



Via e-mail

November 30, 2011

Gina McCarthy
Assistant Administrator
U.S. Environmental Protection Agency
Office of Air and Radiation
Mail Code: 6101A
Washington, DC 20460

Re: Comment for the Oil and Natural Gas Sector Consolidated Rulemaking, Docket ID No. EPA-HQ-OAR-2010-0505

Dear Assistant Administrator McCarthy:

Western Energy Alliance, Montana Petroleum Association and the North Dakota Petroleum Council (hereafter "the Associations") submit the following comments on the New Source Performance Standards and National Emission Standards for Hazardous Air Pollutants (NSPS/NESHAP). We appreciate the opportunity to participate in the process.

Western Energy Alliance represents 400 companies engaged in all aspects of environmentally responsible exploration and production of oil and natural gas across the West. The majority of our members are independent producers – small businesses with an average of twelve employees. Small businesses comprise 98% of the E&P sector of the oil and gas industry, and this regulation will be a particular burden for those small businesses.

The Montana Petroleum Association (MPA) is a voluntary, nonprofit trade association whose 169 members include oil and natural gas producers, gathering and pipeline companies, petroleum refineries, service providers and consultants. A majority of the oil and gas produced in Montana is produced by MPA members.

North Dakota Petroleum Council (NDPC) represents more than 300 companies involved in all aspects of the oil and gas industry. NDPC members produced 98% of the 113 million barrels of oil produced in North Dakota in 2010.

The Utah Petroleum Association (UPA) is a voluntary, statewide petroleum trade association representing companies involved in all aspects of Utah's oil and gas industry.

I. General Comments

The Associations Support Other Trade Association Comments

The Associations generally support the comments and analyses from other oil and gas trade associations such as those from the American Petroleum Institute, Gas Processors Association, American Exploration & Production Council, the Independent Petroleum Association of America, New Mexico Oil & Gas Association, Petroleum Association of Wyoming and America's Natural Gas Alliance. Our comments reflect a different emphasis than these other associations, as our membership is comprised mainly of smaller producers who are especially affected by the burdensome monitoring, record keeping, and reporting requirements. As small businesses, they do not have the resources that larger companies do to implement and comply with such burdensome, costly and complex regulations as the proposed NSPS/NESHAP rules.

Storage Tank Controls

One point on which the Associations differ from other trade associations is in requesting that storage tank controls not be based on barrels per day throughput. We are requesting EPA to consider basing tank controls on an emissions threshold instead. Due to the varying characteristics of oil and gas condensate, the current one barrel per day throughput limit could be requiring control of tanks with emissions below one ton per year of VOCs. The Associations propose EPA base tank controls on a VOCs emissions threshold per consolidated tank battery. This request is based on the fact that the majority of our members are small businesses, for which the proposed throughput controls would be particularly burdensome.

Environmental Group Litigation Should Not Trump Sound Science

The Associations understand that EPA is under court order to regulate as the result of a lawsuit from environmental groups operating. The court has ordered EPA to conduct its Clean Air Act (CAA) mandated eight year review and has imposed deadlines for any regulatory changes. The court order does not mean that EPA must make sweeping changes without proper deliberation based on solid science within that limited time.

EPA should tailor the rules to what it can justify based on science and what is practical to implement. EPA must make choices on what to regulate based on what is supported by science. EPA has not met minimum standards of science in this rule, and even admits that steps have been omitted, such as gathering air quality monitoring data. If the science and monitoring data are not available, EPA should have no choice but to regulate what is supported by science today, and then gather any missing data for potential future regulation.

We are particularly supportive of the Petroleum Association of Wyoming's discussion of how the proposed rules go well beyond even the terms of the settlement agreement. Since the proposal is five separate actions of over 100 pages in the Federal Register, we agree with PAW's assessment that the proposed rules are not commensurate with the court order. Rather than repeat the discussion hear, we fully incorporate by reference PAW's section II The February 28, 2012 Deadline to Which EPA Agreed for Finalizing the Rule Is Too Short Given This Proposal and, in Any Case, Does Not Compel the Agency to Finalize the Full Range of Proposed Standards at This Time.

Burdensome Red Tape

Overall, the proposed rules are extremely complex with a heavy burden of paperwork. The notification, record keeping, monitoring and reporting requirements required by this rule represent a huge administrative burden and expansion of government data collection without sufficient environmental benefit from the paperwork to justify the additional intrusion. Many companies regularly take measures to reduce methane emissions, in line with what this rule is requiring, and the net effect in many cases will be increased paperwork without corresponding environmental benefits.

The rules are extremely burdensome for companies as well as state regulators who will be required to process all the new paperwork. The proposed rules require operators to install expensive monitoring systems and flow meters that will generate more data without commensurate environmental benefit.

