Commission finds that the Plant Interconnect Line will remain a non-jurisdictional facility under section 1(b), as determined in the 2009 *Chipeta* Order.

16. Further, in *Superior Offshore Pipeline Company*, the Commission explained that generally, facilities located downstream of a processing plant, other than incidental extensions such as stub lines, are jurisdictional transportation facilities.¹⁷ In regard to stub lines, the Commission stated that such facilities may be considered exempt because they are incidental extensions of plant operations or of behind-the-plant gathering systems.¹⁸ The Commission has declined to extend the stub line exception beyond the five miles approved in *SOPCO*.¹⁹

17. The Residue Gas Delivery Line will deliver gas from the Chipeta Plant to ML104. The line is less than five miles long and can be considered an incidental extension of the Chipeta Plant Complex. Accordingly, the Commission finds that the Residue Gas Delivery Line will be exempt from the Commission's jurisdiction.

18. In the second mode of operation, Chipeta will operate the Chipeta Plant Complex as a straddle plant. Generally, a straddle plant is on or adjacent to an interstate pipeline, receives gas from the interstate pipeline, processes the gas by removing the liquids for their economic value, and returns the gas to the interstate pipeline or delivers it to another pipeline for continued transportation. The Commission has found that straddle plants are non-jurisdictional facilities under the NGA.²⁰ The Plant Receipt Line, which will deliver gas from Questar's ML40 to the Chipeta Plant Complex; the Residue Gas Delivery Line, which will deliver gas to Questar's ML104; and the Plant Interconnect Line, which allows the Chipeta Plant and the Natural Buttes Plant to operate as a single plant, will be integral parts of the straddle plant and, as such, the Commission finds that they will be non-jurisdictional facilities under section 1(b) of the NGA.

¹⁷ 67 FERC ¶ 61,253, at 61,834-35 (1994) (*SOPCO*).

¹⁸ *Id.*

¹⁹ See *Western Gas Reserves, Inc.*, 119 FERC ¶ 61,308 (2007); *Rendevouz Gas Services, L.L.C.*, 113 FERC ¶ 61,169 (2005).

²⁰ *KN Wattenburg Transmission Limited Liability Co.*, 90 FERC ¶ 61,322, at 62,081 (2000).

The Commission orders:

After the reconfiguration of facilities described herein and in the petition, Chipeta's Plant Receipt Line, Plant Interconnect Line, and Residue Gas Delivery Line will be processing facilities exempt from the Commission's jurisdiction pursuant to NGA section 1(b).

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.