ISSUE
4
JUNE
2012

ENVIRONMENTAL NEWS BULLETIN

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A Professional Environmental Firm

this issue

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New Non-Attainment Designations

On April 30, 2012, the EPA issued a final rule once again designating the Baton Rouge area as Non-Attainment under the 2008 8-Hour Ozone NAAQS. This time, however, the classification is marginal. The area includes the parishes of Ascension, East Baton Rouge, Iberville, Livingston, and West Baton Rouge. Under this NAAQS, there will be no other parishes in Louisiana designated as non-attainment. This rule will go into effect 60 days after publication in the Federal Register.

With this new designation, the Major Stationary Source/Major Modification Emission Thresholds are as follows:

Pollutant	Major Stationary Source Threshold Values (tons/year)	Major Modification significant Net Increase (tons/year)
VOC	100	40
NO_x	100	40
CO	100	100
SO_2	100	40
PM_{10}	100	15
$PM_{2.5}$	100	10

It should be noted that while the major source thresholds for the criteria pollutants have been increased, operators will be required to provide offsets for new sites with VOC or NO_x emissions greater than 50 tons/year and modified facilities with existing VOC or NO_x emissions greater than 50 tons/year and net emission increases of 25 tons/year or more (without regard to project decreases).

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This bulletin is intended to highlight recent environmental developments that may impact the oil and gas industry. As a service, HLP Engineering will continue to keep abreast of various changes and attempt to convey these developments through publications such as these. Any comments, requests for further information or specific advice concerning these or other environmental topics are certainly welcome and can be relayed to the appropriate contacts listed.

LDEQ Notice Concerning State Required Stack Testing

A potpourri notice was published on 6/20/2012 which outlines new requirements for state required performance testing for engines not subject to federal standards. Current permits may contain a specific condition to conduct performance tests at 80% or greater of the maximum permitted capacity. Testing under these conditions is not always possible due to field conditions. The notice states the future requirements in the permit will require testing within 10% of maximum permitted load or highest achievable load. If the test does not meet the 10% of maximum permitted load, the operator must monitor the load on a daily basis, and once the engine operates above or below 10% of the last tested load on a 30 day rolling average, a notification must be sent to LDEQ. LDEQ will then on a case-by-case basis, determine if a re-test is deemed necessary. HLP currently has a tracking tool that can be provided to assist operators in tracking the 30 day rolling average requirement.

Current permits with the 80% requirement listed must comply with the condition, submit for a variance prior to testing, or submit a permit modification. HLP can also assist with any of these actions.

Update - Subpart W of the GHG MRR

Subpart W of 40 CFR Part 98, Greenhouse Gas Mandatory Reporting Rule (GHG MRR), requires applicable oil and gas facilities to record, calculate, and report GHG emissions from several source types. EPA published the final rule on December 23, 2011.

On May 21, 2012, EPA published a proposed rule with technical corrections and clarifications to the GHG MRR. Data collection requirements, source types that require emission reporting, and the applicable industry segments have not changed.

The reporting threshold remains 25,000 metric tons CO_2 equivalent or more per year.

For the onshore production industry segment, facilities are grouped by basin (reference AAPG-CSD Geologic Provinces Code Map). The 25,000 metric tons of CO_2 equivalent annual reporting threshold applies to all equipment associated with all wells in a basin.

For the onshore processing and offshore production industry segments, each facility is evaluated individually against the 25,000 metric tons of CO_2 equivalent annual reporting threshold.

In the proposed rule, the population emission factors used to calculate fugitive emissions and the density of methane have been revised. These revisions are corrections to the significantly large values that were published in the December 2011 final rule.

June 20, 2012 was the deadline for submitting comments on the proposed rule to EPA. EPA will address comments and plans to publish final amendments before September 28, 2012.

Annual reports for the 2011 calendar year are due to the EPA by September 28, 2012.

Annual reports must be submitted to EPA via e-GGRT (Electronic Greenhouse Gas Reporting Tool). All facilities must be registered in e-GGRT by July 30, 2012. Facility registration is a one-time, multi-step process, potentially involving several individuals associated with the facility or supplier. All participants in the facility registration process must first register as e-GGRT users.

Please contact HLP if you have any questions about the GHG MRR, e-GGRT, and/or your company's GHG applicability.