EPA claims the rules will reduce VOC emissions by 540,000 tons, and air toxics by 38,000 tons. However, by EPA's own data, oil and gas production is already a low source of VOC emissions, just 2.3% nationally.¹ In the proposed rules EPA even acknowledges that the residual risk from air toxics is already within the range that EPA considers acceptable. Clearly, the cost and red tape burden of these rules is not balanced with a corresponding environmental benefit.

Implementation Dates

Given the complexity of the rule, EPA should allow more time for implementation. The Associations request that the effective date for most provisions of the rule be sixty days after the final rule is issued. Operators will have enough difficulty complying with the new rule without having to figure out how to apply it retroactively. EPA has discretion for determining when the rule should be implemented, and it should use that discretion to ensure a fair timeframe that enables companies to first understand the final rule, and then apply it going forward.

¹ "National Air Quality Status and Trends through 2007" (EPA-454/R-08-006 November 2008); National Air Quality and Emissions Trends Report, 2003" (EPA-454/R-03-005 September 2003). For comparison, vehicles account for 38% of US VOC emissions; paints and solvents 27%; agriculture and forest fires 12%; and other industrial processes 14%.

The Associations request a longer implementation period for green completions. Given the time necessary to procure new equipment to handle all required green completions, it is not feasible to implement just sixty days after the rule is finalized. Completions would be drastically reduced for some period of time, putting at risk the industry's ability to supply the natural gas America demands to heat homes, generate electricity, provide manufacturing inputs, and back-up intermittent sources of renewable energy. The Associations would like to request the implementation date for green completions be one year from the date of publication of the final rule in the Federal Register.

Environmental Justice

We request that EPA consider environmental justice when finalizing this rule. The majority of our Association members are small businesses with an average of just twelve employees. These small businesses will struggle to comply with these complex rules, and in some cases may find that the additional regulatory burden prevents them from operating in certain circumstances. The Associations request that EPA find ways to lessen the regulatory burden on small businesses and the associated costs.

Likewise, the compliance costs for these consolidated rules are extremely high. As in any situation where resources must be diverted from productive economic activities such as oil and gas development to regulatory compliance, there will be negative economic and jobs impacts. We ask EPA to honestly consider the full costs that will be passed on to society by these regulations. One of the most significant in terms of environmental justice is lost jobs. Access to high-paying jobs such as in the oil and natural gas industry where average incomes are much higher than in other sectors, is a key means to reduce poverty. In addition, access to affordable energy for home heating, electricity generation, and transportation is another key component of environmental justice. Increasing the costs of production of oil and natural gas, which the NSPS/NESHAP rules do in a true accounting of the costs of compliance, will necessarily result in higher costs to consumers and less American energy production.

II. Cost/Benefit Analysis

EPA cost estimates for the proposed rules are extremely low, and don't take into account the full equipment and paperwork compliance costs. EPA estimates that the combined annual costs of meeting the proposed requirements would be \$754 million in 2015, which is unreasonably low given the number of facilities across the country and the elements missing from the analysis. Tanks are an example, as EPA considered just the cost of adding flares, but not the cost of the pad, piping, installation, monitoring equipment, and other equipment necessary to make the entire system work.

EPA has choices to make when it conducts a mandated eight-year review of an industrial sector. Within that review, EPA should take a careful look at the environmental benefits as well as the costs to the regulated industry and society. EPA actions can take significant resources away from job creation and economic growth and funnel it into regulation.

A Small Business Administration report shows that regulations cost American businesses \$1.75 trillion annually, about \$280 billion from environmental regulations.² At a time of slow economic growth and high unemployment, the Associations believe that much of those regulatory resources would be better spent invested in a productive capacity to grow jobs and the economy rather than more red tape.

In the NSPS/NESHAP rules, EPA has failed to adequately justify the costs compared to the environmental benefits, as we discuss below. For the reasons specified below, the Associations believe the cost-benefit analysis is fundamentally flawed and not an appropriate justification for the proposed rules. We believe the analysis should be redone to follow basic economic practices and to properly account for the costs and benefits of the pollutants that are the target of the rules, while eliminating the extreme overestimation of the methane capture benefits. Without a correct cost-benefit analysis, the rule is not properly justified and therefore of questionable validity.

Costs of Compliance Severely Underestimated

EPA acknowledges in the rule that 98% of the companies affected by the rules are small businesses. The full costs of the reporting and record-keeping systems necessary to comply with this rule are not quantified properly. The rule asks for an unprecedented level of detail from companies, much of it similar to the onerous Subpart W GHG reporting rule requirements, yet EPA has not adequately quantified those costs. This lack of full cost accounting is one element of many that we believe render EPA's cost-benefit analysis invalid.

Cost-Benefit Analysis Based on Emissions Not Covered by the Regulations

The proposed NSPS rule would regulate four new sources of minor source oil and gas production facilities for VOCs through operational and performance standards (including gas well fracturing completions/re-completions and pneumatic controllers) and imposing monitoring, record-keeping and reporting requirements as though these facilities were major sources of HAPs.

