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Reply to the Attention of: DCP/GICA/MLM

MEMORANDUM FOR: REGIONAL ADMINISTRATORS
STATE DESIGNEES
FROM: *Richard Fairfax*
RICHARD FAIRFAX, Director
Directorate of Compliance Programs
SUBJECT: PSM Applicability to Oil/Gas Production Facilities

The following question and answer clarifies the applicability of OSHA's standard *Process Safety Management of Highly Hazardous Chemicals; Explosives and Blasting Agents* (PSM), 29 CFR 1910.119, to oil and gas production facilities, including common point oil and gas separation facilities. OSHA is issuing this clarification as a result of numerous questions it has received, some arising out of its investigation of a 1998 accident that killed several employees at a common point oil and gas separation facility.

Question

Does the PSM standard (29 CFR 1910.119) apply to oil and gas production facilities, including oil, gas, and water separation facilities operating in conjunction with the producing well?

Response

If at least 10,000 pounds or more of flammable liquids or flammable gases are contained in an oil and gas production process, the production facilities described above are covered by the PSM standard. Covered production activities that are included in the term *process* can include, but are not limited to:

- the handling and on-site movement of flammable gas or flammable liquids through interconnected equipment;
- the separation of oil, gas or water by means including, but not limited to:
 - a) high and low pressure separators;
 - b) gravity water separation conducted inside in-process tanks; and
 - c) heat treaters;
- the compression of the flammable gas from a lower to higher pressure; and
- the other chemical and physical processing activities which are interconnected with, or proximate to, the covered process.

OSHA has stated in previous interpretation letters that production facilities, including related oil, gas, and water separation facilities, are excluded from PSM coverage under the oil and gas well drilling and servicing exemption, 29 C.F.R. § 1910.119(a)(2)(ii). Several factors, however, demonstrate that the conclusions reached in these letters are erroneous. As a result, these letters are hereby rescinded.

The letters in question fail to take into account the distinction between wells in production and those undergoing initial drilling or in a servicing status.¹ Production, as recognized by the petroleum industry, is a phase of well operations that deals with bringing well fluids to the surface, separating them, and then storing, gauging and otherwise preparing the product for the pipeline. This production phase occurs after a well has been drilled, completed, and placed into operation, or after it has been returned to operation following workover or servicing. A completed well includes a "Christmas tree" (control valves, pressure gauges and choke assemblies to control the flow of oil and gas) which is attached at the top of the well where pressure is expected. It is at this point, the top of the well, where the covered PSM process begins. The distance between separation equipment and the well is not a factor when determining PSM applicability for production facilities.

Oil well drilling and servicing is distinct from production and covers activities related to the initial drilling of a well and later, maintenance work necessary to maintain or enhance production. Normally, such operations are occurring if a drilling rig or truck mounted rig or mast is present on the well. Oil well drilling and servicing includes the following activities:

- 1) the actual drilling and associated activities of the well;
- 2) Well completion activities (i.e. activities and methods necessary to prepare a well for the production of oil and gas).
- 3) Well servicing (i.e. the maintenance work performed on an oil or gas well to improve or maintain the production from a formation already producing. Usually it involves repairs to the pump, rods, gas-lift valves, tubing, packers and so forth); and
- 4) Workover activities (i.e. the performance of one or more of a variety of remedial operations on a producing oil well to try to increase production. Examples of workover operations include deepening, plugging back, pulling and resetting liners, squeeze cementing and so on.

¹Two sources of recognition by the industry of this distinction can be found in *A Primer of Oilwell Drilling*, 5th Edition, Revised (published by the Petroleum Extension Service in cooperation with the International Association of Drilling Contractors) and *A Primer of Oilwell Service, Workover, and Completion*, 5th Edition (published by the Petroleum Extension Service in cooperation with the Association of Energy Service Companies).

OSHA proposed to address the specific hazards presented by these activities through a distinct standard, *Oil and Gas Well Drilling and Servicing; Proposed Rule*, 48 Fed.Reg. 57202 (December 28, 1983).² It was in anticipation of this standard becoming a final rule that OSHA included the oil and gas well drilling and servicing exception in the PSM standard, thereby reserving the far more comprehensive Oil and Gas Well Drilling and Servicing standard as the primary means to address the “uniqueness” of that activity. *See* 57 Fed.Reg. 6356, 6369 (February 24, 1991). By including production in this exception, the letters in question directly contradict OSHA’s stated preference to cover production and oil and gas well drilling and servicing in separate and distinct standards.

The rulemaking history of the PSM standard also supports OSHA’s determination that production facilities are not included in the oil and gas well drilling and servicing exception. As described above, the unique nature of the hazards in oil and gas well drilling and servicing were reemphasized during the PSM rulemaking when OSHA exempted oil and gas well drilling and servicing in anticipation of a standard covering these activities. Several commentators additionally urged OSHA to include production facilities in this exception. Production facilities, however, were always intended to be covered under PSM as demonstrated by OSHA’s decision to reject this suggestion.

If raised by the employer, OSHA compliance personnel should consider if the “normally unoccupied remote facility exception” (NURF) to PSM coverage [29 C.F.R. § 1910.119(a)(2)(iii)] applies to oil and gas production facilities. For the NURF exception to apply, the facility must be geographically remote from all other buildings, processes or persons and neither within the boundaries nor contiguous to other operations of the employer. *See* 57 Fed.Reg. at 6372. Employees may visit remote sites periodically to check operations, and to perform maintenance and operation activities. OSHA does not, however, consider daily visits, regardless of duration, to constitute “periodic” visits for the purposes of this exception.

In summary: 1) oil and gas well production facilities which contain a threshold quantity or greater amount of a highly hazardous chemical (i.e, flammable liquids and gasses) are covered by PSM; 2) oil and gas well drilling and servicing are not covered by the PSM standard; and 3) the NURF exception may apply to some production facility operations.

As this memorandum demonstrates, OSHA's re-examination of an issue may result in the clarification or correction of previously stated enforcement guidance. If you have any further questions, please feel free to contact the Office of General Industry Compliance Assistance at 202-693-1850.

²OSHA is currently determining whether to place this standard back on its rulemaking agenda.