HLP Engineering Environmental Management Database

For information on accessing HLP Engineering's Environmental Management Database, please visit www.hlpengineering.com or contact HLP Engineering to request log on information. An HLP representative will be happy to assist you with navigating the system and getting the most out of this management tool.

40 CFR 60 – Subpart OOOO: EPA Finalizes New Source Performance Standards (NSPS) for the Oil and Natural Gas Industry

On April 17, 2012, the U.S. Environmental Protection Agency (EPA) finalized new and amended air regulations/standards aimed to reduce emissions of Sulfur Dioxide (SO_2), Volatile Organic Compounds (VOCs), and air toxics from production, processing, transmission, and storage sectors of the oil and natural gas industry.

The final NSPS applies to new sources that begin construction (equipment purchase date for pneumatic controllers, storage vessels, and compressors) and existing sources that are modified or reconstructed after August 23, 2011. The final rule includes the first federal air standards for hydraulically fractured natural gas wells, along with requirements for storage tanks, pneumatic controllers, and compressors as follows:

<u>New Hydraulically Fractured or Refractured Gas Wells</u>

- Beginning on January 1, 2015, new hydraulically fractured natural gas wells (drilled after August 23, 2011) and existing natural gas wells that are re-fractured (i.e., modified sources) after August 23, 2011 must employ "green completion" techniques or "reduced emissions completions" to capture gas that escapes during flowback and make it available for use or sale – thereby reducing VOC emissions.
- Prior to January 1, 2015 (transition period to ensure "green completion" equipment is readily available), operators may reduce VOC emissions by routing this gas to a combustion device that achieves 95% or greater VOC reduction.
- Wildcat, delineation, and low-pressure wells (as defined in the regulations) are exempt from "green completion" requirements due to technical infeasibility and must instead use a combustion device to reduce VOC emissions.
- Also applies to operators who employ energized fracturing using inert gases (CO_2 or N_2).
- No impact on oil wells.
- Pre-notification (email to EPA no later than 2 days prior to well completion), recordkeeping, and reporting requirements apply to applicable wells.

<u>New or Modified Pneumatic Controllers</u>

- Applies only to continuous bleed controllers located between wellhead and point where gas enters transmission pipeline.
- Each new or replaced pneumatic controller purchased after August 23, 2011 at a natural gas processing plant must have zero VOC emissions (i.e. non-gas-driven). Those at other sites must have a gas bleed rate of no more than six cubic feet per hour (6 scfh).
- Does not apply to intermittent or low-bleed controllers (gas bleed rate ≤6 scfh).
- Does not apply to controllers in the transmission segment of the oil and gas industry.
- 1-year phase in period to replace controllers.
- Recordkeeping and reporting requirements apply to applicable controllers.

<u>New, Modified, or Reconstructed Storage Vessels</u>

- A permanent storage vessel purchased, modified, or reconstructed after August 23, 2011, that emits annual VOC

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Major Sources of Greenhouse Gases

If you are the owner or operator of a stationary source that emits, or has the potential to emit, 100,000 tons per year or more of carbon dioxide equivalents (CO_2e), and you have not been issued or applied for a Title V permit, federal and state regulations require you to apply for a Title V permit on or before July 1, 2012.

Produced Water Discharges in LA Territorial Seas

On June 10, 2011, the Louisiana First Circuit Court of Appeals remanded the oil and gas territorial seas general permit LAG260000. Existing facilities currently discharging produced water under LAG260000 (remanded) were asked to apply for coverage under an individual permit by submitting the Oil & Gas-IND (O&G-IND) permit application by April 1, 2012. If you are currently discharging produced water within territorial seas of the State of Louisiana, and have not applied for coverage under the O&G-IND, it is encouraged that you do so as soon as possible. Proposed/New facilities will not be eligible for discharges of produced water within territorial seas until an industry wide evaluation is completed on the effects that produced water has on the environment. A stakeholders meeting regarding this subject will be held by the LDEQ in July 2012.

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emissions of 6 tons per year (TPY) or more, must reduce VOC emissions by 95% or greater.
- Applies to each individual tank.
- Once controls are installed, they must remain in place regardless if VOC emissions drop below 6 TPY.
- 1-year phase in period to ensure enough combustion devices are available.
- Monitoring, recordkeeping, and reporting requirements apply to applicable tanks.