EPA is imposing very onerous regulations for the purposes of controlling VOCs and HAPs, yet cannot quantify the benefits of controlling either. However, the benefits EPA is claiming are all from methane capture, which is neither a criteria pollutant nor a HAP which are supposed to be the targets of the CAA. In addition to claiming benefit from

² [The Impact of Regulatory Costs on Small Firms](#), Nicole and Mark Crain for the SBA, Sept. 2010.

methane capture alone, the estimates of methane emissions prevented are extremely flawed.

EPA states in the rule that it did not have time to do air quality monitoring to support the rule. That does not obviate the need to do air quality monitoring to properly justify and inform the rule. Therefore, if air quality monitoring is needed and is not done, then EPA should take actions to conduct that monitoring so that the data are available to support future rule making. Lack of time does not mean proper procedure can just be dismissed. It means the rule must be commensurate with the science available at the time of rule making.

Scientifically Flawed Overestimation of Methane Emissions

On the other hand, EPA's benefit estimates are extremely high, and claim the capture of 3.4 million tons of recovered methane will net \$45 million annually. EPA is assuming only a small percentage of facilities currently capture gas, and takes credit for the full economic benefit of something many companies are already doing where the operational conditions allow.

Even assuming a cost-benefit analysis based on methane capture is valid justification for a VOC/HAP regulation, the analysis is based on flawed methane emissions. The IHS CERA report *Mismeasuring Methane: Estimating Greenhouse Gas Emissions from Upstream Natural Gas Development* is a concise, clear summary of why EPA's methane emissions estimates are flawed.³ That report should become part of the docket for this rule-making, and EPA should revise its rule to correct the scientific errors that form the basis of this rule and its associated cost-benefit analysis.

EPA's estimates of potential methane emissions and hence the benefits from capture are grossly overestimated.⁴ EPA claims 130 million metric tons of CO₂-equivalent (mtCO₂e) are emitted annually from gas wells during well completion/flowback, whereas IHS CERA's estimates are 43 mtCO₂e of methane emitted (IHS CERA Report, p. 8). The IHS CERA report shows in detail how EPA's 2010 revised emissions analysis over estimates emissions. We will not repeat all the findings, as the study is very succinct and easy to follow. However, we would like to highlight a few points.

Poor Assumptions: EPA assumes 49% of gas is vented and 51% flared during flowback nationwide because it assumes that flaring does not take place unless specifically required by the regulating state. IHS shows how this assumption is contrary to industry practice, and how this faulty assumption is extrapolated from just four States. (IHS CERA p. 7)

³ IHS CERA, [*Mismeasuring Methane: Estimating Greenhouse Gas Emissions from Upstream Natural Gas Development*](#), August 2011.

⁴ US Environmental Protection Agency, *Greenhouse Gas Emissions Reporting from the Petroleum and Natural Gas Industry: Background Technical Support Document*, 2010.

“Here is the basic problem: EPA’s analysis relies on assumptions that are at odds with industry practice and with health and safety considerations at the well site. IHS CERA believes that EPA’s methodology for estimating these emissions lacks rigor and should not be used as a basis for analysis and decision making.” (IHS CERA Report p. 5)

Association members routinely flare rather than vent, and many engage in green completions practices even when not explicitly required by regulation. By ignoring common industry practice, EPA then makes the faulty assumption that its rules will provide benefits of reduced emissions when those emissions are already being captured today.

Another incorrect assumption which leads to overestimations of methane emissions is that flowback contains as much methane as post-completion daily production. This is a fundamental error, since the gas stream builds slowly during flowback until initial production levels are achieved after completion.

Samples Inappropriate for Estimating Emissions: IHS CERA shows how EPA’s estimates are based on averaging just four data points of widely varied sample sizes and questionable data quality, each of which was based on multiple assumptions and rounded prior to averaging. “A simple average of these points does not provide a rigorous estimate of industry emissions.” (IHS CERA p. 6)

Two of the four data points represent the amount of gas recovered during green completions documented through the Natural Gas STAR program. Using the amount of gas captured is not an accurate way to estimate emissions. EPA simply assumes that the methane captured would otherwise have been flared or vented, an assumption that is contrary to standards of industry practice. So two of only four data points are not even appropriate for estimating methane emissions.

Limited Geographic Area: Besides being an unscientifically small sample, the samples are from a limited geographic area. Given the differences between wells even within the same field, a rigorous scientific estimate must rely on a large sample size from a wide variety of production basins across the US, not just a very few fields in a limited number of states. For example, an extremely limited sample of 22 condensate and 11 crude oil tanks in East Texas is used to set throughput VOC thresholds for condensate and crude oil tanks nationwide.

