



DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

WASHINGTON, D.C. 20229



13 MAR 1986

REFER TO
VES-3-15-CO:R:CD:C
108223 PH

Mr. Ralph Houser
Halliburton Services
Drawer 1431
Duncan, Oklahoma 73536-0100

Dear Mr. Houser:

In your letter of February 24, 1986, you request a ruling on the legality of the use of the vessel STAR PEGUSUS to service west coast offshore oil/gas wells on the United States outer continental shelf (OCS) or in state waters. You state that the STAR PEGUSUS is a foreign-built, foreign-flag vessel which has "novel" features which make it the only vessel suitable for the proposed operation. If we approve the described use of the vessel, you intend to purchase it and document it under the United States flag and crew it with United States citizens.

The proposed use of the STAR PEGUSUS consists of performing stimulation services to OCS wells. The vessel would travel to a well location where the equipment (pumps and chemical storage tanks) on the vessel would be used to blend and inject into the wells a chemical solution to stimulate the production of oil/gas from the well being serviced.

Title 46, United States Code, section 883 (46 U.S.C. 883, often called the Jones Act), prohibits the transportation of merchandise between points in the United States embraced within the coastwise laws in any vessel other than a vessel built in and documented under the laws of the United States and owned by persons who are citizens of the United States. A point in United States territorial waters is considered a point embraced within the coastwise laws of the United States, for purposes of this provision. The territorial waters of the United States consist of the territorial sea, defined as the belt, 3 nautical miles wide, adjacent to the coast of the United States and seaward of the territorial sea baseline.

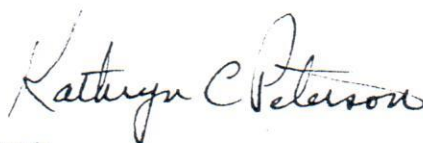
Section 4(a) of the Outer Continental Shelf Lands Act of 1953, as amended (43 U.S.C. 1333(a)) (OCSLA), provides, in pertinent part, that the laws of the United States are extended to "... the subsoil and seabed of the outer Continental Shelf and to all artificial islands, and all installations and other devices permanently or temporarily attached to the seabed, which may be erected thereon for the purpose of exploring for, developing, or producing resources therefrom ... to the same extent as if the outer Continental Shelf were an area of exclusive Federal jurisdiction located within a State."

Under the foregoing provision, we have ruled that the coastwise laws are extended to mobile rigs during the period they are secured to or submerged onto the seabed of the OCS (Treasury Decision 54281(1)). Subsequent rulings applied the same principles to drilling platforms, artificial islands, and other installations and devices attached to the OCS for any of the requisite purposes.

In our interpretation of these provisions, we have held that the use of a vessel to blend, mix, and place cement in oil wells is not a use of the vessel in coastwise trade. On the basis of this ruling, we have ruled that the use of a non-coastwise-qualified vessel in oil well stimulation, described as the blending of specific mixtures of water, hydrochloric acid and other agents and then pumping the blended mixture into an oil field, is not coastwise trade. We have ruled that the transportation of the cement used in the oil wells and that of the chemicals, etc., used in the oil well stimulation is not coastwise trade subject to 46 U.S.C. 883 because such transportation is only of supplies incidental to the vessel's service which are consumed in that service.

Accordingly, the use of the STAR PEGUSUS as described, for oil/gas well stimulation services, whether the oil/gas wells are on the United States OCS or in territorial waters, would not violate the coastwise laws.

Sincerely,



Kathryn C. Peterson
Chief
Carrier Rulings Branch