<u>New, Modified, or Reconstructed Compressors</u>

- Compressors purchased, modified, or reconstructed after August 23, 2011 located at natural gas gathering & boosting stations or natural gas processing plants are applicable.
- Centrifugal compressors using wet gas seals must reduce VOC emissions from wet gas seal systems by 95% or greater. Those using dry gas seals are not applicable.
- Reciprocating compressors equipped with rod packing systems must replace packing every 26,000 hours of operation or 36 months, whichever comes first.
- Does not apply to compressors in the transmission segment of the oil and gas industry.
- Does not apply to compressors located at a well site.
- Compliance date for compressors is at initial startup.
- Monitoring, recordkeeping, and reporting requirements apply to applicable compressors.

New (constructed after August 23, 2011) natural gas processing plants will be required to comply with more stringent leak detection and repair (LDAR) requirements to reduce VOC emissions. New sweetening units located at gas plants with a sulfur feed rate greater than or equal to 2-long tons per day and with 50% or greater hydrogen sulfide (H_2S) content are required to achieve minimum reduction efficiencies specific to feed rates and H_2S content. Existing plants currently applicable to 40 CFR 60-Subpart KKK and/or 40 CFR 60-Subpart LLL will continue to comply with those subparts unless the sources are modified.

Under the final rule, compliance with the emission limits will be required at all times. Exemption from compliance during periods of startups, shutdowns, and malfunctions will not apply.

40 CFR 63 – Subparts HH & HHH: EPA Revises National Emission Standards for Hazardous Air Pollutants (NESHAP) for the Oil and Natural Gas Industry

In addition to the new NSPS, EPA also finalized amendments to strengthen its existing NESHAP regulations (40 CFR 63-Subparts HH and HHH) that apply to "major sources" of toxic air emissions, as defined by the regulation. The provisions of these subparts that apply to "area sources" will remain unchanged.

- Emissions from all storage tanks (with and without potential for flash emissions) must now be counted when determining major source applicability under NESHAP.
- New requirements were added for small glycol dehydrators (those processing less than 3 MMSCFD of gas or emitting less than 1 TPY benzene). The final rule provides unit specific limits for emissions of BTEX based on gas throughput and composition.
- These revisions apply to both existing and new sources.
- EPA did not finalize the proposed air toxics standards for storage vessels without potential for flash emissions at this time.

These final rules will become effective 60-days after publication in the Federal Register. HLP Engineering will continue to follow these issues and provide additional information as it becomes available.

NESHAP ZZZZ Proposed Changes

The USEPA has recently proposed revisions to NESHAP Subpart ZZZZ. This revision is intended to help make the revisions promulgated in 2010 less burdensome to operators. There are three major changes that affect operators in regard to this regulation.

In the revisions promulgated in 2010, the USEPA expected some 4- stroke rich burn engines to test specifically for formaldehyde to show the appropriate reduction. In order to reduce the burden and cost of the test, the USEPA will allow for the formaldehyde reduction to be demonstrated by showing a 30% VOC reduction across the catalyst.

Another major change to the revisions promulgated in 2010 affects existing 4-stroke rich burn engines located at area sources with a horsepower rating greater than 500 HP. Engines in this category will be subject to management practices rather than numeric emission limits if the engine is determined to be at a location that is "remote from human activity". The regulation defines "remote from human activity" as a DOT class 1 pipeline location or, if the facility isn't on a pipeline, if within a 0.25 mile radius of the facility there are 5 or less buildings intended for human occupancy.

The last major change that is being proposed within the revisions affects diesel engines. The proposed changes will allow a diesel engine that is Tier 3 certified to automatically be deemed in compliance with this subpart.

There are some additional changes that affect engines located in the states of Alaska and California. HLP should be contacted if a breakdown of these changes is needed.

REPORTING REMINDERS

-MS Title V Semiannual Monitoring Reports due July 31, 2012

-MS 2011 AERR due July 1, 2012

-LA 2nd Quarter 2012 DMR's due July 28, 2012

-2011 GHG Annual Reports due September 28, 2012

-LA Title V Semiannual Monitoring Reports due September 30, 2012

-LA Semiannual General Condition R & XI reports due September 30, 2012