Failure to Quantify Costs: EPA employs questionable economic methods which ignore basic principles of economics, and fails to fully account for the costs to the regulated industry and society. The Manufacturers Alliance/MAPI report *Regulatory Sleight of Hand* outlines in detail the flawed nature of EPA cost-benefit analyses and underlying

economic deficiencies, and should be part of the docket for this rule.⁵ EPA is claiming a net savings of \$29 million based on exaggerated estimates of methane emissions, taking credit for things that companies are already doing, and not taking account of the sizeable costs of compliance. The level of detail and data required by this regulation is unprecedented and intrusive. EPA completely fails to quantify the large costs of instituting the record keeping and reporting systems that companies must implement to comply with this rule. The burden on small producers is particularly acute.

EPA uses inadequate assumptions that further minimize costs. For example, EPA assumes 304 tanks per year nation wide will be subject to this rule, and bases its costs accordingly. This is an unjustifiably low estimate, as even one field under development in just one basin could see that level of tank additions in one year. That erroneous assumption leads to very low cost estimates of the equipment that must be procured and installed.

For all these reasons, EPA should re-do the cost-benefit analysis using the IHS CERA data rather than their own flawed estimates. EPA knew from many comments received during the rule-making process for Subpart W greenhouse gas reporting completed earlier this year that its estimates of methane emissions are grossly inflated. We believe it is regrettable that EPA knowingly continues to use those same flawed estimates to underpin yet another rule.

III. Technical Comments

General

For easy reference, below is a chart summarizing and cross referencing our detailed technical comments, with alternative solutions as requested by EPA. Full details for each technical comment follow the chart.

⁵ [*Regulatory Sleight of Hand: How the EPA's Cost-Benefit Analyses Promote More Regulation and Burden Manufacturers*](#), by Garrett A. Vaughn, Economist, for the Manufacturers Alliance/MAPI, April 2006.

| Comment | Citation | Proposed alternative | Reference |
|--|---|--|---|
| The proposed rule would regulate many low-VOC natural gas streams and small sources, instituting very burdensome compliance, reporting, recordkeeping requirements. | § 60.5365 <i>Am I subject to this subpart?</i> | The Associations request that subpart OOOO include an exemption threshold of 10 percent VOC content by weight for regulated gas streams, for all affected facilities covered by the proposed rule. | See further discussion under <u>General</u> , p. 15 |
| Refracturings/recompletions of previously “completed” wells are supplementary or required maintenance activities and are part of the normal operation of existing wells, and should not be considered “well completions” by the proposed rule. | § 60.5365(a) <i>For the purposes of this subpart, a well completion operation following hydraulic fracturing or refracturing that occurs at a gas wellhead facility</i> | We support the ANGA/AXPC and API positions on this issue, and the Alliance requests that refracturings/recompletions are not regulated similar to new completions. | See further discussion under <u>Gas Wellhead Affected Facility/Green Completions</u> , p. 15 |
| EPA needs to provide exemptions for when it is infeasible to use pipelines (or no existing access) for reduced emission completion (REC). | § 60.5375 <i>What standards apply to gas wellhead affected facilities?</i> | Exemptions should include: <ul style="list-style-type: none"> • There is no pipeline • The pipeline is owned by another party • Gas is not pipeline quality • It is not feasible to reach the pipeline • The pipeline does not have space • It is not economical. Operators should not have to sell the gas at a loss. | See <u>Gas Wellhead Affected Facility/Green Completions</u> , p. 15 |
| Venting may be necessary if pit flaring is infeasible. | § 60.5375 <i>What standards apply to gas wellhead affected facilities?</i> | EPA needs to provide exemptions allowing venting, for example: low Btu gas, low pressure, flowback is incombustible, or where are safety hazards or local ordinances prohibit flaring. | See <u>Gas Wellhead Affected Facility/Green Completions</u> , p. 15 |

| Comment | Citation | Proposed alternative | Reference |
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| No advanced (30-day) or follow-up (48 hours) notification should be required for REC. | § 60.5420(a)(2) (Also Preamble, p. 52749) | The Associations propose that EPA remove the notification requirements. Recordkeeping should be sufficient for compliance. Permits are already required from local authorities for drilling activity and state commission websites can provide such information. | See Gas Wellhead Affected Facility/Green Completions , p. 16 |
| The proposed rule's annual reporting requirements are very burdensome, with multiple tracking and reporting obligations for many facilities. | § 60.5420(b) <i>You must submit annual reports...</i> | The Associations propose that EPA set an annual reporting date of September 30 th for all applicable sources and that each company is permitted to submit one annual report, which would include all facilities subject to the new NSPS. | See Gas Wellhead Affected Facility/Green Completions , p. 16; Compressors p. 17; Pneumatic Controllers p. 19; Storage Vessels p. 20 |
| The definitions in the proposed rule do not differentiate between a gas well versus an oil well: <i>Gas well means a well, the principal production of which at the mouth of the well is gas.</i> | § 60.5430 <i>What definitions apply to this subpart?</i> | The Associations propose that EPA adopt the gas well definition for each state as defined by the state oil and gas governing body. | See Gas Wellhead Affected Facility/Green Completions , p. 16 |
| For centrifugal compressors, the Associations support the use of wet seals with a closed vent system and control device as an acceptable alternative to installing dry seals. | § 60.5380(a) <i>You must equip each rotating compressor shaft with a dry seal system upon initial startup.</i> | The Associations support ANGA's position. | See Compressors , p.17 |

| Comment | Citation | Proposed alternative | Reference |
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| The Associations support ANGA’s comments and position(s) regarding the proposed rule’s requirements for replacement of reciprocating compressor rod packing. | § 60.5385(a) <i>You must replace the reciprocating compressor rod packing before the compressor has operated 26,000 hours.</i> | The Associations suggest “replace” should be changed to “inspect and maintain”. | See <u>Compressors</u> , p.17 |
| The rule does not address intermittent-bleed (snap acting) pneumatic controllers, which vent only when actuated. It is our understanding that EPA intended to exclude intermittent and manually initiated pneumatics from the proposed rule. | § 60.5390 <i>What standards apply to pneumatic controller affected facilities?</i> | The Associations support the omission of snap acting and manually initiated pneumatics from the rule, and request that EPA clarify that intermittent devices are not subject to the standards. | See <u>Pneumatic Controllers</u> , p.18 |
| The Associations request that EPA provide additional information on documenting when the use of high bleed pneumatic controllers is allowed. | § 60.5390(a) | EPA should provide well-defined, specific examples of exemptions, when high bleed can be used: <ul style="list-style-type: none"> • Where the natural gas includes impurities that could increase the likelihood of fouling a low bleed pneumatic controllers; • Where weather conditions could degrade pneumatic controller performance; • During emergency conditions; • Where flow is not sufficient for low bleed pneumatic controllers; • Where electricity is not available. | See <u>Pneumatic Controllers</u> , p.18 |

| Comment | Citation | Proposed alternative | Reference |
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| <p>For gas processing plants, the Associations propose exemption thresholds of <25,000,000 scf/day and <40 pneumatic controllers per plant.</p> | <p>§ 60.5390(b): <i>Each pneumatic controller affected facility located at a natural gas processing plant (as defined in § 60.5430) must have zero emissions of natural gas.</i></p> | | <p>See <u>Pneumatic Controllers</u>, p.18</p> |
| <p>Manufacturers will not guarantee that a pneumatic controller is low bleed, which depends on too many factors and operational variables.</p> | <p>§ 60.5420(b)(5)(iii) <i>For pneumatic controllers not installed at a natural gas processing plant, the manufacturer’s guarantee that the device is designed such that natural gas emissions are less than 6 standard cubic feet per hour.</i></p> | <p>The Associations recommend removing references to “guarantee” and proposes using “rated” low bleed. The equipment design/specification information from the manufacturer should be sufficient to demonstrate compliance.</p> | <p>See <u>Pneumatic Controllers</u>, p.19</p> |
| <p>The Associations believe the applicability date of August 23, 2011 makes compliance very difficult for pneumatic controllers.</p> | | <p>We request that the compliance date be extended to sixty days after the final rule is issued.</p> | <p>See <u>Pneumatic Controllers</u>, p.19</p> |

| Comment | Citation | Proposed alternative | Reference |
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| For storage vessels, it is more appropriate that the threshold for requiring installation of emission controls to reduce VOC emissions be emissions based, rather than throughput based (barrels/day), as EPA has proposed in the rule. | § 60.5395 <i>What standards apply to storage vessel affected facilities?</i> | The Associations request a 20 TPY VOCs threshold for the entire battery or tank farm of condensate or crude oil tanks at a site. | See further discussion under <u>Storage Vessels</u> , p. 19 |
| Storage vessels requirements in the proposed rule reference NESHAP Subpart HH, which can be very confusing and would make compliance difficult. Also, NESHAP Subpart HH record keeping only requirements are referenced, and converted to annual reporting requirements in the new rule, including for exempt tanks. | § 60.5395 <i>What standards apply to storage vessel affected facilities?</i> | The Associations request that all subpart OOOO requirements should be contained in the subpart, instead of referencing of NESHAP Subpart HH. In addition, subpart OOOO should not convert subpart HH recordkeeping requirements to annual reporting requirements, and annual reports should not be required for documenting tanks that are not subject to the new standards. | See <u>Storage Vessels</u> , p. 19 |
| If a combustor or flare has no flame, emissions from startup, shutdown and malfunction (SSM) should not count towards the 95 percent control of VOC emissions compliance period or normal conditions. | § 60.5415(e) (Also Preamble, p. 52766) | For SSM, the Associations recommends a provision providing up to 24 hours before control equipment downtime is deemed a malfunction. The Associations also support the ANGA and GPA comments on SSM. | See <u>Storage Vessels</u> , p.20 |
| The Associations request that the definitions of condensate and crude oil provided by EPA in the proposed subpart be removed. | § 60.5430 | | See <u>Storage Vessels</u> , p.20 |

| Comment | Citation | Proposed alternative | Reference |
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| The Associations support GPA's positions on the proposed new leak rate definitions, and the burdensome and costly requirements. | | | See <u>Equipment Leaks</u> , p.21 |
| The Associations do not support any third party verification requirement in the proposed rule. | Preamble, p. 52750 | | See <u>Preamble Comments</u> , p.2 1 |
| The Associations do not support a performance based standard for REC. | Preamble, p. 52758 | | See <u>Preamble Comments</u> , p. 21 |
| The Associations agree with EPA that small regulated entities will have less access to and more difficulty obtaining the equipment required for REC than larger entities. | Preamble, p. 52759 | The Associations request an implementation/ compliance date for REC of 1 year from the date of publication of the final rule in the Federal Register. This would allow smaller entities/operators additional time to obtain the required equipment. | See <u>Preamble Comments</u> , p. 21 |

§ 60.5365 Am I subject to this subpart?

The Associations request that subpart OOOO include an exemption threshold of 10 percent VOC content by weight for regulated gas streams, for all affected facilities covered by the proposed rule. As proposed, the rule would regulate a large number of low-VOC natural gas streams and small sources, initiating very burdensome compliance, reporting, and recordkeeping requirements, without any significant environmental benefits. Including such an exemption of 10 percent VOC content by weight has a precedent in subpart KKK, and operators should be allowed to be in compliance with the new standard by verifying that the VOC content of any regulated natural gas stream is not reasonably expected to exceed this threshold. In addition, see Memorandum from Heather P. Brown, PE (EC/R Incorporated) to Bruce Moore (EPA/QAPS/SSPD), "Composition of Natural Gas for use in the Oil and Natural Gas Sector Rulemaking" July 28, 2011, as referenced in ANGA's comments, in support of such a threshold.

Gas Wellhead Affected Facility/Green Completions

§ 60.5365 Am I subject to this subpart?

§ 60.5365(a): *A gas wellhead affected facility is a single natural gas well.*

The Associations believe reporting for each reduced emission completion (REC), or "green completion," is burdensome. EPA should consider simplifying reporting to a company-wide level. Also, as detailed further below, EPA's definition of a gas well should be based on each state's Oil and Gas Commission or Oil and Gas governing body.

§ 60.5370 When must I comply with this subpart?

The Associations request an implementation date for REC of one year from the date of publication of the final rule in the federal register. This would allow facilities sufficient time to fully comply, especially smaller entities/operators that may have difficulty obtaining the required equipment and/or service companies.

§ 60.5375 What standards apply to gas wellhead affected facilities?

The Associations request a feasibility based threshold for requiring REC, including specifying exemptions. The criteria for requiring REC should be if it is possible to capture the gas. There are many factors involved, including:

- Is there a pipeline?
- Is it owned by another party?
- Is the gas pipeline quality?
- Is it feasible to reach the pipeline?
- Does the pipeline have space?
- Is it economical? Operators should not have to sell the gas at a loss.

In addition, EPA needs to provide exemptions allowing venting where pit flaring is infeasible (e.g. low Btu gas, low pressure, etc.).

§ 60.5420 What are my notification, reporting, and recordkeeping requirements?

§ 60.5420(a)(2): If you own or operate a gas wellhead affected facility, you must submit a notification to the Administrator within 30 days of the commencement of the well completion operation.

The Associations request that no advanced (30-day) or follow-up (48 hours) notification should be required for REC. The proposed rule's recordkeeping and reporting requirements should be sufficient for compliance. Advanced notification would be difficult for operators, requiring a determination of the exact date of each REC, and necessitate burdensome tracking and documentation. As permits are already required from local authorities for drilling activity, the proposed 30-day advanced notice requirement in the proposed rule appears to be unnecessary.

§ 60.5420(b): You must submit annual reports...

The Associations request that EPA require only recordkeeping for REC compliance and once a year consolidated annual reporting for each company. The proposed rule's annual reporting requirements are very burdensome, with multiple tracking and reporting obligations for many facilities. The Associations believe that reporting for every REC would be an ineffective use of operators' time and resources, with high administrative costs, along with generating an excessive quantity of paperwork.

§ 60.5430 What definitions apply to this subpart?

Delineation well means a well drilled in order to determine the boundary of a field or producing reservoir.

Wildcat well means a well outside known fields or the first well drilled in an oil or gas field where no other oil and gas production exists.

The Associations request that EPA remove the definitions for delineation and wildcat wells.

Gas well means a well, the principal production of which at the mouth of the well is gas.

The Associations request that EPA modify the definition in the proposed rule for a gas well. The proposed rule does not differentiate between a gas well versus an oil well. The Associations propose that EPA adopt the gas well definition as defined by each state's Oil and Gas Commission or Oil and Gas governing body. Each state may have a different gas to oil ratio that determines how the Oil and Gas Commission assigns that definition to each well. By defaulting to each respective states' in-house definition, EPA can avert any confusion associated with having to apply different criteria (NSPS versus state regulations)

for how to define a well-type in assessing the applicability of the NSPS subpart OOOO rule, once it is finalized.

In addition, EPA's definition of a gas well should also exempt wells based on the criteria discussed in the Associations' comments for § 60.5375 above.

General comments applicable to REC:

- The Associations do not support any third party verification requirement in the proposed rule.
- The Associations request that recompletions not be regulated similar to new completions. Recompletions should be considered part of the routine and required maintenance activities at a completed well.
- The Associations agree with EPA that small regulated entities will have more difficulty obtaining the equipment required for REC than larger entities.

Compressors

§ 60.5420(b): *You must submit annual reports...*

The Associations propose EPA set an annual reporting date for all applicable sources (e.g. September 30th every year). Annual Reporting is expected to be very burdensome, and would be especially so, for operators with many compressors, each with varying initial startup dates, requiring individual tracking and reporting under the proposed rule.

§ 60.5380(a): *You must equip each rotating compressor shaft with a dry seal system upon initial startup.*

For centrifugal compressors, the Associations support the use of wet seals with a closed vent system and control device as an acceptable alternative to installing dry seals. The Associations support ANGA's position: "...we recommend that EPA retain this option in the final rule, although dry seals are likely to be used in the vast majority of cases. In the case of an existing unit that undergoes a modification, for example, changing to dry seal may be cost prohibitive or technically impossible."

§ 60.5385(a) *You must replace the reciprocating compressor rod packing before the compressor has operated 26,000 hours.*

For reciprocating compressors, the Associations suggest "replace" should be changed to "inspect and maintain". The Associations support ANGA's comments and position(s) on this issue:

- "First, we recommend the final rule refer to rod packing maintenance rather than rod packing replacement. The rod packing components associated restoring performance may not all need to be discarded, and some components may not

need to be “replaced”. EPA’s proposed terminology may inadvertently preclude operators from using proven maintenance practices to address rod packing leakage.”

- “Second, we recommend increasing the time before a complete rod packing replacement or component replacement is required from 26,000 hours of operation to 35,000 hours of operation. “
- “Third, we also recommend the option of testing the leak rate of the packing after 35,000 hours of operation and every subsequent 8,760 hours of operation to determine if a complete rod packing replacement or component replacement is required. “

Pneumatic Controllers

§ 60.5390 What standards apply to pneumatic controller affected facilities?

The rule addresses continuous low bleed and high bleed pneumatic controllers, but does not address intermittent-bleed (snap acting) pneumatic controllers, which vent only when actuated. It is our understanding that EPA intended to exclude intermittent and manually initiated pneumatics from the proposed rule. While the Associations support the omission of snap acting and manually initiated pneumatics from the rule, we request that EPA clarify the preamble and add definitions explaining that intermittent devices are not subject to the standards. (Comment also applies to § 60.5430)

§ 60.5390(a): *The requirements of paragraph (b) or (c) of this section are not required if you demonstrate, to the Administrator’s satisfaction, that the use of a high bleed device is predicated. The demonstration may include, but is not limited to, response time, safety and actuation.*

The Associations request that EPA provide additional information on documenting when the use of high bleed pneumatic controllers is allowed. In addition, EPA should also provide well-defined, specific examples (and technical documentation) of exemptions, when high bleed can be used:

- Where the natural gas includes impurities that could increase the likelihood of fouling a low bleed pneumatic controllers, such as paraffin or salts;
- Where weather conditions could degrade pneumatic controller performance;
- During emergency conditions;
- Where flow is not sufficient for low bleed pneumatic controllers;
- Where electricity is not available.

§ 60.5390(b): *Each pneumatic controller affected facility located at a natural gas processing plant (as defined in § 60.5430) must have zero emissions of natural gas.*

For gas processing plants, the Associations propose exemption thresholds of <25,000,000 scf/day and <40 pneumatic controllers per plant.

§ 60.5420(b): *You must submit annual reports...*

Annual reporting is very burdensome overall, and could be simplified by the designation of one date for all annual reporting. Otherwise, tracking different annual report dates by facility would become confusing and difficult to manage. The Associations propose a set annual reporting date for all applicable sources (including pneumatic controllers) rather than a different annual data per facility.

§ 60.5420(b)(5)(iii): *For pneumatic controllers not installed at a natural gas processing plant, the manufacturer's guarantee that the device is designed such that natural gas emissions are less than 6 standard cubic feet per hour.*

Manufacturers will not guarantee that the device is low bleed, which depends on too many factors and operational variables. The Associations recommend removing references to "guarantee" and proposes using "rated" low bleed. The equipment design/specification information from the manufacturer should be sufficient to demonstrate compliance.

The Associations believe the applicability date of August 23, 2011 makes compliance very difficult for pneumatic controllers. We request that the compliance date be extended to sixty days after the final rule is issued.

Storage Vessels

§ 60.5365 Am I subject to this subpart?

§ 60.5365(e): *A storage vessel affected facility, which is defined as a single storage vessel.*

The Associations request the EPA clearly confirm in the final rule that the proposed NSPS only apply to newly constructed tank farms or reconstruction, as defined under 40 CFR part 60.

Furthermore, the Associations believe a storage vessel affected facility should not be defined as a single storage vessel. The affected facility should not be every tank, but instead an entire tank farm or battery, including all tanks that store only condensate or crude oil.

§ 60.5395 What standards apply to storage vessel affected facilities?

(1) The annual average condensate throughput is less than 1 barrel per day per storage vessel.

(2) The annual average crude oil throughput is less than 20 barrels per day per storage vessel.

The Associations request that the threshold for requiring installation of emission controls to reduce VOC emissions 95 percent should be VOC emissions based, instead of EPA's proposed throughput levels (barrels/day). The Associations request a 20 TPY VOCs threshold for all tanks at a site (defined as the tank farm or battery). Additionally, we recommend that the proposed standards only apply to storage tanks with a capacity of greater than 500 barrels.

§ 60.5415(e)

The Associations support ANGA's position that if a combustor or flare has no flame, emissions from an upset/malfunction (startup, shutdown and malfunction, or SSM) should not count towards the 95 percent control of VOC emissions compliance period or normal conditions.

Furthermore, we request a provision that would provide up to 24 hours before control equipment downtime is determined to be a malfunction, after which reporting is required. If equipment downtime is less than 24 hours, the facility would keep records of any incident, but no reporting would be necessary. For malfunctions (more than 24 hours), the facility/operator would notify EPA (or the delegated state or local regulatory authority) to provide the justification explaining why the required maintenance could not be completed. Without such a provision for SSM, the proposed requirements would be very burdensome, generating excessive paperwork and additional costs for operators.

§ 60.5420(b)(6)

The Associations request that EPA require only recordkeeping for storage vessels compliance, instead of burdensome annual reporting. The level of annual reporting proposed would be very difficult for companies to effectively complete, due to the vast number of tanks farms, and would be especially burdensome on small operators. Compliance with the proposed NSPS can and should be verified by inspections instead of submissions of annual reports.

In addition, we request that subpart OOOO should not have annual reporting requirements associated with documenting that tanks are not subject to the new standards. As proposed, subpart OOOO references NESHAP Subpart HH record keeping only requirements, and therefore, these should not be converted to annual reporting requirements in the new rule, including for exempt tanks.

§ 60.5430

The Associations request that the definitions of condensate and crude oil provided by EPA in the proposed subpart be removed.

The Associations support ANGA's request that EPA keep all storage vessel NSPS requirements in Subpart OOOO, instead of the proposed rule's referencing of NESHAP Subpart HH, in order to improve readability and clarity.

Equipment Leaks

The Associations support GPA's positions on the proposed new leak rate definitions, and the burdensome and costly requirements. Also, we agree with EPA's determination for production facilities that "We are, therefore, not proposing NSPS for addressing VOC emissions from equipment leaks at these facilities."

Preamble Comments

V. Summary of Proposed Decisions and Actions

D. What are the innovative compliance approaches being considered?

2. Third Party Verification, p. 52750

We also solicit comment on the range of potential activities the third party verification program could handle with regard to well completions.

We are seeking comment on whether or not the EPA should approve third party verifiers.

The Associations do not support any third-party verification requirement in the proposed rule. EPA has the authority to determine compliance by inspections and other means. Third-party verification requirements would be burdensome, incurring excessive additional costs and generating unnecessary paperwork.

VI. Rationale for Proposed Action for NSPS

B. What are the results of our evaluations and proposed actions relative to NSPS?

4. What are the rationales for the proposed NSPS?

a. NSPS for Well Completions, p. 52758

The EPA requests comment on this and seeks input on whether alternative approaches to requiring REC for all operators with access to pipelines may exist that would allow operators to meet a performance-based standard if they can demonstrate that an REC is not cost effective.

The Associations do not support a performance based standard for REC. Such a standard would require monitoring that is not readily available or implemented.

a. NSPS for Well Completions, p. 52759

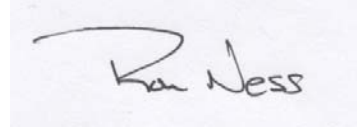
On the other hand, some small regulated entities may have less access to REC than larger regulated entities might have.

The Associations agree with EPA that small regulated entities will have less access to and more difficulty obtaining the equipment required for REC than larger entities. We request an implementation/compliance date for REC of 1 year from the date of publication of the final rule in the Federal Register. This would allow smaller entities/operators additional time to obtain the required equipment.

Sincerely,



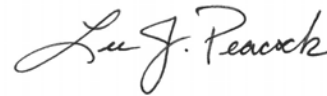
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Encl.